DRAFT RED HERRING PROSPECTUS
100% Book Building Issue
Dated August 26, 2010

PUNJAB & SIND BANK

Constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 **("Bank Acquisition Act")** on April 15, 1980

The Bank was incorporated on June 24, 1908, as 'The Punjab and Sind Bank Limited', with its registered office at Hall Bazar, Amritsar, Punjab, India. The Bank was nationalised under the Bank Acquisition Act on April 15, 1980 and its name was changed to 'Punjab & Sind Bank'. For details of changes in the head office of the Bank, see "***History and Certain Corporate Matters***" on page 136.

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Promoter: The President of India, acting through the Ministry of Finance, Government of India

PUBLIC ISSUE OF UP TO 4,00,00,000 EQUITY SHARES OF RS. 10 EACH (THE "EQUITY SHARES") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE OF PUNJAB & SIND BANK ("THE BANK" OR "THE ISSUER") AGGREGATING RS. [●] CRORE (THE "ISSUE"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 3,80,00,000 EQUITY SHARES (THE "NET ISSUE") AND A RESERVATION OF 20,00,000 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (AS DEFINED HEREINBELOW) (THE "EMPLOYEE RESERVATION PORTION"), AT THE ISSUE PRICE. THE ISSUE SHALL CONSTITUTE 17.93% OF THE POST-ISSUE SHARE CAPITAL OF THE BANK. THE NET ISSUE SHALL CONSTITUTE 17.04% OF THE POST-ISSUE SHARE CAPITAL OF THE BANK.

THE PRICE BAND, THE RETAIL DISCOUNT, THE EMPLOYEE DISCOUNT AND THE MINIMUM BID LOT WILL BE DECIDED BY THE BANK IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND ADVERTISED IN TWO NEWSPAPERS (ONE IN ENGLISH AND ONE IN HINDI) AT LEAST TWO WORKING DAYS PRIOR TO THE BID/ISSUE OPENING DATE.*

Discount of Rs. [●] and Rs. [●] to the Issue Price is being offered to Retail Individual Bidders ("Retail Discount**") and Eligible Employees (the "**Employee Discount**"), respectively.*

THE FACE VALUE OF THE EQUITY SHARE IS Rs. 10 EACH.

In case of revision in the Price Band, the Bid/Issue Period will be extended for at least three additional Working Days after revision of the Price Band subject to the Bid/Issue Period not exceeding a total of 10 Working Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers ("**BRLMs**") and at the terminals of the Syndicate.

In terms of Rule 19(2)(c) of the Securities Contracts (Regulation) Rules, 1957, as amended, (the "**SCRR**") as applicable to "public sector companies", this being an Issue for at least 10% of the post-Issue paid up equity share capital, the Issue is being made through the Book Building Process wherein up to 50% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**") (the "**QIB Portion**"), provided that the Bank may allocate up to 30% of the QIB Portion, to Anchor Investors, on a discretionary basis (the "**Anchor Investor Portion**"). For details, see ***"Issue Procedure"*** on page 369. Further 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 20,00,000 Equity Shares shall be made available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price. Any Bidder may participate in this Issue through the ASBA process by providing the details of the relevant bank accounts in which the corresponding Bid amounts will be blocked by Self Certified Syndicate Banks ("**SCSBs**"). For details in this regard, specific attention is invited to "***Issue Procedure***" on page 369.

RISKS IN RELATION TO FIRST ISSUE

This being the first public issue of equity shares of the Bank, there has been no formal market for the Equity Shares. The face value of the Equity Shares is Rs. 10 per Equity Share, the Floor Price is [●] times the face value and the Cap 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 offered by way of the Book Building Process and as stated in "***Basis for Issue Price***" on page 36) 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.

IPO GRADING

This Issue has been graded by [●] as [●], indicating [●]. The IPO grade is assigned on a five –point scale from 1 to 5, with IPO grade 5/5 indicating strong fundamentals and IPO grade 1/5 indicating poor fundamentals. For more information on the IPO Grading, see "***General Information***" on page 16.

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

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the BSE and the NSE. We have received in-principle approvals from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated [●] and [●], respectively. [●] is the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE ISSUE
SBI Capital Markets Limited	ENAM	ICICI Securities	LINK INTIME INDIA PVT LTD (Formerly INTIME SPECTRUM REGISTRY LTD)
SBI CAPITAL MARKETS LIMITED 202, Maker Tower 'E' Cuffe Parade, Mumbai 400 005, India Tel: (+91 22) 2217 8300 Fax: (+91 22) 2218 8332 E-mail: psb.ipo@sbicaps.com Investor Grievance E-mail: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Mr. Gitesh Vargantwar / Mr. Murtuza Patrawala SEBI Registration No.: INM000003531	**ENAM SECURITIES PRIVATE LIMITED** 801, Dalamal Towers Nariman Point, Mumbai 400 021, India Tel: (+91 22) 6638 1800 Fax: (+91 22) 2284 6824 E-mail: psb.ipo@enam.com Investor Grievance E-mail: complaints@enam.com Website: www.enam.com Contact Person: Mr. Sanjeev Vasudeva SEBI Registration No.: INM000006856	**ICICI SECURITIES LIMITED** ICICI Centre H. T. Parekh Marg, Churchgate Mumbai 400 020, India Tel: (+91 22) 2288 2460 Fax: (+91 22) 2282 6580 E-mail: psb.ipo@icicisecurities.com Investor Grievance E-mail: customercare@icicisecurities.com Website: www.icicisecurities.com Contact Person: Mr. Viral Shah / Mr. Vishal Kanjani SEBI Registration No.: INM000011179	**LINK INTIME INDIA PRIVATE LIMITED** C-13, Pannalal Silk Mills Compound L.B.S Marg, Bhandup (West) Mumbai 400 078, India Tel: (+91 22) 2596 0320 Fax: (+91 22) 2596 0329 Email: psb.ipo@linkintime.co.in Website: www.linkintime.co.in Contact Person: Mr. Sachin Achar SEBI Registration No: INR000004058

BID/ISSUE PERIOD*		
BID/ISSUE OPENS ON	**FOR ALL BIDDERS**	[●]
BID/ISSUE CLOSES ON	**FOR QIB BIDDERS**	[●]
	FOR RETAIL AND NON-INSTITUTIONAL BIDDERS (INCLUDING ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION)	[●]

**The Bank may consider participation by Anchor Investors. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Issue Opening Date.*

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SECTION I – GENERAL
DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates, the following terms have the meanings given below. References to statutes, rules, regulations, guidelines and policies will be deemed to include all amendments and modifications notified thereto.

Issuer Related Terms

Term	Description
"Punjab & Sind Bank", "the Bank", "the Issuer", "we", "us" and "our"	Punjab & Sind Bank, a corresponding new bank constituted under the Bank Acquisition Act, with its head office at 'Bank House', 21, Rajendra Place, New Delhi 110 008, India
Associate or 'Sponsored Bank'	Sutlej Gramin Bank, regional rural bank is sponsored by the Bank
Auditors	The statutory auditors of the Bank, S. Lall & Co., Chartered Accountants, Bansal Sinha & Co., Chartered Accountants, Balram Chandra & Associates, Chartered Accountants, Bhatia & Bhatia, Chartered Accountants and Alka & Sunil, Chartered Accountants
Bank Regulations	Punjab & Sind Bank (Shares and Meetings) Regulations, 2008, as amended from time to time, which have been made by the Board of Directors in the exercise of powers conferred by Section 19 of the Bank Acquisition Act, 1980, after consultation with the RBI and with previous sanction of the Government of India
Board or Board of Directors	The board of directors of the Bank
CMD or Chairman and Managing Director	The Chairman and Managing Director of the Bank
Constitutional Documents	The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, the Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1980 and the Punjab & Sind Bank (Shares and Meetings) Regulations, 2008
Director(s)	The directors of the Bank
Head Office	'Bank House', 21, Rajendra Place, New Delhi 110 008
IPDI	Innovative Perpetual Debt Instrument of the Bank
PCPS	Perpetual Cumulative Preference Shares of the Bank
PNCPS	Perpetual Non-cumulative Preference Shares of the Bank
Promoter	The President of India, acting though the Ministry of Finance, Government of India

Issue Related Terms

Term	Description
Allotted/Allotment/Allot	Unless the context otherwise requires, the issue and allotment of Equity Shares to successful Bidders pursuant to the Issue
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Anchor Investor	A Qualified Institutional Buyer, who applies under the Anchor Investor Portion with a minimum Bid of Rs. 10.00 crore
Anchor Investor Bid	Bid made by the Anchor Investor
Anchor Investor Bidding Date	The date one Working Day prior to the Bid/Issue Opening Date on which Bid by Anchor Investors shall open and shall be completed
Anchor Investor Issue Price	The final price at which Equity Shares will be issued and Allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which will be a price equal to or higher than the Issue Price but not higher than the Cap Price. The Anchor Investor Issue Price will be decided by the Bank in consultation with the BRLMs
Anchor Investor Portion	Up to 30% of the QIB Portion, which may be allocated to Anchor Investors by the Bank in consultation with the BRLMs, on a discretionary basis. One third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price
Application Supported by Blocked Amount/ASBA	The application (whether physical or electronic) used by a ASBA Bidder to make a Bid authorizing the SCSB to block the Bid Amount in the specified bank account maintained with the SCSB
ASBA Account	Account maintained with a SCSB which will be blocked by such SCSB to the extent of the Bid Amount of the ASBA Bidder
ASBA Bid cum Application Form	The form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus
ASBA Bidder	Any Bidder who intends to apply through ASBA

Term	Description
ASBA Revision Form	The form used by the ASBA Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Bid cum Application Forms or any previous revision form(s)
Bankers to the Issue	[●]
Basis of Allotment	The basis on which the Equity Shares will be Allotted, described in "***Issue Procedure***" on page 369
Bid	An indication to make an offer during the Bid/Issue Period by a Bidder (including an ASBA Bidder), or on the Anchor Investor Bidding Date by an Anchor Investor, pursuant to submission of a Bid cum Application Form or ASBA Bid cum Application Form to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares and which shall be considered as the application for the issue of Equity Shares pursuant to the terms of the Red Herring Prospectus and the Prospectus including the ASBA Bid cum Application Form as may be applicable
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form, including an ASBA Bidder and Anchor Investor
Bid/Issue Closing Date	Except in relation to Anchor Investors, [●] (for QIB Bidders) and [●] (for Retail and Non-Institutional Bidders (including Eligible Employees Bidding in the Employee Reservation Portion)), the date after which the Syndicate and SCSBs will not accept any Bids, which shall be notified in an English national newspaper and a Hindi national newspaper (which is also the regional newspaper), each with wide circulation
Bid/Issue Opening Date	Except in relation to Anchor Investors, the date on which the Syndicate and SCSBs shall start accepting Bids, which shall be notified in an English national newspaper and a Hindi national newspaper (which is also the regional newspaper), each with wide circulation
Bid/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days during which prospective Bidders (excluding Anchor Investors) can submit their Bids, including any revisions thereof
Book Building Process	The book building process as described in Schedule XI of the SEBI ICDR Regulations, in terms of which this Issue is being made
Book Running Lead Managers/BRLMs	The book running lead managers to the Issue, in this case being SBI Capital Markets Limited, Enam Securities Private Limited and ICICI Securities Limited
Cap Price	The higher end of the Price Band above which the Issue Price and Anchor Investor Issue Price will not be finalised and above which no Bids will be accepted
Confirmation of Allocation Note or CAN	The note or advice or intimation of allocation of Equity Shares sent to the successful Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process, including any revisions thereof In relation to Anchor Investors, the note or advice or intimation of allocation of Equity Shares sent to the successful Anchor Investors who have been allocated Equity Shares after discovery of the Anchor Investor Issue Price, including any revisions thereof
Cut-off Price	The Issue Price (net of Retail Discount and/or Employee Discount, as applicable), finalised by the Bank in consultation with the BRLMs which shall be any price within the Price Band. Only Retail Individual Bidders and Eligible Employees, whose Bid Amount does not exceed Rs. 1,00,000 are entitled to Bid at the Cut-off Price. QIBs (including Anchor Investors) and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Bid cum Application Form used by ASBA Bidders and a list of which is available on www.sebi.gov.in/pmd/scsb.html
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the Public Issue Account and the amount blocked by the SCSBs are transferred from the bank account specified by the ASBA Bidders to the Public Issue Account, as the case may be, after the Prospectus is filed with the Designated Stock Exchange, following which the Board of Directors shall Allot Equity Shares to the Allottees
Designated Stock Exchange	[●]
DP ID	Depository Participant's Identity
Draft Red Herring Prospectus	This Draft Red Herring Prospectus dated August 26, 2010, prepared in accordance with the SEBI ICDR Regulations, which is filed with SEBI and does not contain complete particulars of the price at which the Equity Shares are offered
Eligible Employee	All or any of the following:

Term	Description
	(a) a permanent and full time employee of the Bank as of the date of filing of the Red Herring Prospectus with the Designated Stock Exchange and based, working and present in India as on the date of submission of the Bid cum Application Form; (b) a Director of the Bank, whether a whole time Director, part time Director or otherwise, as of the date of filing the Red Herring Prospectus with the Designated Stock Exchange and based and present in India as on the date of submission of the Bid cum Application Form An employee of our Bank who is recruited against a regular vacancy but is on probation as on the date of submission of the Bid cum Application Form/ ASBA Bid cum Application Form will also be deemed a 'permanent employee' of our Bank. (It may be noted that all participation by Directors and employees of the Bank will be in accordance with any laws, regulations, guidelines, circulars or notifications applicable to them.)
Eligible NRI	An NRI resident in a 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 invitation to subscribe for the Equity Shares
Employee Discount	The difference of Rs. [●] between the Issue Price and the differential lower price at which the Bank has decided to allot the Equity Shares to Eligible Employees. The Employee Discount shall not exceed 10% of the Issue Price
Employee Reservation Portion	The portion of the Issue, being 20,00,000 Equity Shares, available for allocation to Eligible Employees
Enam	Enam Securities Private Limited, one of the BRLMs
Equity Shares	Unless the context otherwise indicates, the Equity Shares of the Bank with a face value of Rs. 10 each
Escrow Account	Account(s) opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (excluding ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount
Escrow Agreement	Agreement to be entered into among the Bank, the Registrar to the Issue, the BRLMs, the Syndicate Member and the Escrow Collection Bank(s) for collection of the Bid Amounts and remitting refunds, if any of the amounts to the Bidders (excluding ASBA Bidders) on the terms and conditions thereof
Escrow Collection Banks	The Escrow Collection Banks, in this case being [●],which are clearing members and registered with SEBI as Bankers to the Issue and with whom the Escrow Accounts will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or the Revision Form or the ASBA Bid cum Application 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
I-Sec	ICICI Securities Limited, one of the BRLMs
Issue	The public issue of up to 4,00,00,000 Equity Shares of Rs. 10 each at the Issue Price by the Bank. The Issue comprises a Net Issue to the public of 3,80,00,000 Equity Shares and an Employee Reservation Portion of 20,00,000 Equity Shares for subscription by Eligible Employees
Issue Agreement	The agreement entered into on August 25, 2010, among the Bank and the BRLMs, pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Price	The final price (net of Retail Discount and/or Employee Discount, as applicable) at which Equity Shares will be issued and Allotted to the Bidders, in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by the Bank in consultation with the BRLMs on the Pricing Date
IPO Grading Agency	[●]
Listing Agreement	The Bank's equity listing agreements to be entered into with the Stock Exchanges
Mutual Funds or MF	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Funds Portion	5% of the QIB Portion (excluding the Anchor Investor Portion) available for allocation to Mutual Funds only, on a proportionate basis
Net Issue	Issue less the Employees Reservation Portion, consisting of 3,80,00,000 Equity Shares to be Allotted in the Issue at the Issue Price.
Net Proceeds	Proceeds of the Issue that are available to the Bank, which exclude the Issue related expenses
Non-Institutional Bidders	All Bidders, including sub-accounts of FIIs registered with SEBI which are foreign corporate or foreign individuals, that are not QIBs (including Anchor Investors) or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than

Term	Description
	Rs. 1,00,000
Non-Institutional Portion	The portion of the Issue, being not less than 15% of the Net Issue or 57,00,000 Equity Shares at the Issue Price, available for allocation to Non-Institutional Bidders
Non-Resident Indian or NRI	Non Resident Indian, is a person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2000, as amended
Pay-in Date	The Bid/Issue Closing Date, except with respect to Anchor Investors, the Anchor Investor Bidding Date or a date not later than two days after the Bid/Issue Closing Date, as may be applicable
Pay-in Period	Except with respect to ASBA Bidders, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date
Price Band	Price band of a minimum price (Floor Price) and the maximum price (Cap Price) and includes revisions thereof including any revision to such Floor Price or Cap Price as may be permitted by the SEBI ICDR Regulations. The Price Band and the minimum Bid lot size for the Issue will be decided by the Bank in consultation with the BRLMs and advertised in two newspapers (one in English and one in Hindi, which is also the regional newspaper) at least two days prior to the Bid/Issue Opening Date
Pricing Date	The date on which the Bank in consultation with the BRLMs finalise the Issue Price
Prospectus	The Prospectus to be filed with the Designated Stock Exchange, containing, among other things, the Issue Price that is determined at the end of the Book Building Process on the Pricing Date, including any addenda or corrigenda thereto
Public Issue Account	The account to be opened with the Banker(s) to the Issue to receive monies from the Escrow Account(s) and the bank account of the ASBA Bidders, on the Designated Date
QIB Portion	The portion of the Net Issue being a minimum 1,90,00,000 Equity Shares to be allocated to QIBs, including the Anchor Investor Portion
Qualified Institutional Buyers or QIBs	Public financial institutions specified in Section 4A of the Companies Act, FIIs (and their sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual), scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, FVCIs registered with SEBI, venture capital funds 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. 25.00 crore, pension funds with a minimum corpus of Rs. 25.00 crore, the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of the Government of India, published in the Gazette of India and insurance funds set up and managed by the army, navy, or air force of the Union of India
Refund Account	Accounts opened with Escrow Collection Bank(s) from which refunds of the whole or part of the Bid Amount (excluding to the ASBA Bidders), if any, shall be made
Refund Bank(s)	Escrow Collection Bank(s) in which an account is opened and from which a refund of the whole or part of the Bid Amount, if any, shall be made, in this case being, [●]
Registrar to the Issue	Link Intime India Private Limited
Retail Discount	The difference of Rs. [●] between the Issue Price and the differential lower price at which the Bank has decided to allot the Equity Shares to Retail Individual Bidders
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) other than the Eligible Employees submitting Bid under the Employee Reservation Portion, who have Bid for Equity Shares for an amount less than or equal to Rs. 1,00,000 in any of the bidding options in the Net Issue
Retail Portion	The portion of the Issue, being not less than 35% of the Net Issue, or 1,33,00,000 Equity Shares at the Issue Price, available for allocation to Retail Individual Bidders
Revision Form	The form used by the Bidders (excluding ASBA Bidders) to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s)
SBI Caps	SBI Capital Markets Limited, one of the BRLMs
Self Certified Syndicate Banks or SCSBs	The banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offer services of ASBA, including blocking of bank account, a list of which is available on www.sebi.gov.in/pmd/scsb.html
Stock Exchanges	BSE and NSE
Syndicate	Collectively, the BRLMs and the Syndicate Members
Syndicate Agreement	Agreement among the Syndicate and the Bank in relation to the collection of Bids (excluding Bids from the ASBA Bidders) in this Issue
Transaction Registration Slip or TRS	The slip or document issued by any of the members of the Syndicate, or the SCSBs, as the case may be, upon demand, to a Bidder or an ASBA Bidder, as applicable, as a proof of registration of the Bid.
Underwriters	The members of the Syndicate
Underwriting Agreement	The agreement among the Bank and the Underwriters to be entered into on or after the

Term	Description
	Pricing Date
Working Day(s)	All days other than a Sunday or a public holiday (except in reference to the Anchor Investor Bidding Date, announcement of the Price Band and the Bid/Issue Period where a Working Day means all days other than a Saturday, Sunday or a public holiday), on which commercial banks in Mumbai are open for business

Conventional/General Terms

Term	Description
Act or Companies Act	Companies Act, 1956
Bank Acquisition Act	Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980
Banking Regulation Act	The Banking Regulation Act, 1949
CIBIL	Credit Information Bureau (India) Limited
Converged Accounting Standards	Proposed convergence of Indian GAAP with the IFRS announced by the ICAI and the Ministry of Corporate Affairs, Government of India
Depositories Act	Depositories Act, 1996
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996
Depository Participant or DP	A depository participant as defined under the Depositories Act
I.T. Act	Income Tax Act, 1961
Indian GAAP	Generally Accepted Accounting Principles in India
NABARD	National Bank for Agriculture and Rural Development
NRE Account	Non-Resident External Account established in accordance with FEMA
NRO Account	Non-Resident Ordinary Account established in accordance with FEMA
RTI Act	Right to Information Act, 2005
SARFAESI Act	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI FII Regulations	Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995
SEBI ICDR Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
SIDBI	Small Industries Development Bank of India
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
U.S. GAAP	Generally Accepted Accounting Principles in the United States
US$ or USD or US Dollar	U.S. Dollar
USA or U.S.	United States of America
Securities Act	U.S. Securities Act, 1933

Technical and Industry Related Terms

Term	Description
Adjusted Net Bank Credit	Net Bank credit plus investment made in non SLR Bond held in Held to Maturity Category
ALM	Asset Liability Management
ALCO	Asset and Liability Management Committee
AMA	Advance Measurement Approach
AMFI	Association of Mutual Funds in India
ATMs	Automated Teller Machines
Bank Rate	The rate of interest which a central bank charges on the loan and advances that it extends to commercial banks and other financial intermediaries
Banking Division	Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division)
BFS	Board for Financial Supervision
BPLR	Benchmark Prime Lending Rate
CAR	Capital Adequacy Ratio
CASA	Current Account & Savings Account
CBS	Core Banking Solutions
CCIL	Clearing Corporation of India Limited
CDR	Corporate Debt Restructuring
CGTSI	Credit Guarantee Fund Trust for Small Industries
CRAR	Capital to Risk weighted Assets Ratio
CRR	Cash Reserve Ratio
CTS	Cheque Truncation system
DCA	Debtor-Creditor Agreement

Term	Description
ECGC	Export Credit Guarantee Corporation of India
EFT Transaction	Electronic Funds Transfer Transaction
FEDAI	Foreign Exchange Dealers' Association of India
FIMMDA	Fixed Income Money Market and Derivatives Association of India
FEDAI	Foreign Exchange Dealers Association of India
FST	Financial Sector Technology
IBA	Indian Banks Association
IBD	International Banking Division
ICA	Inter-Creditor Agreement
ICAAP	Internal Capital Adequacy Assessment Process
IFR	Investment Fluctuation Reserve
IRDA	Insurance Regulatory and Development Authority
IRDA Act	Insurance Regulatory and Development Authority Act, 1999
IT	Information Technology
JLG	Joint Liability Group
KYC Norms	Know Your Customer norms stipulated by the RBI
LAF	Liquidity Adjustment Facility
MiFID	Markets in Financial Instruments Directive
MIS	Management Information System
MPLS	Multipurpose label switching
NIM	Net Interest Margin
NNPAs	Net Non Performing Assets
NPAs	Non-Performing Assets
NPCI	National Payment Corporation of India
OTS	One Time Settlement
PDAI	Primary Dealers Association of India
RDDBFI Act	Recovery of Debts Due To Banks and Financial Institutions Act, 1993
RIDF	Rural Infrastructure Development Fund
RWA	Risk weighted average
SHG	Self Help Group
SLR	Statutory Liquidity Ratio
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
SWIFT	Society for Worldwide Interbank Financial Telecommunication
Tier II Bonds	Unsecured subordinated non convertible bonds issued for Tier II capital adequacy purposes
Tier I Capital	The core capital of a bank, which provides the most permanent and readily available support against unexpected losses. It comprises paid up capital and reserves, consisting of any statutory reserves, free reserves and capital reserves as reduced by equity investments and subsidiaries, intangible assets and losses in the current period and those brought forward from the previous period
Tier II Capital	The undisclosed reserves and cumulative perpetual preference shares, revaluation reserves, general provisions and loss reserves, hybrid debt capital instruments (which combine certain features of both equity and debt securities), investment fluctuation reserves and subordinated debts
VaR	Value at risk
YTM	Yield to maturity

Abbreviations

Term	Description
Addl. CIT	Additional Commissioner of Income Tax
AIPSBSO	All India Punjab & Sind Bank Staff Organisation
AIPSBOF	All India Punjab & Sind Bank Officer's Federation
AS	Accounting Standard
BSE	Bombay Stock Exchange Limited
CAGR	Compound Annual Growth Rate
CBRT	Punjab & Sind Bank Centre for Banking Research & Training
CDSL	Central Depository Services (India) Limited
DCIT	Deputy Commissioner of Income Tax
DIC	District Industries Centre
DICGC	Deposit Insurance and Credit Guarantee Corporation

Term	Description
EPS	Earnings per share, *i.e.*, profit after tax for a fiscal year divided by the weighted average number of equity shares during the fiscal year
FCNR Account	Foreign Currency Non-Resident Account established in accordance with FEMA
FDI	Foreign direct investment
FDI Policy	Consolidated FDI Policy, 2010
FEMA	Foreign Exchange Management Act, 1999, together with rules and regulations thereunder
FIIs	Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI
FVCI	Foreign Venture Capital Investor
GDP	Gross Domestic Product
GIR number	General index registration number
GNPAs	Gross Non Performing Assets
GoI	Government of India
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
IFSC	Indian Financial System Code
ISDN	Integrated services digital networks
ITAT	Income Tax Appellate Tribunal
KVIB	Khadi and Village Industries Board
KVIC	Khadi and Village Industries Commission
LAN	Local area networks
MICR	Magnetic Ink Character Recognition
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Scale Enterprises
NECS	National Electronic Clearing Service
NEFT	National Electronic Fund Transfer
NIBM	National Institute of Bank Management, Pune
NIBSCOM	National Institute of Banking Studies & Corporate Management, Noida
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
p.a	Per annum
P/BV	Price to Book Value Ratio
P/E	Price to Earnings Ratio
PAN	Permanent Account Number allotted under the I.T. Act
PMNRF	Prime Minister's National Relief Fund
PAT	Profit after tax
PSU	Public Sector Undertaking
R&D	Research and Development
RBI	Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
RoA	Return on Average Assets
RoE	Return on equity
RoNW	Return on net worth
RPCD	Rural Planning and Credit Department
RRB	Regional Rural Bank
RRB Act	Regional Rural Bank Act, 1976
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SCRR	Securities Contracts (Regulation) Rules, 1957
TAN	Tax Deduction and Collection Account Number
VAT	Value Added Tax
VOIP	Voice over internet protocol
VPN	Virtual private network
VSATs	Very small aperture terminals
WAN	Wide area network
w.e.f	With effect from

References to other business entities

Term	Description
Aviva	Aviva Life Insurance Company India Private Limited

Bajaj Allianz	Bajaj Allianz General Insurance Company Limited
FFSPL	Financial Software and Systems Private Limited
CIMMCO	Cimco Birla Limited
RIICO	Rajasthan Industrial and Investment Corporation
UTI AMC	UTI Asset Management Company Private Limited (Investment Managers to UTI Mutual Fund , acting through UTI Trustee Company Private Limited)
Wipro	Wipro Limited

The words and expressions used but not defined herein shall have the same meaning as is assigned to such terms under the Companies Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 (the "**Depositories Act**") and the rules and regulations made thereunder.

Notwithstanding the foregoing, terms in "***Main Provisions of the Constitutional Documents***", "***Statement of Tax Benefits***", "***Regulations and Policies in India***" and "***Financial Statements***" on pages 400, 38, 90 and 165 respectively, shall have the meanings given to such terms in these respective sections.

CERTAIN CONVENTIONS, USE OF FINANCIAL, INDUSTRY AND MARKET DATA AND CURRENCY OF PRESENTATION

Certain Conventions

All references in this Draft Red Herring Prospectus to "**India**" are to the Republic of India. All references in this Draft Red Herring Prospectus to the "**US**", "**USA**" or "**United States**" are to the United States of America.

Financial Data

Unless indicated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our financial information for fiscal 2010, 2009, 2008, 2007 and 2006 prepared in accordance with the Generally Accepted Accounting Principles in India ("**Indian GAAP**") and restated in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("**SEBI ICDR Regulations**").

Our fiscal year commences on April 1 and ends on March 31, so all references to a particular fiscal year are to the 12 month period ended March 31 of that year. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. All decimals have been rounded off to two decimal points.

There are significant differences between Indian GAAP, International Financial Reporting Standards ("**IFRS**") and Generally Accepted Accounting Principles in the United States ("**U.S. GAAP**"). Accordingly, the degree to which the financial information prepared in accordance with Indian GAAP and restated in accordance with the SEBI ICDR Regulations, included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP and the SEBI ICDR Regulations. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP and the SEBI ICDR Regulations on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. The Bank has not attempted to explain those differences or quantify their impact on the financial data included herein, and it urges you to consult your own advisors regarding such differences and their impact on our financial data.

Currency and Units of Presentation

All references to "**Rupees**" or "**Rs.**" are to Indian Rupees, the official currency of the Republic of India. All references to "**US$**" or "**USD**" or "**U.S. Dollar**" are to United States Dollars, the official currency of the United States of America. All references to "**€**" are to Euros, the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty establishing the European Community, as amended from time to time.

Please note:

One million is equal to	10,00,000
One billion is equal to	1,000 million / 100 crore
One crore is equal to	10 million

Industry and Market Data

Industry and Market data used throughout this Draft Red Herring Prospectus has been obtained from various government and industry publications such as RBI publications, Insurance Regulatory and Development Authority ("**IRDA**"), Association of Mutual Funds in India ("**AMFI**"), trade, industry or general publications and other third party sources. These publications generally state that the information contained therein has been obtained from publicly available documents from various sources believed to be reliable but it has not been independently verified by us or its accuracy and completeness is not guaranteed and its reliability cannot be assured. Although we believe the industry and market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified by us. The data used in these sources may have been reclassified by us for purposes of presentation. Data from these sources may also not be comparable. The extent to which the industry and market data is presented in this Draft Red Herring Prospectus is meaningful depends upon the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business and methodologies and assumptions may vary widely among different market and industry sources.

Exchange Rates

The exchange rates of the respective foreign currencies as on June 30, 2010, June 30, 2009, March 31, 2010 and March 31, 2009, respectively, are provided below:

Currency	Exchange rate into Rs. as on June 30, 2010	Exchange rate into Rs. as on June 30, 2009	Exchange rate into Rs. as on March 31, 2010	Exchange rate into Rs. as on March 31, 2009
1 US$	46.60	47.87	45.14	50.95
1 Euro	56.94	67.69	60.56	67.48

Source: www.rbi.org.in

FORWARD-LOOKING STATEMENTS

We have included statements in this Draft Red Herring Prospectus which contain words or phrases such as "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "seek to", "future", "objective", "project", "will pursue" and similar expressions or variations of such expressions, that are "forward-looking statements". Similarly statements which describe our strategies, objectives, plans or goals are also forward-looking statements.

These forward-looking statements are based on our current plans and expectations and actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to:

- Volatility in interest rates and other market conditions;
- Our ability to maintain or reduce the level of our non performing assets;
- Our ability to maintain our income from treasury operations;
- Our ability to sustain the growth of our retail banking business;
- Performance of the agricultural, retail and industrial sectors in India;
- Rate of growth of our deposits, advances and investments;
- Our ability to successfully implement our strategy, growth and expansion plans and technological initiatives;
- The ability of the borrowers of our structured loans to perform as expected;
- Competition in the Indian and global banking industry;
- Our ability to successfully diversify our products and services; and
- General economic and business conditions in India, particularly in northern India.

For a further discussion of factors that could cause our actual results to differ, see "***Risk Factors***" on page xii. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Bank, nor the members of the Syndicate, nor any of their respective affiliates have 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 BRLMs will ensure that investors in India are informed of material developments until such time as the grant of trading permission by the Stock Exchanges for the Equity Shares Allotted pursuant to the Issue.

SECTION II - RISK FACTORS

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

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

Internal Risk Factors and Risks Relating to our Business

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

   Our results of operations depend to a significant extent on our net interest income. Net interest income (*i.e.*, interest income minus interest expense) constituted 27.37%, 27.87% and 31.08% of our total income for fiscal 2010, fiscal 2009 and fiscal 2008, respectively. An increase in interest rates applicable to our liabilities, without a corresponding increase in interest rates applicable to our assets, will result in a decline in our net interest income. Additionally, any fall in the net interest margin ("**NIM**") will result in reduction of our interest income. Furthermore, in the event of rising interest rates, our Bank's borrowers may not be willing to pay correspondingly higher interest rates on their borrowings and may choose to repay their loans with our Bank if they are able to switch to more competitively priced loans offered by other banks. In the event of falling interest rates, our Bank may face more challenges in retaining its customers if our Bank is unable to offer competitive rates as compared to other banks in the market. Any inability of our Bank to retain customers as a result of changing interest rates may adversely impact our earnings in future periods. Additionally, an increase in interest rates may also adversely affect the rate of growth of important sectors of the Indian economy, such as the corporate, retail and agricultural sectors, which may adversely impact our business.

   Interest rates are sensitive to many factors beyond our control, including the RBI's monetary policy, deregulation of the financial sector in India and domestic and international economic and political conditions. Under the regulations prescribed by the RBI, we are required to maintain a minimum specified Statutory Liquidity Ratio ("**SLR**"), which is presently 25% of our net demand and time liabilities in cash and government or other securities approved by the RBI. The SLR is calculated on every alternate Friday. As of July 30, 2010, 26.70% of our demand and time liabilities were in Government and other approved securities. As of March 31, 2010, 86.39% of our total investments were in Government and other approved securities. Yields on these investments, as well as yields on our other interest earning assets, are dependent to a large extent on interest rates. In a rising interest rate environment, especially if the increase was sudden or sharp, we could be materially and adversely affected by the decline in the market value of our Government securities portfolio and other fixed income securities and may be required to further provide for depreciation in the "Available for Sale" and "Held for Trading" categories. As of March 31, 2010, we had no investments in the "Held for Trading" category, 34.55% in the "Available for Sale" category and 65.45% in the "Held to Maturity" category. As of March 31, 2010, 57.82% of the total amounts of "Held to Maturity" securities are such securities where acquisition cost is greater than face value. In respect of securities under the Held to Maturity category, we are required to amortise over the residual maturity period of the security the difference between acquisition cost and face value of the security, wherever the acquisition cost is greater than the face value. In respect of "Available for Sale" and "Held for Trading" categories, we are required to mark to market securities in case there is decrease in the value of securities in a given financial period. This may adversely affect our business, financial condition and results of operation.

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

Approximately 25.31%, 18.94% and 23.41%, of our total income for fiscal 2010, fiscal 2009 and fiscal 2008, respectively, was derived from our treasury operations. Our income from treasury operations has increased significantly from Rs. 687.82 crore in fiscal 2009 to Rs. 1,095.08 crore in fiscal 2010. Our income from treasury operations is sensitive to changes in government policies, interest rates, exchange rates, equity prices and other factors. In particular, if interest rates rise, we may not be able to realise the same level of income from treasury operations as we have in the past. Any decrease in our income from our treasury operations could materially and adversely affect our business and financial results if we cannot mitigate or counter-balance such impact by increasing returns on our loan assets.

3. ***We may be unable to sustain the growth rate of our retail banking business, which could adversely impact our financial results.***

We have achieved significant growth in our gross advances in recent years. Between March 31, 2008 and March 31, 2010, our net advances grew at a Compound Annual Growth Rate ("**CAGR**") of 25.03% from Rs. 18,343.31 crore to Rs. 32,639.11 crore. As of March 31, 2010, retail loans represented 15.19% of our total outstanding credit. Further, 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. Additionally, we currently do not provide internet banking, telephone banking or mobile banking which are convenient banking solutions to retail customers. While we anticipate continued demand in the retail banking sector, our retail portfolio may not grow at the rates we have experienced between fiscal 2008 and fiscal 2010, which could materially and adversely affect our business, financial condition and results of operations.

4. ***As of March 31, 2010, 74.96% of our deposits were through term deposits, and if depositors do not roll over deposited funds on maturity or if we are unable to continue to increase our deposits, our business could be materially and adversely affected.***

As of March 31, 2010, term deposits represented 74.96% of our total deposits. Savings deposits and current deposits constituted 25.04%, of our total deposits as of March 31, 2010. We have implemented a matched to maturity funds transfer pricing which is currently behind the schedule. In the event that a substantial number of our depositors do not roll over deposited funds on maturity and we are unable to replace those deposits, our liquidity position and business could be materially and adversely affected. If we are unable to maintain or increase our base of low-cost deposits, our overall cost of funds could increase, which could have a material and adverse effect on our business and results of operations.

5. ***Any increase in our portfolio of Non-Performing Assets ("NPAs") will have a materially adverse effect on our financial condition and results of operations.***

Our gross NPAs were Rs. 206.15 crore as of March 31, 2010, representing 0.63% of our gross advances and 0.36% of our total assets. Our net NPAs were Rs. 116.63 crore as of March 31, 2010, representing 0.36% of our net advances and 0.21% of our total assets.

As of March 31, 2010, 58.34% of our standard advances were to borrowers whom we rate in the low risk category, 36.18% of our advances were to borrowers whom we rate in the moderate risk category and 1.14% of our advances were to borrowers whom we rate in the high risk category. 4.34% of our standard advances were to borrowers whom we do not rate as the loans availed by them are less than Rs. 0.02 crore. Borrowers in the high risk category could be especially vulnerable if economic conditions worsen or economic growth is slow, which could adversely affect our business, results of operations and financial conditions. We have been able to reduce our net non-performing advances through recoveries, upgrading of NPAs to "performing" categories and provisioning. However, our level of net NPAs has marginally increased from 0.32% of our advances as of March 31, 2009 to 0.36% of our advances as of March 31, 2010. Further, historically, though we have been able to reduce loss assets, sub-standard and doubtful NPAs had shown an increasing trend. Our ability to continue to reduce or contain the level of our gross and net NPAs may be affected by a number of factors that are beyond our control, such as increased competition, recession in the economy, including in respect of specific industries to which we are exposed, decreases in agricultural production, decline in commodity and food grain prices, adverse fluctuations in interest and exchange rates or adverse changes in government policies, laws or regulations. In future we may not be able to reduce our NPAs and this could adversely affect our business and future financial performance. In addition, the expansion of our business may also cause the level of our NPAs to increase. As of March 31, 2010, concentration of NPAs was mostly in textiles, 7.80%, food processing, 2.07%, rubber and rubber products, 0.07%, metal and metal products, 1.40% and vegetable oils, 2.96%. As of March 31, 2010, approximately 27.65% of our gross NPAs were concentrated in the real estate sector. Although our loan portfolio contains loans to a wide variety of businesses, adverse market conditions in the real estate sector could increase our level of NPAs. Future increases in our NPAs may have a material adverse effect on our business, financial condition and results of operation.

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

We have substantial exposure to loans and advances to agriculture and micro and small enterprises, which are included in as "priority sectors". As of March 31, 2010, priority sector credit constituted 43.54% of our adjusted net bank credit, and loans to agricultural and micro and small enterprises borrowers constituted 20.50% and 15.14%, respectively, of our adjusted net bank credit.

We are required to extend at least 18% of the adjusted net bank credit to the agriculture sector. We have in the past in fiscal 2010, fiscal 2009 and fiscal 2008 failed to meet the following priority sector lending sub targets:

Sub Sector	Fiscal 2008	Fiscal 2009	Fiscal 2010
Agriculture Sector:			
Target in % (A)	18.00%	18.00%	18.00%
% Target achieved (B)	17.85%	14.08%	16.59%
Shortfall (A) – (B) (%)	0.15%	3.92%	1.41%
Weaker Sections:			
Target in % (C)	10.00%	10.00%	10%
% Target achieved (D)	8.84%	9.07%	8.67%
Shortfall (C) – (D) (%)	1.16%	0.93%	1.33%

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

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

Historically, NPAs are higher in priority sector lending compared with non-priority sector lending. Our internal policies set out the limit of our credit exposure to any particular industry, depending on the nature of that industry. As of March 31, 2010, the percentage of our priority sector gross NPAs to total priority sector advances was 1.29%, which was higher than the percentage of total gross NPAs to total gross advances of 0.63%. Market difficulties in the priority sector could increase our non-performing loans, which may materially and adversely affect our business, results of operations and financial condition.

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

Our credit exposure to borrowers is dispersed across various sectors including, infrastructure, real estate, textile, iron and steel, petroleum, construction, cement, chemicals and chemical products, engineering and other industries. Our funded exposure in the infrastructure sector, which is the largest industry in which we have funded exposure, as of March 31, 2010 was Rs. 5,926.90 crore which constituted 18.11%

of our total funded exposure. Any significant deterioration in the performance of a particular sector, including due to regulatory action or policy announcements by Government or State government authorities, could adversely impact the ability of borrowers in that industry to service their debt obligations owed to us.

In addition, the top five industries accounted for 43.20% of our funded exposure as of March 31, 2010. Based on funded exposures as of March 26, 2010 (nearest reporting Friday), our five largest industry exposures were to the (I) infrastructure, (ii) real estate, (iii) textile, (iv) iron and steel and (v) petroleum industries. The detail of our total funded exposures to these industries is given below.

S. No:	Industrial Sector	Amount Outstanding as of March 31, 2010 (Rs. in crore)	% to total funded exposure
1.	Infrastructure	5,926.90	18.11
2.	Real estate	5,570.46	17.01
3.	Textile	1,086.02	3.32
4.	Iron and steel	889.30	2.72
5.	Petroleum	668.24	2.04
	Total	**14,140.92**	**43.20**

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

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

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

We are exposed to the real estate market in India through our housing finance loans and loans to real estate developers. As at March 31, 2010, our housing finance loans, including NRI housing finance loans, represented 10.97% of total loans outstanding in our retail business segment. As of March 31, 2010 the percentage of NPAs in our real estate industry portfolio was 27.65%. Our exposure to the real estate segment has witnessed substantial increase in the last three fiscal years. Further, pursuant to the Annual Financial Inspection Report by the RBI for fiscal 2009, our monitoring of real estate accounts was found to be deficient. Any significant downturn in the real estate sector may lead to an increase in non-performing loans, which may materially and adversely affect our results of operations and financial condition.

9. ***Our Bank and Sutlej Gramin Bank ("Associate" or "Sponsored Bank") are involved in a number of legal and regulatory proceedings that, if determined against the Bank or Sutlej Gramin Bank, could have a material adverse impact on our Bank.***

Our Bank and our Associate are party to various legal proceedings. These legal proceedings are pending at different levels of adjudication before various courts, tribunals, statutory and regulatory authorities/other judicial authorities, and if determined against us or our Associate, could have an adverse impact on the business, financial condition and results of operations (for further details please refer to the section "***Outstanding Litigation and Material Developments***" on page 304). No assurances can be given as to whether these legal proceedings will be decided in the favour of us or our Associate, or will have no adverse outcome, nor can any assurance be given that no further liability will arise out of these claims.

Litigation against Our Bank

S. No.	Nature of Litigation	Number of pending notices/summons/proceedings	Financial Implication (To The Extent Quantifiable, In Rupees Crore)
1.	Taxation Proceedings		

	Income Tax Disputes	12	254.90*
	Income Tax Demand Notices	3	0.05
	Service Tax	3	0.01
	Interest Tax	4	2.03
	Tax Deducted At Source	5	0.03
	Sales Tax	1	0.05
	Sub-Total	**24**	**257.07**
2.	Right to Information	80	Not ascertainable
3.	Banking Ombudsman	1	2.50
4.	Civil Suits	55	6.15
5.	Consumer Litigation	30	1.37
6.	Employment and Labour Related Proceedings	235	Not ascertainable
Total		**429**	**267.09**

** For assessment year 2006-2007, order of the CIT(A)-XVII, New Delhi dated July 15, 2010 has been passed confirming deleting certain disallowances, for which the appeal effect is yet to be received, as on August 13, 2010. The actual aggregate claim against us will be revised pursuant to such appeal effect being received. For further details, see "**Outstanding Litigation and Material Developments-Claims and Notices-Income Tax" on page 304.***

Litigation by Our Bank

S. No.	Nature of Litigation	Number of pending notices/summons/proceedings	Financial Implication (To The Extent Quantifiable, In Rupees Crore)
1.	Civil Suits	7	Not ascertainable
2.	Debt Recovery Proceedings	8,040	1,077.16
Total		**8,047**	**1,077.16**

Litigation involving Our Sponsored Bank

S. No.	Nature of Litigation	Number of pending notices/summons/proceedings	Financial Implication (To The Extent Quantifiable, In Rupees Crore)
1.	Civil Suits	126	2.16
Total		**126**	**2.16**

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

We take collateral for a large proportion of our loans, including mortgages, pledges or hypothecation of inventories, receivables and other current assets, and, in some cases, charges on fixed assets and financial assets, such as marketable securities. As of March 31, 2010, 68.28% 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 the collateral securing our loans, which may decrease the amounts we can recover on the underlying loans which could adversely impact our financial results. Such difficulties in realizing our collateral fully or at all, including if we are instead compelled to restructure our loans, could adversely affect our business and financial results.

11. We are member of the RBI Corporate Debt Restructuring ("CDR") mechanism, pursuant to which we may be mandated to restructure or write-off certain outstanding debts that may impact our results of operations.

The Bank is a member of the RBI CDR mechanism. RBI's guidelines on CDR mechanism specify that for debt amounts of Rs. 10.00 crore and above, 60% of the creditors by number and 75% of creditors by value can decide to restructure the debt and that such a decision would be binding on the remaining creditors. In situations where we have exposure of 25% or less, we could be forced to agree to a restructuring of debt which may not be in our interests or which may be time consuming or require us to reduce interest rates or write-off portions of outstanding amounts, in preference to foreclosure of security or a One Time Settlement ("**OTS**"). As of March 31, 2010, we had two accounts restructured under CDR and the total amount of loan assets under CDR was Rs. 28.44 crore which constituted 0.09% of our total loan assets.

12. ***There has been a decrease in the level of our restructured loans from 2.14% of our standard assets as at March 31, 2009 to 1.94% of our standard assets as at March 31, 2010. However, any failure in their performance as expected or any significant increase in the level of restructured loan(s) in our portfolio could materially and adversely affect our business, results of operations and financial conditions.***

Our standard assets of Rs. 32,532.52 crore as at March 31, 2010 included restructured standard loans of Rs. 632.49 crore, constituting 1.94% of our standard assets, compared to our standard assets of Rs.24,537.06 crore as at March 31, 2009 which included restructured standard loans of Rs. 524.29 crore, constituting 2.14% of our standard assets, at that date. Our borrowers' need to restructure their loans can be attributed to several factors, including the recent downturn and tightening of liquidity in the money markets, increased competition arising from economic liberalisation in India, variable industrial growth, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings. These factors reduced profitability for certain of our borrowers and also resulted in the restructuring of certain Indian companies in sectors including real estate, infrastructure and construction. 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.

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

Our exposure to the 10 largest borrowers to whom we have made advances in the aggregate, accounted for approximately 15.74% of our total gross credit exposure as of March 31, 2010. Our exposure to our largest single borrower as of March 31, 2010 accounted for approximately 2.10% of our total gross credit exposure and 17.64% of our capital funds (comprising Tier I and Tier II capital as defined by the Reserve Bank of India ("**RBI**")). Our exposure to our largest borrower group as of March 31, 2010 accounted for approximately 2.65% of our total gross credit exposure and 22.24% of our capital funds. Additionally, pursuant to the Annual Financial Inspection Report by the RBI for fiscal 2009, we had exceeded the regulatory single borrower exposure limit in eight cases which were sanctioned by our board of directors ("**Board of Directors**" or "**Board**"). Credit losses on these large borrowers and group exposures could materially and adversely affect our business, results of operations and financial condition.

14. ***Our Bank has a regional concentration in Northern India and any adverse change in the economy of Punjab and other north-Indian states can impact our results of operations. Additionally, we may not be successful in expanding our operations to other parts of India.***

As of July 31, 2010, out of our 920 branches, 623 branches are located in northern India including 399 branches which are located in Punjab, constituting 67.72% of our total branch network. Our concentration in the northern region and specifically in Punjab exposes us to any adverse geological, ecological, economic and/or political circumstances in that region as compared to other public and private sector banks that have more diversified national presence. Any disruption, disturbance or sustained downturn in the economy of Punjab and other north-Indian states could adversely affect our business, financial condition and results of operations.

Additionally, while we continue to expand our operations outside of our traditional areas such as Punjab and other north-Indian states, we face risks with our operations in geographic areas in which we do not possess the same level of familiarity with the economy, consumer base and commercial operations. In addition, our competitors in such areas may already have established operations in such areas and we may find it difficult to attract customers in such new areas. We may not be able to successfully manage the risks of such an expansion, which could have a material adverse effect on our advances, deposits and results of operations.

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

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

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

In fiscal 2009, the GoI implemented the "Agricultural Debt Waiver and Debt Relief Scheme 2008" under which agricultural loans (including principal and interest) amounting to Rs. 47.72 crore were waived off. This had a negative effect on our profits and financial condition. In future, the GoI may further require us to waive off or reduce the outstanding amount due on loans provided to customers in certain sectors, in particular the agricultural sector, to serve the larger interests of India which could adversely affect our business and financial condition.

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

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

We have received approval of the GoI by its letter No. F. No. 11/10/2009-BOA dated April 27, 2010, to issue 4,00,00,000 Equity Shares of face value Rs. 10 each for the Issue, subject to the condition that the GoI's shareholding will not decrease below 51% of our post-issue share capital. After the completion of the Issue, the GoI will own at least 82.07% of our outstanding Equity Shares and will have the right to appoint a majority of our Directors. Consequently, the GoI will continue to have a controlling interest in the Bank and will also be able to determine a majority of our Board of Directors. At times, the GoI's interests may conflict with the interests of other shareholders. Furthermore, the Bank Acquisition Act limits the voting power of our shareholders by requiring that none of our shareholders other than the GoI shall be entitled to exercise voting rights in respect of shares held by them in excess of 1% of the total voting rights of all of our shareholders. Therefore, the outcome of most proposals for corporate action requiring the approval of our shareholders will be controlled by the GoI.

Further, given the importance of the banking industry to the Indian economy, the GoI through policy directives, could require us to take actions and enter transactions such as the acquisition of other banks or financial institutions that are in financial difficulty in order to serve the public interest of India and not necessarily to maximize our profits.

18. ***Our shareholders may not have certain significant rights which are available to the shareholders of a company registered under the Companies Act, 1956 ("Companies Act") and may not be able to avail certain recourse available under the Companies Act.***

We are regulated and have to comply with the provisions of the Bank Acquisition Act. The Act does not provide significant rights to Shareholders compared to the Companies Act. We have formulated the Punjab & Sind Bank (Share and Meetings) Regulations, 2008 (the "**Bank Regulations**") which provides certain rights to our shareholders. For details, please to refer the Comparative Table of Rights of Shareholders under Companies Act compared to rights available to a shareholder under the Bank Regulations, the Banking Regulation Act, 1949 ("**Banking Regulation Act**"), Bank Acquisition Act and Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980, as applicable to our Bank in "***Regulations and Policies in India***" on page 90.

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

We are required by the RBI to maintain a minimum capital adequacy ratio of 9.00% in relation to our total risk-weighted assets. We must maintain this minimum capital adequacy level to support our growth. Our capital adequacy ratio was 11.71% (Basel I) and 13.07% (Basel II) as of March 31, 2010. We are exposed to the risk of the RBI increasing the applicable risk weightage for different asset classes from time to time. Although we currently meet the applicable capital adequacy requirements, certain adverse developments could affect our ability to continue to satisfy the capital adequacy requirements, including deterioration in our asset quality, declines in the values of our investments and changes in the minimum capital adequacy requirements. Furthermore, our ability to support and grow our business could be limited by a declining capital adequacy ratio if we are unable to access or have difficulty accessing the capital markets or have difficulty in 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.

20. ***We have revalued certain premises belonging to us for fiscal 2006 and fiscal 2008 which has resulted in increase in our 'reserves and surplus'. These reserves are not free reserves and we may not utilise these for distribution as dividends or bonus shares to our shareholders.***

As per the guidelines issued by the RBI and with the approval of the Board of Directors, certain premises belonging to us were revalued in the financial year ended March 31, 2006 at Rs. 266.55 crore against the book value of Rs.21.07 crore (written down value of Rs.10.38 crore) and in financial year ended March 31, 2008 at Rs 551.61 crore against cost of Rs. 25.83 crore (written down value of Rs. 14.09 crore) by independent qualified external valuers. Such revaluations resulted in appreciation in the value of the said premises with corresponding credit to Capital Reserve-Revaluation Reserve and depreciation over and above the normal depreciation attributable to revalued premises which were set off against the Revaluation Reserve. For further details see "***Financial Information***" on page 165.

However, as per the Accounting Standards issued by the Institute of Charted Accountants of India ("**ICAI**"), we cannot use these reserves to distribute either dividends or bonus shares to our shareholders.

21. ***Non-compliance with RBI inspection/observations may have a material adverse effect on our business, financial condition or results of operation if we are unable to meet the requirements suggested by RBI.***

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

(a) Compliance with priority sector targets and wrong classification of certain advances into priority sector;
(b) System for calculation of working capital and term finance and standard of credit appraisal, and
(c) Asset Liability Management ("**ALM**") policy;
(d) Adherence to asset classification and provisioning norms;

(e) Adherence to Know Your Customer Norms stipulated by the RBI ("**KYC Norms**");
(f) Sanction of short term loan without any critical analysis or appraisal;
(g) Adherence to IRAC norms at branch offices and zonal offices;
(h) Vacancies of directors not filled up;
(i) Systems and control.

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

22. ***Problems in the ongoing roll-out of our Core Banking Solutions ("CBS") 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 CBS. Our first CBS branch was rolled out on June 24, 2010 and we seek to bring up to 500 branches on the CBS platform by November 2012. This information technology ("**IT**") 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 entered into an agreement with Satyam Computer Services Limited for roll-out of CBS in August 2006; however, subsequent to the discovery of financial fraud and acquisition of Satyam by Tech Mahindra Limited, we terminated such agreement. Currently, we have entered into a master outsourcing agreement with Wipro Limited ("**Wipro**") for implementation of CBS in our Bank. However, we may experience problems in the installation and implementation of our CBS across our branches, including problems relating to migration of information, data protection and upgrading existing hardware and software. If we are unable to roll out CBS branches as per our schedule and upgrade the existing network or face any technical difficulty in the branches where CBS has been or is being implemented, it will be difficult for us to expand our products and services across our branch network.

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

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

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

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

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

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

We are exposed to many types of operational risks, including the risk of fraud or other misconduct by employees, unauthorised transactions by employees or operational errors, such as clerical or record keeping errors. Fraud and other misconduct can be difficult to fully detect and deter. Given our high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We outsource some functions, such as switching services for our Automated Teller Machines ("**ATMs**"), to other agencies and are exposed to the risk that they 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 to be inadequate, or may be circumvented, thereby causing delays in detection of errors in information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, we have, in the past, suffered some losses from operational risk and there can be no assurance that we will not suffer losses from operational risks in the future. For a discussion of how operational risk is managed, see the section "*Our Business – Risk Management*" on page 82.

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

27. Expansion of our fee based earning is dependent on our arrangements with third parties including insurance companies and mutual funds. Termination of these arrangements may adversely impact our results of operations.

We intend to increase our fee-based income by expanding our third party product offerings and by increasing our fee-based services. We have entered into an agreement with UTI Asset Management Company Private Limited (Investment Managers to UTI Mutual Fund, acting through UTI Trustee Company Private Limited) ("**UTI AMC**") for the distribution of mutual fund products. We also market and sell the life insurance products of Aviva Life Insurance Company India Private Limited ("**Aviva**") and general insurance products of Bajaj Allianz General Insurance Company Limited ("**Bajaj Allianz**") in conjunction with certain of our savings account and term deposit products. We have also launched in July 2005, the Western Union Money Transfer service. We earn fees and commissions for the distribution and sale of these products. However, termination of these agency or distribution agreements with such third party business associates or any weakening of our relationship with these third party associates may have an adverse impact on our fee based revenues and results of operations.

28. Before we pay any dividends on the Equity Shares, we must first pay the dividend on the PNCPS and unsecured Tier II subordinated Bonds ("Tier II Bonds") issued by us. The Bank did not declare dividends on the Equity Shares in fiscal 2010 and we cannot assure you that the Bank will make dividend payments in future.

The Bank did not declare dividends on the Equity Shares in fiscal 2010 and there is no certainty that dividends would be paid in future. Before we pay any dividends on the Equity Shares, we must first pay the dividend due on the PNCPS to the GoI, the rate of which is the prevailing repo-rate (without any spread) plus 100 basis points. Pursuant to Section 15(1) of the Banking Regulation Act, we are restricted from payment of dividend until all our capitalised expenses have been completely written off. Though we have received an exemption from the RBI pursuant to a notification (F. No. 11/10/2009-BOA) dated May 7, 2010 in relation to non-applicability of Section 15(1) of the Banking Regulation Act for writing off of the Issue expenses for a period of five years, we may not be able to declare dividend due to non-writing off of any other capital expenses. Further, since the coupon rate is benchmarked to the repo rate, any future upward revision in the repo rate will adversely impact our ability to make dividend payments.

Further, we have entered into trustee agreements for the issue of our Tier II Bonds, which restrict us from paying any dividends on the Equity shares, unless we first pay all dues to the bondholders/trustees pertaining to the Tier II Bonds issued by us, or make satisfactory provisions thereof, up to the date on which the dividend is proposed to be declared or paid, during the period that the bonds are outstanding. For further details on our Tier-II Bonds, see ***'Financial Indebtedness'*** on page 285.

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

29. We are required to maintain Cash Reserve Ratio ("CRR") and SLR and increases in these requirements could materially and adversely affect our business, financial condition and results of operations.

As a result of the statutory reserve requirements stipulated by the RBI, we may be more exposed structurally to interest rate risk than banks in many other countries. Under the RBI's regulations, we are subject to a CRR requirement under which we are currently required to keep 6.00% of our net demand and time liabilities in current account with the RBI. We do not earn interest on cash reserves maintained with the RBI. The RBI may further increase the CRR requirement as a monetary policy measure and has done so on numerous occasions. Increases in the CRR requirement could materially and adversely affect our business, results of operations and financial condition. In addition, under the RBI's regulations, our liabilities are subject to a SLR requirement, according to which 25.00% of our net demand and time liabilities need to be invested in Government securities, state government securities and other securities approved by the RBI from time to time. In our experience, these securities generally carry fixed coupons. When the interest rate rises, the value of these fixed coupon securities depreciates. Hence any increase in the CRR and the SLR requirements could materially and adversely affect our business, financial condition and results of operations. For further details, see "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 287.

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

As of March 31, 2010 our lower Tier II subordinated bonds eligible for inclusion in Tier II were Rs. 1,066 crore which constituted 66.12% of our total Tier II capital of Rs. 1,612 crore. These lower Tier II bonds are currently rated LAA by ICRA which signifies a high credit quality rating wherein the instrument carries low credit risk, CARE AA by CARE which signifies an instrument with very low credit risk and high safety for timely servicing of debt obligations. For upper Tier II bonds, amounting to Rs. 1,110.00 crore as of March 31, 2010, the current rating is AA by CARE and LAA- by ICRA. CARE AA by CARE signifies an instrument with very low credit risk and high safety for timely servicing of debt obligations. ICRA rating of LAA signifies a high credit quality rating wherein the instrument carries low credit risk and the "-" sign after the assigned rating shows the relative position within the band covered by the rating symbol and CARE AA by CARE which signifies an instrument with very low credit risk and high safety for timely servicing of debt obligations. A downgrade in our credit ratings may negatively affect our ability to obtain funds and increase our financing costs by increasing the interest rates of our outstanding debt or the interest rates at which we are able to refinance existing debt or incur new debt, which may materially and adversely affect our business, financial condition and results of operations.

31. We had negative cash flows from our operating, investing and financing activities in last five fiscals. Any such negative cash flow from operating, investing or financing activities may impact our financial condition and results of operations.

Our Bank has incurred negative cash flows from operating activities for fiscal 2006 and 2009 amounting to Rs. 0.91 crore and Rs. 379.83 crore respectively. Further, we have incurred negative cash flow from our investing activities for fiscal 2006, 2007, 2008, 2009 and 2010 amounting to Rs. 5.90 crore, Rs. 4.26 crore, Rs. 11.74 crore, Rs. 21.51 crore and Rs. 13.75 crore respectively. Our Bank had also incurred negative cash flow from the financing activities for fiscal 2008 amounting to Rs. 30.75 crore. However, our cash flows from operating activities for fiscal 2007, 2008 and 2010 and from the financing activities for fiscal 2006, 2007, 2009 and 2010 were positive. For details of negative cash flow, please see "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 287.

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

We require certain statutory and regulatory permits and approvals and licenses to operate our business. We currently have all the approvals and licenses required for carrying on our operations. However, in the future, we will be required to renew our permits and approvals and obtain new permits and approvals for our proposed operations. While we believe that we will be able to renew or obtain such permits and approvals as and when required, there can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by us or at all. Our failure to renew, maintain or obtain the required permits or approvals, including those set forth above, may result in the interruption of our operations or delay or prevent our expansion plans and may have a material and adverse effect on our business, financial condition and results of operations. For further information, refer to "***Government and Other Approvals***" on page 346.

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

We have applied for the registration of our trademark and logo "" on May 9, 2010 with the Trade Marks Registry, as appearing on the cover page of this Draft Red Herring Prospectus under class 36 under the Trademark Rules, 2002 and such registration is pending. If our trademark or logo are registered by a third party, we will not be able to make use of this trademark, name or logo in connection with our business and consequently, we may be unable to capitalize on the brand recognition associated with the Bank. Additionally, any legal proceedings which result in a finding that we have breached third parties' intellectual property rights may require us to give financial compensation to such third parties and/or to make changes to our marketing strategies or to the brand names of our products, which could have a material adverse effect on our business, prospects, financial condition and results of operations. No legal proceedings have been initiated against the Bank with regard to breach of intellectual property rights of third parties by the Bank.

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

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

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

Additionally, as of July 31, 2010, 153 of our leases for our branches and other office premises had expired and there are 23 leases with respect to our branches and other office premises which are subject to ongoing litigation before various judicial forums. All or any of the leases may not be renewed on similar terms or at all, or we may be evicted from all or a number of these premises and be required to pay damages to the landlord. This may adversely impact our business and financial condition.

35. ***Some of our immovable properties may have certain irregularities in title which have and may in future result in disputes with other parties who have or may claim to have any interest in such properties. If such claims are decided against us, we may lose such properties or may be subject to monetary penalties which may impact our results of operations. Additionally, some portion of our Head Office is subject to litigation.***

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

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

These irregularities may lead to disputes in relation to these properties. Such claims, if decided against us, may lead to loss of such properties by us or payment of penalties. Accordingly, these irregularities may have an adverse affect on our business.

Additionally, a civil suit has been filed against our Bank before the District Court, New Delhi, praying for eviction of our Bank from the premises situated at flat number 103, 21, Rajendra Place, which forms part of our Head Office. The District Court, New Delhi passed an order dated November 3, 2009 directing the Bank to pay amount of enhancement in rent, at the rate of 15% of the erstwhile rent. Any adverse outcome of such litigation may lead to our eviction from flat number 103 of our Head Office. For details of the litigation, please see "***Outstanding Litigation and Material Developments***" on page 304.

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

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

37. ***The central statutory auditors of our Bank ("Auditors") have made certain unquantifiable qualifications in their Audit Report and thus our financial statements may not present an accurate estimate of our financial position or performance.***

Our Auditors had qualified their report with certain qualifications which was not given effect to in our restated financial information. Brief details of the area of audit qualifications are set forth below.

Area of Audit Qualification	Fiscal
Adjustments required on account of non reconciliation of balances and clearance/identification of outstanding items in respect of various accounts of income, expenditure, assets and liabilities, the effect of which is not ascertainable Disputed tax liabilities pending in appeals, the effect of which is not ascertainable	2006
Adjustments required on account of non reconciliation of balances and clearance/identification of outstanding items in respect of various accounts of income, expenditure, assets and liabilities, the effect of which is not ascertainable	2007

Disputed tax liabilities pending in appeals, the effect of which is not ascertainable	
Adjustments required on account of non reconciliation of balances and clearance/identification of outstanding items in respect of various accounts of income, expenditure, assets and liabilities, the effect of which is not ascertainable Disputed tax liabilities pending in appeals, the effect of which is not ascertainable	2008
Adjustments required on account of non reconciliation of balances and clearance/identification of outstanding items in respect of various accounts of income, expenditure, assets and liabilities, the effect of which is not ascertainable Disputed tax liabilities pending in appeals, the effect of which is not ascertainable	2009
Adjustments required on account of non reconciliation of balances and clearance/identification of outstanding items in respect of various accounts of income, expenditure, assets and liabilities, the effect of which is not ascertainable Disputed tax liabilities pending in appeals, the effect of which is not ascertainable Non creation of deferred tax liability of Rs. 171.59 crore including Rs. 101.43 crore up to previous year, in respect of timing differences on account of variation in the value of investment as per books of accounts and for income tax computation considering the difference to be permanent and non creation of deferred tax liability of Rs. 3.63 crore and withdrawal of the existing deferred tax liability amounting to Rs. 3.26 crore in respect of special reserve created and maintained under section 36(1)(viii) on the basis of management's decision not to withdraw the same	2010

For further details, see "***Financial Information***" on page 165.

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

We had contingent liabilities in the following amounts, as disclosed in our audited financial information:

(Rs. in crore)

Details	**Amounts as on March 31, 2010**
Claims against the bank not acknowledged as debts	7.23
Liability for partly paid investments	-
Liability on account of outstanding forward exchange contracts	3,907.57
Guarantees given on behalf of Constituents	
(a) In India	1,079.68
(b) Outside India	-
Acceptance, endorsement and other obligations	812.26
Other items for which the bank is contingently liable	Negligible
Total	**5,806.73**

If these liabilities or a significant portion of these liabilities materialise, it could have an adverse effect on our business, financial condition and results of operations.

39. We sponsor our Associate, Sutlej Gramin Bank, a Regional Rural Bank ("RRB"). However, the related party disclosures in this document do not include transactions with our Associate in which we have an interest.

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

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

We have an extensive network of 920 branches as on July 31, 2010, many of which are in rural and semi-urban areas. Several of our older "legacy" branches are undergoing renovation to modernize them which will involve substantial capital expenditure. Because we have these legacy branches, the productivity rate of our employees is lower than many of our private competitors which have newer infrastructure. We are also in the process of rationalizing our branch network which will involve closing or merging some branches and opening others, which we may not be able to fully accomplish within the expected time frames or at the expected cost.

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

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

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

Our performance and success depends largely on our ability to nurture and retain the continued service of our management team and skilled personnel. There is significant competition for management and other skilled personnel in the banking industry. We are dependent on our key managerial personnel for smooth operations of our business activities. Further, we do not have a key-man insurance policy to cover for loss of our skilled personnel. Further, Mr. G.S. Vedi, our former Chairman and Managing Director reached his superannuation on June 30, 2010 and we are yet to appoint our new Chairman and Managing Director. Additionally, 8 out of our 10 general managers are scheduled to retire by October 31, 2011 which may create a void at our top management level. 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. ***The business of the Bank is cyclical in nature with a major part of the business being done in the second half of any fiscal year. Any decrease in the Bank's business in the third and fourth quarters of any fiscal year, whether because of a downturn in the Indian economy or otherwise, could have an adverse effect on our business and results of operations.***

The business of our Bank is cyclical in nature. Accordingly, the Bank experiences seasonality in its financial results and a comparatively higher portion of its business is generally booked in the third and fourth quarters of a fiscal year. For example, the Bank did business of Rs. 3,285.47 crore, Rs. 4,037.83 crore, Rs. 10,067.44 crore and Rs. 5,112.26 crore in first, second, third and fourth quarters of fiscal 2010, respectively. The Bank's business in second half of fiscal 2010 accounted for 67.46% of its total business in fiscal 2010. Similarly, the Bank's business in the fourth quarter of fiscal 2009 accounted for 44.70% of its total business in fiscal 2009. Any decrease in the Bank's business in the third and fourth quarters of any fiscal year, whether because of a downturn in the Indian economy or otherwise, could have an adverse effect on its business and results of operations.

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

We are exposed to the risk of strikes and other industrial action. As of July 31, 2010, we had 8,116 employees (including part-time employees). In the last three years, there have been seven industry-wide strikes. Our employees may participate in strikes, work stoppages and other industrial action in the future.

Further, currently there are no Officer's Director and Workmen Director on our Board of Directors, which is required under the Bank Acquisition Act. The appointment of the Workmen's Director is made through panel of nominees from our majority workmen union, the All India Punjab & Sind Bank Staff Organisation ("**AIPSBSO**"), which is forwarded to the GoI along with relevant information and documents. However, due to an internal organizational dispute prevailing within the AIPSBSO, the panel of nominees have not yet been prepared or sent to the GoI. Such internal disputes or any industrial dispute with these unions may have a material adverse effect on our business, financial condition and results of operations.

External Risk Factors

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

We compete with public and private sector Indian commercial banks as well as foreign commercial banks. Some of our competitors are large institutions, and may have much larger customer and deposit bases, larger branch networks and more capital than us. Some of our competitors may be better positioned to take advantage of market opportunities than us. We face competition in some or all of our products and services from Indian and foreign commercial banks, NBFCs, mutual funds and other entities operating in the Indian financial sector. In particular, private banks in India may have operational advantages in implementing new technologies, rationalising branches and recruiting employees through incentive-based compensation. In terms of the Consolidated FDI Policy, 2010 ("**FDI Policy**"), foreign banks are permitted to operate in India through its branches or establish wholly-owned subsidiaries in India or invest up to 74% in the equity of Indian private sector banks, which is likely to further increase competition in the Indian banking industry. The foreign banks that have established branches in India have aggressively pursued market share.

Additionally, the RBI has recently indicated that it intends to issue new banking licenses in order to expand the banking sector which would lead to higher competition amongst the banks. Further, the GoI is also encouraging banks and other financial institutions to significantly increase their lending to the agriculture sector, which will make this segment more competitive.

Increased competitive pressure may have an adverse impact on our earnings, our future financial performance and the market price of the Equity Shares. Our future success will depend in large part on our ability to respond in an effective and timely manner and our ability to compete effectively.

46. Consolidation in the banking sector in India may adversely affect the Bank.

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

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

Banks in India are subject to detailed supervision and regulation by the RBI. In addition, banks are subject generally to changes in Indian law, as well as to changes in regulation and GoI 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 and increasing costs.

There are a number of restrictions under the Bank Acquisition Act, the Banking Regulation Act, 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 GoI and in consultation with the RBI and the shareholding of the GoI cannot go below 51% of the paid-up capital.
- The GoI 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 GoI, 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 would be required by the listing agreements with the Stock Exchanges to send annual reports to our shareholders prior to our annual general meeting.
- The GoI and the RBI have the right to appoint a majority of our Directors and to nominate the chairman of our Audit Committee.
- Rights of minority shareholders statutorily available in the case of a company incorporated under the Companies Act are not available to our shareholders.

Any change in the laws and regulations governing the banking sector in India may materially and adversely affect our business, financial condition and results of operations.

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

Along with other banks in India, we are exposed to the risks of the Indian financial system, which in turn may be affected by financial difficulties, and other problems faced by Indian financial institutions. As an emerging market system, the Indian financial system faces risks of nature and extent not typically faced in developed countries. Additionally, the credit risk of borrowers in India is higher than in developed countries. India's nationwide credit bureau is still developing, which may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. Certain Indian financial Institutions have experienced difficulties during recent years. Some co-operative banks have also faced serious financial and liquidity crises. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions and banks. This in turn could materially and adversely affect our business, financial condition and results of operations.

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

Our assets and customers are predominantly located in India. The 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. Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The present government, formed in May 2009, has announced policies and taken initiatives that support the continued economic liberalization policies that have been pursued by previous governments. We cannot assure you that these liberalization policies will continue in the future. The current government is a coalition of several parties, the withdrawal of one or more of which could cause instability. Any political instability could affect the rate of economic liberalization and the specific laws and policies affecting foreign investment, currency exchange and other matters affecting investment in our securities could change as well. Any change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular. Any significant change in the GoI's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our future financial performance and the price of our Equity Shares.

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

Since August 2007, the global financial system experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency on inter-bank lending rates. These adverse trends accelerated sharply following the bankruptcy filing by Lehman Brothers in September 2008, leading to a global financial and economic crisis. In the US (where this particular crisis originated), the government has been forced to bail out leading financial institutions and inject additional capital in other banks. Likewise, in several European countries, the governments have injected capital into banks and have guaranteed deposits or increased the level of deposit guarantees. Although the proximate cause of this particular financial crisis, which is deeper than other recent financial crises, was the US residential mortgage market, investors should be aware that there is a recent history of financial crises and boom-bust cycles in multiple markets in both the emerging and developed economies which leads to risks for all financial institutions, including us. A loss of investor confidence in the financial systems of India or other markets and countries or any financial instability in India or any other market may cause increased volatility in the Indian financial markets and, directly or indirectly, adversely affect the Indian economy and financial sector, our business and our future financial performance. The recent financial crisis has had a limited direct impact on us and we have not experienced the same degree of write-downs as banks that were exposed to, or invested in, the US residential mortgage market. However, the widening of credit spreads has resulted in mark-to-market and realized losses on our investment and adversely impacted our profitability. We remain subject, moreover, to the risks posed by the indirect impact of the global credit crisis on the economy, some of which cannot be anticipated and the vast majority of which are not in our control. We also remain subject to counterparty risk to financial institutions that fail or are otherwise unable to meet their obligations to us.

51. *A prolonged slowdown in economic growth or rise in interest rates in India could cause our business to suffer.*

The current slowdown in the Indian economy could adversely affect our business and our borrowers and contractual counterparties, especially if such a slowdown were to be continued and prolonged. The growth rate of India's gross domestic product ("**GDP**"), which was 9.0% or higher in each of fiscal 2006, fiscal 2007 and fiscal 2008, moderated to 6.7% during fiscal 2009. The GDP growth in the first quarter of fiscal 2010 at 6.1% represented a recovery over the 5.8% growth recorded during the preceding two quarters in the second half of fiscal 2009. From 2005, interest rates in the Indian economy increased significantly following monetary measures to control rising inflation, and we experienced a slowdown in disbursements of housing, automobile and other retail loans in fiscal 2007, fiscal 2008 and fiscal 2009. Even though the Reserve Bank of India has significantly reduced policy rates since October 2008, the course of market interest rates continues to be uncertain due to the increase in the fiscal deficit and the government borrowing program. Any increase in inflation in the future, due to increases in prices of commodities such as crude oil or otherwise, may result in a tightening of monetary policy. The uncertainty regarding liquidity and interest rates and any increase in interest rates or reduction in liquidity could adversely impact our business. The Indian economy in general and the agriculture sector in particular may be impacted by the level and timing of monsoon rainfall.

Further, in light of the increasing linkage of the Indian economy to other economies, the Indian economy is increasingly influenced by economic and market conditions in other countries. As a result, recession in the United States and other countries in the developed world and slowdown in economic growth in major emerging markets like China could have an adverse impact on economic growth in India. A slowdown in the rate of growth in the Indian economy could result in lower demand for credit and other financial products and services and higher defaults among corporate, retail and rural borrowers, which could adversely impact our business, our financial performance, our stockholders' equity, our ability to implement our strategy and the price of our Equity Shares.

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy. In addition, the Indian economy is in a state of transition. The share of the services sector in the economy is rising while that of the industrial, manufacturing and agricultural sectors is declining. It is difficult to gauge the impact of these fundamental economic changes on our business. Any slowdown in the Indian economy or future volatility in global commodity prices could materially and adversely affect our business, financial condition and results of operations.

52. ***Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which may be material to investors' assessments of our financial condition. Our failure to successfully adopt IFRS could have a material adverse effect on our stock price***

Our financial statements, including the financial statements provided in this Draft Red Herring Prospectus are prepared in accordance with Indian GAAP. We have not attempted to quantify the impact of U.S. GAAP or IFRS on the financial data included in this Draft Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP or IFRS. Each of U.S. GAAP and IFRS differs in significant respects from Indian GAAP. Accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited.

The Ministry of Corporate Affairs and the ICAI, the accounting body that regulates the accounting firms in India, have announced a road map for the adoption of, and convergence of Indian GAAP with the IFRS (the "**converged accounting standards**") pursuant to which all scheduled commercial banks in India will be required to prepare their annual and interim financial statements under converged accounting standards beginning with fiscal period commencing April 1, 2013. Because there is significant lack of clarity on the adoption of and convergence with IFRS and there is not yet a significant body of established practice on which to draw in forming judgments regarding its implementation and application, we have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. There can be no assurance that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under converged accounting standards than under Indian GAAP. As we transition to converged accounting standards, we may encounter difficulties in the ongoing process of implementing and enhancing our MIS. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare financial statements based on converged accounting standards. There can be no assurance that our adoption of converged accounting standards will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt converged accounting standards by April 2013 could have a material adverse effect on our stock price.

53. ***A nation-wide credit bureau has become operational in India only recently and may not provide adequate information.***

The credit risk of borrowers in India is higher than in more developed countries. A nation-wide credit bureau, Credit Information Bureau (India) Limited ("**CIBIL**"), has become operational in India in the year 2000. CIBIL's database is in the process of developing which may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. Until such time, we may be more susceptible to higher NPAs compared to banks in more developed economies.

54. ***Any volatility in the exchange rate and increased intervention by the Reserve Bank of India in the foreign exchange market may lead to a decline in India's foreign exchange reserves and may affect liquidity and interest rates in the Indian economy, which could adversely impact us.***

The direct adverse impact of the global financial crisis on India was felt in the form of reversal of capital inflows and decline in exports, leading to pressures on the balance of payments and a sharp depreciation of the Indian rupee compared to the US dollar. Any increased intervention by the Reserve Bank of India in the foreign exchange market to control the volatility of the exchange rate may result in a decline in India's foreign exchange reserves and reduced liquidity and higher interest rates in the Indian economy, which could adversely affect our business, financial condition and results of operations.

55. ***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.

56. ***Natural calamities, climate change and health epidemics could adversely affect the Indian economy and could in turn adversely affect our business.***

India has experienced natural calamities like earthquakes, floods and drought in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. In particular, climatic and weather conditions, such as level and timing of monsoon rainfall, impact the agricultural sector which constitutes approximately 17% of India's GDP. For example, in fiscal 2003, many parts of India received significantly less than normal rainfall. As a result, the agricultural sector recorded a decline of 7.2%. While the growth rate of the agricultural sector was 10.0% in fiscal 2004, it was negligible in fiscal 2005 due to the erratic progress of the monsoon which adversely affected sowing operations for certain crops. During the third quarter of fiscal 2009, the agricultural sector recorded a decline of 0.8%. Further, any prolonged spells of below or above normal rainfall or other natural calamities, or global or regional climate change, could adversely affect the Indian economy and our business, especially our rural portfolio.

Health epidemics could disrupt our business. From April 2009, there have been outbreaks of swine flu, caused by H1N1 virus, in certain regions of the world, including India. Any future outbreak of health epidemics may restrict the level of business activity in affected areas, which may in turn adversely affect our business.

57. ***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 will be traded and also materially and adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately materially and adversely affect our business.

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

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

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

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

Risks Relating to Our Equity Shares

59. An active market for our securities may not develop or be sustained, which may cause the price of our securities to fall.

While our Equity Shares are proposed to be traded on the Stock Exchanges, there can be no assurance regarding the continuity of the active or liquid market for our securities, the ability of investors to sell their securities or the prices at which investors may be able to sell their securities. In addition, more recently the Indian markets have been subject to disruptions that have caused volatility in the prices of securities similar to our securities. There can be no assurance that the market for the securities offered hereunder will not be subject to similar disruption. Any disruption in these markets may have an adverse effect on the market price of our securities.

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

Our Equity Shares, once listed, will be subject to a daily "circuit breaker" imposed by the Stock Exchanges, which does not allow transactions beyond specified increases or decreases in the price of our Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers will be set by the Stock Exchanges based on the volatility in the price and trading volume of our Equity Shares.

The Stock Exchanges may not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker will limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

61. There is no guarantee that the Equity Shares will be listed on the Stock Exchanges in a timely manner or at all, and any trading closures at the Stock Exchanges may adversely affect the trading price of our Securities.

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and Allotted. Approval will require all other relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Securities on the Stock Exchanges. Any failure or delay in obtaining the approval would restrict your ability to dispose off your securities.

62. Any future issuance of Equity Shares may dilute your shareholdings, and sales of our Equity Shares by our Promoter or other major shareholders may adversely affect the trading price of the Equity Shares.

Any future equity issuances by us, including a primary offering, may lead to the dilution of investors' shareholdings in our Bank. Any future equity issuances by us or sales of our Equity Shares by our Promoter or other major shareholders may adversely affect the trading price of the Equity Shares. In addition, any perception by potential investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

Prominent Notes

- The Bank net worth as at March 31, 2010 was Rs. 2,120.62 crore as per our restated financial statements. The book value per share of the Bank as of March 31, 2010 as per our restated financial statements is Rs. 104.92.

- The average cost of acquisition per Equity Share by our Promoter, the President of India acting through the Ministry of Finance, GoI is Rs. 10.

- There has been no financing arrangement whereby the Directors of the Bank and their relatives have financed the purchase by any other person of securities of the Bank.

- Investors may contact any of the BRLMs who have submitted the due diligence certificate to the SEBI, for any complaint pertaining to the Issue.

SECTION III - INTRODUCTION

SUMMARY OF INDUSTRY

*Unless stated otherwise, industry data used throughout this DRHP has been obtained from RBI publications, IRDA, AMFI, trade, industry or general publications and other third party sources. Industry websites/publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and other data used in this DRHP is reliable, it has not been independently verified. Similarly, internal Bank estimates, while believed by us to be reliable, have not been verified by any independent agencies. For further details in relation to the banking industry, see "**Industry Overview**" on page 47.*

Introduction

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

- Commercial banks;
- Non-bank finance companies, including housing finance companies;
- Long-term lending institutions;
- Other specialised financial institutions and state-level financial institutions;
- Insurance companies; and
- Mutual funds.

In 1969, 14 private banks were nationalised followed by six private banks, including our Bank, in 1980 *Source: http://www.rbi.org.in/scripts/chro_1968.aspx)*. Since 1991, many financial reforms have been introduced substantially transforming the banking industry in India *(Source: http://www.rbi.org.in/scripts/chro_1968.aspx)*.

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

Reserve Bank of India

The RBI, established in 1935, is the central banking and monetary authority in India. The RBI manages the country's money supply and foreign exchange and also serves as a bank for the GoI and for the country's commercial banks.

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

Commercial Banks

Commercial Banks in India provide banking facilities to individuals and business entities. As of June 30, 2009, there were 167 scheduled commercial banks in the country, with a network of 64,608 branches serving approximately Rs. 40,63,203 crore in deposit accounts and Rs. 30,00,906 crore in loan accounts *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. Scheduled commercial banks are banks listed in the schedule to the Reserve Bank of India Act, 1934, ("**RBI Act**") and are further categorised as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 56.03% of bank branches located in rural or semi-urban areas of the country *(Source: RBI*

Report on Trend and Progress of Banking in India 2008-2009). A large number of these branches belong to the public sector banks.

Public Sector Banks

Public sector banks make up the largest category in the Indian banking system. They include the State Bank of India and its seven associate banks, 19 nationalised banks and IDBI Bank Limited. The public sector banks continue to be a dominant part of the banking system. The public sector banks have 55,438 branches, and account for 76.6 per cent of the aggregate deposits and 75.3 per cent of the aggregate advances of the scheduled commercial banking system as of March 31, 2009 *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. The public sector banks' large network of branches enables them to fund themselves out of low cost deposits. The State Bank of India is the largest public sector bank in India. As of March 31, 2009, the State Bank of India and its associate banks had 16,062 branches. *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. They accounted for 24.8% of aggregate deposits and 24.6% of the aggregate advances of all scheduled commercial banks. *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*.

Private Sector Banks

In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry of the private sector into the banking system. This resulted in the introduction of nine private sector banks. These banks are collectively known as "new" private sector banks. As of March 31, 2009, there were 22 private sector banks, of which seven were "new" private sector banks and 15 were old private sector banks existing prior to January 1993. *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*

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

As of March 31, 2009, private sector banks accounted for approximately 18.1% of aggregate deposits and 19.02% of aggregate advances of the scheduled commercial banks. Private sector banks had a network of 8,877 branches, accounting for 13.73% of the total branch network of scheduled commercial banks in the country *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. A large part of this branch network is attributable to new private sector banks.

Foreign Banks

As of March 31, 2009, there were 31 foreign banks with 293 branches operating in India, accounting for 5.3% of aggregate deposits and 5.5% of aggregate advances of scheduled commercial banks *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. As part of the liberalisation process, the RBI has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. While the primary activity of most foreign banks in India has traditionally been in the corporate segment, some of the larger foreign banks have increasingly made consumer financing a larger part of their portfolios offering an array of products such as automobile finance, home loans, credit cards and household consumer finance.

Regional Rural Banks

Regional rural banks in India have been set up with the idea of combining the local feel of and familiarity with local problems characteristic of co-operatives with the professionalism and large resource base of commercial banks.

In pursuance of the announcement made in the Annual Policy Statement for the year 2006-07, the procedure for licensing of branches of RRBs was simplified and the work relating thereto was delegated to Empowered Committees set up at Regional Offices since June 13, 2006. The Government initiated the process of structural consolidation of RRBs in 2005, by amalgamating RRBs sponsored by the same bank, within the same state. Such amalgamation of RRBs aims at providing better customer service through better infrastructure, computerisation of branches, pooling of experienced work force, common publicity and marketing efforts. Following amalgamation of RRBs, the number of profit-making RRBs has increased to 80 and loss-making RRBs declined to 6, as in March 2009, from 82 and 8 respectively, as in March 2008 *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. As in March 2009, there were 86 RRBs including 45 amalgamated and 41 stand-alone RRBs *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*.

Cooperative Banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. Presently RBI is responsible for supervision and regulation of urban co-operative banks, and the National Bank for Agriculture and Rural Development ("**NABARD**") for State Cooperative Banks and District Central Cooperative Banks.

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

Long-Term Lending Institutions

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, a working group was created in 1999 to harmonise the role and operations of long-term lending institutions and banks. The RBI in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms applicable to banks. In April 2001, the RBI issued operational and regulatory guidelines required to transition long-term lending institutions into universal banks. In April 2002, ICICI Limited merged with ICICI Bank Limited. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003, converted the Industrial Development Bank of India into a banking company incorporated under the Companies Act, on September 27, 2004, with exemptions from certain statutory and regulatory norms applicable to banks, including an exemption for a certain period from the SLR. IDBI Bank Limited, a new private sector bank that was a subsidiary of the Industrial Development Bank of India, was merged with the Industrial Development Bank of India in April 2005.

These institutions provide fund-based and non-fund-based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. Although the initial role of these institutions was largely limited to providing a channel for government funding to industry, the reform process required them to expand the scope of their business activities. Their new activities include:

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

Non-Banking Finance Companies

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

Housing Finance Companies

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

SUMMARY OF BUSINESS

*Investors should note that this is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Draft Red Herring Prospectus, including the information in "**Risk Factors**" and our "**Financial Information**" and related notes on pages xii and 165, respectively, before deciding to invest in our Equity Shares.*

OVERVIEW

Punjab & Sind Bank is a GoI undertaking, incorporated in June 1908 in Amritsar. We were one of the six banks nationalized by the Government of India in April 1980, and today, we are one of 19 nationalized banks in India. In the annual Business Today-KPMG survey of Best Banks in India 2008, we were ranked number one on the list of 'Small Sized Best Banks in India' (*i.e.* banks with a then balance sheet size of less than Rs. 24,000 crore).

In over 100 years of operation, we have significantly grown our branch network with a presence predominantly in north India. As on July 31, 2010, our network comprised of 920 branches and 63 ATMs across India. We also sponsor one regional rural bank, Sutlej Gramin Bank, in collaboration with the GoI and the state Government of Punjab. As on July 31, 2010, we had a total of 8,116 employees, serving over 0.60 crore customers.

Our primary business is taking deposits, and making advances and investments, and is principally divided into retail banking, corporate banking, priority sector banking, treasury operations and other banking services such as agency functions for insurance, distribution of mutual funds and pension and tax collection services. We have various deposit products, such as current, savings and term deposits for our customers. In retail banking, we provide loans and advances for housing, trade, automobiles, consumer durables, education and personal loans. We provide commercial banking products and services to corporate customers, including mid-sized and small businesses and government entities. In corporate banking, our loan products include term loans to finance capital expenditure of assets across various industries as well as short-term loans, cash and export credit and other working capital financing and bill discounting facilities. We also provide credit substitutes, such as letters of credit and guarantee. We also engage in syndication of loans provided by other financial institutions and other fee-based services such as cash management and remittance services. In the priority sector, we offer direct financing to farmers for production, as well as indirect financing for infrastructure development and credit to suppliers of agricultural inputs. We also offer a wide range of general banking services to our customers including ATM cards, cash management, remittance services and collection services.

In fiscal 2010, we made a net profit of Rs. 506.82 crore and had net worth of Rs. 2,120.62 crore. We have experienced growth in advances and deposits, with total advances growing at a CAGR of 36.24% over the last five fiscals, and total deposits growing at a CAGR of 28.24% over the last five fiscals. We have also experienced significant improvement in asset quality and as on March 31, 2010 our net NPA was 0.36%, compared to our net NPA of 8.11% as on March 31, 2005.

Certain other key growth and efficiency parameters achieved by us in the last three fiscals are set forth below.

	Fiscal 2008	**Fiscal 2009**	**Fiscal 2010**
NIM (as a % of Total Assets)	3.54	3.24	2.67
CAR (%)	N/A (Basel II) 11.85 (Basel I)	14.31 (Basel II) 11.84 (Basel I)	13.07 (Basel II) 11.71 (Basel I)
Net Non Performing Assets ("**NNPAs**") (%)	0.37	0.32	0.36
Gross Non Performing Assets ("**GNPAs**") (%)	0.74	0.65	0.63
NNPAs as a % of Net Assets	0.22	0.19	0.21
Return on average Assets ("**RoA**") (%)	1.57	1.23	1.06
Return on Equity ("**RoE**") (%)	29.62	28.62	29.55
Business per employee (Rs. in crore)	4.67	6.56	9.63

We also distribute third-party products such as life and non-life insurance policies through corporate agency agreements with Aviva Life Insurance Company India Private Limited and Bajaj Allianz, respectively, and mutual funds with UTI AMC through a distribution agreement. We also act as an agent for various state governments and the GoI on numerous matters including the collection of taxes and payment of salary and pension.

COMPETITIVE STRENGTHS

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

High asset quality and robust financial growth

Pursuant to the RBI's Report titled '*A Profile of Banks 2008-2009*', we outperformed our group average of the public sector banks as well as all banks' average for fiscal 2009 on several financial and risk-management parameters despite currently being much smaller in size than many of the public sector and other banks with which we compete. These financial and risk management parameters include (i) return on advances as adjusted to cost of funds, (ii) return on assets, (iii) CRAR and (iv) net NPA ratio. Set forth below is our performance in fiscal 2009 in the above-mentioned financial and risk management parameters and our group and all banks' averages.

Items	Our Bank	Group average of the public sector banks	All banks' average
Return on advances as adjusted to cost of funds (%)	4.95	4.01	4.43
Return on assets (%)	1.26	1.03	1.13
CRAR (%)	14.35	13.24	13.98
Net NPA ratio (%)	0.32	0.68	1.05

(Source: Profile of Banks 2008-2009, www.rbi.org.in)

We have experienced robust financial growth in recent past. In fiscal 2005, our net NPA ratio was 8.11%, which was highest amongst the public sector banks. However, in fiscal 2010, our net NPA ratio has come down to 0.36%. Our RoA for fiscal 2010 was 1.06% and our NIM for fiscal 2010 was 2.67%. Further, we have been able to significantly increase our business operations, while at the same time improving our asset quality. During the last five fiscals, we have been able to achieve a CAGR of 36.24% in our net advances in spite of a reduction in our net NPA ratio from 8.11% in fiscal 2005 to 0.36% in fiscal 2010.

Wide distribution network and infrastructure

We deliver our products and services through a wide variety of channels ranging from bank branches and ATMs. We have branch presence across India, with a presence predominantly in north India, a region which we believe is rich in resources and offer great opportunity for resource mobilization. As on July 31, 2010, our network comprised of 920 branches and 63 ATMs across India. Out of these 920 branches, we have 49 specialised branches including specialised agriculture branches, personal banking branches and micro, small and medium enterprises ("**MSMEs**") branches and one locker branch to cater to our customers from varied sectors including our priority sector customers.

Over 100 years of banking experience and established relationships with customers, including the Central and state governments and public sector enterprises

With banking experience of over 100 years including over 30 years as a public sector bank, we believe we have built strong relationships with the central and state governments as well as public sector enterprises, which has been one of the drivers of our growth. For instance, we act as an agent for various state governments and the GoI on numerous matters including the collection of taxes and payment of salary and pension. The RBI has designated us as one of the 21 banks for the purpose of collection of contribution to the Prime Minister's National Relief Fund ("**PMNRF**"). We are also the lead bank in three districts of Punjab *i.e.*, Ludhiana, Faridkot and Moga. In addition, we handle a significant volume of the banking requirements for India's public sector enterprises. As on March 31, 2010, 34.06% of our loan portfolio consisted of loans to public sector enterprises and public sector undertakings. We also offer personal clean loan facilities to officials of Government and public sector undertakings, local bodies, reorganised universities and schools run by Government or local bodies, as well as pensioners who have retired from the central or state government, for purchase of consumer durables or vehicles or for any consumption or personal use.

Streamlined risk management controls, policies and procedures

We became BASEL II compliant as on March 31, 2009. Under this framework, we have performed a comprehensive self-assessment across market risk, credit risk and operational risk areas. We have a separate Risk Management Department to formulate and implement credit risk evaluation and management policies, procedures and methodologies appropriate to the businesses within each division, and to ensure that the business conducted within each division is consistent with our risk appetite, with a focus on enhancing asset quality. We periodically conduct audits to ensure that the risks on the portfolios are within acceptable parameters. We continuously monitor our portfolios through our internal control system, which includes macro level portfolio analysis, migration of credit rating analysis and stress testing analysis. We specifically seek to control credit risk in the retail loan portfolio and the agricultural financing portfolio through carefully designed approval criteria and credit controls and efficient collection systems.

Stringent provisioning coverage ratio for advances

The RBI has pursuant to its Second Quarter Review of Monetary Policy for fiscal 2010 dated December 1, 2009 prescribed that all scheduled banks are required to provide for a total provisioning coverage ratio of minimum of 70% for NPAs including floating provisions by September 30, 2010. We are maintaining provisioning coverage ratio of 90% as on March 31, 2010. We have also technically written off accounts of the value of Rs. 917.03 crore as on March 31, 2010, which have been fully provided for and are considered in the calculation of provisioning coverage ratio as per the guidelines issued by the RBI in Circular (No DBOD.NO.BP.BC.64/21.04.048/2009-10) dated December 1, 2009. As a result of such conservative provisioning coverage ratio, we often recover a significant amount out of our technically written off accounts which directly contributes to our profits. Set forth below are the amounts recovered from written off accounts for fiscal 2010, fiscal 2009 and fiscal 2008.

(Rs. in crore)

	Fiscal 2010	**Fiscal 2009**	**Fiscal 2008**
Amount recovered from written off accounts	115.48	193.16	199.10

Presence predominantly in Punjab and other north Indian states

We have a presence predominantly in Punjab and other north Indian states with 623 branch offices in north-India out of which 399 branches are in the state of Punjab. We believe that Punjab and other north-Indian states are rich in resources and provide higher opportunity for resource mobilization. Specifically, Punjab has a strong agricultural background which we believe can enable us to enhance our return from our advances. Additionally, we have a wide distribution of 257 branches in the rural areas of north Indian states which provide us an edge in our priority sector banking due to its rich agricultural resources and a large catchment area for low cost deposits.

BUSINESS STRATEGIES

Our vision is to emerge as a strong and vibrant bank, through synchronization of human, financial and technological resources. Towards this end, our competitive strategies are as follows:

To increase our number of branches and market share

While we have grown significantly in recent years and have outperformed some of our peer group banks on certain key risk management and financial performance parameters in recent fiscals, we remain a mid-sized bank with a presence predominantly in north India. We seek to leverage our strong brand recall, especially in north India, to expand our presence across other geographies in India, including through increasing our branch network and distribution infrastructure across India and cross-selling our products at competitive costs, to gain a larger market share in terms of advances as well as deposits.

Towards this end, we intend to continue our focus on technology, including the rollout of our core banking system and the launch of customer-centric and multi-channel solutions like internet banking, telephone banking and mobile banking, to support our network of branches. We propose to install more ATMs, both on-site and off-site, which will provide more visibility to our customers. We have also recently joined the NFS which will allow access to more than 50,000 ATMs across the country to our Bank's cardholders. This will also allow the card holders of all member banks of NFS to use the Bank's ATMs. Additionally, we propose to open specialised high net-worth individual branches and personalised saving accounts in metropolitan cities to attract high net-worth customers, as well as additional specialised MSME branches in the urban areas where there are industrial clusters. Further, we seek to increase our market share in the rural and semi-urban areas by appointing business correspondents and by financial inclusion through post offices as collection centres in semi urban and rural areas.

To increase CASA deposits and expand our retail banking operations

We seek to increase our CASA deposits in order to reduce cost of funds and improve core capital. In order to attract retail customers and increase our CASA deposits, we intend to position our Bank through marketing campaigns and upgrading our branch offices. We also intend to formulate certain incentive schemes to encourage customers to deposit money in current and savings accounts. We have also formed a special cell exclusively for performance review and monitoring of our CASA growth. We believe that the proposed roll out of CBS, internet banking systems, mobile banking and installation of new ATMs and the recently completed linking to NFS will enable us to increase our retail customer base by providing them convenient retail banking services. Towards increasing our retail banking business, we intend to rationalise our interest rate structures in housing finance, vehicle loans and education loans, and increase our advances to doctors through our '*Doctor's Special Scheme*'.

To accelerate growth in the corporate banking sector

Although we have achieved significant growth in advances to the corporate sector over the last three fiscals, we seek to continue to increase our market share, credit portfolio and NIMs in the corporate banking segment, by expanding and improving our distribution network and infrastructure, expanding and strengthening our relationships, especially with MSMEs and public sector enterprises, and by further developing our existing product offerings, processes and distribution channels. In order to expand our corporate banking services, we have recently forayed into syndication of loans. We propose to act as a loan syndicator for our corporate customers to arrange for higher financing requirements which we cannot provide as a sole financier due to our prudential exposure limitation policies. Additionally, we believe that with the successful completion of the Issue, we will be able to increase our capital funds which will increase our exposure limits and allow us to attract high quality corporate clients. We also intend to open specialised industrial finance branches to focus on project appraisal. As part of this strategy, we also intend to maintain and enhance our franchise in the MSME sector. For instance, we have formulated a code of commitment to MSMEs, under which we have constituted four centres for redressal of grievances of MSMEs, in addition to our 11 specialized branches. We have also launched a debt restructuring mechanism for MSMEs for improving flow of credit to MSMEs.

Increase fee-based revenue

We are looking to increase our high margin fee-based income by expanding our third party product offerings and by increasing our fee-based services. We have entered into an agreement with UTI AMC for the distribution of mutual fund products. We also market and sell the life insurance products of Aviva Life Insurance Company India Private Limited and general insurance products of Bajaj Allianz in conjunction with certain of our savings account and term deposit products. We have also launched in July, 2005 Western Union Money Transfer service. We earn fees and commissions for the distribution and sale of these products. We also intend to increase this revenue stream by entering into more agency and distribution agreements and by promoting certain of our products and services including the issuance of letters of credit and guarantees and our depositary services. We intend to grow our income from fee based services by introducing new products and services and by cross-selling our offerings to our existing customers.

To adopt and operationalize high-level technology standards

The key objectives behind our IT strategy continue to include building a cost-efficient distribution network to accelerate the development of our retail and rural franchise, enhancing cross-selling and client-segmenting capability by using analytical tools and efficient data storage and retrieval systems, improving credit and market risk management, improving product and client profitability, and leveraging our technology competencies and cost efficiencies. Towards this end, we intend to rollout CBS and launch customer-centric and multi-channel solutions like internet banking, telephone banking and mobile banking, to support our network of branches. Our first CBS branch was rolled out on June 24, 2010 and we seek to bring up to 500 branches on the CBS platform by November 2012. We have entered into a master outsourcing agreement with Wipro for implementation of CBS solution Finacle from Infosys in our Bank. We also recently joined the NFS in order to link our ATMs with the ATMs of other banks. Our IT strategy has been supporting business initiatives by a process of continuous update in technology and process platforms. We have an IT Development-cum-Training Centre at Chandigarh to launch initiatives and undertake technical training programs. The development of cost and time efficient means of reaching out to customers and processing transactions is a key element of our goal to expand our profitability and to capitalize on opportunities for organic growth.

Attract young talented professionals and retain experienced employees

Recruitment and assimilation of talented professionals including lateral appointments are key elements of our human resource strategy. We believe a key to our success will be our ability to maintain a healthy mix of experienced and young professionals. We have been successful in building a team of talented professionals with relevant experience, including experts in credit evaluation, risk management, retail consumer products, treasury, technology and marketing. Currently, we propose to recruit approximately 815 employees across various levels by March 31, 2011 to boost our workforce. Recruitment is a key management activity and we intend to attract graduates from premier Indian business schools as well as employees with other professional qualifications. We intend to continuously re-engineer our management and organizational structure to allow us to respond effectively to changes in the business environment.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our restated financial statements for fiscal 2010, 2009, 2008, 2007 and 2006. These financial statements have been prepared in accordance with Indian GAAP and the SEBI ICDR Regulations and are presented in "***Financial Information***" on page 165. The summary financial information presented below should be read in conjunction with our restated financial statements, the notes thereto and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 287.

Summary Statement of Restated Profit and Loss

(Rs. in crore)

S.NO.		FINANCIAL YEAR ENDED 31ST MARCH				
		2006	**2007**	**2008**	**2009**	**2010**
A.	**INCOME**					
1.0	**Interest Earned**	**1268.57**	**1691.67**	**2219.29**	**3247.17**	**3934.17**
1.1	Interest & Discount on advance/bills	662.83	1028.22	1530.07	2486.13	2753.70
1.2	Income on Investment	556.09	536.17	592.02	687.82	1095.07
1.3	Interest on balance with RBI & other Inter Bank Lending	47.64	118.44	86.13	68.36	66.13
1.4	Interest on Income/ Interest Tax Refund	2.01	8.84	11.07	4.86	19.27
2.0	**OTHER INCOME**	**133.36**	**227.71**	**309.14**	**383.54**	**392.13**
2.1	Commission Exchange & Brokerage	44.06	49.33	51.91	58.84	54.13
2.2	Profit on sale of Investments(Net)	26.62	17.35	17.51	118.90	109.06
2.3	Profit on sale of land, building & other assets (Net)	-	4.72	0.14	0.07	0.08
2.4	Profit on exchange transaction(Net)	21.04	23.50	30.01	39.91	37.65
2.5	Miscellaneous Income (Refer Annexure-H)	41.64	132.81	209.57	165.82	191.21
	TOTAL INCOME	**1401.93**	**1919.38**	**2528.43**	**3630.71**	**4326.30**
B.	**EXPENDITURE**					
1.0	**Interest Expended**	**668.99**	**959.86**	**1433.50**	**2235.31**	**2750.23**
1.1	Interest on Deposits	635.97	904.04	1334.60	2091.00	2567.69
1.2	Interest on RBI/Inter Bank borrowings	2.16	24.23	61.44	69.12	51.94
1.3	Others	30.86	31.59	37.46	75.19	130.60
2.0	**Operating Expenses**	**475.96**	**497.17**	**558.27**	**673.69**	**699.56**
2.1	Payment to & provision for employees	362.63	380.10	426.58	525.24	529.64
2.2	Rent, Tax & Lighting	28.47	30.69	32.00	34.21	37.49
2.3	Printing & Stationery	5.45	6.00	6.10	6.95	6.85
2.4	Advertisement & Publicity	0.35	0.34	0.34	0.38	0.54
2.5	Depreciation on Banks Properties (net of amounts adjusted against revaluation reserve)	8.08	8.15	7.20	10.63	12.05
2.6	Director's fees, allowances and expenses	0.04	0.07	0.08	0.14	0.22
2.7	Auditor's Fees & Expenses	4.85	3.22	5.94	5.49	5.86
2.8	Law Charges	4.45	3.87	4.22	4.39	7.87
2.9	Postage, Telegrams, Telephones etc.	5.73	5.36	5.97	6.41	6.12
2.10	Repairs & Maintenance	7.15	7.71	8.40	8.56	8.87
2.11	Insurance	14.59	16.42	19.65	27.22	36.95
2.12	Other Expenditure	34.17	35.24	41.79	44.07	47.10
	TOTAL EXPENDITURE	**1144.95**	**1457.03**	**1991.77**	**2909.00**	**3449.79**

	Operating Profit (before Extra Ordinary Items and Provision & Contingencies)	**256.98**	**462.35**	**536.66**	**721.71**	**876.51**
	Add/(less): Extra Ordinary Items net of taxes	8.80	6.29	-	-	0.69
	Less: Provisions & Contingencies (other than Provision for Tax)	(15.72)	73.36	79.74	82.88	211.10
	Profit Before Tax	**281.50**	**395.28**	**456.92**	**638.83**	**666.10**
	Provision for Tax	(4.18)	5.01	54.79	208.63	159.28
	Net Profit after tax	**285.68**	**390.27**	**402.13**	**430.20**	**506.82**
	Adjustment for Profit/ Loss Brought Forward	(430.13)	(194.71)	100.65	395.29	588.26
	Profit available for appropriation	**(144.45)**	**195.56**	**502.78**	**825.49**	**1095.08**
a)	Statutory Reserve	27.50	55.00	100.00	110.00	150.00
b)	Capital Reserve	1.05	10.02	6.78	116.79	50.26
c)	General Reserve	9.61	7.09	(1.61)	(0.02)	(0.03)
d)	Revenue & Other Reserve	11.00	22.80	2.32	7.26	11.91
e)	Deferred Tax Liability	1.10	-	-	-	-
f)	Staff welfare Fund	-	-	-	-	-
	Dividend (excluding dividend tax)	-	-	-	2.74	10.00
	Tax on Dividend	-	-	-	0.46	1.70
	Balance of Profit carried forward	(194.71)	100.65	395.29	588.26	871.24
	TOTAL					
	Break up of Miscellaneous Income*					
	Misc. Income - Technical Write Off Cases	-	80.36	132.83	78.60	75.28
	Loan Processing Fee	11.57	17.64	32.80	40.23	64.99
	Incidental Charges	13.63	14.99	15.69	15.16	16.16
	Commission on Insurance Income	2.71	4.77	7.69	11.33	11.31
	Miscellaneous Income & Others	13.73	15.05	20.56	20.50	23.47
	Total Miscellaneous Income	**41.64**	**132.81**	**209.57**	**165.82**	**191.21**
	Break up of Provisions and Contingencies					
	Provision for Non-Performing Advances	(35.66)	(52.53)	53.68	60.65	82.35
	Provision for Investment NPA	(3.34)	29.25	(1.41)	(1.63)	-
	Provision for standard Advances	17.66	47.35	30.27	11.95	5.74
	Depreciation on Investments/(Written Back)	9.04	27.17	3.30	(0.16)	110.79
	Provision for Restructured Standard A/c	-	-	-	3.16	9.78
	Others	(3.42)	22.12	(6.10)	8.91	2.44
	Provision for Contingencies (other than Provision for tax)	**(15.72)**	**73.36**	**79.74**	**82.88**	**211.10**
	Provision for Income Tax	(4.18)	5.01	54.79	208.63	159.28
	TOTAL	**(19.90)**	**78.37**	**134.53**	**291.51**	**370.38**

*Items listed here are generally of recurring nature

Summary Statement of Assets and Liabilities as Restated

(Rs. in crore)

		FINANCIAL YEAR ENDED 31ST MARCH				
		2006	**2007**	**2008**	**2009**	**2010**
A.	**ASSETS**					
1.0	**Cash in Hand**	83.88	89.45	102.99	93.91	91.31
2.0	**Balance with RBI**	749.80	984.95	1852.10	1863.16	3696.95
3.0	**Balance with Banks**					
	In India	876.79	933.73	873.51	584.84	670.73
	Outside India	436.60	470.24	111.29	298.53	196.33
4.0	**Money at Call & Short Notice**	-	169.28	-	-	100.00
5.0	**Investments**					
	In India Gross Investment	7001.15	6752.01	8524.90	12656.43	17986.65
	Less: Provision for NPA Investment	11.05	31.23	26.83	25.36	25.36
	Less: Depreciation on Investment	34.50	27.70	24.44	3.64	74.45
	In India Net Investment	6955.60	6693.08	8473.63	12627.43	17886.84
	Outside India	-	-	-	-	-
6.0	**Advances**					
	In India	8935.03	11721.22	18343.31	24615.35	32639.11
	Outside India	-	-	-	-	-
7.0	**Fixed Assets**	284.22	253.01	568.96	555.76	538.91
	Less: Revaluation Reserve	(249.79)	(217.75)	(529.02)	(504.87)	(486.24)
	Net Fixed Assets	34.43	35.26	39.94	50.89	52.67
8.0	**Other Assets**	505.06	608.42	602.22	645.61	766.78
	Less: Deferred Revenue Expenditures	(0.49)	(0.94)	(1.04)	(1.14)	(1.14)
	Net Other Assets	**504.57**	**607.48**	**601.18**	**644.47**	**765.64**
	TOTAL -(A)	**18576.70**	**21704.69**	**30397.95**	**40778.58**	**56099.58**
B.	**LIABILITIES**					
1.0	**DEPOSITS**					
	Demand Deposit					
	From Banks	23.02	19.70	38.84	31.36	52.74
	From Others	2757.85	2108.88	2035.66	2116.96	3103.96
2.0	**Saving Deposits**	6042.55	6703.28	6950.11	7477.36	9151.34
3.0	**Term Deposits from Banks**	248.45	605.97	1122.17	2306.64	2319.69
	Term Deposits from others	7852.71	9880.92	14684.63	22743.33	34527.35
4.0	**Borrowings**					
	In India	0.19	205.07	2816.24	2511.48	2186.15
	Outside India	-	-	160.48	-	44.90
	Innovative Perpetual Debt Instruments	-	-	-	160.00	160.00
	Perpetual Cumulative Preference Shares	-	-	-	200.00	200.00
	Subordinate Debts(Tier-II Bonds)	315.00	385.00	380.00	735.00	1110.00

Summary Statement of Assets and Liabilities as Restated

(Continued)

		FINANCIAL YEAR ENDED 31ST MARCH				
		2006	**2007**	**2008**	**2009**	**2010**
5.0	Other Liabilities & Provisions	570.18	639.29	651.21	870.95	1122.83
	TOTAL-(B)	**17809.95**	**20548.11**	**28839.34**	**39153.08**	**53978.96**
C.	**NET WORTH (C=(A-B)**	766.75	1156.58	1558.61	1625.50	2120.62
D.	**Share Capital***	**743.06**	**743.06**	**743.06**	**383.06**	**383.06**
	Equity Share Capital	743.06	743.06	743.06	183.06	183.06
	Perpetual Non cumulative Preference Shares	-	-	-	200.00	200.00
E.	**RESERVE & SURPLUS**					
1.0	Statutory Reserve	80.94	135.94	235.94	345.94	495.94
2.0	Capital Reserve	47.75	57.78	64.56	181.34	231.60
3.0	Revaluation Reserve	249.79	217.75	529.02	504.87	486.24
4.0	Revenue & Other Reserve	90.20	120.09	120.80	128.04	139.92
5.0	Balance of Profit & Loss Account	-	100.65	395.29	588.26	871.24
	TOTAL	**468.68**	**632.21**	**1345.61**	**1748.45**	**2224.94**
	Less: Revaluation Reserve	(249.79)	(217.75)	(529.02)	(504.87)	(486.24)
	Less: Deferred Revenue Expenditure	(0.49)	(0.94)	(1.04)	(1.14)	(1.14)
	Less: Profit & Loss (Dr.)	(194.71)	-	-	-	-
	TOTAL (E)	**23.69**	**413.52**	**815.55**	**1242.44**	**1737.56**
	NET WORTH (D+E)	766.75	1156.58	1558.61	1625.50	2120.62
F.	**Contingent Liabilities**					
1.0	Claims against the Bank not					
	acknowledged as debt	4.53	3.13	5.39	9.57	7.22
2.0	Liability for partly paid investments	-	-	-	-	-
3.0	Liability on account of outstanding forward exchange contracts	1931.57	1319.14	2738.25	3399.15	3907.57
4.0	Guarantees given on behalf of constituents:					
	In India	449.09	492.16	555.30	813.52	1079.68
	Outside India	-	-	-	-	-
5.0	Acceptance, Endorsement & other obligations	280.13	273.05	413.58	987.33	812.26
6.0	Other Items for which the Bank is contingently liable	0.03	0.01	0.01	0.02	-
	TOTAL (F)	**2665.35**	**2087.49**	**3712.53**	**5209.59**	**5806.73**
G.	Bills for collection	541.20	459.08	418.00	982.10	732.44

***Note: Reduced of Equity Capital and conversion into PNCPS, PCPS and IPDI pursuant to Govt. of India Letter no. F. No. 11/8/2006 Dated 22nd December 2008.**

Statement of Cash Flows As Restated

(Rs. in crore)

	FINANCIAL YEAR ENDED 31ST MARCH				
	2006	**2007**	**2008**	**2009**	**2010**
A. CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit after Tax	285.68	390.27	402.13	430.20	506.82
Adjustments for:					
Provisions & Contingencies	(19.90)	78.37	134.53	291.51	370.38
Depreciation (Net of drawn from Revaluation Reserve)	8.08	8.15	7.20	10.63	12.05
Profit on sale of assets	-	(4.72)	(0.14)	(0.07)	(0.08)
Interest on Bonds, PCPS and IPDI	30.83	30.33	25.75	53.11	126.27
Operating Profit before working capital changes	**304.69**	**502.40**	**569.47**	**785.38**	**1,015.44**
Adjustments for net changes in working capital:					
Increase / (Decrease) in Deposits	2,753.92	2,394.17	5,512.66	9,844.24	14,479.43
Increase / (Decrease) in Borrowings	(3.13)	204.88	2,771.65	(465.24)	(280.43)
Increase / (Decrease) in Other Liabilities	(221.94)	21.03	(10.18)	200.54	243.82
(Increase) / Decrease in Investments	120.28	206.11	(1,782.44)	(4,152.01)	(5,370.21)
(Increase) / Decrease in Advances	(2,892.02)	(2,755.05)	(6,677.84)	(6,337.51)	(8,116.01)
(Increase) / Decrease in Other Assets	(62.71)	(108.37)	(48.59)	(252.03)	(280.44)
Cash Flow from Operating Activities (A)	**(0.91)**	**465.17**	**334.73**	**(376.63)**	**1,691.60**
B. CASH FLOW FROM INVESTING ACTIVITIES					
Increase in Fixed Assets	(5.90)	(8.98)	(11.88)	(21.58)	(13.83)
Profit on sale of assets	-	4.72	0.14	0.07	0.08
Cash Flow from Investing Activities (B)	**(5.90)**	**(4.26)**	**(11.74)**	**(21.51)**	**(13.75)**
C. CASH FLOW FROM FINANCING ACTIVITIES					
Infusion of capital by Central Government	500.00	-	-	-	-
Issue of Subordinated Bonds	-	150.00	100.00	400.00	375.00
Redemption of Subordinated Bonds	-	(80.00)	(105.00)	(45.00)	-
Interest on Bonds, PCPS and IPDI	(30.83)	(30.33)	(25.75)	(53.11)	(126.27)
Dividend on PNCPS	-	-	-	(2.74)	(10.00)
Dividend Distribution Tax	-	-	-	(0.46)	(1.70)
Cash Flow from Financing Activities (C)	**469.17**	**39.67**	**(30.75)**	**298.69**	**237.03**
Cash from Operating Activities	(0.91)	465.17	334.73	(376.63)	1,691.60
Cash from Investing Activities	(5.90)	(4.26)	(11.74)	(21.51)	(13.75)
Cash from Financing Activities	469.17	39.67	(30.75)	298.69	237.03
Net Increase in Cash & Cash Equivalents	**462.36**	**500.58**	**292.24**	**(99.45)**	**1,914.88**
Cash and Cash equivalents at the beginning of the year	**1,684.71**	**2,147.07**	**2,647.65**	**2,939.89**	**2,840.44**
Cash and Cash equivalents at the end of the year	**2,147.07**	**2,647.65**	**2,939.89**	**2,840.44**	**4,755.32**

THE ISSUE

Issue	Up to 4,00,00,000 Equity Shares
Of which	
Employee Reservation Portion^	20,00,000 Equity Shares
Therefore	
Net Issue to the Public	3,80,00,000 Equity Shares
Of which	
QIB Portion*	Up to 1,90,00,000 Equity Shares
Of which	
Available for allocation to Mutual Funds only	[●] Equity Shares
Balance for all QIBs including Mutual Funds	[●] Equity Shares
Non-Institutional Portion	Not less than 57,00,000 Equity Shares
Retail Portion^^	Not less than 1,33,00,000 Equity Shares
Equity Shares outstanding prior to the Issue	18,30,56,000 Equity Shares
Equity Shares outstanding after the Issue	22,30,56,000 Equity Shares
Use of Net Proceeds	See "***Objects of the Issue***" on page 33

^ Employee Discount of up to [●]% of the Issue Price or Rs. [●] to the Issue Price is being offered to Eligible Employees.

^^ Retail Discount of up to [●]% of the Issue Price or Rs. [●] to the Issue Price is being offered to Retail Individual Bidders.

** The Bank in consultation with the BRLMs may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price. For further details, see "**Issue Procedure**" on page 369.*

Notes

1. *Allocation to all categories, except the Anchor Investor Portion, if any, shall be made on a proportionate basis.*

2. *Any unsubscribed portion in any reserved category shall be added to the Net Issue to the public. In case of under-subscription in the Net Issue to the public category, spill-over to the extent of under-subscription shall be permitted from the reserved category to the Net Issue to the public. Under subscription, if any in any category 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.*

3. *The Issue has been authorized by our Board at its meeting held on December 22, 2009. The Ministry of Finance, GoI has approved the Issue pursuant to its letter (F. No. 11/10/2009-BOA) dated April 27, 2010.*

GENERAL INFORMATION

The Bank was incorporated on June 24, 1908, as 'The Punjab and Sind Bank Limited', with its registered office at Hall Bazar, Amritsar, Punjab, India. The Bank was nationalised under the Bank Acquisition Act on April 15, 1980 and its name was changed to 'Punjab & Sind Bank'.

Head Office of the Bank

'Bank House'
21, Rajendra Place
New Delhi 110 008, India
Tel: (+91 11) 2572 0849
Fax: (+91 11) 2578 1639

For details of changes in our Head Office, see "*History and Certain Corporate Matters*" on page 136.

Board of Directors

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

Name and designation	Age	Address
Mr. P.K. Anand *Executive Director*	57	A - 1/166, Safdarjung Enclave, New Delhi 110 029
Mr. A. Bhattacharya *Government Nominee Director*	56	B2/8, Peshwa Road, MS Flats, New Delhi 110 001
Mr. B.P. Kanungo *RBI Nominated Independent Director*	51	R-100, RBI Officers Flats, Gandhi Nagar, Jaipur 302 015
Mr. A.K. Surana *Independent Director*	57	H-38, Nishat Colony, 74 Bunglows, Bhopal, Madhya Pradesh
Mr. M.V.S. Prasad *Independent Director*	46	House No. 9.7.11, Md. Ali Street, Gandhinagar, Kakinada 534 004
Mr. K.M. Gangawat *Independent Director*	59	16, Ramanand Nagar, Lal Diggi, Alwar, Rajasthan
Mr. Hari Chand Bahadur Singh *Independent Director*	46	RR Kothi, Canal Road, Raebareli, Uttar Pradesh
Mr. Manish Gupta *Independent Director*	68	20, Suren Tagore Road, Kolkata 700 019, West Bengal
Mr. Karanpal Singh Sekhon *Independent Director*	54	House No. 26, Sector 4, Panchkula, Haryana

For further information, see "*Our Management*" on page 146.

Compliance Officer

Mr. A.P.S. Teji
'Bank House'
21, Rajendra Place
New Delhi 110 008, India
Tel: (+91 11) 2581 2923
Fax: (+91 11) 2578 1639
Email: complianceofficer@psb.org.in

Investors can contact the Compliance Officer, the BRLMs 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 and credit of allotted Equity Shares in the respective beneficiary account or refund orders. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Form was submitted by the ASBA Bidders.

Book Running Lead Managers

SBI Capital Markets Limited
202, Maker Tower 'E', Cuffe Parade
Mumbai 400 005, India
Tel: (+91 22) 2217 8300
Fax: (+91 22) 2218 8332
E-mail: psb.ipo@sbicaps.com
Investor Grievance E-mail: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Mr. Gitesh Vargantwar / Mr. Murtuza Patrawala
SEBI Registration No.: INM000003531

ICICI Securities Limited
ICICI Centre
H. T. Parekh Marg, Churchgate
Mumbai 400 020, India
Tel: +(91 22) 2288 2460
Fax: +(91 22) 2282 6580
E-mail: psb.ipo@icicisecurities.com
Investor Grievance E-mail: customercare@icicisecurities.com
Website: www.icicisecurities.com
Contact Person: Mr. Viral Shah / Mr. Vishal Kanjani
SEBI Registration No.: INM000011179

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

Syndicate Member(s)

[●]

Legal counsel to the Issue

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Amarchand Towers
216, Okhla Industrial Estate, Phase-III
New Delhi 110 020, India
Tel.: (+91 11) 2692 0500
Fax: (+91 11) 2692 4900

Registrar to the Issue

Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound
L.B.S Marg,
Bhandup (West)
Mumbai 400 078, India
Tel: (+91 22) 2596 0320
Fax: (+91 22) 2596 0329
Email: psb.ipo@linkintime.co.in
Website: www.linkintime.co.in
Contact Person: Mr. Sachin Achar
SEBI Registration No: INR000004058

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSB for the Applications Supported by Blocked Amount ("**ASBA**") Process are provided on www.sebi.gov.in/pmd/scsb.html. For details on designated branches of SCSBs collecting the ASBA Bid cum Application Form, please refer to the above mentioned SEBI link.

Bankers to the Issue

[●]

Refund Banks

[●]

Auditors

S. Lall & Co., Chartered Accountants
15, Arya School Shopping Complex
GT Road, Panipat 132 103, India
Tel: (+91 180) 2630 840
Fax: (+91 180) 2632 271
Email: slallco_pnp@hotmail.com
Contact Person: Mr. Rajat Aggarwal/Mr. Rajesh Kumar
Firm Registration No: 000355N

Bansal Sinha & Co., Chartered Accountants
18/19, Old Rajendra Nagar
New Delhi 110 060, India
Tel: (+91 11) 2572 270
Fax: (+91 11) 4104 6530
Email: bsc@bansalsinha.com
Contact Person: Mr. Ravinder Khullar
Firm Registration No: 006184N

Balram Chandra & Associates, Chartered Accountants
60-B/44, Nawab Yusuf Road, Behind Sangam Place
Civil Lines, Allahabad 211 001, India
Tel: (+91 532) 2561 154
Fax: (+91 532) 2561 192
Email: chandra_balram@rediffmail.com
Contact Person: Mr. Atul Mehrotra
Firm Registration No: 002817C

Bhatia & Bhatia, Chartered Accountants
12, Central Lane, Bengali Market
New Delhi 110 001, India
Tel: (+91 11) 2332 5699
Fax: (+91 11) 2335 5033
Email: taxauditors.bhatia@gmail.com
Contact Person: Ms. Neeru Singh
Firm Registration No: 003202N

Alka & Sunil, Chartered Accountants
E-176, Greater Kailash Part I
New Delhi 110 048, India
Tel: (+91 11) 2622 3105
Fax: (+91 11) 2924 5006
Email: ans105@indiatimes.com
Contact Person: Mr. Sunil Gupta
Firm Registration No: 006739N

IPO Grading Agency

[●]

IPO Grading

This Issue has been graded by [●] and has been assigned a grade of [●]/5 indicating [●] fundamentals. The IPO Grading is assigned on a five point scale from 1 to 5, with IPO Grade 5/5 indicating strong fundamentals and IPO Grade 1/5 indicating poor fundamentals. For details in relation to the rationale furnished by [●], see "***Annexure I***" to be included in the Red Herring Prospectus. Attention is drawn to the disclaimer appearing in Annexure I.

Credit Rating

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

Trustees

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

Monitoring agency

As per the proviso to regulation 16(1) of the SEBI ICDR Regulations, the requirement for appointment of a monitoring agency is not applicable to an offer for sale or an issue of specified securities made by a bank or public financial institution.

Experts

Except for the report of [●] in respect of the IPO Grading of this Issue (a copy of which will be annexed to the Red Herring Prospectus as Annexure I), furnishing the rationale for its grading, which will be provided to the Designated Stock Exchange and except for the audit reports and statement of tax benefits of the Auditors of the Bank on the restated financial information, included in this Draft Red Herring Prospectus, the Bank has not obtained any expert opinions.

Statement of responsibilities as Lead Managers to the Issue

	Inter – Se Allocation of Responsibilities		
S. No.	**Activity**	**Responsibility**	**Co-ordination**
1.	Capital Structuring with relative components and formalities such as type of instruments, etc.	All BRLMs	SBI Caps
2.	Due diligence of the Bank's operations/management/business plans/legal etc. Drafting and design of Red Herring Prospectus including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges and SEBI including finalisation of Prospectus and filing with the Designated Stock Exchange.	All BRLMs	SBI Caps
3.	Drafting and approval of all statutory advertisements and all publicity material other than statutory advertisement including corporate advertisement, brochure etc.	All BRLMs	Enam
4.	Co-ordination for Issue Agreement and Underwriting Agreement	All BRLMs	SBI Caps
5.	Appointment of Registrars	All BRLMs	I-Sec
6.	Appointment of Printers	All BRLMs	SBI Caps
7.	Appointment of Advertising Agency	All BRLMs	Enam
8.	Appointment of Bankers to the Issue and coordination for Escrow Agreement	All BRLMs	I-Sec
9.	Co-ordination with IPO Grading Agency	All BRLMs	SBI Caps
10.	Co-ordination for Syndicate Agreement	All BRLMs	I-Sec
11.	Preparation of Road show presentation and FAQs	All BRLMs	Enam
12.	International Institutional Marketing strategy * Finalise the list and division of investors for one to one meetings, in consultation with the Bank, and * Finalizing the International road show schedule and investor meeting schedules	All BRLMs	SBI Caps
13.	Domestic institutions/banks/mutual funds marketing strategy * Finalise the list and division of investors for one to one meetings, institutional allocation in consultation with the Bank.	All BRLMs	Enam

Inter – Se Allocation of Responsibilities			
S. No.	Activity	Responsibility	Co-ordination
	* Finalizing the list and division of investors for one to one meetings, and * Finalizing investor meeting schedules		
14.	Non-Institutional and Retail marketing of the Issue, which will cover, among other things, * Formulating marketing strategies, preparation of publicity budget * Finalise Media and PR strategy * Finalising centers for holding conferences for press and brokers * Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material * Finalisation of bidding centres * Branch Training including identification of branches/centres, branch training material etc.	All BRLMs	I-Sec
15.	Co-ordination with Stock Exchanges for Book Building Software, bidding terminals and mock trading.	All BRLMs	SBI Caps
16.	Finalisation of Pricing, in consultation with the Bank	All BRLMs	SBI Caps
17.	The post issue activities including management of escrow accounts, co-ordination of non-institutional allocation, intimation of allocation and dispatch of refunds to bidders etc. The post Offer activities for the Offer involving essential follow up steps, which include the finalisation of trading and dealing of instruments and demat of delivery of shares, with the various agencies connected with the work such as the registrar's to the Issue and Bankers to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Bank.	All BRLMs	I-Sec

Book Building Process

Book Building Process refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalized, in consultation with the book running lead managers, after the Bid/Issue Closing Date.

The principal parties involved in the Book Building Process are:

(1) The Bank;
(2) The Book Running Lead Managers;
(3) Syndicate Member(s) who are intermediaries registered with SEBI or registered as brokers with the BSE/the NSE and eligible to act as underwriters. Syndicate Member(s) are appointed by the BRLMs;
(4) The Registrar to the Issue;
(5) The Bankers to the Issue/Escrow Collection Banks; and
(6) The SCSBs.

In terms of Rule 19(2)(c) of the SCRR as applicable to "public sector companies", this being an Issue for at least 10% of the post-Issue paid up equity share capital, the Issue is being made through the Book Building Process wherein up to 50% of the Net Issue will be allocated on a proportionate basis to QIBs (the "**QIB Portion**"), provided that the Bank may allocate up to 30% of the QIB Portion, to Anchor Investors, on a discretionary basis (the "**Anchor Investor Portion**"). Further 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 20,00,000 Equity Shares shall be made available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price. Any Bidder may participate in this Issue through the ASBA process by providing the details of the relevant bank accounts in which the corresponding Bid amounts will be blocked by SCSBs.

The Bank shall comply with regulations and guidelines issued by SEBI for this Issue. In this regard, the Bank has appointed SBI Capital Markets Limited, Enam Securities Private Limited and ICICI Securities Limited as the BRLMs to manage the Issue and to procure subscription to the Issue.

QIB Bidders are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date. Allocation to the Anchor Investors will be on a discretionary basis. For further details, see "***Terms of the Issue***" on page 366.

The Book Building Process under the SEBI ICDR Regulations is subject to change from time to time and investors are advised to make their own judgment about investment through this process prior to making a Bid or an 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 equity share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book below shows the demand for the equity shares of the issuer at various prices and is collated from bids received from various investors.

Bid Quantity	Bid Amount (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 offer 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 are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for Bidding

1. Check eligibility for making a Bid (For further details see "***Issue Procedure – Who Can Bid***") on page 370.

2. Ensure that you have a demat account and the demat account details, the DP ID, Beneficiary Account and PAN details are correctly mentioned in the Bid cum Application Form and the ASBA Bid cum Application Form.

3. Except for Bids on behalf of the central or state government, residents of Sikkim and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your PAN allotted under the Income Tax Act, 1961 ("**I.T. Act**") in the Bid cum Application Form and the ASBA Bid cum Application Form (see "***Issue Procedure – 'PAN' or 'GIR' Number***" on page 384).

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

5. Ensure the correctness of your demographic details (as defined in the "***Issue Procedure***" on page 369) given in the Bid cum Application Form and the ASBA Bid cum Application Form, with the details recorded with your Depository Participant.

6. Bids by ASBA Bidders will have to be submitted to the SCSBs. ASBA Bidders should ensure that ASBA

Accounts have adequate credit balance at the time of submission to the SCSB to ensure that the ASBA Bid cum Application Form is not rejected.

Withdrawal of the Issue

The Bank, in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment. In such an event, a public notice would be issued in the newspapers within two days, in which the pre-Issue advertisements were published, providing reasons for not proceeding with the Issue. The BRLMs, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts that are specified in the ASBA Bid cum Application Form within one Working Day from the day of receipt of such notification. The Bank shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed. Notwithstanding the foregoing, the Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchanges, which the Bank shall apply for only after Allotment.

In the event the Bank in consultation with the BRLMs, withdraws the Issue after the Bid/Issue Closing Date, a fresh offer document will be filed with the SEBI in the event we subsequently decide to proceed with the initial public offering.

Notwithstanding the foregoing, the Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchanges, which the Bank shall apply for only after Allotment.

Bid/Issue Period*

BID/ISSUE OPENS ON	**FOR ALL BIDDERS**	**[●]**
BID/ISSUE CLOSES ON	**FOR QIB BIDDERS**	**[●]**
	FOR RETAIL AND NON-INSTITUTIONAL BIDDERS (INCLUDING ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION)	**[●]**

**The Bank may consider participation by Anchor Investors. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Issue Opening Date.*

The Bank is considering participation by Anchor Investors in terms of the SEBI ICDR Regulations. Anchor Investors shall submit their Bid one Working Day prior to the Bid/Issue Opening Date.

Bids and any revision in Bids shall be accepted only between **10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form, or in case of Bids submitted through ASBA, the Designated Branches, except that on the Bid/Issue Closing Date, Bids shall be accepted only during **10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders, Non-Institutional Bidders and Eligible Employees, and (ii) until 5.00 p.m. in case of Bids by Retail Individual Bidders, where the Bid Amount is up to Rs. 1,00,000 which may be extended up to such time as deemed fit by the Stock Exchanges after taking into account the total number of applications received up to the closure of timings and reported by the BRLMs to the Stock Exchanges within half an hour of such closure. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in IPOs, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, the Bank, BRLMs and the Syndicate Member(s) shall not be responsible. Bids will be accepted only on Working Days.

The Bank reserves the right to revise the Price Band during the Bid/Issue Period in accordance with SEBI ICDR Regulations. The Cap Price shall be less than or equal to 120% of the Floor Price. Subject to compliance with the immediately preceding sentence, the Floor Price can move upward or downward to the extent of 20% of the floor price as disclosed at least two Working Days prior to the Bid/Issue Opening Date and the Cap Price will be revised accordingly.

In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional Working Days after revision of Price Band subject to the Bid/Issue Period not exceeding 10 Working Days. Any revision in

the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with the Designated Stock Exchange, the Bank will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event their respective Syndicate Member(s) do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters 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. in crore)
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]
Total	**[●]**	**[●]**

The abovementioned is indicative underwriting and this would be finalised after the actual allocation.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with SEBI under Section 12 (1) of the Securities and Exchange Board of India Act, 1992 (the "**SEBI Act**") or registered as brokers with the Stock Exchange(s). Our Board of Directors, at its meeting held on [●] has accepted and entered into the Underwriting Agreement with the Underwriters.

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

CAPITAL STRUCTURE

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

(Rs.)

		Aggregate value at face value	Aggregate value at Issue Price
A)	**Authorised Share Capital**		
	75,00,00,000 Equity Shares of Rs. 10 each	750,00,00,000	-
	225,00,00,000 Perpetual Non-cumulative Preference Shares ("**PNCPS**") of Rs. 10 each	22,50,00,00,000	-
	Total	**30,00,00,00,000**	-
B)	**Issued, subscribed and paid up share capital**		
	18,30,56,000 Equity Shares of Rs. 10 each	183,05,60,000	-
	20,00,00,000 PNCPS of Rs. 10 each	200,00,00,000	-
	Total	**383,05,60,000**	-
C)	**The Issue***		
	4,00,00,000 Equity Shares of Rs. 10 each	40,00,00,000	[●]
D)	**Employee Reservation Portion**		
	20,00,000 Equity Shares of Rs. 10 each	2,00,00,000	[●]
E)	**Net Issue**		
	3,80,00,000 Equity Shares of Rs. 10 each	38,00,00,000	[●]
	Of which		
	QIB Portion of up to 1,90,00,000 Equity Shares	19,00,00,000	[●]
	Non Institutional Portion of not less than 57,00,000 Equity Shares	5,70,00,000	[●]
	Retail Portion of not less than 1,33,00,000 Equity Shares	13,30,00,000	[●]
F)	**Equity Capital after the Issue**		
	22,30,56,000 Equity Shares of Rs. 10 each	223,05,60,000	
G)	**Share Premium Account**		
	Before the Issue	Nil	
	After the Issue	[●]	

** The Issue has been authorized by our Board at its meeting held on December 22, 2009. The Ministry of Finance, GoI has approved the Issue pursuant to its letter (F. No. 11/10/2009-BOA) dated April 27, 2010.*

Changes in authorized capital

(a) The authorised share capital of the Bank pursuant to its nationalization on April 15, 1980 was Rs. 1,500 crore as prescribed by the Bank Acquisition Act.

(b) The authorized share capital of the Bank was increased from Rs. 1,500 crore to Rs. 3,000 crore, pursuant to notification no. F. No. 11/4/2009 – BOA dated November 10, 2009 issued by the GoI, Ministry of Finance, Department of Financial Services.

Notes to Capital Structure

1. Share Capital History of the Bank

(a) The following is the history of Equity Share capital of the Bank:

(Rs. In crore, except share data)

Date of notification /issue/ allotment	Increase/(decrease) in capital	Number of Shares	Face Value (Rs.)	Issue price (Rs.)	Consideration in Cash/ other than cash	Nature of allotment	Mode	Cumulative Equity Share Capital (Rs.)
April 15, 1980	-	-	-	-	-	Share capital acquired by the GoI pursuant to nationalisation	-	0.89
February 24, 1983	1.00	-	-	-	Cash	Capital contribution by the GoI	-	1.89
November 28, 1985	9.11	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special government securities	11.00
December 30, 1985	0.50	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special government securities	11.50
December 26, 1986	13.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities	24.50
March 28, 1988	11.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities	35.50
March 29, 1989	7.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities	42.50
March 30, 1990	30.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities	72.50
March 25, 1991	30.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities	102.50
March 31, 1992	20.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities	122.50
March 31, 1993	85.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities	207.50
January 1, 1994	160.00	-	-	-	Other than cash	Capital contribution by the GoI	10.00% Nationalised Banks Recapitalisation Bonds, 2006	367.50
December 1, 1994	116.03	-	-	-	Other than cash	Capital contribution by the GoI	10.00% Nationalised Banks (Non-Transferable) Special Security, 2006	483.53
March 25, 1996	72.00	-	-	-	Other than cash	Capital contribution by the GoI	10.00% Nationalised Banks (Non-Transferable) Special Security, 2008	555.53
March 27, 1997	150.00	-	-	-	Other than cash	Capital contribution by the GoI	10.00% Nationalised Banks (Non-Transferable) Special Security, 2009	705.53
March 26, 1999	(462.47)	-	-	-	-	Write-off of accumulated losses^	-	243.06

Date of notification /issue/ allotment	Increase/(decrease) in capital	Number of Shares	Face Value (Rs.)	Issue price (Rs.)	Consideration in Cash/ other than cash	Nature of allotment	Mode	Cumulative Equity Share Capital (Rs.)
September 30, 2005	500.00	-	-	-	Other than cash	Capital contribution by the GoI	7.00% Nationalised Banks (Non-Transferable) Special Security, 2017	743.06
March 20, 2008	-	74,30,56,000	10	-	-	Conversion and allotment Equity Shares to the President of India acting through the Ministry of Finance, GoI in dematerialised form^^	-	743.06
December 22, 2008	(560.00)^^^	-	-	-	-	Restructuring of capital^^^	-	183.06

^ *The GoI, Ministry of Finance, Department of Economic Affairs (Banking Division) ("**Banking Division**") pursuant to its letter no. F. No. 12/3/97-BOA dated March 26, 1999 permitted the Bank to reduce its paid-up capital by Rs. 462.47 crore from its paid-up capital as on March 31, 1999 for write down of investments for adjustment of losses. The paid-up capital of the Bank after the adjustment stood at Rs. 243.06 crore.*

^^ *The GoI, Ministry of Finance, Department of Financial Services pursuant to its letter no. F.No.7/133/2007-BOA dated March 20, 2008, in relation to immediate dematerialization of shares, requested the Bank that the shares in respect of the President of India's shareholding in the Bank may be issued in dematerialised form and credited in the demat account opened by the GoI for the purpose. The shares were allotted in the demat account specified by the GoI on December 23, 2008.*

^^^ *Pursuant to its letter no. F. No. 11/8/2006 – BOA dated December 22, 2008, the President of India acting through the Ministry of Finance (Department of Financial Services), GoI, approved the restructuring of the equity capital of the Bank by converting an amount of Rs. 160.00 crore into Innovative Perpetual Debt Instrument ("**IPDI**"), Rs. 200.00 crore into PNCPS and Rs. 200.00 crore into Perpetual Cumulative Preference Shares ("**PCPS**"), while retaining Rs. 183.06 crore as the equity capital of the Bank. The annual floating coupon rate on the PNCPS has been benchmarked to the repo rate with a spread of 100 basis points with annual rests, which would be readjusted annually on the prevailing repo rate on the relevant date. However, the Bank has been allowed to pay a coupon benchmarked to repo rate (without any spread) for fiscal 2009, 2010 and 2011 and thereafter, at the repo rate with a spread of 100 basis points.*

(b) The following is the history of preference share capital of the Bank:

Date of notification/issue/ allotment	No. of PNCPS	Face Value (Rs.)	Issue price (Rs.)	Consideration in Cash/ other than cash	Nature of allotment	Cumulative Preference Share Capital (Rs. in crore)
December 22, 2008	20,00,00,000	10	-	-	Allotted to the President of India acting through the Ministry of Finance, GoI, consequent to restructuring of the Bank's capital pursuant to letter no. F. No. 11/8/2006 – BOA dated December 22, 2008, issued by the Ministry of Finance (Department of Financial Services), GoI	200.00

(c) The following are the details of increase/(decrease) in our equity share capital for consideration other than for cash.

(Rs. In crore, except share data)

Date of notification/issue/ allotment	Increase/(decrease) in capital	Number of Shares	Face Value (Rs.)	Issue price (Rs.)	Consideration in Cash/ other than cash	Nature of allotment	Mode
November 28, 1985	9.11	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special government securities

Date of notification/issue/ allotment	Increase/(decrease) in capital	Number of Shares	Face Value (Rs.)	Issue price (Rs.)	Consideration in Cash/ other than cash	Nature of allotment	Mode
December 30, 1985	0.50	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special government securities
December 26, 1986	13.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities
March 28, 1988	11.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities
March 29, 1989	7.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities
March 30, 1990	30.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities
March 25, 1991	30.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities
March 31, 1992	20.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities
March 31, 1993	85.00	-	-	-	Other than cash	Capital contribution by the GoI	7.75% special non-negotiable government securities
January 1, 1994	160.00	-	-	-	Other than cash	Capital contribution by the GoI	10.00% Nationalised Banks Recapitalisation Bonds, 2006
December 1, 1994	116.03	-	-	-	Other than cash	Capital contribution by the GoI	10.00% Nationalised Banks (Non-Transferable) Special Security, 2006
March 25, 1996	72.00	-	-	-	Other than cash	Capital contribution by the GoI	10.00% Nationalised Banks (Non-Transferable) Special Security, 2008
March 27, 1997	150.00	-	-	-	Other than cash	Capital contribution by the GoI	10.00% Nationalised Banks (Non-Transferable) Special Security, 2009
September 30, 2005	500.00	-	-	-	Other than cash	Capital contribution by the GoI	7.00% Nationalised Banks (Non-Transferable) Special Security, 2017

2. Issue of Equity Shares in the last one year

There have been no issuances of the Bank's Equity Shares in the one year preceding the date of this Draft Red Herring Prospectus.

3. Build-up of Promoter's shareholding, Promoter's contribution and lock-in

Pursuant to the SEBI ICDR Regulations, an aggregate of 20.00% of the post-Issue Equity share Capital of the Bank shall be locked in by our Promoter for a period of three years from the date of Allotment.

(a) Build-up of our Promoter's shareholding in the Bank

The Bank is promoted by the President of India, acting through the Ministry of Finance, GoI. As on date of this Draft Red Herring Prospectus, the President of India, acting through the Ministry of Finance, GoI holds 100.00% of the pre-Issue equity share capital of the Bank. For details of build-up of the Promoter's shareholding in the Bank, see "*— Share Capital History of the Bank*" above.

(b) **Details of Promoter's Contribution and Lock-in**

Pursuant to the SEBI ICDR Regulations, an aggregate of 20% of the post-Issue capital of the Bank held by the President of India, acting through the Ministry of Finance, GoI shall be locked-in for a period of three years from the date of Allotment.

4,46,11,200 Equity Shares, aggregating to 20% of the post-Issue equity capital of the Bank, held by the President of India, acting through the Ministry of Finance, GoI, shall be locked in for a period of three years from the date of Allotment in the Issue.

The details of Promoter Contribution and lock-in are as below:

Name of Promoter	No. of Equity Shares being locked in for three years	% of Pre Issue Paid Up Capital	% of Post Issue Paid Up Capital
President of India, acting through the Ministry of Finance, GoI	4,46,11,200	24.37	20.00

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

The Ministry of Finance, GoI pursuant to its letter no. F.No.11/10/2009-BOA dated June 11, 2010 granted its consent to include 4,46,11,200 Equity Shares held by it, constituting 20% of the post-Issue paid up share capital of the Bank, to be considered as promoter's contribution and locked-in for a period of three years from the date of Allotment as may be required in terms of the SEBI ICDR Regulations.

The Promoter's contribution has been brought in to the extent of not less than the specified minimum lot and from the persons defined as promoters under the SEBI ICDR Regulations. The Equity Shares that are being locked-in are not ineligible for computation of Promoter's contribution under Regulation 33 of the SEBI ICDR Regulations. In this connection, we confirm the following:

(i) The Equity Shares offered for minimum 20% Promoter's contribution have not been acquired in the last three years for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluation reserves or unrealised profits of the Bank or against Equity Shares which are otherwise ineligible for computation of Promoters' contribution;
(ii) The minimum Promoters' contribution does not include any Equity Shares acquired during the preceding one year at a price lower than the price at which the Equity Shares are being offered to the public in the Issue;
(iii) The Bank has not been formed by the conversion of a partnership firm into a company; and
(iv) The Equity Shares held by the Promoter and offered for minimum 20% Promoter's contribution are not subject to any pledge.

(c) Details of other Equity Shares locked in

Other than the Equity Shares that are being locked-in for three years as specified above, the balance pre-Issue share capital of the Bank constituting 13,84,44,800 Equity Shares will be locked in for a period of one year from the date of Allotment in this Issue. The Ministry of Finance, GoI pursuant to its letter no. F.No.11/10/2009-BOA dated June 11, 2010 granted its consent to lock-in 13,84,44,800 Equity Shares held by it for a period of one year from the date of Allotment in this Issue.

(d) Lock-in of Equity Shares allotted to Anchor Investors

Equity Shares Allotted to Anchor Investors, in the Anchor Investor Portion shall be locked in for a period of 30 days from the date of Allotment of Equity Shares.

(e) Other requirements in respect of lock-in

Locked-in Equity Shares held by the Promoter can be pledged only with scheduled commercial banks or public financial institutions as collateral security for loans granted by such banks or public financial institutions, provided that such pledge of the Equity Shares is one of the terms of the sanction of the loan. However, Equity Shares locked in as Promoter contribution can be pledged only if in addition to fulfilling the aforementioned requirements, such loans have been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the Issue.

The Equity Shares held by persons other than the Promoter prior to the Issue may be transferred to any other person holding Equity Shares which are locked-in, subject to the continuation of the lock-in in the hands of transferees for the remaining period and compliance with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (the "**Takeover Regulations**").

Equity Shares held by the Promoter may be transferred inter se to and among to new promoters 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 the Takeover Regulations.

4. Shareholding Pattern of the Bank

(a) The table below presents the shareholding pattern of the Bank as on the date of filing of this Draft Red Herring Prospectus:

Category Code	Category of Shareholders	Number of Shareholders	Total Number of shares	Number of Shares Held in dematerialized form	Total Shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of A+B	As a percentage A+B+C	Number of shares	As a percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)=(VIII)/(IV)*100
(A)	**Shareholding of Promoter and Promoter Group**							
1	**Indian**							
a	Individuals/Hindu Undivided Family	0	0	0	0	0	0	0
b	Central Government/State Government	1	18,30,56,000	18,30,56,000	100	100	0	0
c	Bodies Corporate	0	0	0	0	0	0	0
d	Financial Institutions/Banks	0	0	0	0	0	0	0
e	Any Other (specify)	0	0	0	0	0	0	0
	Sub-Total (A) (1)	**1**	**18,30,56,000**	**18,30,56,000**	**100**	**100**	**0**	**0**
2	**Foreign**							

Category Code	Category of Shareholders	Number of Shareholders	Total Number of shares	Number of Shares Held in dematerialized form	Total Shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
a	Individuals(Non-Resident Individuals)	0	0	0	0	0	0	0
b	Bodies Corporate *i.e.* OCBs	0	0	0	0	0	0	0
c	Institutions	0	0	0	0	0	0	0
d	Any Other (specify)	0	0	0	0	0	0	0
	Sub-Total (A) (2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Total Shareholding of Promoter and Promoter Group (A)(1)+(A)(2)	**1**	**18,30,56,000**	**18,30,56,000**	**100**	**100**	**0**	**0**
(B)	**Public Shareholding**							
1	**Institutions**							
a	Mutual Funds/UTI	0	0	0	0	0	0	0
b	Financial Institutions/Banks	0	0	0	0	0	0	0
c	Central Government/State Government(s)	0	0	0	0	0	0	0
d	Venture Capital Fund	0	0	0	0	0	0	0
e	Insurance Companies	0	0	0	0	0	0	0
f	Foreign Institutional Investors	0	0	0	0	0	0	0
g	Foreign Venture Capital Investors	0	0	0	0	0	0	0
h	Any Other (specify)	0	0	0	0	0	0	0
	Sub-Total (B) (1)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2	**Non-Institutions**							
a	Bodies Corporate	0	0	0	0	0	0	0
b	Individuals	0	0	0	0	0	0	0
I	Individual Shareholders holding nominal Share Capital value up to Rs. 1,00,000	0	0	0	0	0	0	0
II	Individual Shareholders holding nominal Share Capital value in excess of Rs. 1,00,000	0	0	0	0	0	0	0
c	**Any Other (specify)**							
i	Trust	0	0	0	0	0	0	0
ii	NRI's	0	0	0	0	0	0	0
iii	OCB's	0	0	0	0	0	0	0
iv	Foreign Nationals	0	0	0	0	0	0	0
	Sub-Total (B) (2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Total Public Shareholding (B)=(B)(1)+(B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Total (A)+(B)	**1**	**18,30,56,000**	**18,30,56,000**	**100**	**100**	**0**	**0**
(C)	**Share held by Custodian and against which Depository Receipts have been issued**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Grand Total	**1**	**18,30,56,000**	**18,30,56,000**	**100**	**100**	**0**	**0**

Category Code	Category of Shareholders	Number of Shareholders	Total Number of shares	Number of Shares Held in dematerialized form	Total Shareholding as a percentage of total number of shares	Shares Pledged or otherwise encumbered
	(A)+(B)+(C)					

5. **Shareholding of the Promoter and the Promoter Group**

The table below presents the shareholding pattern of the Promoter in the Bank as on the date of filing of this Draft Red Herring Prospectus:

Shareholders	Pre-Issue		Post-Issue*	
	No. of Equity Shares	Percentage	No. of Equity Shares	Percentage
Promoter				
President of India, acting through the Ministry of Finance, GoI	18,30,56,000	100.00	18,30,56,000	82.07
Total	**18,30,56,000**	**100.00**	**18,30,56,000**	**82.07**

* *Assuming none of the shareholders participate in the Issue.*

6. 20,00,000 Equity Shares have been reserved for allocation to Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price. An Employee Discount of Rs. [●] to the Issue Price is being offered to Eligible Employees. Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion on a competitive basis. Bids by Eligible Employees can also be made in the Net Issue and such Bids shall not be treated as multiple Bids. If the aggregate demand in the Employee Reservation Portion is greater than 20,00,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis. The Employee Reservation Portion will not exceed 5% of the post-Issue capital of the Bank.

7. A Retail Discount of Rs. [●] to the Issue Price is being offered to Retail Individual Bidders.

8. Any unsubscribed portion in any reserved category shall be added to the Net Issue to the public. In case of under-subscription in the Net Issue to the public category, spill-over to the extent of under-subscription shall be permitted from the reserved category to the Net Issue to the public. Under subscription, if any in any category 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.

9. The list of shareholders of the Bank and the number of Equity Shares held by them as on the date of filing, ten days before the date of filing and two years before the date of filing of this Draft Red Herring Prospectus is as follows:

(a) Our shareholders as on the date of filing of this Draft Red Herring Prospectus and 10 days prior filing of this Draft Red Herring Prospectus are as follows:

S. No.	Name of Shareholder	No. of Equity Shares	Percentage
1.	President of India, acting through the Ministry of Finance, GoI	18,30,56,000	100.00
	Total	**18,30,56,000**	**100.00**

(b) Our shareholders as on two years prior to filing this Draft Red Herring Prospectus were as follows:

S. No.	Name of Shareholder	No. of Equity Shares	Percentage
1.	President of India, acting through the Ministry of	74,30,56,000	100.00

S. No.	Name of Shareholder	No. of Equity Shares	Percentage
	Finance, GoI		
	Total	**74,30,56,000**	**100.00**

Pursuant to its letter no. F. No. 11/8/2006 – BOA dated December 22, 2008, the President of India acting through the Ministry of Finance (Department of Financial Services), GoI, approved the restructuring of the equity capital of the Bank by converting an amount of Rs. 160.00 crore into IPDI, Rs. 200.00 crore into PNCPS and Rs. 200.00 crore into PCPS, while retaining Rs. 183.06 crore as the equity capital of the Bank. The annual floating coupon rate on the PNCPS has been benchmarked to the repo rate with a spread of 100 basis points with annual rests, which would be readjusted annually on the prevailing repo rate on the relevant date. However, the Bank has been allowed to pay a coupon benchmarked to repo rate (without any spread) for fiscal 2009, 2010 and 2011 and thereafter, at the repo rate with a spread of 100 basis points.

10. All Equity Shares offered and issued through the Issue will be fully paid up on Allotment.

11. Neither our Promoter nor our Directors or their immediate relatives have purchased or sold any Equity Shares or financed the purchase of Equity Shares by any other person during the period of six months immediately preceding the date of filing of the Draft Red Herring Prospectus with SEBI.

12. As of the date of the filing of this Draft Red Herring Prospectus, the total number of holders of our Equity Shares is one.

13. Our Promoter, the Bank, our Directors and the BRLMs have not entered into any buy-back or standby arrangements for purchase of Equity Shares from any person.

14. The BRLMs and their associates currently do not hold any Equity Shares in the Bank.

15. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares as on the date of this Draft Red Herring Prospectus.

16. The Bank has not raised any bridge loans against the Net Proceeds.

17. We presently do not intend or propose any further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment and rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed on the Stock Exchanges.

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

19. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law.

20. The Bank shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

21. Our Promoter will not participate in this Issue.

OBJECTS OF THE ISSUE

We are regulated by the RBI, which requires us to maintain a minimum Capital Adequacy Ratio ("**CAR**") of 9.00% of risk weighted assets and our Tier I capital adequacy ratio should be at least 6.00% of risk weighted assets. Further, at no time should our Tier I capital be less than half of our total capital. As per our restated financial statements, as on March 31, 2010, our total capital adequacy ratio (Basel I) was 11.71 and our Tier I capital adequacy ratio was 6.86. Similarly, as per our restated financial statements, as on March 31, 2010, our total capital adequacy ratio (Basel II) was 13.07 and our Tier I capital adequacy ratio was 7.66.

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

Further, we believe that the listing of our Equity Shares will enhance our visibility and brand name among existing and potential customers.

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

Sources of Funds	Rs. crore
Gross proceeds of the Issue	[●]
Issue related expenses	[●]*
Net Proceeds of the Issue	[●]

** Will be incorporated at the time of filing of the Prospectus.*

The Bank Acquisition Act, the Bank Regulations and the Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1980 (together, "**Constitutional Documents**") enable us to undertake our existing activities and the activities for which the funds are being raised by us in the Issue.

The Bank is raising capital to meet future capital adequacy requirements and not for any specified project(s). Hence details of unutilized monies and monies utilized will not be separately available for disclosure in the balance sheet of the Bank.

Requirement and Sources of Funds

We intend to utilise the Net Proceeds of the Issue ("**Net Proceeds**") of Rs. [●] for financing the objects as set forth below.

Expenditure items	Estimated Net Proceeds (Rs. in crore)
Augment our capital base to meet the capital adequacy norms for future capital requirements 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	[●]
Total	[●]

The entire requirements of the objects detailed above are intended to be funded from the Net Proceeds. Accordingly, we confirm that there is no requirement for us to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised through the Issue.

Details of the Objects

1. ***Augment our capital base to meet the capital adequacy norms for future capital requirements 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***

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.

2. ***Achieve the benefits of listing on the Stock Exchanges***

We believe that equity capital markets is an ideal source for meeting long term capital adequacy requirements of a growing bank like ours. In addition, the listing of our Equity Shares will, among other things, enhance our visibility and brand name among our existing and potential customers. We also believe that as a listed entity we would be able to attract high quality and talented personnel.

Schedule of Implementation and Deployment of Funds

The Bank proposes to deploy the Net Proceeds in the aforesaid objects in the current fiscal year.

Appraisal of the Objects

None of the objects for which the Net Proceeds will be utilised have been financially appraised. The estimates of the costs of objects mentioned above are based on internal estimates of the Bank.

Issue Expenses

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

(Rs. in crore, unless stated otherwise)

Activity	Estimated expenses*	As a % of the total estimated Issue expenses	As a % of the total Issue size
Fees payable to the Book Running Lead Managers	[●]	[●]	[●]
Advertising and marketing expenses	[●]	[●]	[●]
Fees payable to the Registrar	[●]	[●]	[●]
Fees payable to the Bankers to the Issue	[●]	[●]	[●]
Underwriting commission, brokerage and selling commission	[●]	[●]	[●]
Fee payable to SCSB	[●]	[●]	[●]
IPO Grading expense	[●]	[●]	[●]
Others (legal fees, listing fees, printing and stationery expenses etc.)	[●]	[●]	[●]
Total estimated Issue expenses	[●]	[●]	[●]

**Will be incorporated at the time of filing of the Prospectus.*

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 2.50% of the paid up value of the shares. However, pursuant to letter (No. F. No. 11/10/2009-BOA) dated May 7, 2010, the Central Government on recommendation of the RBI has granted exemption to the Bank from the provisions of section 13 of the Banking Regulations Act, 1949, in relation to the Issue. Further, pursuant to letter (No. F. No. 11/10/2009-BOA) dated May 7, 2010 the Central Government in consultation with the RBI has granted exemption to the Bank from the provisions of section 15(1) of the Banking Regulations Act, 1949 for a period of five years in relation to writing off of all its Issue expenses pertaining to the Issue.

Monitoring of utilisation of funds

As per the proviso to regulation 16(1) of the SEBI ICDR Regulations, the requirement for appointment of a monitoring agency is not applicable to an issue of specified securities made by a bank or public financial institution.

We will disclose the details of the utilisation of the Net Proceeds, under a separate head in our financial statements specifying the purpose for which such proceeds have been utilised or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges.

There are no material existing or anticipated transactions in relation to the utilization of the Net Proceeds or estimated cost as above with our Promoter, our Directors, our key managerial personnel or our Associate. No part of the Net Proceeds will be paid by us as consideration to our Promoter, our Directors or key managerial employees, except in the normal course of our business.

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.

Qualitative Factors

We believe the following business strengths allow us to successfully compete in the industry.

- High asset quality and robust financial growth;
- Wide distribution network and infrastructure;
- Over 100 years of banking experience and established relationships with customers, including the Central and State Governments and public sector enterprises;
- Streamlined risk management controls, policies and procedures;
- Stringent provisioning coverage ratio for advances; and
- Presence predominantly in Punjab and other north Indian states.

For further details, see "***Our Business - Competitive Strengths***" on page 64.

Quantitative Factors

The information presented below relating to the Bank is based on the restated financial information for fiscal 2010, 2009, 2008, 2007 and 2006 prepared in accordance with Indian GAAP and restated in accordance with the SEBI ICDR Regulations. For details, see "***Financial Information – Report by the Auditors***" on page 165.

Some of the quantitative factors which may form the basis for computing the Issue Price are as follows:

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

Period	Basic & Diluted EPS (Rs.)	Weightage
Year ended March 31, 2010	27.01	3
Year ended March 31, 2009	7.08	2
Year ended March 31, 2008	5.41	1
Weighted Average	16.77	

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

Note: On March 31, 2010 the number of outstanding equity shares of the Bank stands at 18,30,56,000.

2. ***Price to Earnings ("P/E") ratio in relation to Issue Price of Rs. [●]***:
   a. Based on the EPS of Rs. 27.01 for the year ended March 31, 2010, the P/E ratio is [●] at the lower end of the price band and [●] at the higher end of the price band
   b. Based on the weighted average EPS of Rs. 16.77, the P/E ratio is [●] at the lower end of the price band and [●]at the higher end of the price band
   c. Industry P/E[#]
      i) Highest: 20.10
      ii) Lowest: 6.20
      iii) Average: 9.20

[#] *Source: http://www.capitalmarket.com/*.

3. ***Return on Net Worth ("RoNW")***

Period	Return on Net Worth(%)	Weightage
Year ended March 31, 2010	23.87	3
Year ended March 31, 2009	26.47	2
Year ended March 31, 2008	25.80	1
Weighted Average	25.06	

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

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

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

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

As of March 31, 2010:	Rs. 104.92
After the Issue:	Rs. [●] at the lower end of the price band and Rs. [●] at the higher end of the price band. Issue Price per Equity Share will be determined on conclusion of the Book Building Process.

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

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

Company Name	EPS (Rs.)	P/E	Price to Book Value ("P/BV")**	Face Value per Equity Share	Return on Net Worth (%)	Book Value / Share
Punjab & Sind Bank	**6.6**	**-**	**-**	**10**	**-**	**33.5**
Andhra Bank	20.7	7.7	1.76	10	26.0	90.9
Bank of Maharashtra	9.9	7.3	1.29	10	19.7	55.8
Corporation Bank	78.9	7.9	1.55	10	21.9	402.6
Dena Bank	17.5	6.2	1.31	10	23.6	83.4
United Bank of India	9.3	10.9	1.11	10	11.7	91.7
Vijaya Bank	10.5	8	1.37	10	19.0	61.4
Peergroup Average	**24.5**	**8.0**	**1.4**	**10.0**	**20.3**	**131.0**

Source: http://www.capitalmarket.com.
*** As on August 24, 2010, the Highest P/BV was 2.7, Lowest P/BV was 1.1 and the average P/BV was 1.6 for Public Sector Banks in India (Source: http://www.capitalmarket.com).*

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

The Issue Price of Rs. [●] per equity share is [●] of the face value of Rs. 10 per equity share. The Issue Price has been determined by the Bank in consultation with the BRLMs and on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and is justified based on the above accounting ratio.

The BRLMs believe that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. Investors should read the above mentioned information along with "***Risk Factors***" and "***Financial Information***" on pages xii and 165, respectively, to have a more informed view. The trading price of the Equity Shares of the Bank could decline due to the factors mentioned in ***"Risk Factors"*** and you may lose all or part of your investments.

STATEMENT OF TAX BENEFITS

To,

The Board of Directors,
Punjab & Sind Bank
21, Rajendra Place
New Delhi

Dear Sirs,

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

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

Unless otherwise specified, sections referred to below are sections of the Income-tax Act, 1961 ("the Act"). The income tax rates referred here are the existing tax rates based on the rates prescribed in the Finance Act, 2010 for the Financial Year 2010-11. All the provisions set out below are subject to conditions specified in the respective sections.

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

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

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

For **S. LALL & CO.**
Chartered Accountants
FRN – 000355N with ICAI

[RAJAT AGGARWAL]
Partner
M. No. 087130

For **BANSAL SINHA & CO.**
Chartered Accountants
FRN – 006184N with ICAI

[RAVINDER KHULLAR]
Partner
M. No. 082928

For **BALRAM CHANDRA & ASSOCIATES**
Chartered Accountants
FRN - 002817C with ICAI

[ATUL MEHROTRA]
Partner
M. No. 076058

For **BHATIA & BHATIA**
Chartered Accountants
FRN – 003202N with ICAI

[ASHOK KUMAR BHATIA]
Partner
M. No. 015603

For **ALKA & SUNIL**
Chartered Accountants
FRN – 006739N with ICAI

[SUNIL GUPTA]
Partner
M. No. 084119

Dated: June 9, 2010
Place: New Delhi

ANNEXURE TO TAX BENEFITS

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

TO THE BANK

Special Tax Benefits

1. As per the provisions of section 36(1)(iiia) the Act, 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 or scheduled bank 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 or scheduled bank and which is notified by the Central Government in this behalf.

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

3. Under section 36(1) (vii) of the Act, the amount of any bad debts, or part thereof, written off as irrecoverable in the accounts of the bank for the previous year. However, the amount of the deduction relating to any such debt or part thereof shall be limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account made under section 36(1)(viia) of the Act.

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

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

6. Under section 80LA of the Act, where the Bank's total income, in any previous year, includes income from an Offshore Banking Unit in a Special Economic Zone or income from the banking business (as defined in Banking Regulation Act, 1949) with an undertaking located in a Special Economic Zone or any other undertaking which develops, develops and operates or develops, operates and maintains a Special Economic Zone or from any Unit of the International Financial Services Centre from its business for which it has been approved for setting up in such a Centre in a Special Economic Zone, then it shall, subject to the fulfillment of the conditions specified in section 80LA, 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 Reserve Bank of India `s permission or registration under the Securities and Exchange Board of India Act, 1992 or any other law to open the offshore unit is obtained, and after those five years, 50% of deduction of such income for the next five consecutive assessment years.

General Tax Benefits

1. In accordance with section 10(34), dividend income (referred to in Section 115-O) declared, distributed or paid will be exempt from tax and income on units of Mutual funds specified under section 10(23D) of the Act will be exempt in the hands of the Bank. However as per the provisions of Section 14A of the Act., no deduction is allowed in respect of any expenditure incurred in relation to such dividend

income to be computed in accordance with the method as may be prescribed under Rule 8D subject to and in accordance with the provisions contained therein

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

3. Under section 10(15)(vii) of the Act, interest on bonds issued by a local authority or by a State Pooled Finance Entity and specified by the Central Government by notification in the Official Gazette is exempt from tax. For the purpose of this section, "State Pooled Finance Entity" means such entity which is set up in accordance with the guidelines for the Pooled Finance Development Scheme notified by the Central Government in the Ministry of Urban Development.

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

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

6. Under the provisions of 43(5) (d) of the Act, an eligible transaction in respect of trading in derivatives referred to in clause (ac) of section 2 of the 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 through a 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 such other intermediary to every client indicating in the contract note the unique client identity number and permanent account number.

7. In case of loss under the head "Profit and Gains from Business or Profession (Non Speculative)", it can be set-off against other income and the excess loss after set-off can be carried forward for set-off against Business Income of the next eight Assessment Years in terms of provisions of section 70, 71 & 72 of the Act.

8. The unabsorbed depreciation, if any, can be adjusted against any other income and can be carried forward for set-off against the income of future years as per the provisions of section 32 of the Act.

9. Under section 10(38) of the Act, 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, whereas short term capital gains are subject to a concessional rate of tax under section 111A at the rate of 15% (plus applicable surcharge and education cess). However, minimum alternative tax of 15% (plus applicable surcharge and education cess) on book profit is payable under section 115JB on such long term capital gains, if 15% of book profit computed as per provision of section 115JB is higher than the total income tax payable as per normal provision of the Act.

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

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

12. Under 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 subject to maximum of Rs.50 lacs per year in any specified long term asset for the purpose of section 54EC. If only a portion of the capital gains is so invested, then the exemption would be available proportionately.
    If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head Capital Gains of the year in which the specified asset is transferred.

TO SHAREHOLDERS OF THE BANK

Special Tax Benefits:

There are no special tax benefits available to the shareholders of the Bank.

General Tax Benefits:

Residents

1. In accordance with section 10(34) of the Act, dividend income declared, distributed or paid by the Bank (referred to in section 115-O) will be exempt from tax in the hands of the recipient shareholders. However, the bank is liable to pay dividend distribution tax at 15% and applicable surcharge and education cess.

   As per the provisions of Section 14A of the Act., no deduction is allowed in respect of any expenditure incurred in relation to such dividend income to be computed in accordance with the method as may be prescribed under Rule 8D subject to and in accordance with the provisions contained therein.

2. Under section 94(7) of the Act, losses arising from the sale / transfer of shares or units purchased up to three months prior to the record date and sold or transferred within three months after such date or unit within a period of nine months after such date, will be disallowed to the extent dividend income on such shares or units are claimed as exempt by the shareholder.

3. Shares of the Bank held as capital asset for a period of more than twelve months preceding the date of transfer will be treated as a long term capital asset under section 2(29A) of the Act.

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

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

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

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

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

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

9. In accordance with section 54F of the Act, long-term capital gains arising on the transfer of the shares of the Bank held by an individual or Hindu Undivided Family on which securities transaction tax is not payable, shall be exempt from capital gains tax, if the net consideration is utilized, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years. Such benefit will not be available, if the individual or Hindu Undivided Family owns more than one residential house, other than the new residential house, on the date of transfer of the shares or purchases another residential house within a period of one year after the date of transfer of the shares or constructs another residential house within a period of three years after the date of transfer of the shares and the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from House Property".

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

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

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

11. *If an individual or HUF receives any property, which includes shares, without consideration, the aggregate fair market value of which exceeds Rs.50,000, the whole of the fair market value of such property will be considered as income in the hands of the recipient. Similarly, if an individual or HUF receives any property, which includes shares, for consideration which is less than the fair market value of the property by an amount exceeding Rs.50000, the fair market value of such property as exceeds the consideration will be considered as income in the hands of the recipient. However, the above ceilings of Rs.50,000 shall not apply to any property received from any relative or on the occasion of the marriage of the individual or under a will or by way of inheritance or in contemplation of death of the payer or donor, as the case may be or from any local authority as defined in the explanation to section 10(20) of the Act or from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (23C) of section 10 of the Act or from any trust or institution registered under section 12AA of the Act. The relative for this benefit means spouse of the individual, brother or sister of the individual, brother or sister of the spouse of the individual, brother or sister of either of the parents of the individual, any lineal ascendant or descendant of the individual, any lineal ascendant or descendant of the spouse of the individual and also includes the spouse of the brother or sister of the individual and any lineal ascendant or descendant of the individual.*

Non-Residents

1. In accordance with section 10(34) of the Act, dividend income declared, distributed or paid by the Bank (referred to in section 115-O) will be exempt from tax in the hands of the recipient shareholders. However, the bank is liable to pay dividend distribution tax at 15% and applicable surcharge and education cess.

   As per the provisions of Section 14A of the Act., no deduction is allowed in respect of any expenditure incurred in relation to such dividend income to be computed in accordance with the method as may be prescribed under Rule 8D subject to and in accordance with the provisions contained therein.

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

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

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

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

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

Non-Resident Indians

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

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

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

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

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

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

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

4. In accordance with section 10(34), dividend income declared, distributed or paid by the Bank (referred to in section 115-O) will be exempt from tax. However, the bank is liable to pay dividend distribution tax at 15% and applicable surcharge and education cess.
   As per the provisions of Section 14A of the Act., no deduction is allowed in respect of any expenditure incurred in relation to such dividend income to be computed in accordance with the method as may be prescribed under Rule 8D subject to and in accordance with the provisions contained therein.

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

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

   If only a part of the capital gain is so invested, the exemption would be available proportionately.

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

7. In accordance with section 54F of the Act, long-term capital gains arising on the transfer of the shares of the Bank held by an individual or Hindu Undivided Family on which securities transaction tax is not payable, shall be exempt from capital gains tax, if the net consideration is utilized, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years. Such benefit will not be available, if the individual or Hindu Undivided Family owns more than one residential house, other than the new residential house, on the date of transfer of the shares or purchases another residential house within a period of one year after the date of transfer of the shares or constructs another residential house within a period of three years after the date of transfer of the shares and the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from House Property".

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

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

Foreign Institutional Investors (FIIs)

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

2. As per section 115AD(1) of the Act, where the total income of a Foreign Institutional Investor ("Foreign Institutional Investor" means such investor as the Central Government may, by notification in the Official Gazette, specify in this behalf) includes dividend (other than dividends referred to in Section 115-O) received in respect of the equity shares of the Bank, or income by way of short term or long term capital gains arising from the transfer of such securities, subject to the sub section (2) & (3) of the said section the income tax payable shall be the aggregate of:

   (i) The amount of income tax calculated on dividends at the rate of 20%;

   ii). The amount of income tax calculated on the income by way of short term capital gains at the rate of 30%.
   However, the amount of income tax calculated on the income by way of short term capital gains referred to in section 111-A shall be at the rate of 15% ; and

   iii). The amount of income tax calculated on the income (calculated in the specified manner) by way of long term capital gains included in the total income, at the rate of 10%.

   Further, as per section 196D, where any dividend income (other than dividends referred to in Section 115-O) is payable to a Foreign Institutional Investor, the person responsible for making the payment shall, at the time of credit of such income to the account of the payee or at the time of payment thereof, deduct income tax thereon at the rate of 20%. However, no deduction of tax shall be made from any income, by way of capital gains arising from the transfer of securities referred to in Section 115-AD(1)(b), payable to a Foreign Institutional Investor.

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

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

Mutual Funds

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

Under the Wealth Tax Act, 1957

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

Notes:

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

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

3. The above statement of possible tax benefits are as per the current direct tax laws relevant for the assessment year 2011-12. Several of these benefits are dependent on the Bank or its shareholder fulfilling the conditions prescribed under the relevant tax laws.

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

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

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

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

8. No assurance is given that the revenue authorities / courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes.

SECTION IV- ABOUT US

INDUSTRY OVERVIEW

Unless stated otherwise, industry data used throughout this DRHP has been obtained from RBI publications, IRDA, AMFI, trade, industry or general publications and other third party sources. Industry websites/publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and other data used in this DRHP is reliable, it has not been independently verified. Similarly, internal Bank estimates, while believed by us to be reliable, have not been verified by any independent agencies.

Introduction

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

- Commercial banks;
- Non-bank finance companies, including housing finance companies;
- Long-term lending institutions;
- Other specialised financial institutions and state-level financial institutions;
- Insurance companies; and
- Mutual funds.

In 1969, 14 private banks were nationalised followed by six private banks, including our Bank, in 1980 *Source: http://www.rbi.org.in/scripts/chro_1968.aspx)*. Since 1991, many financial reforms have been introduced substantially transforming the banking industry in India *(Source: http://www.rbi.org.in/scripts/chro_1968.aspx)*.

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

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

Reserve Bank of India

The RBI, established in 1935, is the central banking and monetary authority in India. The RBI manages the country's money supply and foreign exchange and also serves as a bank for the GoI and for the country's commercial banks.

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

Commercial Banks

Commercial Banks in India provide banking facilities to individuals and business entities. As of June 30, 2009, there were 167 scheduled commercial banks in the country, with a network of 64,608 branches serving approximately Rs. 40,63,203 crore in deposit accounts and Rs. 30,00,906 crore in loan accounts *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. Scheduled commercial banks are banks listed in the schedule to the Reserve Bank of India Act, 1934, ("**RBI Act**") and are further categorised as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 56.03% of bank branches located in rural or semi-urban areas of the country *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. A large number of these branches belong to the public sector banks.

Public Sector Banks

Public sector banks make up the largest category in the Indian banking system. They include the State Bank of India and its seven associate banks, 19 nationalised banks and IDBI Bank Limited. The public sector banks continue to be a dominant part of the banking system. The public sector banks have 55,438 branches, and account for 76.6 per cent of the aggregate deposits and 75.3 per cent of the aggregate advances of the scheduled commercial banking system as of March 31, 2009 *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. The public sector banks' large network of branches enables them to fund themselves out of low cost deposits. The State Bank of India is the largest public sector bank in India. As of March 31, 2009, the State Bank of India and its associate banks had 16,062 branches. *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. They accounted for 24.8% of aggregate deposits and 24.6% of the aggregate advances of all scheduled commercial banks. *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*.

Private Sector Banks

In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry of the private sector into the banking system. This resulted in the introduction of nine private sector banks. These banks are collectively known as "new" private sector banks. As of March 31, 2009, there were 22 private sector banks, of which seven were "new" private sector banks and 15 were old private sector banks existing prior to January 1993. *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*

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

As of March 31, 2009, private sector banks accounted for approximately 18.1% of aggregate deposits and 19.02% of aggregate advances of the scheduled commercial banks. Private sector banks had a network of 8,877 branches, accounting for 13.73% of the total branch network of scheduled commercial banks in the country *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. A large part of this branch network is attributable to new private sector banks.

Foreign Banks

As of March 31, 2009, there were 31 foreign banks with 293 branches operating in India, accounting for 5.3% of aggregate deposits and 5.5% of aggregate advances of scheduled commercial banks *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. As part of the liberalisation process, the RBI has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. While the primary activity of most foreign banks in India has traditionally been in the corporate segment, some of the larger foreign banks have increasingly made consumer financing a larger part of their portfolios offering an array of products such as automobile finance, home loans, credit cards and household consumer finance.

Regional Rural Banks

Regional rural banks in India have been set up with the idea of combining the local feel of and familiarity with local problems characteristic of co-operatives with the professionalism and large resource base of commercial banks.

In pursuance of the announcement made in the Annual Policy Statement for the year 2006-07, the procedure for licensing of branches of RRBs was simplified and the work relating thereto was delegated to Empowered Committees set up at Regional Offices since June 13, 2006. The Government initiated the process of structural consolidation of RRBs in 2005, by amalgamating RRBs sponsored by the same bank, within the same state. Such amalgamation of RRBs aims at providing better customer service through better infrastructure, computerisation of branches, pooling of experienced work force, common publicity and marketing efforts. Following amalgamation of RRBs, the number of profit-making RRBs has increased to 80 and loss-making RRBs declined to 6, as in March 2009, from 82 and 8 respectively, as in March 2008 *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009).* As in March 2009, there were 86 RRBs including 45 amalgamated and 41 stand-alone RRBs *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*.

Cooperative Banks

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

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

Long-Term Lending Institutions

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, a working group was created in 1999 to harmonise the role and operations of long-term lending institutions and banks. The RBI in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms applicable to banks. In April 2001, the RBI issued operational and regulatory guidelines required to transition long-term lending institutions into universal banks. In April 2002, ICICI Limited merged with ICICI Bank Limited. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003, converted the Industrial Development Bank of India into a banking company incorporated under the Companies Act, on September 27, 2004, with exemptions from certain statutory and regulatory norms applicable to banks, including an exemption for a certain period from the SLR. IDBI Bank Limited, a new private sector bank that was a subsidiary of the Industrial Development Bank of India, was merged with the Industrial Development Bank of India in April 2005.

These institutions provide fund-based and non-fund-based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. Although the initial role of these institutions was largely limited to providing a channel for government funding to industry, the reform process required them to expand the scope of their business activities. Their new activities include:

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

Non-Banking Finance Companies

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

Housing Finance Companies

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

Other Financial Institutions

Specialised Financial Institutions

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

State Level Financial Institutions

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

Insurance Companies

As of March 31, 2009, there were 44 insurance companies registered with the IRDA in India. Of these 44 companies, 8 are in the public sector (two specialized insurers, namely Export Credit Guarantee Corporation of India Limited and Agriculture Insurance Company of India Limited, one in life insurance, four in general insurance and one re-insurer). The remaining thirty-six are private sector companies. *(Source: IRDA Annual Report 2008-2009)*

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

Mutual Funds

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

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

Impact of Liberalisation on the Indian Banking Sector

Until 1991, the financial sector in India was stringently regulated and commercial banks and long term lending institutions had mutually exclusive roles and objectives and operated in an environment with little or no competition. Long term lending institutions were focused on achieving the GoI's various socio-economic objectives, including industrial growth and creating employment, especially in the backward and under – developed regions of India. These institutions had access to long term funds at subsidized rates from the government. The focus of the commercial banks was primarily on mobilizing household savings through time and demand deposits and to use these deposits to meet the short term financial needs of the borrowers in industry, trade, and agriculture. In addition, the commercial banks provided a range of banking services to individuals and business entities

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

Banking Sector Reform

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

Recent Amendments to Laws Governing Public Sector Banks

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

Legislative Framework for Recovery of Debts due to Banks

In fiscal 2003, the Indian Parliament passed the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("**SARFAESI Act**"). The SARFAESI Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with the guidelines issued by the RBI, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets without the intervention of the Court. The SARFAESI Act also provides for the setting up of asset reconstruction companies regulated by the RBI to acquire assets from banks and financial institutions. The RBI issued guidelines for asset reconstruction companies in respect of their establishment, registration and their licensing by the RBI, and operations.

Recovery of Debts Due To Banks and Financial Institutions Act, 1993 ("RDDBFI Act")

The RDDBFI Act was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding Rs. 0.1 crore. The RDDBFI Act provides for the constitution of debt recovery tribunals, before which banks and financial institutions may file applications for recovery of debts, and such debt recovery tribunals may pass orders for directions including recovery by the bank or financial institution of such dues as may be deemed fit along with a recovery certificate to such effect from the presiding officer of the respective debt recovery tribunal, directions for attachment of the properties secured towards the dues to the bank or financial institution, injunctive orders restraining the debtors from alienating, transferring or disposing of such secured properties, appointment of receivers and/or local commissioners with respect to such secured properties and distribution of proceeds from sale of such secured properties towards dues payable to the applicant banks and financial institutions. Pursuant to the recovery certificate being issued, the recovery officer of the respective debt recovery tribunal shall effectuate the final orders of the debt recovery tribunal in the application. Unless such final orders of the debt recovery tribunal have been passed with the consent of the parties to an application, an appeal may be filed against such final orders of the debt recovery tribunal before the debt recovery appellate tribunal, which is the appellate authority constituted under the RDDBFI Act. Upon enactment of the RDDBFI Act, all original suits filed before various courts and authorities in India were transferred before the debt recovery tribunals in the same jurisdiction for adjudication and disposal.

CDR Forum

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

Credit Policy Measures

The RBI undertakes various measures to combat rising inflationary pressures. However, the protracted global slowdown and its effects, combined with a tight monetary policy, resulted in a severe contraction of liquidity in domestic markets in October 2008. Since September 2008, the RBI adopted various measures to improve the liquidity position of the monetary system and ensure credit availability to revive the economy. Since October 2008, interest rates have declined across the term structure in the money and government securities markets. Call money rates have remained near or below the lower bound of the Liquidity Adjustment Facility ("**LAF**") corridor since November 2008 *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. LAF is a monetary policy tool that allows banks to borrow money through repurchased agreements. The RBI embarked on the first phase of exit from the expansionary monetary policy by terminating some sector-specific liquidity facilities and restoring the SLR of scheduled commercial banks to its pre-crisis level in October 2009. The process was carried forward by the 2nd phase of exit when the RBI announced a 75 basis points increase in the CRR in the Third Quarter Review of January 2010. As inflation continued to increase, the RBI responded expeditiously with a mid-cycle increase of 25 basis points each in the policy repo rate and the reverse repo rate under the LAF on March 19, 2010 *(Source: RBI Annual Policy Statement 2010-2011)*

The RBI issues an annual policy statement setting out its monetary policy stance and announcing various regulatory measures. It issues a review of the annual policy statement on a quarterly basis. The RBI will now undertake mid-quarterly review roughly at the interval of one and a half months after each quarterly review.

The Reserve Bank in the monetary policy announcement of January 2010 announced the first phase of exit from the expansionary monetary policy by terminating some sector-specific facilities and restoring the SLR of scheduled commercial banks to a pre-crisis level in the Second Quarter Review of October 2009. Against the backdrop of the global and domestic macroeconomic conditions, outlooks and risks, RBI's policy stance was shaped by three important considerations: (i) First, a consolidating recovery should encourage to clearly and explicitly shift stance from 'managing the crisis' to 'managing the recovery', and to carry forward the process of exit further; (ii) Second, even though the inflationary pressures in the domestic economy predominantly stem from the supply side, the consolidating recovery increases the risks of these pressures spilling over into a wider inflationary process; and (iii) Third, strong anti -inflationary measures may undermine the recovery which is yet to fully take hold.

The following monetary measures were announced by RBI in January 2010

- The CRR of scheduled banks was increased by 75 basis points in two stages from 5.0 percent to 5.75 percent of their net demand and time liabilities (NDTL).
- The policy rates, both the repo rate and the reverse repo rate were retained at their current levels.

In the Monetary Policy 2010-2011 *(Source: www.rbi.org.in)* announced on April 20, 2010, the RBI has announced the following policy measures:

- To increase the CRR of scheduled banks by 25 basis points from 5.75 per cent to 6.0 per cent of their net demand and time liabilities.
- To retain the rate of interest charged on loans and advances extended to commercial banks and other financial intermediaries ("**Bank Rate**") at 6.0%.
- To increase the repo rate under the LAF by 25 basis points from 5.0 per cent to 5.25 per cent.
- To increase the reverse repo rate under the LAF by 25 basis points from 3.5 per cent to 3.75 per cent.

Furthermore, in the Monetary Policy 2010-11 *(Source: www.rbi.org.in)* announced on July 27, 2010, the RBI has announced the following policy measures:

- To increase the repo rate under the LAF by 25 basis points from 5.5 per cent to 5.75 per cent.
- To increase the reverse repo rate under the LAF by 25 basis points from 4.00 per cent to 4.50 per cent.

Banking Sector Trends

Operations and Performance of Commercial Banks

In line with the policy initiatives undertaken by the Reserve Bank, the growth in credit by SCBs exhibited some moderation during 2008-2009 *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*. It is noteworthy that contrary to the trend in some advanced countries, the leverage ratio (Tier I capital to total assets ratio) in India has remained high reflecting the strength of the Indian banking system. However, the Indian banking sector was not completely insulated from the effects of the slowdown of the India economy. The consolidated balance sheets of SCBs expanded by 21.2% as of March 31, 2009 as compared with 25.0% in the previous year. *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*

The revival in credit demand was reflected in the lending figures (year on year 21.70% as on July 2, 2010) for all bank groups with foreign banks and private sector banks in particular showing significant improvement in their year on year credit growth compared to the previous year. Credit growth for public sector banks continued to be the highest and also the most stable. Public sector banks also reported the highest credit growth in the previous year (year on year 22.40% as on July 3, 2009) when foreign banks reported a decline and private banks reported a small growth in credit flow. *(Source: RBI Bulletin – August 2010)*

Consolidated Balance Sheet of Scheduled Commercial Banks

(Amount in Rs. crore)

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

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

(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)

Priority Sector Lending

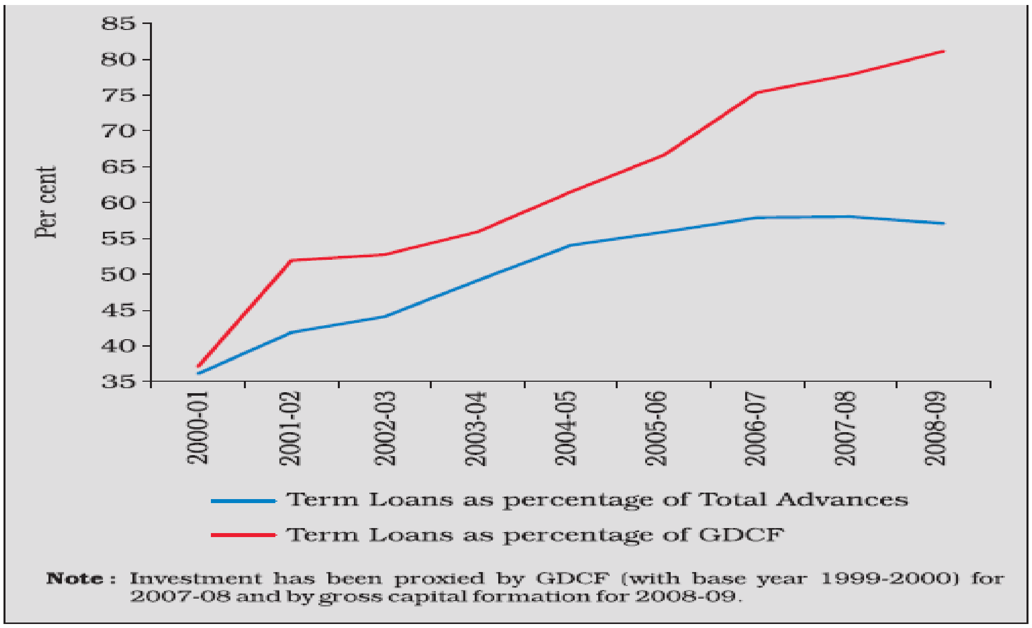
The Reserve Bank has taken several initiatives in recent years to enhance the credit flow to the sectors considered to be constrained by the inadequate credit availability. The priority sector definition has been modified from time to time to take into account the structural changes in the economy. As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

The outstanding priority sector advances of public sector banks increased by 18.0% during 2008-09 as compared to 17.1% during 2007-08 and formed 42.5% of the net bank credit, added to the investment made in non-SLR bonds in held to maturity category (the "**Adjusted Net Bank Credit**"). Similarly, in the case of private sector banks, the priority sector advances increased by 15.9% during 2008-09 as compared to 13.5% during the last year and formed 46.8% of Adjusted Net Bank Credit. It is noteworthy that this increase in priority sector lending at an accelerated pace has come against the backdrop of general slowdown in the economy and a deceleration in total bank credit. *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*

Bank Credit *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*

The growth rate of loans and advances of SCBs, which was as high as 33.2% as of March 31, 2005 has been witnessing a slowdown since then. In continuation of the trend, the growth rate of aggregate loans and advances of SCBs decelerated to 21.2% as of March 31, 2009 from 25.0% in the previous year. Apart from cyclical factors which have lead to slowdown in growth after a period of high credit growth, the deceleration was accentuated in 2008-2009 due to the overall slowdown in the economy in the aftermath of global financial turmoil. Notwithstanding the deceleration in growth of the term loans, their share in investment in the economy increased to 81.0 % in the fiscal 2009 from 77.8 % in the previous year.

Term Loan and Investments

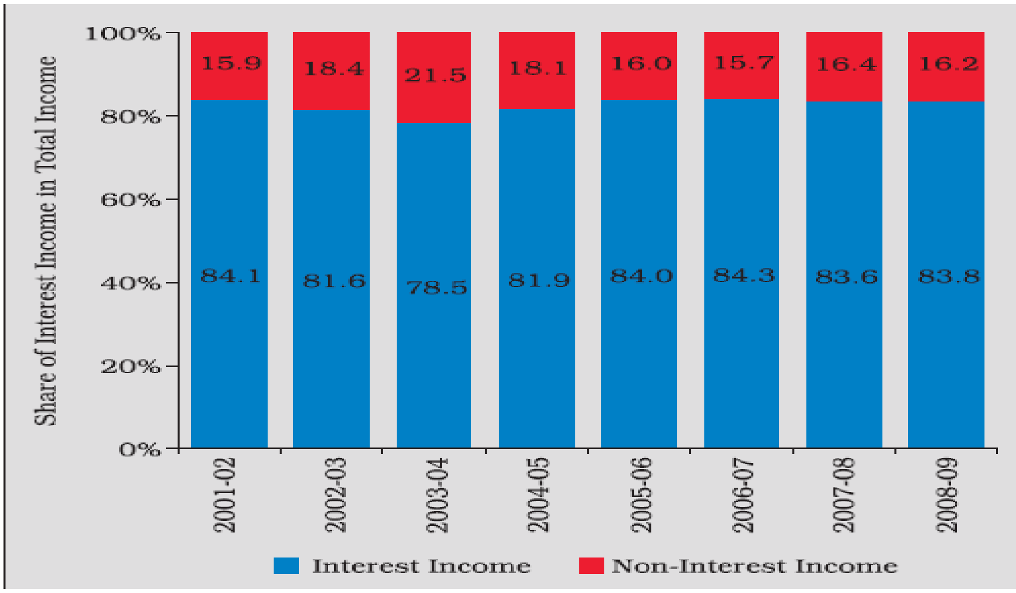


(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)

Income

Growth of income of SCBs during the fiscal 2009 decelerated to 25.7% from 34.3% in the previous year, but was higher than the growth rate of 24.4% in the fiscal 2007. The income to assets ratio improved marginally to 8.8% from 8.5% last year. Reflecting the lower lending rates, growth of interest income of SCBs as of March 31, 2009 decelerated to 26.0% in 2008-9 as compared with 33.2% in 2007-8. The share of non-interest income in total income was gradually increasing during the period 2002-2004 but declined in the subsequent period *i.e.* 2005-07, as illustrated in the graphical representation hereunder. For 2007-8 and 2008-9 s however this share is again witnessing a rise, with a corresponding decline in share of interest income. The non-interest income witnessed acceleration at a higher pace as compared to the growth rate of both the interest income as well as total income during the period 2004-05 to 2007-08. In a reversal of this trend, the deceleration in growth of non-interest income during 2008-09 was much sharper than that of the other two series. *(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)*

Share of Interest and Non Interest income of SCBs



(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)

Growth rate of Interest and Non-Interest Income

(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)

The share of non – interest income as a % of total income of SCBS has remained more or less constant in the last couple of years. It was 15.7% in 2006 – 07 and has marginally inched up to 16.2% in 2008 – 09.

Interest Rate Scenario

The banking system switched over to the base rate system with effect from July 1, 2010. The base rates set by major banks are in the range of 7.25-8.00%. *(Source: RBI First Quarter Review of Monetary Policy 2010-2011)*

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

Movements in Deposit and Lending Interest Rates

(Per cent)

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

– : Not Available.

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

** : As on September 11, 2009

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

(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)

Deposits

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

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

Bank Group wise share of CASA deposits in total deposits

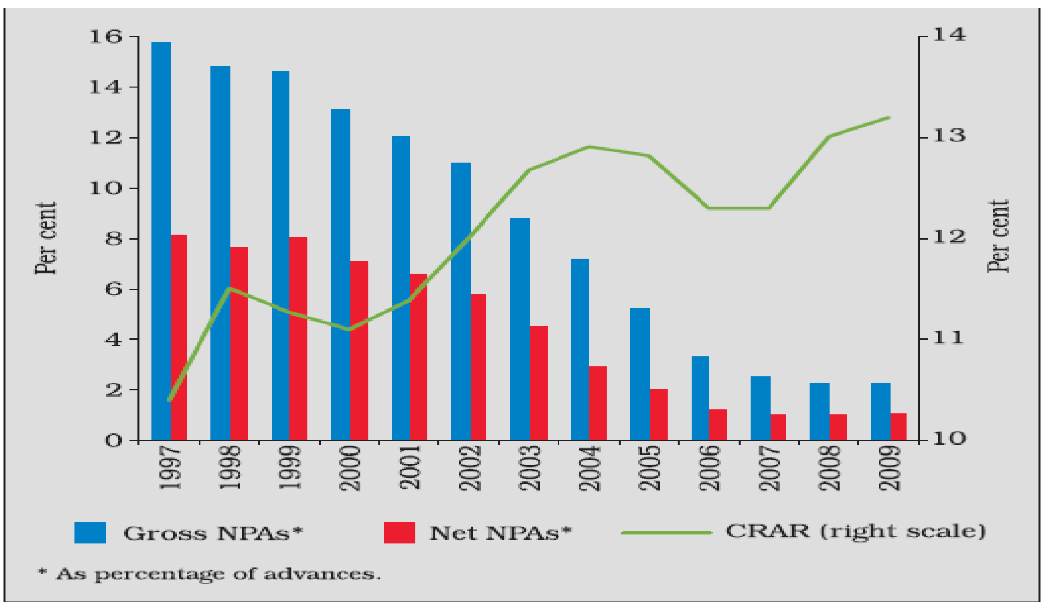
				(per cent)
	End-March			
Bank Groups	2006	2007	2008	2009
1	2	3	4	5
State Bank of India & its associates	43.4	42.9	42.0	38.6
Nationalised Banks	38.2	35.4	33.0	29.9
Private Banks	30.4	29.8	32.8	32.9
Foreign Banks	50.5	45.1	44.7	41.7
All Scheduled Commercial Banks	**38.6**	**36.6**	**35.7**	**33.2**

(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)

Capital to Risk Weighted Assets Ratio ("CRAR") & NPAs

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

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



(Source: RBI Report on Trend and Progress of Banking in India 2008-2009)

Banking Sector Reform

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

Committee on the Financial System (Narasimham Committee I)

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

- with fiscal stabilization and the GoI increasingly resorting to market borrowing to raise resources, the SLR or the proportion of the banks' net demand and time liabilities that were required to be invested in government securities was reduced to 25.0% in October 1997; *(Source: www.rbi.org.in)*
- similarly, the CRR or the proportion of the bank's net demand and time liabilities that were required to be deposited with RBI was reduced from 15.0% in the pre-reform period to low of 4.5%. CRR has since been increased to 6.0%.
- special tribunals were created to resolve bad debt problems;
- most of the restrictions on interest rates for deposits were removed. Commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits;
- substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards *(Source: www.rbi.org.in)*
- . The stronger public sector banks were given permission to issue equity to further increase capital

Committee on Banking Sector Reform (Narasimham Committee II)

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

Basel II Framework

During 2007-08, significant progress was made towards implementation of the 'New Capital Adequacy Framework (Basel II) evolved by the Basel Committee on Banking Supervision. Foreign banks operating in India and Indian banks having operational presence outside India migrated to the revised framework from March 31, 2008. Other commercial banks have also migrated to these approached from March 31, 2009. Banks are required to maintain a minimum CRAR of 9.0% on an ongoing basis.

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

Basel II Norms

Implementation of the 'New Capital Adequacy Framework' was undertaken in March 2008. The amendments, among other things, included the following:

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

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

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

Changes in Regulation

Initiatives such as Basel II and the EU Directive 2009/111/EC, together with the increasingly international scope of financial services, have raised the level of cooperation between regulatory authorities in different countries. Enhanced understanding of how risks are originated and dispersed in modern financial markets has reinforced the need to address how best to regulate the increasingly integrated and international nature of banking and financial services; this has been evidenced throughout the financial crisis in coordinated discussions between countries and international institutions. In addition, the enlargement of the EU, the introduction of Markets in Financial Instruments Directive ("**MiFID**") and the continued effort to endorse consistent standards and enforcement have encouraged regulatory bodies to work together more closely. Interaction and cooperation have led to competitive and regulatory issues emerging in one country rapidly being taken up in other jurisdictions or on a supra-national basis. Uniform standards, however, continue to be complicated by differing local interpretations or additional local laws and regulation.

Base Rate

The Benchmark Prime Lending Rate ("**BPLR**") system of pricing loan has been replaced with the base rate system with effect from July 1, 2010. The BPLR system, introduced in 2003, fell short of its original objective of bringing transparency to lending rates. This was mainly because under the BPLR system, banks could lend below the BPLR. For the same reason, it was also difficult to assess the transmission of policy rates of the RBI to the lending rates of banks. The base rate system is aimed at enhancing transparency in lending rates of banks and enabling better assessment of transmission of monetary policy.

Base rate shall include all those elements of the lending rates that are common across all categories of borrowers. Banks may choose any benchmark to arrive at the base rate for a specific tenor that may be disclosed transparently. Banks may determine their actual lending rates on loans and advances with reference to the base rate and by including such other customer specific charges as considered appropriate.

In order to give banks some time to stabilize the system of base rate calculation, banks are permitted to change the benchmark and methodology any time during the initial six month period until December 2010. The actual lending rates charged should be transparent and consistent and be made available for supervisory review/scrutiny, as and when required.

All categories of loans, with effect from July 1, 2010, are to be priced only with reference to the base rate system excluding:

- Differential Rate of Interest advances;
- loans to banks' own employees;
- loans to banks' depositors against their own deposits; and
- loans where sub-vention is available *i.e.* export credit and agricultural advances (crop loans up to Rs. 0.03 crore).

Banks are required to review the base rate at least once in a quarter with the approval of their board of directors or the Asset and Liability Management Committees ("**ALCOs**") as per ordinary practice. Since transparency in the pricing of lending products has been a key objective, banks are required to exhibit the information on their base rate at all branches and also on their websites. Changes in the base rate should also be conveyed to the general public from time-to-time through appropriate channels. Banks are required to provide information on the actual minimum and maximum lending rates to the Reserve Bank on a quarterly basis as hitherto.

Changes in Saving Bank Interest Rate Structure

With effect from April 1, 2010, banks will calculate interest paid on money kept in the savings bank account on a daily basis. This is a departure from the earlier practice of calculating interest on the lowest balance after the 10th day of every month.

Advances in Technology

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

- The introduction of CBS which was at its nascent stages has become full blown and all banks are at varying stages of implementation of Core Banking Systems in their branches. It has resulted - as a natural offshoot - in the computerization and networking of branches of banks in a larger scale since these are essential pre-requisites for the implementation of Core Banking. There has been an explosive growth in the use of payment and settlement systems for funds transfers, with a substantial value of funds getting settled using electronic means, implying the commencement of a gradual shift away from traditional paper based transaction flows.
- One of the major developments during the period was the introduction of new delivery channels for customers, by banks. Internet Banking, Mobile Banking, Mobile ATMs, multi-functional ATMs, shared ATM services, large scale usage of Real Time Gross Settlement ("**RTGS**") for quick, immediate funds transfer and smart card based cards as part of initiatives aimed at financial inclusion are some of the landmark developments aimed at improving customer service facilitation using innovative systems.

The number of customer transactions continues to grow at a considerably higher rate than the growth of the underlying balances or accounts. Many banks are therefore seeking to reduce the cost of servicing individual transactions to maintain their profit margins. Installing automated, secure transaction channels requires significant investment and therefore gives large sized banks a competitive edge. Despite widespread adoption by both banks and customers of these new transaction methods, the pace of reduction in the use of traditional methods has been slower than expected. The younger generation however has been more receptive in embracing newer transaction methods such as internet/mobile banking, use of automated teller machines etc. The increasing usage of such channels may reduce the need for extensive branch networks and result in increased competition from other financial institutions. It may also lower barriers to entry into the market for new competitors such as providers of direct or electronic banking services.

OUR BUSINESS

*The following information is qualified in its entirety, and should be read together with, the more detailed financial and other information included in this Draft Red Herring Prospectus, including the information contained in "**Risk Factors**" on page* xii. *The financial figures used in this section, unless otherwise stated, have been derived from the Bank's restated financial statements and audit reports for the relevant years and the Bank's reporting to the RBI.*

OVERVIEW

Punjab & Sind Bank is a GoI undertaking, incorporated in June 1908 in Amritsar. We were one of the six banks nationalized by the GoI in April 1980, and today, we are one of 19 nationalized banks in India. In the annual Business Today-KPMG survey of Best Banks in India 2008, we were ranked number one on the list of 'Small Sized Best Banks in India' (*i.e.* banks with a then balance sheet size of less than Rs. 24,000 crore).

In over 100 years of operation, we have significantly grown our branch network with a presence predominantly in north India. As on July 31, 2010, our network comprised of 920 branches and 63 ATMs across India. We also sponsor one regional rural bank, Sutlej Gramin Bank, in collaboration with the GoI and the state Government of Punjab. As on July 31, 2010, we had a total of 8,116 employees, serving over 0.60 crore customers.

Our primary business is taking deposits, and making advances and investments, and is principally divided into retail banking, corporate banking, priority sector banking, treasury operations and other banking services such as agency functions for insurance, distribution of mutual funds and pension and tax collection services. We have various deposit products, such as current, savings and term deposits for our customers. In retail banking, we provide loans and advances for housing, trade, automobiles, consumer durables, education and personal loans. We provide commercial banking products and services to corporate customers, including mid-sized and small businesses and government entities. In corporate banking, our loan products include term loans to finance capital expenditure of assets across various industries as well as short-term loans, cash and export credit and other working capital financing and bill discounting facilities. We also provide credit substitutes, such as letters of credit and guarantee. We also engage in syndication of loans provided by other financial institutions and other fee-based services such as cash management and remittance services. In the priority sector, we offer direct financing to farmers for production, as well as indirect financing for infrastructure development and credit to suppliers of agricultural inputs. We also offer a wide range of general banking services to our customers including ATM cards, cash management, remittance services and collection services.

In fiscal 2010, we made a net profit of Rs. 506.82 crore and had net worth of Rs. 2,120.62 crore. We have experienced growth in advances and deposits, with total advances growing at a CAGR of 36.24% over the last five fiscals, and total deposits growing at a CAGR of 28.24% over the last five fiscals. We have also experienced significant improvement in asset quality and as on March 31, 2010 our net NPA was 0.36%, compared to our net NPA of 8.11% as on March 31, 2005.

Certain other key growth and efficiency parameters achieved by us in the last three fiscals are set forth below.

	Fiscal 2008	**Fiscal 2009**	**Fiscal 2010**
NIM (as a % of Total Assets)	3.54	3.24	2.67
CAR (%)	N/A (Basel II) 11.85 (Basel I)	14.31 (Basel II) 11.84 (Basel I)	13.07 (Basel II) 11.71 (Basel I)
NNPAs (%)	0.37	0.32	0.36
GNPAs (%)	0.74	0.65	0.63
NNPAs as a % of Net Assets	0.22	0.19	0.21

	Fiscal 2008	Fiscal 2009	Fiscal 2010
RoA (%)	1.57	1.23	1.06
RoE (%)	29.62	28.62	29.55
Business per employee (Rs. in crore)	4.67	6.56	9.63

We also distribute third-party products such as life and non-life insurance policies through corporate agency agreements with Aviva Life Insurance Company India Private Limited and Bajaj Allianz, respectively, and mutual funds with UTI AMC through a distribution agreement. We also act as an agent for various state governments and the GoI on numerous matters including the collection of taxes and payment of salary and pension.

COMPETITIVE STRENGTHS

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

High asset quality and robust financial growth

Pursuant to the RBI's Report titled '*A Profile of Banks 2008-2009*', we outperformed our group average of the public sector banks as well as all banks' average for fiscal 2009 on several financial and risk-management parameters despite currently being much smaller in size than many of the public sector and other banks with which we compete. These financial and risk management parameters include (i) return on advances as adjusted to cost of funds, (ii) return on assets, (iii) CRAR and (iv) net NPA ratio. Set forth below is our performance in fiscal 2009 in the above-mentioned financial and risk management parameters and our group and all banks' averages.

Items	Our Bank	Group average of the public sector banks	All banks' average
Return on advances as adjusted to cost of funds (%)	4.95	4.01	4.43
Return on assets (%)	1.26	1.03	1.13
CRAR (%)	14.35	13.24	13.98
Net NPA ratio (%)	0.32	0.68	1.05

(Source: Profile of Banks 2008-2009, www.rbi.org.in)

We have experienced robust financial growth in recent past. In fiscal 2005, our net NPA ratio was 8.11%, which was highest amongst the public sector banks. However, in fiscal 2010, our net NPA ratio has come down to 0.36%. Our RoA for fiscal 2010 was 1.06% and our NIM for fiscal 2010 was 2.67%. Further, we have been able to significantly increase our business operations, while at the same time improving our asset quality. During the last five fiscals, we have been able to achieve a CAGR of 36.24% in our net advances in spite of a reduction in our net NPA ratio from 8.11% in fiscal 2005 to 0.36% in fiscal 2010.

Wide distribution network and infrastructure

We deliver our products and services through a wide variety of channels ranging from bank branches and ATMs. We have branch presence across India, with a presence predominantly in north India, a region which we believe is rich in resources and offer great opportunity for resource mobilization. As on July 31, 2010, our network comprised of 920 branches and 63 ATMs across India. Out of these 920 branches, we have 49 specialised branches including specialised agriculture branches, personal banking branches and MSME branches and one locker branch to cater to our customers from varied sectors including our priority sector customers.

Over 100 years of banking experience and established relationships with customers, including the Central and state governments and public sector enterprises

With banking experience of over 100 years including over 30 years as a public sector bank, we believe we have built strong relationships with the central and state governments as well as public sector enterprises, which has been one of the drivers of our growth. For instance, we act as an agent for various state governments and the GoI on numerous matters including the collection of taxes and payment of salary and pension. The RBI has designated us as one of the 21 banks for the purpose of collection of contribution to the PMNRF. We are also the lead bank in three districts of Punjab *i.e.*, Ludhiana, Faridkot and Moga. In addition, we handle a significant volume of the banking requirements for India's public sector enterprises. As on March 31, 2010, 34.06% of our loan portfolio consisted of loans to public sector enterprises and public sector undertakings. We also offer personal clean loan facilities to officials of Government and public sector undertakings, local bodies, reorganised universities and schools run by Government or local bodies, as well as pensioners who have retired from the central or state government, for purchase of consumer durables or vehicles or for any consumption or personal use.

Streamlined risk management controls, policies and procedures

We became BASEL II compliant as on March 31, 2009. Under this framework, we have performed a comprehensive self-assessment across market risk, credit risk and operational risk areas. We have a separate Risk Management Department to formulate and implement credit risk evaluation and management policies, procedures and methodologies appropriate to the businesses within each division, and to ensure that the business conducted within each division is consistent with our risk appetite, with a focus on enhancing asset quality. We periodically conduct audits to ensure that the risks on the portfolios are within acceptable parameters. We continuously monitor our portfolios through our internal control system, which includes macro level portfolio analysis, migration of credit rating analysis and stress testing analysis. We specifically seek to control credit risk in the retail loan portfolio and the agricultural financing portfolio through carefully designed approval criteria and credit controls and efficient collection systems.

Stringent provisioning coverage ratio for advances

The RBI has pursuant to its Second Quarter Review of Monetary Policy for fiscal 2010 dated December 1, 2009 prescribed that all scheduled banks are required to provide for a total provisioning coverage ratio of minimum of 70% for NPAs including floating provisions by September 30, 2010. We are maintaining provisioning coverage ratio of 90% as on March 31, 2010. We have also technically written off accounts of the value of Rs. 917.03 crore as on March 31, 2010, which have been fully provided for and are considered in the calculation of provisioning coverage ratio as per the guidelines issued by the RBI in Circular (No DBOD.NO.BP.BC.64/21.04.048/2009-10) dated December 1, 2009. As a result of such conservative provisioning coverage ratio, we often recover a significant amount out of our technically written off accounts which directly contributes to our profits. Set forth below are the amounts recovered from written off accounts for fiscal 2010, fiscal 2009 and fiscal 2008.

(Rs. in crore)

	Fiscal 2010	Fiscal 2009	Fiscal 2008
Amount recovered from written off accounts	115.48	193.16	199.10

Presence predominantly in Punjab and other north Indian states

We have a presence predominantly in Punjab and other north Indian states with 623 branch offices in north-India out of which 399 branches are in the state of Punjab. We believe that Punjab and other north-Indian states are rich in resources and provide higher opportunity for resource mobilization. Specifically, Punjab has a strong agricultural background which we believe can enable us to enhance our return from our advances. Additionally, we have a wide distribution of 257 branches in the rural areas of north Indian states which provide us an edge in our priority sector banking due to its rich agricultural resources and a large catchment area for low cost deposits.

BUSINESS STRATEGIES

Our vision is to emerge as a strong and vibrant bank, through synchronization of human, financial and technological resources. Towards this end, our competitive strategies are as follows:

To increase our number of branches and market share

While we have grown significantly in recent years and have outperformed some of our peer group banks on certain key risk management and financial performance parameters in recent fiscals, we remain a mid-sized bank with a presence predominantly in north India. We seek to leverage our strong brand recall, especially in north India, to expand our presence across other geographies in India, including through increasing our branch network and distribution infrastructure across India and cross-selling our products at competitive costs, to gain a larger market share in terms of advances as well as deposits.

Towards this end, we intend to continue our focus on technology, including the rollout of our core banking system and the launch of customer-centric and multi-channel solutions like internet banking, telephone banking and mobile banking, to support our network of branches. We propose to install more ATMs, both on-site and off-site, which will provide more visibility to our customers. We have also recently joined the NFS which will allow access to more than 50,000 ATMs across the country to our Bank's cardholders. This will also allow the card holders of all member banks of NFS to use the Bank's ATMs. Additionally, we propose to open specialised high net-worth individual branches and personalised saving accounts in metropolitan cities to attract high net-worth customers, as well as additional specialised MSME branches in the urban areas where there are industrial clusters. Further, we seek to increase our market share in the rural and semi-urban areas by appointing business correspondents and by financial inclusion through post offices as collection centres in semi urban and rural areas.

To increase CASA deposits and expand our retail banking operations

We seek to increase our CASA deposits in order to reduce cost of funds and improve core capital. In order to attract retail customers and increase our CASA deposits, we intend to position our Bank through marketing campaigns and upgrading our branch offices. We also intend to formulate certain incentive schemes to encourage customers to deposit money in current and savings accounts. We have also formed a special cell exclusively for performance review and monitoring of our CASA growth. We believe that the proposed roll out of CBS, internet banking systems, mobile banking and installation of new ATMs and the recently completed linking to NFS will enable us to increase our retail customer base by providing them convenient retail banking services. Towards increasing our retail banking business, we intend to rationalise our interest rate structures in housing finance, vehicle loans and education loans, and increase our advances to doctors through our '*Doctor's Special Scheme*'.

To accelerate growth in the corporate banking sector

Although we have achieved significant growth in advances to the corporate sector over the last three fiscals, we seek to continue to increase our market share, credit portfolio and NIMs in the corporate banking segment, by expanding and improving our distribution network and infrastructure, expanding and strengthening our relationships, especially with MSMEs and public sector enterprises, and by further developing our existing product offerings, processes and distribution channels. In order to expand our corporate banking services, we have recently forayed into syndication of loans. We propose to act as a loan syndicator for our corporate customers to arrange for higher financing requirements which we cannot provide as a sole financier due to our prudential exposure limitation policies. Additionally, we believe that with the successful completion of the Issue, we will be able to increase our capital funds which will increase our exposure limits and allow us to attract high quality corporate clients. We also intend to open specialised industrial finance branches to focus on project appraisal. As part of this strategy, we also intend to maintain and enhance our franchise in the MSME sector. For instance, we have formulated a code of commitment to MSMEs, under which we have constituted four centres for redressal of grievances of MSMEs, in addition to our 11 specialized branches. We have also launched a debt restructuring mechanism for MSMEs for improving flow of credit to MSMEs.

Increase fee-based revenue

We are looking to increase our high margin fee-based income by expanding our third party product offerings and by increasing our fee-based services. We have entered into an agreement with UTI AMC for the distribution of mutual fund products. We also market and sell the life insurance products of Aviva Life Insurance Company India Private Limited and general insurance products of Bajaj Allianz in conjunction with certain of our savings account and term deposit products. We have also launched in July, 2005 Western Union Money Transfer service. We earn fees and commissions for the distribution and sale of these products. We also intend to increase this revenue stream by entering into more agency and distribution agreements and by promoting certain of our products and services including the issuance of letters of credit and guarantees and our depositary services. We intend to grow our income from fee based services by introducing new products and services and by cross-selling our offerings to our existing customers.

To adopt and operationalize high-level technology standards

The key objectives behind our IT strategy continue to include building a cost-efficient distribution network to accelerate the development of our retail and rural franchise, enhancing cross-selling and client-segmenting capability by using analytical tools and efficient data storage and retrieval systems, improving credit and market risk management, improving product and client profitability, and leveraging our technology competencies and cost efficiencies. Towards this end, we intend to rollout CBS and launch customer-centric and multi-channel solutions like internet banking, telephone banking and mobile banking, to support our network of branches. Our first CBS branch was rolled out on June 24, 2010 and we seek to bring up to 500 branches on the CBS platform by November 2012. We have entered into a master outsourcing agreement with Wipro for implementation of CBS solution Finacle from Infosys in our Bank. We also recently joined the NFS in order to link our ATMs with the ATMs of other banks. Our IT strategy has been supporting business initiatives by a process of continuous update in technology and process platforms. We have an IT Development-cum-Training Centre at Chandigarh to launch initiatives and undertake technical training programs. The development of cost and time efficient means of reaching out to customers and processing transactions is a key element of our goal to expand our profitability and to capitalize on opportunities for organic growth.

Attract young talented professionals and retain experienced employees

Recruitment and assimilation of talented professionals including lateral appointments are key elements of our human resource strategy. We believe a key to our success will be our ability to maintain a healthy mix of experienced and young professionals. We have been successful in building a team of talented professionals with relevant experience, including experts in credit evaluation, risk management, retail consumer products, treasury, technology and marketing. Currently, we propose to recruit approximately 815 employees across various levels by March 31, 2011 to boost our workforce. Recruitment is a key management activity and we intend to attract graduates from premier Indian business schools as well as employees with other professional qualifications. We intend to continuously re-engineer our management and organizational structure to allow us to respond effectively to changes in the business environment.

LENDING OPERATIONS

We had total (gross) outstanding loans of Rs. 32,738.67 crore as of March 31, 2010.

The following table presents our outstanding loans by business categories and the proportion of these loans to our outstanding total loans as of March 31, 2008, March 31, 2009 and March 31, 2010:

(Rs. in Crore)

	As of March 31, 2008		As of March 31, 2009		As of March 31, 2010	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Retail	3,709.80	20.15	3,744.36	15.16	4,974.86	15.20
Corporate	9,313.24	50.59	13,319.51	53.93	16,843.47	51.45
Others (including priority sector)	5,385.97	29.26	7,634.23	30.91	10,920.34	33.36

Total Outstanding Loans	18,409.01	100.00	24,698.10	100.00	32,738.67	100.00

The table below sets forth our loans and advances by product type and as a percentage of total advances as of March 31, 2008, March 31, 2009 and March 31, 2010.

(Rs. in Crore)

	As of March 31, 2008		As of March 31, 2009		As of March 31, 2010	
Product Type	**Amount outstanding**	**% of total outstanding**	**Amount outstanding**	**% of total outstanding**	**Amount outstanding**	**% of total outstanding**
Term Loans	11660.20	63.34	16,513.44	66.86	23,435.82	71.58
Cash Credit/Overdraft and others	5,793.80	31.47	6,801.07	27.54	7,975.94	24.36
FCDL (foreign currency denominated loans)	2.37	0.01	190.59	0.77	183.58	0.56
Export Credit	526.42	2.86	583.40	2.36	786.42	2.40
Bills Purchases/Bills discounted	426.22	2.32	609.60	2.47	356.91	1.10
Total	**18,409.01**	**100.00**	**24,698.10**	**100.00**	**32,738.67**	**100.00**

DEPOSITS

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

- Current deposits are non-interest bearing deposits;
- Savings deposits are deposits that accrue interest at a fixed rate set by the RBI (currently 3.50%) and upon which cheques can be drawn;
- Term deposits are deposits on which interest is paid, either on maturity or at stipulated intervals depending upon the deposit schemes under which money is placed. Term deposits are classified as:
    - Retail term deposit, where amount of deposit is below Rs. 1.00 crore; and
    - Bulk term deposit, where amount of deposit is Rs. 1.00 crore and above.

  Term deposits mainly include:

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

The following table sets forth, as of the dates indicated our outstanding deposits and the percentage composition by each category of deposits.

	As of March 31, 2008		As of March 31, 2009		As of March 31, 2010	
	Amount outstanding in Rs. crore	**% of total outstanding**	**Amount outstanding in Rs. crore**	**% of total outstanding**	**Amount outstanding in Rs. crore**	**% of total outstanding**
Current deposits (A)	**2,074.50**	**8.35**	**2,148.32**	**6.20**	**3,156.70**	**6.42**
-From banks	38.84	0.16	31.36	0.09	52.74	0.11

-From others	2,035.66	8.19	2,116.96	6.11	3,103.96	6.31
Savings deposits (B)	**6,950.11**	**27.99**	**7,477.36**	**21.56**	**9,151.34**	**18.62**
Term deposits (C)	**15,806.80**	**63.66**	**25,049.98**	**72.24**	**36,847.05**	**74.96**
-From banks	1,122.17	4.52	2,306.64	6.65	2,319.69	4.72
-From others	14,684.63	59.14	22,743.34	65.59	34,527.36	70.24
Total deposits A+B+C	**24,831.41**	**100.00**	**34,675.65**	**100.00**	**49,155.08**	**100.00**

OUR OPERATIONS

Retail Banking

Our retail banking business includes branch banking, retail loans and other consumer banking services like debit cards. We offer retail deposit and consumer credit facilities at all our branches.

Deposits

We offer a full range of current, savings and term deposits to our retail customers. Our total deposit base was Rs. 49,155.08 crore on March 31, 2010, comprising a mix of current, savings and term deposits.

Described below are some of the specialised deposit schemes offered to our retail customers. Most of our schemes also provide special benefits to senior citizens.

PSB Recurring Deposit Scheme

The '*PSB Recurring Deposit Scheme*' is offered to all eligible persons including minors. This scheme can be operated with a minimum deposit of Rs. 10 and up to any amount per month and the interest is payable on maturity. Pursuant to this scheme, a deposit can be opened for a minimum period of six months and up to maximum period of 120 months. However, deposit can be accepted for a period in the multiple of three months only. A special benefit to senior citizens is available under this scheme.

PSB Fixed Deposits Scheme

The '*PSB Fixed Deposits Scheme*' provides a steady and regular income. Pursuant to this scheme, depositors can earn interest monthly, quarterly, half yearly or annually as per their requirement.

PSB Saving Bank Account Scheme

The '*PSB Saving Bank Account Scheme*' can be opened by a depositor with a minimum deposit of Rs. 100 for rural branches, Rs. 500 (without cheque facility) and Rs. 1,000 (with cheque facility), respectively, for other branches. Interest is paid on a half yearly basis on daily product basis with effect from April 1, 2010. There is no restriction on the amount of withdrawal from the account (except through ATMs).

PSB Hari Savni (Rabi Kharib) Jama Yojna Scheme

This is a unique scheme for the farmers. This scheme provides flexibility in depositing instalments with a minimum of Rs. 1,000 and in multiples thereof. Instalments are correlated with the harvesting of Harhi (Rabi) Savni (Kharif) crops and are required to be deposited each year before June 30 and December 31 every year. The scheme is available for a minimum period of three years and a maximum period of 10 years. Interest is payable on maturity and no penalty is payable on delayed instalments. We, however, pay interest on recurring deposit scheme based on the minimum balance lying in the account between 10th and the last day of the month.

PSB Capital Gain Account Scheme

The '*PSB Capital Gain Account Scheme*' is a scheme under which the tax payer can avail of benefits of exemption from capital gains or net consideration in deposit. Tax exemptions are available to the tax payers if the capital gain is utilised within specified period as per the provisions of the I.T. Act.

PSB Fixed Deposit Tax Saver Scheme

The '*PSB Fixed Deposit Tax Saver Scheme*' has also been formulated for tax saving purposes under Section 80C(2) of the I.T. Act. Pursuant to this scheme, an assessee can invest in the term deposit of any amount not exceeding Rs. 0.01 crore for a period of not less than five years.

PSB Premier Current Account Deposit Scheme

The '*PSB Premier Current Account Deposit Scheme*' is offered with a minimum balance of Rs. 0.02 crore for urban and metropolitan branches and Rs. 0.01 crore for rural and semi-urban branches. This scheme provides for a host of waiver from charges including waiver from the ledger folio charges, standing instruction charges, balance certificate charges, signature verification charges and waiver from cash handling charges. We also provide free ATM card with this scheme.

PSB Premier Saving Deposit Scheme

The '*PSB Premier Saving Deposit Scheme*' is offered with a minimum balance of Rs. 0.01 crore for urban and metropolitan branches and Rs. 50,000 for rural and semi-urban branches. This scheme also provides for a host of waivers including waiver from standing instruction charges, inward cheque returning charges, cash handling charges up to Rs. 0.03 crore and processing charges up to Rs. 0.03 crore. The depositor also provided with a cheque book and ATM card pursuant to this scheme.

PSB Saral Saving Scheme

The '*PSB Saral Saving Scheme*' is aimed at promoting savings for economically weaker segments. This can be opened with an initial payment of Rs. 100 and thereafter the account can turn into a zero balance account. No charges are levied on the closure of the account.

PSB Short Term Deposit Scheme

The '*PSB Short Term Deposit Scheme*' is a scheme aimed at depositors who wish to invest the amount for a short period ranging between six to thirty six months. Interest on the deposit is compounded on quarterly basis but paid along with the principal at the time of maturity. Deposits are accepted with a minimum of Rs. 100 and its multiples under the scheme.

PSB Saving With a Smile Deposit Scheme

The '*PSB Saving With a Smile Deposit Scheme*' is aimed at providing a reinvestment plan. Interest on the deposit is compounded on quarterly basis but paid along with the principal at the time of maturity. According to this scheme, deposit is accepted with a minimum of Rs. 1,000 and its multiples.

Loans and advances

We have identified the growth of our loans and advances to the retail sector as a priority initiative in the past few years. As of March 31, 2010, we had total (gross) outstanding retail loans of Rs. 4,974.86 crore which represented 15.19% of our total (gross) outstanding loans and advances.

Some of our retail banking products are targeted towards specific categories of customers. We offer professional loans to doctors, engineers, chartered accountants, lawyers, architects and others, for the purchase of equipment, machinery or infrastructure as well as acquiring or renovating business premises. We have launched a '*Doctor's Special* Scheme' for doctors for setting up, acquisition or renovation of hospitals, clinics, pathological laboratories and scan diagnostic centres. Up to a specified limit, loans are granted without collateral and/or third-party guarantees.

Housing finance

We offer housing finance through our Housing Finance Scheme. Pursuant to our Housing Finance Scheme, we provide loans up to Rs. 1.50 crore against mortgage of property to individuals for construction, acquisition, purchase, extension, renovation or repairing of houses. We have floated special schemes for Government or public sector employees, for the construction, purchase and renovation or repair of housing. We also have a specialized 'Golden Jubilee Rural Housing Scheme' for borrowers residing in rural areas. We have also formulated a Reverse Mortgage Scheme ('*Sukh Money Scheme for Senior Citizens*') which allows the senior citizens to make a residential property earn while they continue to live in it. This scheme gives a regular fixed amount based on the value of the property which helps the senior citizens to supplement their income and sustain their lifestyle. We also have an arrangement with Dewan Housing Finance Corporation Limited for providing residential housing finance loans.

Vehicle loans

We also offer personal vehicle loans through our Auto Loan Schemes for purchase of new or pre-owned cars and other vehicles including two wheelers. We have signed memoranda of understanding with Tata Motors Limited on February 15, 2010 and with Maruti Suzuki India Limited on February 27, 2009, for financing commercial vehicles. Under the tie up scheme with Tata Motors Limited, we will be a preferred financier for purchases of commercial vehicles of Tata Motors Limited in North India.

Personal loan

We provide consumer credit facilities pursuant to our Personal Loan Schemes. We provide loans up to Rs. 2,00,000 to government employees, pensioners, confirmed employees (with service of at least three years) of schools, colleges recognized or aided by the governments provided their salary is credited to their accounts with the Bank. We provide credit facilities for the purchase of consumer goods such as televisions, music systems, washing machine, refrigerators, air-conditioners, microwave ovens, dishwashers, cooking ranges, generator sets, invertors, computer and other consumer goods.

Keeping in mind cultural specificities amongst our retail customers, from time to time we also offer a festival loan scheme under which clean loans are granted up to a specified limit to meet special expenditures for festival celebration, such as furnishing of houses, shops, offices, purchase of consumer goods or personal expenditure.

Education loan

We have formulated an Education Loan Scheme. Pursuant to our Education Loan Scheme, education loans up to Rs. 0.04 crore are sanctioned without any collateral security. We have also provided an online facility of submission of application forms for education loans.

Some of our loan products are based on an understanding of our retail customer profiles, and specifically, the security our customers may have to offer. We offer loans against own deposit or government securities like national savings certificates, Indira Vikas Patras and Kisan Vikas Patras, for personal use or business purposes. In addition, we grant loans against rent receivables under a scheme offered to owners of commercial or residential property who have rented their premises to government departments, public sector enterprises, private companies, multinational corporations, foreign embassies or any other organization of repute.

Other retail banking services

We intend to further diversify our products and services, particularly in retail banking. For example, we recently received approval of the RBI for import of gold and silver under the Foreign Trade Policy 2009 -

2014. We intend to add gold and silver trading products and focus on the distribution and sale of such products to enhance our fee-based revenues in the future.

The following table classifies our outstanding retail loans and advances as of March 31, 2008, March 31, 2009 and March 31, 2010:

(Rs. in crore)

	As of March 31, 2008		As of March 31, 2009		As of March 31, 2010	
Schemes	**Amount outstanding in Rs. crore**	**% of total outstanding**	**Amount outstanding in Rs. crore**	**% of total outstanding**	**Amount outstanding in Rs. crore**	**% of total outstanding**
Housing finance	2,205.18	59.44	2,448.60	65.39	3,591.52	72.19
Vehicle loans	376.88	10.16	313.92	8.38	278.53	5.60
Personal loans	979.72	26.41	802.69	21.44	900.81	18.11
Education loans	148.02	3.99	179.15	4.78	204.00	4.10
Total	**3,709.80**	**100.00**	**3,744.36**	**100.00**	**4,974.86**	**100.00**

Corporate Banking

In corporate banking, our loan products include term loans to finance capital expenditure of assets across various industries as well as short-term loans, cash and export credit and other working capital financing and bill discounting facilities. We also provide credit substitutes, such as letters of credit and performance guarantee. We also engage in syndication of loans provided by other financial institutions and other fee-based services such as cash management and remittance services.

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

Term loans

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

Cash credit and other working capital facilities

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

Foreign currency loans

We provide loan facilities in foreign currencies to our customers. Foreign currency-denominated loans in India are granted out of the Bank's Foreign Currency Non-Resident ("**FCNR Account**") (B) funds or borrowing from the inter-bank markets pursuant to the guidelines issued by 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 Account (B) funds or funds borrowed from the inter-bank markets. We also have access to U.S. dollar denominated funds through syndicated loans and other foreign currency loans for the purposes of export credit in foreign currency.

Import finance

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

Letters of credit

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

Guarantees

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

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

CDR

We are a member of the RBI CDR mechanism. The CDR mechanism in India was initiated by the RBI in 2001 by RBI circular dated August 23, 2001 and was comprehensively modified on February 5, 2003 and thereafter on November 10, 2005. It is intended towards timely and transparent restructuring of corporate debt. The process is limited to the participants in the CDR mechanism who have entered into legally binding agreements to work within the CDR mechanism and abide by various elements of the CDR mechanism.

The CDR mechanism is a purely contractual mechanism on the basis of two agreements; a Debtor-Creditor Agreement (the "**DCA**") and an 'umbrella' Inter-Creditor Agreement (the "**ICA**") signed by a number of Indian banks and financial institutions. The banks and financial institutions who have signed the ICA have agreed that if 60% lenders by number and 75% lenders by value ("**Supermajority**") agree to admit a company for restructuring under the CDR mechanism and agree to a restructuring package of existing debt on a certain cut-off date (*i.e.*, outstanding debt), the CDR package would be binding on the remaining banks and financial institutions who have signed the ICA, *i.e.*, even banks and financial institutions outside the minimum percentage of supporting banks and financial institutions are assumed to be willing to participate in the entire CDR package, including the provision of any agreed additional financing. As of March 31, 2010, we had two accounts restructured under CDR and the total amount of loan assets under CDR was Rs. 28.44 crore which constituted 0.09% of our total loan assets.

Foreign exchange business and global banking

In addition to purely domestic operations, our international banking divisions ("**IBD**") and authorized branches for foreign exchange business cater to the needs of exporters and importers for various services such as providing fund-based finance for exports at concessional interest, providing non-fund based facilities including opening import letters of credit, issue of bank guarantees, negotiation of export bills under letters of credit, collection of export/import documents, remittance of funds through Society for

Worldwide Interbank Financial Telecommunication ("**SWIFT**"), issuance of foreign currency drafts, and foreign currency notes within the framework of exchange control guidelines.

PSB Export Gold Card Scheme

With a view to simplify and encourage access to bank credit for exporters, especially small and medium exporters, the Minister of Commerce and Industry had proposed issuance of a 'Gold Card' to credit-worthy exporters with good track record, for easy availability of export credit on best terms. Accordingly, the RBI has developed a 'Gold Card' scheme in consultation with select banks and exporters.

We offer the PSB Export Gold Card to all credit worthy exporters (including small and medium exporters) dealing with us for a minimum period of three years, in recognition of their good track record. Exporters who are blacklisted by the Export Credit Guarantee Corporation of India Limited or included in the RBI's defaulters' list or its caution list or who have been making losses for the past three years or have overdue export bills in excess of 10% of their previous year's turnover are not eligible for the PSB Export Gold Card.

PSB Export Gold Card holders enjoy simpler and more efficient credit delivery mechanisms. With a view to capture only those particulars relevant to sanctioning export credit, we have adopted the loan application form for export credit devised by the Indian Banks Association (the "**IBA**"). PSB Export Gold Card holders' applications for credit are processed in priority over applications by other exporters and at flat service charges and concessional interest rates. PSB Export Gold Card holders, in view of their credit worthiness, may also be considered for exemption from the export credit guarantee policy, at our discretion.

We periodically review PSB Export Gold Card holders' records of performance with a view to pass on the benefit of better terms including rate of interest, or to identify irregularities in their accounts.

Priority Sector Banking

In consonance with national policies and priorities, as reflected in the guidelines issued by the RBI, we place considerable emphasis on lending to the priority sector, including within the agricultural sector, and MSMEs. We are required to lend at least 40% of our adjusted net bank credit or credit equivalent to off-balance sheet exposure, whichever is higher to the priority sector, including at least 18% to the agricultural sector. As a measure of our commitment to priority sector lending, over 45% of our branches are located in rural and semi-urban areas.

Further, as a GoI undertaking, we have a dedicated Priority Sector (Advances) Department and we follow a state-wise road map for advances to specified minority communities. This plan requires us to open new bank branches and undertake awareness programmes in areas having significant minority populations, as well as offer advances to minority populations, including micro-credit to minority women.

Some of our specialized schemes for priority-sector lending are discussed below.

- Under the '*Udyogini Scheme*' and '*Laghu Udyogini Credit Card Scheme'*, we grant credit facilities to professional and self employed women entrepreneurs engaged in direct agricultural activities, SSIs, retail trade and other business enterprises.

- Under the '*Swaranjayanti Gram Swarozgar Yojana*' and the 'Swarnjayanti Shahri Rozgar Yojana', we grant credit facilities to the rural poor or landless and to the urban poor, respectively, including individuals and self help groups and specifically including the disabled or handicapped, with a view to facilitating sustained employment.

- Under the '*Prime Minister Employment Generation Programme*', we grant credit facilities to the educated unemployed urban youth, including individuals and self help groups, to encourage sustained employment in micro-enterprises including manufacturing, service and business ventures.

- We provide credit facilities under the '*Differential Rate of Interest Scheme*' to assist persons below the poverty line in rural as well as urban areas, including handicapped persons, students, orphanages and women's homes, State-owned corporations or co-operative societies including state corporation for scheduled castes and tribes, cooperative societies, 'Large and Adivasis Multi Purpose, Cooperative Societies for Tribal Areas', and people engaged in cottage and rural industries.

- We provide credit facilities under the '*Scheme of Liberation Rehabilitation of Scavengers*', to assist eligible families living in urban and rural areas identified by local bodies, by facilitating viable alternative trades or occupations for scavengers and their dependents.

The following table presents data on our outstanding priority sector lending, including as a percentage of our adjusted net bank credit as of March 31 of each year:

(Rs. in crore)

	Amount outstanding	**% of adjusted net bank credit**	**Amount outstanding**	**% of adjusted net bank credit**	**Amount outstanding**	**% of adjusted net bank credit**
Agriculture credit	2,438.27	20.41	2,969.26	16.13	5,063.42	20.50
MSME credit	1,470.61	12.31	2,128.46	11.56	3,740.00	15.14
Other priority sector credit	2,136.12	17.87	2,290.69	12.44	1,950.39	7.90
Total	**6,045.00**	**50.59**	**7,388.41**	**40.13**	**10,753.81**	**43.54**

Agriculture credit

We offer a number of credit facilities for agriculturists through our rural and semi-urban branches, including a Kisan Credit Card with provision of personal accident insurance coverage, a Zamindara Credit Card, a P&S Bank Diamond Krishi Card, and a composite loan scheme called the Kheti Udyog Khazana Yojana. We believe that our Bank was one of the first public sector banks to issue Kisan Credit Card to all eligible farmers in fiscal 2004. For tractor financing, we have entered into arrangements with Punjab Tractor, Eicher Tractor, Bajaj Tempo and Escorts whereby borrowers receive incentives. Besides, there are schemes for purchase of agriculture land and harvester combines and other farm machinery for small or marginal borrowers and agricultural labourers.

Some of our specialized products offered in our agricultural banking business are described below:

Kisan Credit Card Scheme

Under this scheme, we provide credit facilities for the comprehensive credit requirements of farmers in the nature of term loan and/or revolving cash credit for agriculture and allied activities in addition to production credit. The quantum is need based and there is no specific loan limit. However, the limit of production credit including consumption needs is Rs. 40,000 per acre for owned irrigated land and Rs. 30,000 per acre for irrigated leased land, subject to other terms and conditions as per the scheme. The limit is secured by creation of charge on land for at least double the value of loan and limit sanctioned. The short term credit is required to be repaid within a period of 12 months and term loan component is payable based on the type of activity and investment.

Diamond Krishi Card

An existing Kisan Credit Card holder with satisfactory track record for at least two years and with minimum holding of five acres perennially irrigated agricultural land is eligible for a diamond krishi card.

Pursuant to the diamond krishi card, a borrower is eligible to obtain a loan up to Rs. 0.01 crore per acre of irrigated land holding or 50% of market value of agricultural land whichever is less, subject to the maximum of Rs. 0.10 crore. The credit limit can be utilised for short term agricultural operations, agricultural investments as well as consumption needs.

Krishak Sathi Scheme

The '*Krishak Sathi Scheme*' aims to extend finance to the farmers for paying off loans taken from non-institutional money lenders and also to meet their crop production needs. The quantum of loan granted under the scheme is 100% of the indebtedness of the farmer or Rs. 50,000, whichever is lower. The loan is required to be repaid in half yearly instalments in 3-5 years.

Kisan Rahat Scheme

The '*Kisan Rahat Scheme*' has been introduced for financing commission agents (aahrtias) against the book debts created in the aahrtia's books of accounts. This scheme applies to book debts not older than six months and 50% margin is provided in the Bank's favour. The maximum amount of loan that can be granted under this scheme is Rs. 0.50 crore per aahrtia. The loan is secured by primary security of book debts and collateral security of tangible/intangible and value of security should be 200% of total limit sanctioned.

Agricultural Debt Waiver and Debt Relief Scheme, 2008

The Finance Minister, in his Budget Speech for fiscal 2009, announced a Debt Waiver and Debt Relief Scheme for farmers, administered by a national-level monitoring committee under the aegis of the Ministry of Finance, GoI. The RBI is the nodal agency for the implementation of the scheme in respect of scheduled commercial banks including us.

The scheme covers direct agricultural loans (including short term production loans and investment loans) extended to individuals or groups of 'marginal and small farmers' and 'other farmers' by scheduled commercial banks, regional rural banks, cooperative credit institutions (including urban cooperative banks) and local area banks. Direct agricultural loan taken under a Kisan Credit Card would also be covered under this scheme. The amount eligible for debt waiver or debt relief under this scheme shall include loans restructured and rescheduled by banks through special packages announced by the central government or as per applicable guidelines issued by the RBI on account of natural calamities, whether overdue or not. Advances against pledge or hypothecation of agricultural produce other than standing crops, and agricultural finance to corporates, partnership firms, societies other than cooperative credit institutions and any similar institution, shall not be included in the eligible amount. In the case of a small or marginal farmer, the entire 'eligible amount' shall be waived. In the case of 'other farmers', there will be a OTS under which the farmer will be given a rebate of 25% of the 'eligible amount' (or for certain listed revenue districts, Rs. 20,000, whichever is higher) subject to the condition that the farmer pays the balance 75% of the 'eligible amount'. A farmer classified as 'small farmer' or 'marginal farmer' will be eligible for fresh agricultural loans upon the eligible amount being waived. For a farmer classified as 'other farmer' eligible for OTS relief, the amount of OTS relief (*i.e.* the central government's share) will be credited to the account of the 'other farmer' on the farmer paying his share in full. In the case of a short-term production loan, the 'other farmer' will be eligible for fresh short term production loan on paying one-third of his share. In the case of an investment loan (for direct agricultural activities or allied activities), the 'other farmer' will be eligible for fresh investment loan on paying his share in full.

In view of our having granted debt waiver or debt relief under this scheme, our books of account (including the books of accounts maintained at our branches) are subject to an audit in accordance with the procedure prescribed by the RBI.

MSME and SSI Credit

With a view to enlarge our credit exposure in the MSME sector, we have initiated several sector friendly measures at competitive interest rates based on the enactment of the government on the Micro, Small & Medium Enterprises Development Act, 2006. We offer a full range of fixed and current deposits to our MSME customers so that they can determine which combination of flexibility and return is most suitable to their requirements. We provide up to Rs. 0.10 crore security free loans to MSMEs. We have formulated a code of commitment to MSMEs, under which we have constituted four MSME centres, in addition to our 11 specialized branches which act as zonal offices for MSME. We have also launched a debt restructuring mechanism for MSMEs for improving flow of credit to MSMEs. A sizable share of our total lending is allocated to this sector. Our outstanding loan portfolio was Rs.3,740.00 crore in MSME as of March 31, 2010, representing 11.42% of our total gross advances.

As part of our priority sector banking, we extend credit to Small Scale Industries ("**SSIs**") for meeting financial requirements for purchase of machinery and equipment, construction of buildings and working capital requirements. Up to a specified limit, we offer collateral-free credit under a credit guarantee fund trust scheme. We have also introduced a 'Laghu Udyami Credit Card Scheme' for working capital loans to our existing eligible borrowers in SSIs, retail trade and small businesses or self employed persons under the priority sector. We also extend credit under the artisans' credit card scheme for their investment needs as well as working capital requirements.

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

Multipurpose Business (Mortgage) Loan Scheme

The '*Multipurpose Business (Mortgage) Loan Scheme*' targets various business activities from MSME sector, primarily to meet their working capital and term loan requirements up to Rs. 2.00 crore against security of immovable or movable assets.

Rice Seller Scheme

We have formulated the '*Rice Seller Scheme*', a comprehensive policy based on certain factors including the requirements of the customers, competitive terms offered by other banks to rice millers, changes in the Government policies on procurement of paddy, fluctuation in price of paddy and rice.

Artisan Credit Card Scheme

The '*Artisan Credit Card Scheme*' is for rural artisans. Under this scheme, we provide credit facility of up to Rs. 0.02 crore to artisans for their investment needs as well as working capital requirements.

Credit Guarantee Scheme of Credit Guarantee Fund Trust of MSE (CGTMSE)

We are a member lending institution of CGTMSE to provide collateral free loan to micro and small enterprises up to Rs.1.00 crore.

Debt Restructuring Mechanism for MSMEs

For improving flow of credit to MSMEs, we have introduced a debt restructuring mechanism for MSMEs, as defined in Rural Planning and Credit Department ("**RPCD**") Circular No. RPCD.PLFNS.BC. 31/06.02.31/2005-06 dated August 19, 2005. As per this definition, a small scale industrial unit is an undertaking in which investment in plant and machinery does not exceed Rs. 1.00 crore, except in respect of certain specified items under hosiery, hand tools, drugs and pharmaceuticals, stationery items and sports goods, where this investment limit has been enhanced to Rs. 5.00 Crore. Units with investment in plant and machinery in excess of the SSI limit and up to Rs. 10.00 crore may be treated as medium enterprises. All corporate and non-corporate MSMEs which are judged viable or potentially viable (as per our in-house technical viability studies) would be eligible for restructuring under this mechanism, excepting accounts involving wilful default, fraud and malfeasance or which have been classified by us as 'Loss Assets'.

Prime Minister Employment Generation Programme

This scheme provides employment opportunities by setting up micro enterprise through bank loan and Government subsidy. The maximum project or unit cost allowed under this scheme is Rs. 0.25 crore for manufacturing activities and Rs. 0.10 crore for service activities. Khadi and Village Industries Commission ("**KVIC**") is the nodal agency of the Government under this scheme. KVIC and Khadi Village Industries Board ("**KVIB**") are the implementing agencies in rural areas and District Industries Centre ("**DIC**") is an implementing agency in both rural and urban areas. Subsidy is available at the rate of 25% of the project cost in rural areas and 15% in urban areas. In case of special category of borrowers which includes schedule caste, schedule tribe, other backward classes, minority community, women, ex-servicemen, physically handicapped and entrepreneurs from hilly and boarder areas and north eastern region, the rate of subsidy is 35% for rural areas and 25% for urban areas. A borrower has to contribute 10% of the project cost (5% in case of special category borrower). The remaining amount of the project cost is facilitated through bank loans.

Treasury Operations

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

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

	As of March 31, 2008		**As of March 31, 2009**		**As of March 31, 2010**	
Securities	**Amount in Rs. crore**	**%**	**Amount in Rs. crore**	**%**	**Amount in Rs. crore**	**%**
SLR						
Government securities	7,418.44	87.02	10,954.10	86.55	15,342.83	85.30
Other approved Securities	431.29	5.06	321.81	2.54	182.50	1.01
Sub total	**7,849.73**	**92.08**	**11,275.91**	**89.09**	**15,525.33**	**86.31**
Non-SLR						
Subsidiaries and Joint Ventures	0.65	0.01	0.65	0.01	0.65	Negligible
Debentures and Bonds	577.28	6.77	628.13	4.96	1,310.26	7.28
Shares	88.20	1.03	91.53	0.72	127.08	0.71
Other	9.06	0.11	660.21	5.22	1,023.34	5.69
Sub total	**675.19**	**7.91**	**1380.52**	**10.90**	**2,461.33**	**13.68**
Total	**8,524.92**	**100.00**	**12,656.43**	**100.00**	**17,986.66**	**100.00**

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

	As of March 31, 2008		**As of March 31, 2009**		**As of March 31, 2010**	
Securities	**Amount in Rs. crore**	**%**	**Amount in Rs. crore**	**%**	**Amount in Rs. crore**	**%**
Held to Maturity (HTM)	6,071.39	71.22	8,654.99	68.38	11,771.49	65.45
Available for Sale (AFS)	2,453.53	28.78	3,976.10	31.42	6,215.17	34.55
Held for Trading (HFT)	-	-	25.34	0.20	-	-
Total	**8,524.92**	**100.00**	**12,656.43**	**100.00**	**17,986.66**	**100.00**
Yield	7.37	--	7.40	--	6.88	--

	As of March 31, 2008		As of March 31, 2009		As of March 31, 2010	
Securities	**Amount in Rs. crore**	**%**	**Amount in Rs. crore**	**%**	**Amount in Rs. crore**	**%**
Modified Duration HFT	-	-	5.30	--	-	-
Modified Duration HTM	6.55	--	6.18	--	7.00	--
Modified Duration AFS	2.66	--	3.35	--	3.25	--

For details on how we categorise our investment portfolio, see "***Regulations and Policies in India–Capital Adequacy Requirements***" on page 116.

Other Banking Services

Marketing and insurance distribution

We have entered into contract agency agreements for distribution of non-life insurance products with Bajaj Allianz in 2003, and for distribution of life insurance products with Aviva Life Insurance Company India Private Limited on September 13, 2004. We have established insurance desks across India at our branches, where insurance officers are posted.

(i) Non Life Products: We are an exclusive agent of Bajaj Allianz and distribute all their non-life products through our network of branches across India. Under this arrangement, we also provide low-cost insurance cover to our new and existing education loan and housing loan borrowers on voluntary basis, under group insurance schemes.

(ii) Life Products: We have an exclusive arrangement with Aviva Life Insurance Company India Private Limited, under which we distribute the following three life insurance products:

(a) Life Bonds
(b) Easy Life Plus
(c) Pension Plus

Mutual fund distribution

We have entered into a distribution agreement dated July 27, 2005 with UTI AMC. Pursuant to this agreement, we have been appointed as the corporate agent of UTI AMC for distribution of mutual fund products of UTI AMC.

Government tax/pension collection centre

We also collect taxes for the GoI as a collection centre through 209 of our branches through the on-line tax accounting system ('**OLTAS**'). We also provide pension disbursement through 438 of our branches. In addition, our Delhi based branches also act as collection centres for value added tax ("**VAT**").

Foreign exchange operations

We undertake foreign exchange transactions for our customers through one 'A' category authorised dealer office, 34 'B' category authorised dealer branches and 886 'C' category authorised dealer branches. We have 18 SWIFT centres to facilitate foreign exchange operations across India. We have one dealing room which is located at our Head Office. We maintain 26 accounts with banks outside India (our correspondent banks) in various currencies to facilitate our foreign exchange business.

Our turnover from foreign exchange operations through our customers was Rs. 63,538.74 crore as of March 31, 2010.

CERTAIN KEY OPERATING PARAMETERS

Loan concentration

We have our internal policy on portfolio diversification. Our total financing exposure in a particular segment is evaluated in accordance with segment wise growth and profitability forecast. Various control departments in our Bank, which include the three risk management departments, compliance and audit group continuously monitor our sector wise exposure. Any sign of economic change in an industrial segment is followed by review of the entire portfolio, and restriction, if required, on new exposures to that segment.

Capital Adequacy

The minimum total capital adequacy ratio currently required by the RBI is 9.00% of the risk weighted average ("**RWA**"). We adopted the Basel II framework as on March 31, 2009, which shapes our risk management policies, which is described further below under "***- Risk Management***".

	Fiscal 2008 (BASEL I)	Fiscal 2009 (BASEL II)	Fiscal 2010 (BASEL II)
Tier I Capital (Rs. in crore)	1,559	1,789	2,281
Tier II Capital (Rs. in crore)	662	1,257	1,612
Total Capital (Rs. in crore)	**2,221**	**3,046**	**3,893**
RWA (Rs. in crore)	**18,736**	**21,265**	**29,784**
Tier I CAR (%)	8.32	8.41	7.66
Tier II CAR (%)	3.53	5.91	5.41
Total CAR (%)	**11.85**	**14.32**	**13.07**

Asset classification

Our assets are classified in accordance with the guidelines issued by the RBI on classification of assets, under which an asset is classified as non-performing if any amount of interest or principal on a term loan is overdue on it for a period exceeding 90 days. In respect of overdraft or cash credit, an asset is classified as non-performing if the account remains overdue for a period of more than 90 days and in respect of bills, if the amount remains overdue for more than 90 days.

Based on the existing guidelines issued by the RBI for asset classification, details of the classification of our gross loans and other data in respect of NPAs as at March 31, 2010, March 31, 2009 and March 31, 2008 are as follows:

Particulars	March 31, 2008	March 31, 2009	March 31, 2010
GNPAs as a % of Net Assets	0.45	0.39	0.37
GNPAs as a % of Gross Advances	0.74	0.65	0.63
NNPAs as a % of Net Assets	0.22	0.19	0.21
NNPAs as a % of Net Advances	0.37	0.32	0.36

As at March 31, 2010, our NPAs in the priority and non-priority sectors were 67.11% and 32.89%, respectively, taken as a percentage of our total NPAs as on that date.

NPA recovery strategy

We utilize the RBI's guidelines for OTS and out of court settlement of debts. We have our own recovery policy to deal with impaired assets in various segments. We also refer cases to Lok Adalats, also known as People's Courts, for settlement of impaired assets. As on March 31, 2010, we had referred 7,638 cases to Lok Adalats, involving an aggregate amount of Rs. 60.95 Crore.

In addition, we rely on the provisions of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 for NPA recovery. The SARFAESI Act has strengthened the ability of lenders to resolve NPAs by granting them greater rights to enforce the security and recover dues from borrowers including abatement of reference to the Board for Industrial and Financial Reconstruction and stay, if any, thereon. Banks can now accelerate recovery process through enforcement of the SARFAESI Act. As on March 31, 2010, we have issued 7,497 notices and have taken possession of properties in 2,629 accounts, in accordance with the SARFAESI Act, and have recovered Rs. 56.62 crore in 294 accounts.

We make concerted efforts to increase recoveries from written off accounts. The table below sets forth our recovery from written off accounts for the last three fiscals.

(Rs. in Crore)

Particulars	March 31, 2008	March 31, 2009	March 31, 2010
Amount recovered from written off accounts	199.10	193.16	115.48

For further information, see "***Regulations and Policies in India***" on page 90.

In order to avoid fresh generation of NPAs, we actively monitor our loans through early warning signal mechanisms, special mentioned accounts (credit labelling) systems and assess credit ratings once a year or more frequently. In addition, we maintain internal policy guidelines concerning exposure to individual industries and concentration of credit, as described below.

Credit exposure

Credit exposure limits are prudential measures mandated by the RBI, aimed at improving risk management and avoiding concentration of credit risk. Credit exposure limits are set in relation to individual industries and sectors, single and group borrowers, unsecured borrowers, and country-wise. As per the RBI's directives, the credit exposure ceiling is fixed in relation to our capital funds under capital adequacy standards (Tier I and Tier II capital).

Industry exposure

The details of our industry exposure as on March 31, 2010 are set forth below:

(Rs. In Crore)

Industry/Sector	Advances (Fund Based)	Exposure as % of Total Advances
Infrastructure	5,926.90	18.11
Real estate	5,570.46	17.01
Textile	1,086.02	3.32
Iron and steel	889.30	2.72
Petroleum	668.24	2.04
Construction	502.70	1.53
Cement	403.81	1.23
Chemical dye paints, drugs and pharmaceuticals	388.51	1.19
Engineering	384.13	1.17
Metal and metal products	332.73	1.02
Rubber and rubber products	174.39	0.53
Sugar	168.05	0.51
Mining	149.43	0.46
Automobiles	117.34	0.36
Paper and paper products	90.13	0.28
Vegetable oil (including Vanaspati)	84.31	0.26
Leather and leather products	82.03	0.25
Gems and jewellery	35.83	0.11
Computer software	34.66	0.11
Tea processing	1.94	0.01
Tobacco, tobacco products and beverages	0.13	Negligible
Other industries	751.91	2.20

Borrower exposure

The details of our outstanding fund exposure to our ten largest single borrowers as on March 31, 2010 are set forth below.

(Rs. In Crore)

Customer*	Advances (Fund + Non Fund Based)
Borrower 1	687.95
Borrower 2	627.28
Borrower 3	582.06
Borrower 4	565.00
Borrower 5	510.00
Borrower 6	510.00
Borrower 7	475.00
Borrower 8	435.00
Borrower 9	401.02
Borrower 10	360.00

The names of the borrowers are not disclosed above in order to comply with the restrictions imposed by the RBI that requires such information to be confidential.

Unsecured exposure – Unsecured credit exposure is defined by the RBI as an exposure where the realizable value of the security is not more than 10% of the outstanding exposure when the advance is made. Our policy is to limit our total unsecured advances, excluding certain exempted categories (namely low risk-weighted advances to the central and state governments, banks and financial sectors guaranteed by them and high rated advances) to a maximum of 27.70% of our total advances as on the previous year. Our total exposure to unsecured borrowers as on March 31, 2010 was Rs. 8,964 crore.

Country-wise credit exposure – RBI directives require formulation of a country risk management policy only where a bank's net funded exposure overseas is 1% or more of its total assets. Our aggregate overseas exposure as on March 31, 2010 is less than 1% of our total assets as on that date. Therefore, we have not yet implemented country-wise credit exposure limits.

Risk Management

Our risk management system comprises policies, procedures, organizational structures and control systems for the identification, measurement, monitoring and control of various risks through our Risk Management Committee, under the overall supervision of our Board. We adopted the Basel II framework as on March 31, 2009, which shapes our risk management policies. Our risk management policy is based on an analysis of key areas such as market risk, credit risk and operational risk, as described below.

Credit Risk

Credit risk is defined as the possibility of losses associated with the diminution in the credit quality of the borrower or the counter party or the failure on its part to meet its obligations in accordance with the agreed terms. We have a credit risk management system, as part of our lending policy, which is in compliance with BASEL II norms and is reviewed periodically. The credit risk management function brings together best practices across the core areas of credit risk management – risk methodology, risk policy and process and risk infrastructure. Credit risk, both on and off balance sheet, is actively monitored in accordance with policies and procedures. For wholesale credit exposures, management of risk is done through target market definition, robust credit approval process and monitoring and remedial management procedures.

Given the granularity of individual exposures, consumer finance credit risk is managed largely on a portfolio basis, across various products and customer segments. This is being done at frequent intervals not only to control the exposures but also to control or mitigate the risk to which we are being exposed (measured in terms of risk migration, asset classification, probability of default/exposure at default/loss given default ratios). All consumer finance products are managed through a loan origination and repayment management system, which has resulted in a significant improvement in the turnaround times for disbursals, Management Information Systems ("**MIS**") and monitoring and quality of the portfolio. We are also working with our corporate customers to get our large exposures rated through credit rating agencies to have an objective evaluation of our risk profile. Our credit risk policy and manuals are periodically amended to incorporate changes in the environment, market and regulatory guidelines.

Market risk

Market risk refers to the potential losses resulting from changes in interest rates, foreign currency exchange rates, equity and commodity prices. Market risk arises with respect to all market risk sensitive financial instruments (like securities, foreign exchange contracts, equity and derivative instruments) as well as from balance sheet or structural positions. We control market risk primarily by monitoring a series of limits or parameters which are used to align risk-taking activities, including duration, permissible exposures, net open position limits, gap limits and value at risk ("**VaR**") in line with BASEL II norms as well as what we believe is industry practice.

Interest rate risk

Management of interest rate risk is a critical component of market risk management. Our NIM is dependent on the movement of interest rates and mismatches in the cash flows. Interest rate risk management is achieved by establishing and monitoring various risk limits such as earnings at risk, interest rate simulation and gap limits.

Foreign exchange risk

Management of foreign exchange risk is another critical component of market risk management. Foreign exchange risk is the risk we may suffer as a result of adverse foreign exchange rate fluctuations during a period in which we have an open position, either spot or forward or a combination of both. Foreign exchange open positions are managed through intra-day limits, overnight limits and stop loss limits fixed at the individual currency level as well as for aggregate foreign currency. Foreign exchange forward rate risk caused due to gaps or mismatches in merchant trading transactions and the corresponding cover operations in respect of maturities and quantum is managed by individual gap limits, aggregate gap limits and by assessing the VaR on a daily basis. Foreign exchange sensitive gaps are measured using the VaR model developed by the Foreign Exchange Dealers' Association of India ("**FEDAI**") and is monitored on a daily basis. Besides setting appropriate limits for both open positions and gaps, we monitor our foreign risk exposures through maturity pattern statements and interest rate sensitivity statements, which are prepared and submitted to the RBI on a monthly basis.

Equity price risk

Exposure to capital markets attracts equity price risk due to exposure to fluctuations in the capital markets. We monitor equity prices and movements on a daily basis.

Commodity price risk

At present, we do not face a direct commodity price risk as we do not deal in any commodity directly. We may face an indirect commodity price risk through our borrowers who deal in commodities like metal. Such risks are managed by placing prudential limits on exposures.

Operational risk

Operational risks may arise from a variety of factors like unauthorised transactions/decisions, improper documentation, non-adherence to operational and information security procedures, failure of computer system, software or equipment, perpetration of frauds and execution errors. The operational risks can result from a variety of factors including failed internal processes, people and systems or from external events. For migration to the Advance Measurement Approach ("**AMA**"), we have initiated the identification of loss events and collecting the necessary data on such events in a format designed by us as per BASEL II norms.

Liquidity risk

Liquidity risk is the risk of being unable to raise necessary funds from the market to meet operational and debt servicing requirements as they fall due, without incurring unacceptable cost or losses. The purpose of liquidity management is to ensure sufficient cash flow to meet all financial commitments and to capitalise on opportunities for business expansion. We regularly review our liquidity position, including setting limits on mismatches and prudential liquidity ratios, reviewing cash flow mismatches, measuring and managing net funding requirements by use of a maturity ladder and the calculation of cumulative surplus or deficit of funds at different maturity dates, as recommended by the RBI. In addition, we also track the potential impact of prepayment of loans or premature closure of deposits and arrives at a realistic estimate of our near to medium-term liquidity position.

Legal risk

We face significant legal risks in our business due to the uncertainty of the enforceability of the obligations of our customers and counter-parties. The legal risk that is faced by us is higher in new areas of business where the law is often untested by the courts, for instance, in the area of derivatives. We seek to minimise legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorised and consulting internal/external legal advisors.

Risk return pricing

We consider risk return pricing a fundamental tenet of risk management. In accordance with RBI directives, we have in fiscal 2003 introduced a single BPLR. All our advances, except fixed interest bearing loans such as housing loans were linked to BPLR. The BPLR system of pricing loans was replaced by the base rate system with effect from July 1, 2010. All categories of loans, with effect from July 1, 2010, are priced only with reference to the base rate system excluding differential rate of interest advances, loans to Banks' own employees, loans to Banks' depositors against their own deposits and loans where sub-vention is available *i.e.* export credit and agricultural advances (crop loans up to Rs. 0.03 crore). The base rate of the Bank for the quarter ending September 30, 2010 has been pegged at 8.20% per annum.

Basel-II Requirements

We became BASEL II compliant as on March 31, 2009. Under this framework, we have performed a comprehensive self-assessment across market risk, credit risk and operational risk areas. Details of our risk weighted assets in the last three fiscals are provided below:

(Rs. in crore)

	Fiscal 2008 (BASEL I)	Fiscal 2009 (BASEL II)	Fiscal 2010 (BASEL II)
Credit Risk	**17,676**	**17,633**	**25,598**
Market Risk	**1,060**	**1,694**	**1,994**
Operational Risk	**-**	**1,938**	**2,192**
Total RWA	**18,736**	**21,265**	**29,784**

Inspection and Audit

Our internal audit function is an independent activity which seeks to provide assurance to the Audit Committee of our Board on effectiveness of our internal control environment through examination and evaluation of adherence to processes, procedures, regulatory and legal requirements. The internal audit department undertakes a comprehensive audit of branches and business units, following the risk based audit approach and other best practices. This department also recommends quality enhancement measures in operational processes to address process and control gaps based on audit findings. Further, our internal audit group has a dedicated team responsible for IT audits. Our annual audit plan covers various components of IT including applications, databases, networks and operating systems.

The Audit Committee of our Board of Directors approves a risk-based audit plan for every fiscal. Audit resources are allocated based on an assessment of the various types of skills required for each audit. In addition, we are also adhering to the guidelines issued by the RBI to cover a minimum of 50% of business volumes under concurrent audits. Apart from select branches, concurrent audits are performed at certain support functions such as centralized collection/payment hubs, retail deposit operations, general lending operations supporting wholesale banking, selected centres of consumer finance operations, Business Banking and Agricultural and Rural Banking operations, financial markets, and trade finance units. The scope of concurrent audits includes verification and reporting of any non adherence to internal controls as well.

We are also subject to inspections conducted by the RBI under the Banking Regulation Act. The RBI has adopted the global practice of subjecting banks to examination on the basis of the 'CAMELS' model, which assigns confidential ratings to banks based on their capital adequacy, asset quality, management, earnings, liquidity and sensitivity to market risk.

Our Network

Our 49 specialized banking branches include eight IBD branches, seven ARB branches, eleven SSI/MSME branches, six personal banking branches, four IFB branches, one locker branch, one hire-purchase, leasing and finance branch, one agricultural finance branch, one housing finance branch, one specialised women entrepreneurs branch and eight regional collection centres. We have formulated a code of commitment to micro and small enterprises, under which we have constituted four centres for redressal of grievances of MSMEs, in addition to our 11 specialized branches which act as zonal offices for MSMEs. Besides this, we have a global banking centre at Connaught Place, New Delhi to provide services to NRIs with regard to deposit accounts.

As a measure of our commitment to priority sector lending, over 51% of our branches are located in rural and semi-urban areas. The table below indicates our geographical distribution and the growth in our network over the last three fiscals and as on July 31, 2010.

Geographical Distribution	Fiscal 2008	Fiscal 2009	Fiscal 2010	As on July 31, 2010
North India	584	619	621	623
Central	181	187	187	187
West India	30	33	35	35
East India	51	52	52	52
South India	21	21	23	23
Total	**867**	**912**	**918**	**920**

Customer Care and Relationship Management

In accordance with RBI directives, we have constituted a 'Board on Customers', chaired by our Chairman and with two Directors as its members, which has a 'Customer Services Committee' to oversee an *ad hoc* 'Committee on Procedures and Performance Audit on Customer Services', chaired by an Executive Director, three general managers and also including non-officials from customers as members, to enable independent feedback on the quality of customer service rendered by us. The *ad hoc* committee has been entrusted with not only the task of ensuring timely and effective implementation of RBI instructions, but also that it receives the necessary feedback to determine that the action taken by various departments of the bank are in tune with the spirit and intent of such instructions. Reports on the performance of the *ad hoc* committee, indicating areas reviewed, procedures and practices identified and simplified or introduced are submitted periodically to the 'Customer Services Committee' of our 'Board on Customers'.

We have adopted the Fair Practice Code drafted by the IBA for dealing with individual customers. Copies of the Fair Practice Code are available at our branches. We also have a Citizens' Charter that outlines our code of conduct in relation to our customers. This document is available on our website, www.psbindia.com, and at our branches. We have also created a range of materials in booklet and brochure format, to outline the salient features of our products and delivery channels.

The 'Banking Ombudsman Scheme 2006 – Annual Report (2008-2009)' reports that as on March 31, 2009, there were 186 complaints received in respect of our Bank at the Banking Ombudsman's Office, of a total of 69,117 complaints received from all banks in India.

IT

The key objectives behind our IT strategy continue to include building a cost-efficient distribution network to accelerate the development of our retail and rural franchise, enhancing cross-selling and client-segmenting capability by using analytical tools and efficient data storage and retrieval systems, improving credit and market risk management, improving product and client profitability analysis, and leveraging our technology competencies and cost efficiencies. Our IT strategy has been supporting business initiatives by a process of continuous update in technology and process platforms.

As on July 31, 2010, we have one CBS branch, 125 fully computerized branches and 794 partially computerized branches, and are in the process of rolling out our core banking system across our entire network. We seek to bring up to 500 branches on the CBS platform by November 2012. Our IT infrastructure is built on a robust architecture which links our network of branches, ATMs and extension counters. Several of our branches and extension counters are connected with multipurpose label switching ("**MPLS**") infrastructure based on a virtual private network ("**VPN**"). Last mile connectivity is provided via leased lines, radio frequency and integrated services digital networks ("**ISDNs**").

The core banking system is a suite of software applications that will facilitate centralized operations through a central database. On February 24, 2010, we entered into a ten year master outsourcing agreement with Wipro, to enable 24/7 management of our centralized banking operations, provisioning and management of the software Finacle version 7.0.18 core banking system, as well as the commissioning and management of our data centre at Mumbai and data recovery centre at Chennai.

We have implemented RTGS and National Electronic Fund Transfer ("**NEFT**") in 369 branches and have also implemented the image-based Cheque Truncation System ("**CTS**") at NCR, Delhi, and are in process of rolling it out further across our entire network. We are also focused on leveraging technology to create customer-centric and multi-channel solutions like internet banking, telephone banking and mobile banking.

For further information, see "***Risk Factors***" on page xii.

Human Resources

As on July 31, 2010, we had a total of 8,116 employees comprised of 5,586 officers and 2,530 other employees. Our employees include experts in the areas of risk management, credit analysis, treasury, relationship management, retail products, IT as well as general banking professionals.

We provide regular training programs to our employees at all level for specific service knowledge in order to prepare our workforce to handle emerging challenges in banking industry and contribute towards corporate goals. We have Punjab & Sind Bank Centre for Banking Research & Training ("**CBRT**") and IT Development-cum-Training Centre at Chandigarh to launch initiatives and undertake training programs. We also have tie-up with National Institute of Banking Studies & Corporate Management, Noida ("**NIBSCOM**") and National Institute of Bank Management, Pune ("**NIBM**"). We have conducted approximately 153 training programs in fiscal 2010 relating to general banking and computer related programs at CBRT and at NIBSCOM which involved 2,327 employees of our Bank.

With the expansion of our operations and superannuation of 8 of our 10 general managers due by October 31, 2011, we are in the process of formulating the next generation management team. As per our human resource policy, we will fill up the vacancies at the general manager level through internal promotions. We have an experienced pool of deputy general managers and assistant general managers, who we believe provide qualified replacements as general managers. Additionally, we are in the process of recruiting approximately 815 professionals at all levels including chartered accountants, engineers and management graduates to augment our current work force.

Intellectual Property

We have made an application (no. 1968165) dated May 9, 2010, to the Trade Mark registry for the registration of our logo “ ” under class 36 under the Trademark Rules, 2002. However, such registration is still pending.

For further information, see “***Risk Factors***” and “***Government and Other Approvals***” on pages xii and 346, respectively.

Property

Our head office (central office) is located at Delhi. The table below sets forth the number of different properties we owned and leased as of July 31, 2010:

Property Type	Owned (a)	On long term lease for 33 years and more (b)	On lease for less than 33 years (c)	Total (a+b+c)
Head office	4	-	59	63
Regional offices	5	4	10	19
Branches	28	5	849*	882
Other offices	-	2	23	25
Residential property	111	1	12	124
Vacant sites	11	-	1	12
Total	**159**	**12**	**954**	**1,125**

** Includes one branch where operations are yet to begin.*

Insurance

We maintain insurance policies in respect of our head office, branches and other offices. We have a pan-India cash on premises and cash in transit insurance policy which covers cash at all our offices and branches and in transit. We also have standard fire and special perils policy for our Head Office at 21, Rajender Place, Bank House. New Delhi. Additionally, we have standard fire and special perils and burglary insurance policy which provide coverage to all our branches and offices across the country. Pursuant to these insurance policies, our automation, furniture and fixtures, electronic equipment, cash in premises, cash in transit, other valuables and documents are insured against any burglary, theft, fire, perils, terrorism, strike riots and civil commotion.

Competition

We face competition in all our business areas from public sector banks as well as peer banks in the private sector. In commercial banking, the large public sector banks have traditionally been the market leaders, with foreign banks taking a large market share amongst multinational companies and Indian companies with cross-border operations. In retail banking, the large public sector banks as well as private sector banks which have extensive branch networks have large market penetration, while foreign banks have significant market penetration amongst NRI customers.

Many of our competitors have, over time, built extensive branch networks, providing them with the advantage of a low cost deposit base, and enabling them to lend at competitive rates. In addition, the extensive geographic reach of many of these institutions enables product delivery in remote parts of the country. Private sector and foreign banks also compete in the corporate banking market on the basis of pricing, efficiency, service delivery and technology. Foreign banks have traditionally been active in providing trade finance, fee-based services and other short-term financing products to large Indian corporations and multinationals.

We seek to compete with these competitors through value added services, faster customer service response, quality of service, a growing inter-connected branch network and technology enabled delivery capabilities.

For further information, see "*Risk Factors*" on page xii.

Outstanding Litigation

From time to time, we, as well as certain of our Directors, Key Management Personnel and other employees are or may be involved in legal, arbitral or regulatory proceedings, in the ordinary course of our business.

For further information, see "*Risk Factors*" and "*Outstanding Litigation and Material Developments*" on pages xii and 304, respectively.

Corporate Social Responsibility

As part of our corporate and social responsibility philosophy, we believe that overall sustainable community development and financial inclusion is essential for the growth of the banking industry. We have introduced '*Tractor Welfare Fund*' in fiscal 1996 with an objective to assist the farmers from the burden of tractor comprehensive insurance. A separate trust '*PSB Trust for Development of Agriculture and Rural Employment*' was established to undertake various farmers' welfare activities.

Financial Inclusion

We initiated financial inclusion in fiscal 2007 through introduction of 'No Frill Accounts' under the Saral Saving Scheme with the objective of ensuring greater financial inclusion and increasing outreach of our financial services to a large segment of the rural poor and poor sections of the society who did not have adequate access to the financial system. Steps were also initiated to extend availability of credit to the deprived sections of the population through introduction of among other things, the 'Kisan Credit Card'. We have also established Rural Development & Self Employment Training Institute at Ludhiana, Moga and Faridkot districts for providing training to rural youth to enable them to acquire skills for self-employment. Further, we have started Financial Literary and Credit Counselling Centres at these three districts in Punjab to provide free financial literacy and credit counselling. We have formed Farmers' Clubs at our rural branches to motivate the farmers for voluntary involvement in resolving their common problems. We have also recently approved the policy on financial inclusion under which we intend to appoint business facilitators and business correspondents to increase the outreach of our financial services.

The business facilitator model envisages the use of intermediate entities/individuals to provide support services for non-financial services of the Bank. These services are not intended to involve the conduct of banking business by business facilitators. Among other things, business facilitators will create awareness about savings and other banking products, educate and advice on managing money, assist in opening of 'No Frill Accounts' and other deposit accounts, identify prospective borrowers and assist in processing of loan applications.

The business correspondent model envisages the use of identified institutional agents/organisations and other entities for supporting the bank in extending financial services in areas where the bank does not have its branches. These services involve the conduct of banking business by business correspondents. Among other things and in addition to providing all services being provided by business facilitators, business correspondents are authorised to undertake the following activities:

- Disbursal of small value credit (up to Rs. 25,000 per borrower);
- Recovery of interest / collection of the principal amount (up to Rs. 25,000 per borrower);

- Collection of small value deposit (up to Rs. 10,000 per customer);
- Sale of micro insurance / mutual fund products / pension products / any other financial service approved by the Bank; and
- Receipt and delivery of small value remittance / other payment instruments (up to Rs. 5,000 per remittance/instrument).

REGULATIONS AND POLICIES IN INDIA

The following description is a summary of certain sector specific laws and regulations in India, which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice.

The main legislation governing commercial banks, the Banking Regulation Act, applies to public sector banks such as Punjab & Sind 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, 1980. 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 summarizes these differences.

Comparative Table of Rights of Shareholders under Companies Act and under Bank Regulations, Banking Regulation Act, Bank Acquisition Act and Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980, 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) all the agreements and all the resolution referred to in section 192, if in so far as they have not been embodied in the memorandum or articles.	No corresponding provision	
49	To inspect the register of investments, where the Investments are not held in the name of the company and to petition the Government if the inspection is refused.	No corresponding provision	
53	To be served with a document by the company.	Regulation 46	Regulation 46 service of notice of document to share holders - The Bank may serve a notice or a document on any Shareholder either personally, or by ordinary post at his registered address or if he has no registered address in India, at the address, if any, within India supplied by him to the Bank for giving of notice to him.
62	To sue directors, promoters or persons who have authorised the issue of the prospectus for loss or damage suffered by reason of any untrue statement included in the prospectus.	No corresponding provision	
71	To avoid irregular allotment of shares/debentures.	No corresponding provision	
73	To obtain repayment of the application money/excess	No corresponding	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
	application money.	provision	
81	Rights in relation to rights issue and preferential allotment.	No corresponding provision	
84	To receive a share certificate and obtain duplicate if the original is lost or damaged	Regulation 14 and 15	Issue of Share Certificates. Issue procedure of share certificate and joint share certificates, duplicate share certificates detailed.
87	Voting rights on a poll in proportion to the share of the paid-up equity capital of the company.	Regulation 61, 68 and Sections 3(2BBA) (a) and 3(2E)	**Regulation 61:Voting at general meetings** 61.1 At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded be decided on a show of hands. 61.2 Save as otherwise provided in the Act every matter submitted to a general meeting shall be decided by a majority of votes. 61.3 Unless a poll is demanded under sub-regulation 61.1, a declaration by the Chairman of the meeting that a resolution on show of hands has or has not been carried either unanimously or by a particular majority and an entry to that effect in the books containing the minutes of the proceedings shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of, or against, such resolution. 61.4 Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and/or shall be ordered to be taken by him on a demand made in that behalf by any Shareholder or Shareholders present in person or by proxy and holding shares in the Bank which confer a power to vote on the resolution not being less than one fifth of the total voting power in respect of the resolution. 61.5 The demand for a poll may be withdrawn at any time by the person or persons who made the demand. 61.6 A poll demanded on a question of adjournment or election of Chairman of the meeting shall be taken forthwith.

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			61.7 A poll demanded on any other question shall be taken at such time not being later than forty eight hours from the time when the demand was made, as the Chairman of the meeting may direct. 61.8 The decision of the Chairman of the meeting as to the qualification of any person to vote, and also in the case of poll, as to the number of votes any person is competent to exercise shall be final. **Regulation 68 Determination of voting rights.** 68.1 Subject to the provisions contained in Section 3 (2E) of the Act, each Shareholder who has been registered as a Shareholder on the date of closure of the register prior to the date of a general meeting shall, at such meeting, have one vote on show of hands and in case of a poll shall have one vote for each share held by him. 68.2 Subject to the provisions contained in Section 3 (2E) of the Act, every Shareholder entitled to vote as aforesaid who, not being a company, is present in person or by proxy or who being a company is present by a duly authorised representative, or by proxy shall have one vote on a show of hands and in case of a poll shall have one vote for each share held by him as stated hereinabove in sub-regulation 68.1 Explanation – For this Chapter, "**Company**" means any body corporate. 68.3 Shareholders of the Bank entitled to attend and vote at a general meeting shall be entitled to appoint another person (whether a Shareholder or not) as his proxy to attend and vote instead of himself but a proxy so appointed shall not have any right to speak at the meeting. **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

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			subsection (2B), by resolution passed at an annual general meeting of the shareholders entitled to vote, voting in person, or, where proxies are allowed, by proxy, and the votes cast in favour of the resolution are not less than three times the number of the votes, if any, cast against the resolution by the shareholders so entitled and voting, reduce its paid-up capital in any way. **Section 3(2E)** - No shareholder of the corresponding new bank, other than the Government, shall be entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the total voting rights of all the shareholders of the corresponding new bank. Provided that the shareholder holding any preference share capital in the corresponding new bank shall, in respect of such capital, have a right to vote only on resolutions placed before such corresponding new bank which directly affects the rights attached to his preference shares Provided further that no preference shareholder shall be entitled to exercise voting rights in respect of preference shares held by him in excess of one percent of the total voting rights of all the 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. 23. 24 and 25	**Regulation 22 Calls on shares** 22. The Board may, from time to time, make such calls as it thinks fit upon the Shareholders in respect of all moneys remaining unpaid on the shares held by them, which are by the conditions of allotment not made payable at fixed times, and each Shareholder shall pay the amount of every call so made on him to the person and at the time and place appointed by the Board. A call may be payable by instalments. **Regulation 23 Calls to date from resolution** 23. A call shall be deemed to be made at the time when the resolution of the Board authorizing such calls was passed and may be made payable by the shareholders on the register on such date or at the discretion of the Board on

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			such subsequent date as may be fixed by the Board. **Regulation 24 Notice of Call** 24. A notice of not less than thirty days of every call shall be given specifying time of payment provided that before the time of payment of such Call the Board may by notice in writing to the shareholders revoke the same. **Regulation 25 Extension of time for payment of the call** 25. The Board may, from time to time and at its discretion, extend the time fixed for 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.
99	Right to determine that uncalled share capital shall be capable of being called only upon winding up.	No corresponding Provision.	
106	To consent to the variation of rights attached to the shares.	No corresponding provision.	
107	To apply to the National Company Law Tribunal to have the variation of rights cancelled if no consent is given.	No corresponding provision	
108	To transfer shares held in the company.	Regulation 3, 4, 17 and section 3(2D)	**Regulation 3 : Nature of Shares** 3 The Shares of the Bank shall be movable property, transferable in the manner provided under these regulations. **Regulation 4 Kinds of Share Capital** 4.1 Preference Share Capital means that part of share capital of the Bank which free of or fulfils (i) as respects

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			dividends, it carries a preferential right to be paid a fixed amount or an amount calculated at fixed rate, which may either be free of or subject to income tax and; (ii) as respect capital, it carries or will carry, on winding up to repayment of capital, a preferential right to be repaid the amount of the capital paid up or deemed to be paid up, whether or not there is preferential right to the payment of either both (a) any money remaining unpaid, in respect of the amounts specified an clause (i) up to the date of winding up or replacement of capital, and; (b) any fixed premium or premium on any fixed scale, specified by the Board with the previous consent of the Central Government. **Regulation 17 Transfer of shares** 17.1 Every transfer of share of the Bank shall be by an instrument of transfer in Form A or in such other Forms 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 along with the relative share certificates. 17.2 The instrument of transfer along with the share certificate shall be submitted to the Bank at its head office and the transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the share register in respect thereof. 17.3 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 committee designated by the Board shall forward the said instrument of transfer along with share certificates to the Registrar or Share Transfer Agent for the purpose of verification that the technical requirement are complied with in their entirety. The Registrar or Share Transfer Agent shall return the

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			instrument of transfer along with the share certificate 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 share to which it relates and such other evidence as the Board may require to show title for the transferor to make the transfer. 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.	Regulation 18 and 19	**18. Power to suspend transfers** 18.1 The Board or the Committee designated by the Board shall not register any transfer during any period in which the register is closed. **19 Board's right to refuse registration of transfer of shares** 19.1 The Board or Committee may refuse transfer of any shares in the name of the transferee on any one or more of the following grounds, and on no other grounds: 19.1.1 the transfer of shares is in contravention of the provisions

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			of the Act or regulations made thereunder or any other law or that any other requirement under the law relating to registration of such transfer has not been complied with; 19.1.2 the transfer of shares, in the opinion of the Board, is prejudicial to the interests of the Bank or to public interest; 19.1.3 the transfer of shares is prohibited by an order of court, Tribunal or any other authority under any law for the time being in force; or 19.1.4 an individual or company resident outside India or any company incorporated under any law not in force in India or any branch of such company whether resident outside India or not will on the transfer being allowed hold or acquire as a result thereof, shares of the Bank and such investment in the aggregate will exceed the percentage being more than 20% (twenty) of the paid up capital or as may be specified by the Central Government by notification in the Official Gazette. 19.2 The Board or the Committee shall, after the instrument of transfer of shares of the Bank is lodged with it for the purpose of registration of such transfer form its opinion as to whether such registration ought or ought not to be refused on any of the grounds referred to in sub-regulation 19.1 19.2.1 If it has formed the opinion that such registration ought not to be so refused, effect such registration; and 19.2.2 If it has formed the opinion that such registration ought to be refused on any of the grounds mentioned in sub-regulation 19.3 intimate the same to the Transferor and the Transferee by notice in writing giving reasons for such refusal within 60 days from the receipt of the transfer form or within such period as may be laid down in the Listing Agreement with the concerned Stock Exchange.
111, 111A	To make a petition to the National Company Law Tribunal against refusal by the company for the registration of transfer of shares or rectification of the register of members.	No corresponding provision	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
112	To have the share certificate delivered within the time limit stipulated.	Regulation 16	**Regulations 16. Consolidation and sub-division of shares** 16.1 On a written application made by the Shareholder(s), the Board or the Committee designated by it may consolidate or sub-divide the shares submitted to it for consolidation/sub-division as the case may be and issue a new certificate (s) in lieu thereof on payment to the Bank of its costs, charges and expenses of and incidental to the matter.
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.	Regulation 11 and 12	**Share register maintained under Regulation 11 and Section 3(2F)** **12 Inspection of Register** 11.1 The register shall, except when closed under Regulation 12, be open to Inspection of any Shareholder, free of charge, at the place where it is maintained during business hours subject to such reasonable restrictions as the Board may impose, from time to time, so that not less than two hours in each working day shall be allowed for inspection.

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			11.2 Any Shareholder may make extracts of any entry in the register or computer prints free of charge or if he requires a copy or computer prints of the register or any part thereof, the same will be supplied to him on pre-payment at the rate of Rs. 5 or at such rate as the Board may decide for every 1000 words or fractional part thereof required to be copied. 11.3 Notwithstanding anything contained in sub-regulation 15.2 hereinabove, any duly authorised officer of the Government, SEBI or such other statutory or regulatory bodies shall have the right to make a copy of any entry in the register or be furnished a copy of the register or any part thereof. **Regulation 12 Closing of the Register** 12.1 The Bank may after ensuring compliance of the applicable guidelines and the Listing Agreement with the Stock Exchanges, and after not giving 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. **Section 3(2F)** Every corresponding new bank shall keep at its Head Office a register, in one or more books, of the shareholder (in this Act referred to as the register) and shall enter therein the following particulars: (i) the names, addresses and occupations, if any, of the shareholders and a statement of the shares held by each

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			shareholder, distinguishing each share by its denoting number; (ii) the date on which each person is so entered as a shareholder; (iii) the date on which any person ceases to be a shareholder; and (iv) such other particulars as may be prescribed : Provided that nothing in this sub-section shall apply to the shares held with a depository.
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 60	**Regulation 60 Persons entitled to attend general meetings** 60.1 All directors, all Shareholders, Preference Shareholders and all Auditors of the Bank shall, subject to the provisions of Regulation 60.2 be entitled to attend a general meeting. 60.2 A Shareholder (not being the Central Government) or a Director, attending a general meeting shall for the purpose of identification and to determine his voting rights, be required to sign and deliver to the Bank a form to be specified by the Chairman containing particulars relating to: (a) his full name and registered address;

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			(b) the distinctive numbers of his shares, client ID and Depository Participant ID in case of dematerialised Shares (c) whether he is entitled to vote and the number of votes to which he is entitled in person or by proxy or as a duly authorised representative.
169	To requisition an extraordinary General meeting.	Regulation 57	**Regulation 57 Extraordinary General Meeting** 57.1 Any general meeting other than the AGM shall be called Extraordinary General Meeting (“**EGM**”). 57.2 The EGM shall be called by giving not less than 21 clear days notice to the member. 57.3 The meeting may take place at any place, at any convenient time on any day including a public holiday. 57.4 The Chairman and Managing Director or in his absence the Executive Director of the Bank or in his absence any one of the Directors of the Bank may convene an EGM of Shareholders, if so directed by the Board, or on a requisition for such a meeting having been received either from the Central Government or from other Shareholders holding shares carrying, in the aggregate, not less than ten percent of the total voting rights of all the Shareholders. 57.5 The requisition referred in sub- regulation 57.4 shall state the purpose for which the Extra Ordinary General Meeting is required to be convened, but may consist of several documents in like form each signed by one or more of the requisitionists. 57.6 Where two or more persons hold any shares jointly, the requisition or a notice calling a meeting signed by one or some of them shall, for the purpose of this regulation have the same force and effect as if it had been signed by all of them. 57.7 The time, date of place of the Extra Ordinary General Meeting shall be decided by the Board : Provided that the Extra Ordinary General Meeting

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			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. 57.8 If the Chairman and Managing Director or in his absence the Executive Director, as the case may be, does not convene a meeting as required by sub- regulation (i), within the period stipulated in the proviso to sub-regulation 57.4, 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. 57.9 A meeting called under sub-regulation 57.5 by the requisionist shall be called in the same manner, as nearly as possible as that in which the other general meetings are called by the Board.
169	To hold an extra-ordinary general meeting if the board of directors fails to convene a meeting on the requisition, within the time limit stipulated.	Regulation 57	As above
169	To have reimbursed, the expenses incurred for convening/ holding the extraordinary general meeting, on failure of the board as aforesaid.	No corresponding provision	
171,172	To receive a notice of every general meeting.	Regulation 56	**Regulation 56: Annual General Meeting** 56.1 A notice convening an annual general meeting of the Shareholders signed by the Chairman and Managing Director or Executive Director or any officer not below the rank of Scale VII or Company Secretary shall be published at least 21 clear days before the meeting in one English, one Hindi and one Bengali newspapers having wide circulation in India. 56.2 Every such notice shall state the time, date and place of such meeting and also the business that shall be transacted at that meeting. 56.3 The Meeting shall take place on a normal working day

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			during business hours, at the Registered office of the Bank or at a place within same city/town/village where the Head Office of the Bank is situated.
173	To have the notice of a general meeting annexed with corresponding an explanatory statement.	No corresponding provision	
174	To be counted for the purpose of constituting a quorum at a general meeting.	Regulation 58	**Regulations 58 Quorum of general meeting** 58.1 No business shall be transacted at any meeting of the Shareholders unless a quorum of at least five Shareholders entitled to vote at such meeting in person are present at the commencement of such business. 58.2 If within half an hour after the time appointed for the holding of a meeting, a quorum is not present in the case of a meeting called by a requisition of Shareholders other than the Central Government, the meeting shall stand dissolved. 58.3 In any other case if within half an hour after the time appointed for the holding of a meeting, a quorum is not present, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and such other time and place as the Chairman may determine. If at the adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the Shareholders who are present in person or by proxy or by duly authorised representative at such adjourned meeting shall be quorum and may transact the business for which the meeting was called : Provided that no annual general meeting shall be adjourned to a date later than the date within which such annual general meeting shall be held in terms of Section 10A(1) of the Act and if adjournment of the meeting to the same day in the following week would have this effect, the annual general meeting shall not be adjourned but business of the meeting shall be commenced within one hour from the time appointed for the meeting if the

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			quorum is present or immediately after the expiry of one hour from that time and those Shareholders who are present in person or by proxy or by duly authorised representative at such time shall form the quorum.
176	To appoint a proxy to attend and vote at a general meeting of a company.	Regulation 69 and 70	Shareholders can attend and vote personally and through proxy.
176	To inspect the proxies lodged with the company in the manner specified.	No corresponding provision	
179	To demand a poll and to withdraw the demand in the manner laid down in this section at a general meeting of the company.	Regulation 61.1	**Regulation 61.1 Voting at general meeting** At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded be decided on a show of hands.
182	Not to be prohibited from exercising the voting right on the ground that the shares or other interest in the company has not been held for any specified period or on any other ground than the one specified in Section 181	No corresponding provision	
183	To use votes on a poll differently, for or against the resolution.	No corresponding provision	
184	To be appointed as a scrutineer at a poll.	Regulation 61A	**Regulation 61A Scrutineers at Poll** 61A.1 Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutinisers to scrutinize the votes given on the poll and to report thereon to him. 61A.2 The Chairman of the meeting shall have the power, at any time before the result of the poll is declared, to remove a scrutiniser from the office and to fill the vacancy in the office of the scrutinisers arising from such removal or from any other cause. 61A.3 Of the two scrutinisers appointed under this regulation one shall always be a Shareholder (not being an Officer or employee of the Bank) present at the meeting; provided that such a Shareholder is available and willing to be appointed.

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
186	To apply to the National Company Law Tribunal to order a general meeting other than annual general meeting, to be called.	No corresponding provision	
187	To be represented at a general meeting of a company (if the member to be represented, is a company)	Regulation 69	**Regulation 69 Voting by duly authorised representative** 69.1 A Shareholder, being the Central Government or a company, may by a resolution, as the case may be, authorise any of its officials or any other person to act as its representative at any general meeting of the Shareholders and the person so authorised (referred to as a "**duly authorised representative**" in these regulations) shall be entitled to exercise the same powers on behalf of the Central Government or company which he represents as if he were an individual Shareholder of the Bank. The authorisation so given may be in favour of two persons in the alternative and in such a case any one of such persons may act as the duly authorised representative of the Central Government/ company. 69.2 No person shall attend or vote at any meeting of the Shareholders of the Bank as the duly authorised representative of a company unless a copy of the resolution appointing him as a duly authorised representative certified to be a true copy by the Chairman of the meeting at which it was passed shall have been deposited at the Head Office of the Bank not less than four days before the date fixed for the meeting.
187A	To be represented at a general meeting of a company (if the member to be represented, is the President or Governor of a State).	Regulation 69	**Regulation 69** Same as above.
188	To have a resolution to be proposed at a general meeting to be circulated amongst members of the company.	No corresponding provision	
190	To give a special notice to the company in respect of the resolutions requiring special notice.	No corresponding provision	
196	To inspect and be furnished with a copy of the minutes of any general meeting.	Regulation 62	**Regulation 62 Minutes of General Meeting**

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			62.1 The Bank shall cause the minutes of all proceedings to be maintained in the books kept for the purpose. 62.2 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 meeting. 62.3 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 the proceedings held thereat to have been duly held. 62.4 On written request made by a Shareholder for inspection of the minute book or for a copy of the minute of a specified meeting, the Bank shall allow the inspection or furnish the copy of the minute, as the case may be, to the Shareholder.
196	To apply to the Central Government for inspection of the minutes books or to be furnished with a copy of minutes of the general meeting.	No corresponding provision	
203	To apply to the Court/National Company Law Tribunal to restrain Fraudulent persons from managing companies.	No corresponding provision	
205A, 205B	To claim any dividend which remains unpaid or unclaimed.	Section 10B	**Section 10B**: Transfer of Unpaid or unclaimed dividend to Unpaid Dividend Account: (1) Where after the commencement of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act 2006, a dividend has been declared by a corresponding new bank but has not been paid or claimed within thirty days from the date of declaration, to, or by, any shareholder entitled to the payment of the dividend, the corresponding new bank shall, within seven days from the date of the expiry of such period of thirty days,

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			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" (2) Where the whole or any part of the 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 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. (4) The money transferred under sub section (3) to the Investor Education and Protection of Fraud shall be utilized for the purpose and in the manner specified in section 205C of the Companies Act.
206	To receive dividend declared.	No corresponding provision	
206A	To have the dividend transferred to the special account where the transfer of shares has not been registered by the company.	No corresponding provision	
206A	To have any rights shares or bonus shares kept in abeyance in relation to the shares, the registration of transfer of which has not been registered by the company.	No corresponding provision	
210	To require the balance sheet and profit and loss account to be laid	Section 10A(2)	**Section 10A(2): Annual General Meetings –**

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
	before the company at every 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.	Section 10A(2)	**Section 10A(2): Annual General Meetings** – 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.
224	To nominate a person for the appointment as auditor of the company if the first auditors are removed at a general meeting.	No corresponding provision	
225	To give a special notice for a resolution appointing as auditor, person other that the retiring auditor or providing expressly that a retiring auditor shall not be reappointed.	No corresponding provision	
227	To be reported upon the accounts, balance sheet, profit and loss account, etc by the auditors of the company.	Section 30(2) Banking Regulation Act, 1949	**Section 30(2) of the Banking Regulations**: The auditor shall discharge the duties and be subject to the Liabilities imposed on auditors of companies by Section 227 of the Companies Act. This provision is applicable to corresponding new banks by virtue of the provisions of Section 51 of the Banking Regulation Act.

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230	To inspect the auditors' report at the general meeting where it is laid.	Section 10A	**Section 10A(2): Annual General Meetings**: 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.
250	To apply to the National Company Law Tribunal to impose restrictions on shares, debentures or to prohibit transfer thereof in certain cases.	No corresponding provision	
257	To stand for election for directorship at a general meeting	Section 9(3); Regulation 63	**Regulation 63 Directors to be elected at general meeting** 63.1 A director(s) under clause (i) of sub-section (3) of Section 9 of the Act shall be elected by the Shareholders on the register, other than the Central Government, from amongst themselves in the general meeting of the Bank. 63.2 Where an election of a director is to be held at any general meeting, the notice thereof shall be included in the notice convening the meeting. Every such notice shall specify the number of directors to be elected and the particulars of vacancies in respect of which the election is to be held.
257	To give notice to the company for proposing a resolution at a general meeting to have himself or any other person elected as a director.	Regulation 65	**Regulation 65 Nomination of candidates for election** 65.1 No nomination of a candidate for election as a director under clause (i) of sub-section (3) of Section 9 of the Act shall be valid unless: 65.1.1 He is a Shareholder holding not less than 500 (five hundred) shares in the Bank;

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			65.1.2 He is a person who is a qualified post-graduate or professionally qualified with industry experience of more than twenty years;
			65.1.3 He is on the last date for receipt of nomination, not disqualified to be a director under the Act or under the Scheme;
			65.1.4 He has paid all calls in respect of the shares of the Bank held by him, whether alone or jointly with others, on or before the last date fixed for the payment of the call;
			65.1.5 The nomination is in writing signed by at least one hundred Shareholders entitled to elect directors under the Act or by their duly constituted attorney, provided that a nomination by a Shareholder who is a company may be made by a resolution of the directors of the said company and where it is so made, a copy of the resolution certified to be a true copy by the Chairman of the meeting at which it was passed shall be dispatched to the Head Office of the Bank and such copy shall be deemed to be a nomination on behalf of such company;
			65.1.6 The nomination accompanies or contains a declaration signed by the candidate before a Judge, Magistrate, Registrar or Sub-Registrar of Assurances or other Gazetted Officer or an Officer of the Reserve Bank of India or any nationalised Bank, that he accepts the nomination and is willing to stand for election and that he is not disqualified either under the Act or the Scheme or these regulations from being a director; and
			65.2 No nomination shall be valid unless it is received with all the connected documents complete in all respects and received, at the Head Office of the Bank on a working

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			day not less than fourteen days before the date fixed for the meeting.
257	To be informed of the candidature for director-ship or the intention of a member to propose such person for directorship.	No corresponding provision	
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 11A:** 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 share-holders, remove any director elected by the shareholders and elect in his stead another person to fill the vacancy.
301	To inspect, to take copies of the register of contracts, etc kept under this Section.	No corresponding provision	
302	To receive an abstract of the terms of the contract or variation thereof, in respect of the appointment of manager or managing director, in which any director is interested.	No corresponding provision	
304	To inspect the register of directors.	No corresponding provision	
304	To apply to the Central Government/ National Company Law Tribunal for compelling inspection of the aforesaid register, if it is refused by the company. To inspect the register kept by the registrar under this Section.	No corresponding provision	
307	To inspect at the registered office, the register of directors' shareholdings.	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
307	To apply to the Central Government/ National Company Law Tribunal for compelling inspection of the aforesaid register, if refused by the company.	No corresponding provision	
391	To apply to the National Company Law Tribunal to call a meeting of the creditors or of the members in case compromise or arrangement is proposed with its creditors or members.	No corresponding provision	
391	To agree to any compromise or arrangement at a special meeting called for that purpose.	No corresponding provision	
391	To have disclosed in the notice of the special meeting referred to above, the particulars notified in sub-(1) of this Section.	No corresponding provision	
393	To be furnished by the company, with a copy of the statement setting forth the terms of the compromise or arrangement proposed and explaining its effect where the notice of the meeting is given by an advertisement.	No corresponding provision	
393	To be offered the same terms as offered to all holders of shares of that class, whose transfer is involved if the member is a dissenting member.	No corresponding provision	
395	Of dissenting share-holders, where a scheme or contract involving the transfer of shares to another 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	No Corresponding	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
	registration, and of the receipt of amount or other consideration.		
395	To have as nearly as may be, the same interests in or rights against the company resulting from the amalgamation, as he had in the company in which he was originally a member, and to receive compensation in case such interests or rights are reduced.	No corresponding provision	
396	If aggrieved by any assessment of compensation, to prefer an appeal to the National Company Law Tribunal.	No corresponding provision	
397, 398	To apply to the National Company Law Tribunal if he is of the opinion that the affairs of the company are being conducted in a manner prejudicial to the public interest or in a manner oppressive to any member.	No corresponding provision	
408	To apply to the National Company Law Tribunal for appointment of nominee director, to safeguard the interests of the company or its shareholders or the public interests.	No corresponding provision	
433	To resolve along with other members, at a general meeting, by a special resolution that the company be wound-up by the National Company Law Tribunal.	No corresponding provision	
439	To petition the National Company Law Tribunal for winding-up the company.	No corresponding provision	
440	To present winding-up petition where company is being wound-up voluntarily or subject to court's supervision provision. To appoint one or more liquidators in the case of voluntary liquidation, and to fix the remuneration if any, to be paid to the liquidator.	No corresponding provision	
490	To appoint one or more liquidators in the case of voluntary liquidation, and to fix the remuneration if any, to be paid to the liquidator.	No corresponding provision.	
492	To fill the vacancy occurred by the death, resignation or	No corresponding	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
	otherwise in the office of the liquidator appointed by the company, in a general meeting and convene a general meeting for this purpose.	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:*

*(i). All references to **Sections** are references to Sections of the Bank Acquisition Act, except where otherwise specified.*

*(ii). All references to **Clauses** are references to provisions of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980*

*(iii). All references to **Regulations** are references to provisions of the Bank Regulations.*

(iv). 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%, 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, IPDI eligible for inclusion as Tier I Capital, perpetual non-cumulative preference shares eligible for inclusion as Tier I and reserves consisting of any statutory reserves, disclosed free reserves and capital reserves as reduced by equity investments in subsidiaries, intangible assets, and losses in the current period and those brought forward from the previous period. A bank's deferred tax asset is to be treated as an intangible asset and deducted from its Tier I capital.

Tier II capital includes provision for standard assets, revaluation reserves, hybrid debt capital instruments (which combine certain features of both equity and debt securities and are able to support losses on an ongoing basis without triggering liquidation), and subordinated debt. As per the Master Circular on Prudential Norms on Capital Adequacy-Basel I Framework, any subordinated debt is subject to progressive discounts each year for inclusion in Tier II capital and total subordinated debt considered as Tier II capital cannot exceed 50% of Tier I capital. Tier II capital cannot exceed Tier I capital. The Banking Regulation Act does not allow banks established on or after January 15, 1937 to issue preferred equity.

With a view to enable the building up of adequate reserves to guard against any possible reversal of the interest rate environment in the future due to unexpected developments, the RBI has advised banks to build up an investment fluctuation reserve ("**IFR**") of a minimum of 5% 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. IFR is included in Tier II capital. Though IFR 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 2007-06, banks are permitted to treat IFR as part of Tier-I capital, if they maintain capital of at least 9% in respect of investment under 'Held for Trading' and 'Available for sale'.

Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the weighted aggregate of funded and non-funded exposures. Degrees of credit risk expressed as percentage weights are assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight or conversion factor to produce risk-adjusted values of assets and off-balance-sheet items. All foreign exchange and gold open position limits carry a 100% risk weight. A risk weight of 2.50 % to cover market risk has to be assigned in respect of the entire investments portfolio over and above the risk weight for credit risk. Banks are required to assign a 100% risk weight for all state government guaranteed securities issued by defaulting entities. The aggregate risk weighted assets are taken into account for determining the capital adequacy Ratio. As per the RBI circular dated June 24, 2004 to cover market risk, capital has to be calculated in respect of the entire investments portfolio over and above the risk weight for credit risk.

As per regulatory requirements, banks have to maintain a capital to risk asset ratio of 9%. However, as per the guidelines issued by the RBI in September 2002, in addition to other conditions to be complied with for declaration of dividend without approval of RBI, capital to risk asset ratio must also be maintained at 11%.

In January 2006, the RBI has issued guidelines permitting banks to issue perpetual debt with a call option which may be exercised after not less than 10 years, with its prior approval, for inclusion in Tier I capital up to a maximum of 15% of total Tier I capital. The RBI also permitted banks to issue debt instruments with a minimum maturity of 15 years and a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier II capital. In July 2006, the RBI issued guidelines permitting the issuance of Tier I and Tier II debt instruments denominated in foreign currencies.

In April 2007, the RBI issued final guidelines for the implementation of a revised Basel-II capital adequacy framework that became effective year-end fiscal 2008, for banks with presence outside India and 2009, for banks without a presence outside India. The guidelines for the capital adequacy framework include an increase in the minimum Tier I CAR from 4% to 6% and the introduction of capital for operational risk as per Basel II.

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

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 fiscal 1993, which are revised from time to time.

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

NPAs

An advance is a non-performing asset where:

(i). interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan;

(ii). the account remains "out-of-order" (as described below) for a period of more than 90 days in respect of an overdraft or cash credit;

(iii). the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted;

(iv). instalment of principal or interest remains overdue for two harvest seasons for short duration crops;

(v). instalment of principal or interest thereon remains overdue for one crop season for long duration crops;

(vi). the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006; or

(vii). in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

Once the account has been classified as a non-performing asset, the unrealized interest and other income already debited to the account is derecognized and further interest is not recognized or credited to the income account unless collected.

Out-of-Order

An account should be treated as **'out of order'** if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as **'out of order'.**

Asset Classification

NPAs are classified as described below:

- ***Sub-standard assets:*** With effect from 31 March 2005, a substandard asset would be one, which has remained NPA for a period less than or equal to 12 months. In such cases, the current net worth of the borrower/ guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such an asset will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

- ***Doubtful assets:*** With effect from March 31, 2005, an asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, - on the basis of currently known facts, conditions and values - highly questionable and improbable.

- ***Loss assets:*** A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

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

The RBI had issued separate guidelines for restructured assets under the CDR 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 CDR 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:

Standard assets

(i). The provisioning requirements for all types of standard assets stands amended as below, w.e.f November 5, 2009. Banks should make general provision for standard assets at the following rates for the funded outstanding on global loan portfolio basis:

  (a). direct advances to agricultural and small and medium enterprises sectors at 0.25 per cent;
  (b). advances to commercial real estate sector at 1.00 per cent; and

(c). all other loans and advances not included in (a) or (b) above at 0.40 per cent.

(ii). The revised norms would be effective prospectively but the provisions held at present should not be reversed. However, in future, if by applying the revised provisioning norms, any provisions are required over and above the level of provisions currently held for the standard category of assets, these should be duly provided for.

(iii). While the provisions on individual portfolios are required to be calculated at the rates applicable to them, the excess or shortfall in the provisioning, vis-a-vis the position as on any previous date, should be determined on an aggregate basis. If the provisions on an aggregate basis required to be held w.e.f November 15, 2008 are less than the provisions already held, the provisions rendered surplus should not be reversed to P&L and should continue to be maintained at the existing level. In case of shortfall determined on aggregate basis, the balance should be provided for by debit to P&L.

(iv). The provisions on standard assets should not be reckoned for arriving at net NPAs.

(v). The provisions towards Standard Assets need not be netted from gross advances but shown separately as 'Contingent Provisions against Standard Assets' under 'Other Liabilities and Provisions Others' in Schedule 5 of the balance sheet.

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

Doubtful Assets: A 100% 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% to 100% provision is required to be made against the secured asset as follows:

1. Up to one year: 20% provision

2. One to three years: 30% provision

3. More than three years:

    (i). In respect of outstanding stock of NPAs as on March 31, 2004: 50% provisions which has become 60% with effect from March 31, 2007, 75% with effect from March 31, 2008 and 100 per cent with effect from March 31, 2009.

    (ii). In respect of assets, which have been doubtful for over three years on or after April 1, 2004, provision has been raised to 100% with effect from March 31, 2007.

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

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

In June 2006, the RBI issued prudential norms on the creation and utilisation of floating provisions (*i.e.* provisions which are not made in respect of specific NPAs or made in excess of regulatory requirements for provisions for standard assets). The norms state that floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining approval from the board of directors and with the prior permission of the RBI.

Floating provisions cannot be reversed by credit to the profit and loss account. They can only be utilised for making specific provisions in extraordinary circumstances as mentioned above. Until such utilisation, these provisions can be netted off from gross NPAs to arrive at disclosure of net NPAs. Alternatively they can be treated as part of Tier II capital within the over all ceiling of 1.25 % of total risk weighted assets.

Law relating to Recovery of NPAs

As a part of the financial sector reforms, the GoI promulgated SARFAESI Act. SARFAESI Act provides banks and other lenders increased powers in the recovery of the collateral underlying NPAs.

Regulations relating to sale of assets to asset reconstruction companies

The SARFAESI Act provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The RBI has issued guidelines to banks on the process to be followed for sale of the financial assets to the asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non performing asset. These assets are to be sold on a 'without recourse' basis only. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangements and at least 75% by value of the total loans to the borrower are classified as non performing and at least 75% by the value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. The banks selling financial assets should ensure that there is no known liability devolving on them and they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. No credit for expected profit will be taken until profit materializes on actual sale. Whilst each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangement where more than 75% by values of the banks or financial intuitions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

The RBI has issued guidelines on the securitisation of standard assets with effect from February 1, 2006. The guidelines provide that for a transaction to be treated as a securitisation, a two stage process must be followed. In the first stage there should be a pooling and transferring of assets to a bankruptcy remote vehicle *i.e.* a SPV and in the second stage repackaging and selling the security interests representing claims on incoming cash flows from the pool of assets to the third party investors should be effected. Further, for enabling the transferred assets to be removed from the balance sheet of the seller in securitisation structure, the isolation of assets or "true sale" from the seller or originator to the SPV is an essential prerequisite. Also, an arms length relation shall be maintained between the originator or seller and the SPV.

The SARFAESI Act allows acquisition of financial assets by SC/RC from any bank/FI on such terms and conditions as may be agreed upon between them. This provides for sale of the financial assets on 'without recourse' basis, *i.e.*, with the entire credit risk associated with the financial assets being transferred to SC/RC, as well as on 'with recourse' basis, *i.e.*, subject to unrealized part of the asset reverting to the seller bank/FI. Banks/FIs are, however, directed to ensure that the effect of the sale of the financial assets should be such that the asset is taken off the books of the bank/FI and after the sale there should not be any known liability devolving on the banks/FIs.

Certain regulatory norms for capital adequacy, valuation, profit and loss on sale of assets, income recognition and prudential norms for investment in securities issued by the SPV, provisioning for originators and service providers like credit enhancers, liquidity support providers, underwriters, as well as investors and also the accounting treatment for securitisation transactions and disclosure norms have been prescribed. Quarterly reporting to the audit sub committee of the board by originating banks of the securitisation transactions has also been prescribed. Apart from banks, these guidelines are also applicable to financial institutions and non banking financial institutions.

The RDDBFI Act

The RDDBFI Act was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding Rs. 0.1 crore. The RDDBFI Act provides for the constitution of debt recovery tribunals, before which banks and financial institutions may file applications for recovery of debts, and such debt recovery tribunals may pass orders for directions including recovery by the bank or financial institution of such dues as may be deemed fit along with a recovery certificate to such effect from the presiding officer of the respective debt recovery tribunal, directions for attachment of the properties secured towards the dues to the bank or financial institution, injunctive orders restraining the debtors from alienating, transferring or disposing of such secured properties, appointment of receivers and/or local commissioners with respect to such secured properties and distribution of proceeds from sale of such secured properties towards dues payable to the applicant banks and financial institutions. Pursuant to the recovery certificate being issued, the recovery officer of the respective debt recovery tribunal shall effectuate the final orders of the debt recovery tribunal in the application. Unless such final orders of the debt recovery tribunal have been passed with the consent of the parties to an application, an appeal may be filed against such final orders of the debt recovery tribunal before the debt recovery appellate tribunal, which is the appellate authority constituted under the RDDBFI Act. Upon enactment of the RDDBFI Act, all original suits filed before various courts and authorities in India were transferred before the debt recovery tribunals in the same jurisdiction for adjudication and disposal.

Guidelines on Sale and Purchase of NPAs

In July 2005, the RBI issued guidelines on sale and purchase of non performing assets between banks, financial institutions and non bank finance companies. These guidelines require the board of directors of the bank to establish a policy for purchase and sale of NPAs. Purchase and sale of NPAs must be without recourse to the seller and on cash basis and, with the entire consideration being paid upfront. An asset must have been classified as non performing for at least two years by the seller to be eligible for sale. The purchasing bank must hold the NPA on its books for at least 15 months before it can sell the assets to another bank. The asset cannot be sold back to the original seller.

Regulations relating to Making Loans

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

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

(ii). 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. In February 2010, the RBI issued draft guidelines on base rate- a minimum rate below which banks will not be permitted to lend, aimed at increasing transparency in lending rates of banks. The base rate system has replaced the BPLR system for most categories of loans from July 1, 2010. Changes in base rate are applicable to all loans linked to base rate in a non-discriminatory manner. Base rate shall include all those elements of the lending rates that are common across all categories of borrowers. Banks may choose any benchmark to arrive at the base rate for a specific tenor that may be disclosed transparently. Banks may determine their actual lending rates on loans and advances with reference to the base rate and by including such other customer specific charges as considered appropriate. Banks are required to review the base rate at least once in a quarter with the approval of their board of directors or the ALCOs as per ordinary practice. Since transparency in the pricing of lending products has been a key objective, banks are required to exhibit the information on their base rate at all branches and also on their websites. Changes in the base rate should also be conveyed to the general public from time-to-time through appropriate channels. Banks are required to provide information on the actual minimum and maximum lending rates to the RBI on a quarterly basis as hitherto.

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

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

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

Directed Lending

Priority Sector Lending

The RBI requires commercial banks to lend a certain percentage of their net bank credit to the priority sectors, broadly consisting of agriculture (direct and indirect finance), small enterprises (including small and micro enterprises) under the manufacturing sector with original investment ceilings in plant and machinery not exceeding Rs. 5.00 crore and Rs. 0.25 crore respectively and small and micro enterprises under service sector with investment ceilings in original equipment not exceeding Rs. 2.00 crore and Rs. 0.10 crore respectively), micro credit (directly or indirectly through a Self Help Group ("**SHG**") or Joint Liability Group ("**JLG**") mechanism to NBFCs or MFIs for on lending up to Rs. 0.005 crore per borrower), educational loans (up to Rs. 0.10 crore for studies in India and Rs. 0.20 crore for studies abroad) and housing loans (up to Rs. 0.20 crore to individuals for purchase or construction of dwelling unit per family and loans given for repairs to the damaged dwelling units of families up to Rs. 0.01 crore in rural and semi-urban areas and Rs. 0.02 crore in urban and metropolitan areas).

Total priority sector advances should be 40% of Adjusted Net Bank Credit with agricultural advances up to 18% of Adjusted Net Bank Credit and advances to weaker sections up to 10% of Adjusted Net Bank Credit. 1% of total advances outstanding as at the end of the previous year is required to be lent under Differential Rate of Interest Scheme. Domestic scheduled commercial banks having a shortfall in achieving priority sector target (40% of Adjusted Net Bank Credit) and/or agriculture target (18% of Adjusted Net Bank Credit) as well weaker section target shall be allocated amounts for contribution to the RIDF established with NABARD, such investment was eligible under indirect agriculture finance till fiscal 2007.

Fresh investments made by banks with NABARD in lieu of non-achievement of priority sector lending targets will no longer be considered as indirect finance subsequent to end fiscal 2007. However, the existing investments in such bonds would continue to be classified as indirect agriculture finance till 2010. As per the Master Circular on Priority Sector Lending issued on July 1, 2009, export credit will not form a part of priority sector for domestic banks.

Export Credit

The RBI also requires foreign banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 12% of a foreign bank's adjusted net bank credit is required to be in the form of export credit. Export credit is not a part of the priority sector for domestic commercial banks. We provide export credit for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies.

Credit Exposure Limits

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

The limits set by the RBI are as follows:

(i). Exposure ceiling for a single borrower is 15% of capital funds effective March 31, 2002. Group exposure limit is 40% of capital funds effective March 31, 2002. In case of financing for infrastructure projects, the single borrower exposure limit is extendable by another five per cent, *i.e.*, up to 20% of capital funds and the group exposure limit is extendable by another 10% (*i.e.*, up to 50% of capital funds). In May 2004, the RBI permitted banks to increase exposure to a borrower by a further five per cent of capital funds (*i.e.*, 20% for single borrowers and 45% for group borrowers) and by a further

10% for financing infrastructure projects, with the specific approval of the board of directors. Capital fund is the total capital as defined under capital adequacy standards (Tier I and Tier II capital).

A bank may, in exceptional circumstances, with the approval of its board of directors, consider enhancement of the exposure over the above specified limits, up to a further 5% of capital funds. Such additional exposure can be taken, subject to the consent of the borrower to disclose their names in a bank's balance sheet.

(ii). Exposure shall include credit exposure (funded and non-funded credit limits) and investment exposure (including underwriting and other similar commitments) as well as certain types of investments in companies. The sanctioned limits or outstanding, whichever are higher, are considered for arriving at the exposure limit. Non-fund exposures are to be reckoned at 100% of the limit or outstanding, whichever is higher.

(iii). 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.

(iv). Investment exposure comprises the following elements:

- investments in shares and debentures of companies acquired through direct subscription, devolvement arising out of underwriting obligations or purchase from secondary markets or on conversion of debt into equity;
- investments in public sector undertaking bonds through direct subscription, devolvement arising out of underwriting obligations or purchase made in the secondary market;
- investments in commercial papers issued by corporate bodies or public sector undertakings;
- investments in debentures, bonds, security receipts and, pass through certificates issued by a securitization or reconstruction company. However, initially, since only a few securitization and reconstruction companies are being set up, banks will be allowed to exceed prudential exposure on account of such investments on a case-to-case basis;
- bank loan for financing promoters' contribution towards equity capital of new companies;
- bridge loan against equity flows/issues; and
- financing of initial public offerings.

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

Risk Management

The RBI has issued detailed guidelines on country risk management that cover bank's exposure to those countries to which they have a net funded exposure of two per cent of the funded assets, no provision is maintained on such country exposure. The countries are categorized into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%.

In September 2009, the RBI has issued further guidelines on fraud risk management systems for banks, highlighting the need for the same in light of the increasing incidence of bank frauds. The RBI has designated the responsibility of increasing a Bank's focus on effective fraud investigation to its top officials such as the CEO, members of the Board and Audit Committee members. Banks are also required to frame internal risk management and investigation policies, which are to be appraised by their senior management. The RBI has also recommended operational measures for minimization of risks such as follow-up investigation in large value frauds, forensic audit measures and post-facto fraud investigation.

Regulations relating to Investments and Capital Market Exposure Limits

As per the Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks issued by the RBI on July 1, 2009, a bank's exposure to capital markets by way of investments in shares, convertible debentures, units of equity oriented mutual funds and loans to brokers, should not exceed 40.00% of its net worth on a standalone and consolidated basis. Within this limit direct investments in shares, convertible bonds/ debentures, units of equity oriented mutual funds and all exposures to venture capital funds have been restricted to 20% of their net worth.

In November 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 and as per the Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks issued by the RBI on July 1, 2009, banks are prohibited from investing in non-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% of its total investment in non-SLR securities as at the end of the preceding fiscal year. A bank's investment in unlisted non-SLR securities may exceed the limit of 10%, by an additional 10%, provided the investment is on account of investment in securitisation papers issued for infrastructure projects, and bonds/debentures issued by Securitisation Companies and Reconstruction Companies set up under the SARFEASI Act and registered with the RBI. 'Unlisted non-SLR securities' for computing compliance with the prudential limits do not include investments in security receipts issued by securitization or reconstruction companies registered with the RBI and asset backed securities and mortgage backed securities with a minimum investment grade credit rating.

As per the Master Circular on Exposure Norms, the RBI has imposed a ceiling of 10% of capital funds (Tier I plus Tier II capital) on investments by banks and financial institutions in equity shares, preference shares eligible for capital status, subordinated debt instruments, hybrid debt capital instruments and any other instrument approved as in the nature of capital, issued by other banks and financial institutions. Investments in the instruments which are not deducted from Tier I capital of the investing bank or financial institution, are subject to a 100% risk weight for credit risk for capital adequacy purposes. Further, banks and financial institutions cannot acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's or financial institution's holding exceeds five per cent of the investee bank's equity capital.

Consolidated Supervision Guidelines

In fiscal 2003, the RBI issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective April 1, 2002, and the principal features thereof are:

(i). Banks are required to prepare consolidated financial statements intended for public disclosure;

(ii). 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:

(iii). Single borrower exposure limit of 15% of capital funds (20% of capital funds provided the additional exposure of up to 5% is for the purpose of financing infrastructure projects);

(iv). Borrower group exposure limit of 40% of capital funds (50% of capital funds provided the additional exposure of up to 10% is for the purpose of financing infrastructure projects);

(v). 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

(vi). Consolidated capital market exposure limit of 20.0% of total on-balance sheet assets (excluding intangible assets and accumulated assets). Within the total limit, investment in shares, convertible bonds and debentures and units of equity-oriented mutual funds should not exceed 10.0% of the Bank's consolidated net worth.

Banks' Investment Classification and Valuation Norms

The salient features of the RBI's guidelines on investment classification and valuation are given below:

(i). 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.

(ii). Held to Maturity investments compulsorily include (a) recapitalization bonds received from the GoI, (b) investments in subsidiaries and joint ventures and (c) investments in debentures deemed as advance. Held to Maturity investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25% of the total investment excluding recapitalization bonds, investment in subsidiaries and joint ventures and debentures.

(iii). Profit on sale of investments in this category should be first taken to the profit and loss account and thereafter be appropriated to the capital reserve account. Loss on sale will be recognized in the profit and loss account.

(iv). 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.

(v). 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.

(vi). 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.

Banks are, however, allowed since September 2, 2004 to exceed the limit of 25% of total investment under Held to Maturity category provided the excess comprises only of SLR securities, and the total SLR securities held in the Held to Maturity category is not more than 25% of their demand time liabilities as on the last Friday of the second preceding fortnight.

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

Securities classified as Available for Sale or Held for Trading are valued at market or fair value as at the balance sheet date. Depreciation or appreciation for each basket within the Available for Sale and Held for Trading categories is aggregated. Net appreciation in each basket, if any, that is not realized is ignored, while net depreciation is provided for.

Investments in security receipts or pass through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the lower of the redemption value of the security receipts/ pass-through certificates, and the net book value of the financial asset.

Restrictions on Investments in a Single Company

No bank may hold shares in any company, whether as owner or as pledge or mortgagee, exceeding the lower of 30% of the paid up share capital of that company and 30% of its own paid up share capital and reserves, whichever is less, except as statutorily provided.

Limit on Transactions through Individual Brokers

Guidelines issued by the RBI require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. The RBI specifies that not more than 5% of the total transactions in securities through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, the RBI has stipulated that the board of directors of the bank concerned should be informed on a half-yearly basis of such occurrences.

Restriction on Short-Selling

The RBI permits intra-day short selling of government securities by banks provided the banks have adequate risk management systems and also provided that they have an internal policy in place. The SCBs will be allowed to short sell subject to the short position being covered within a maximum period of five trading days, including the day of trade cover their short positions within an extended period of five trading days. As this arrangement may result in carrying short positions across settlement cycles, the participants will be permitted to deliver a shorted security by borrowing it through the repo market.

Regulations Relating to Deposits

As per the Master Circular on Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident and Non Resident (External) Accounts issued by the RBI on July 1, 2009, banks are permitted to independently determine rates of interest offered on term deposits. However, banks are not permitted to pay interest on current account deposits. Further, banks may only pay interest of up to 3.50% per annum on savings deposits. In respect of savings and time deposits accepted from employees, banks are permitted by the RBI to pay an additional interest of one per cent over the interest payable on deposits from the public.

Deposit Insurance

Demand and time deposits of up to Rs. 1,00,000 accepted by Indian banks have to be compulsorily insured with the DICGC, a wholly-owned subsidiary of the RBI. Banks are required to pay the insurance premium for the eligible amount to the DICGC on a semi-annual basis. The cost of the insurance premium cannot be passed on to the customer.

Regulations relating to Knowing the Customer and Anti-Money Laundering

The RBI has issued a notification dated November 29, 2004 prescribing guidelines for Know Your Customer and anti money laundering procedures. Banks should frame their KYC Norms incorporating the following four key elements:

a) Customer Acceptance Policy;

b) Customer Identification Procedures;

c) Monitoring of Transactions; and

d) Risk Management.

Banks are required to have customer acceptance policy laying down explicit criteria for acceptance of customers and defining risk parameters. A profile of the customers should be prepared based on risk categorization. Banks have been advised to apply enhanced due diligence for high risk customers. The guidelines provide that banks should undertake customer identification procedures while establishing banking relationship or carrying out a financial transaction or when the banks have doubts about the authenticity or the adequacy of the previously obtained customer identification data. Banks need to obtain sufficient information necessary to establish the identity of each new customer and the purpose of the intended banking relationship. The guidelines also provide that banks should monitor transactions depending on the account's risk sensitivity. In August 2005, the RBI simplified the Know Your Customers procedures for opening accounts for those persons who intend to keep balances not exceeding Rs. 50,000 in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed Rs. 1,00,000 in a year in order to ensure that the implementation of the Know Your Customer guidelines do not result in denial of the banking services to those who are financially or socially disadvantaged.

In a bid to prevent money laundering activities, GoI enacted the Prevention of Money Laundering Act, 2002. The Prevention of Money Laundering Act, 2002 seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering and for incidental matters connected herewith. In February 2006, the RBI issued guidelines on the obligations of banks under the Prevention of Money Laundering Act, 2002.

The RBI also issued anti money laundering guidelines to other entities such as NBFCs and authorised money changers. The Prevention of Money Laundering Act, 2002 stipulates that banking companies, financial institutions and intermediaries shall maintain a comprehensive record of all their transactions, including the nature and value of such transactions. Further, it mandates verification of the identity of all their clients and also requires the banks and financial institutions to maintain records of their respective clients. These details are to be provided to the authority established under the Prevention of Money Laundering Act, who is empowered to order confiscation of property where the authority is of the opinion that a crime as recognized under Prevention of Money Laundering Act has been committed.

Legal Reserve Requirements

CRR

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 CRR is 6% of the demand and time liabilities with effect from April 20, 2010.

Paid up capital, reserves, credit balance in the profit and loss account of the bank, amount availed of as refinance from the RBI, and apex financial institutions, provision for income tax in excess of the actual estimated liabilities, amounts received from the DICGC/ ECGC/ Court Receiver, amounts received from insurance companies on ad hoc settlement of claims pending judgment of the Court, liabilities arising on account of utilization of limits under Bankers Acceptance Facility (BAF) and specified inter bank term deposits/term borrowing liabilities are excluded from the calculation of the CRR.

The following liabilities are excluded from the calculation of the demand and time liabilities to determine the CRR:

- Paid up capital, reserves, any credit balance in the profit and loss account of the bank, amount availed of as refinance from the RBI, and apex financial institutions like NABARD, SIDBI, Export-Import Bank of India, National Housing Bank etc.;
- Amount of provision for income tax in excess of the actual/estimated liabilities;
- Amount received from DICGC towards claims and held by banks pending adjustments thereof;
- Amount received from Export Credit Guarantee Corporation of India by invoking the guarantee;
- Amount received from insurance company on ad-hoc settlement of claims pending judgment of a court;
- Amount received from the court receiver; and
- The liabilities arising on account of utilization of limits under Bankers Acceptance Facility (BAF).

The RBI pays no interest on the CRR balances maintained by scheduled commercial banks with effect from March 31, 2007. The CRR has to be maintained on an average basis for a fortnightly period and should not be below 70% of the required CRR on any day of the fortnight.

SLR

In addition to the CRR, a bank is required to maintain a specified percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, and it was fixed at a minimum of 25% and a maximum of 40% pursuant to Section 24 of the Banking Regulation Act. The Banking Regulation (Amendment) Act, 2007 has removed the minimum SLR stipulation, thereby giving the RBI the freedom to fix the SLR below this level. On November 3, 2008, the RBI reduced the SLR from 25% to 24% of the net demand and time liabilities of a bank.

However as on November 7, 2009 the SLR has been increased from 24% to 25% of the net demand and time liabilities of a bank.

Regulations on ALM

The RBI's regulations for asset liability management require banks to draw up asset-liability gap statements separately for Rupee and for four major foreign currencies. These gap statements are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date, or maturity date and behaviour studies that may be conducted by banks. These statements have to be submitted to the RBI on a monthly basis. The RBI has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being re-priced in a particular period and place internal prudential limits on the gaps in each time period, as a risk control mechanism. Additionally, the RBI has asked banks to manage their asset-liability structure such that the negative liquidity gap in the 1-14 day and 15-28 day time periods does not exceed 20% of cash outflows in these time periods. This 20% limit on negative gaps was made mandatory with effect from April 1, 2000. In respect of other time periods, up to one year, the RBI has directed banks to lay down internal norms in respect of negative liquidity gaps. In April 2006, the RBI issued draft guidelines on improvements to banks' asset liability management framework.

In March 2007, the RBI issued guidelines regarding prudential limits for interbank liabilities. Interbank liabilities of a bank cannot exceed 200% of its net worth as on the last day of the previous fiscal year. Individual banks have been permitted, with the approval of their boards of directors, to fix a lower limit for their inter-bank liabilities, keeping in view their business model. However banks whose capital to risk assets ratio is at least 25% more than the minimum capital to risk assets ratio (currently nine per cent) *i.e.* 11.25% as on the last day of the previous fiscal year are allowed a higher limit with respect to inter-bank liability of up to 300% of their net worth. It may be noted that the limits prescribed above would include only fund based inter-bank liabilities within India (including inter-bank liabilities in foreign currency to banks operating within India) and inter-bank liabilities outside India are excluded. The guidelines issued by the RBI also stipulate that existing limits on call-money borrowing shall form a sub-limit of the above-mentioned limit.

Foreign Currency Dealership

The RBI has granted us a full-fledged authorized dealers' license to deal in foreign exchange through our designated branches.

Our Foreign Exchange operations are subjected to guidelines issued by the RBI under Foreign Exchange Management Act, (FEMA) 1999 and directions issued by the RBI/ central government from time to time , Foreign Trade Policy in force, guidelines issued by DGFT , provisions of UCPDC and various guidelines issued by ICC in regard to guarantees , collection, reimbursement , etc., provisions of I.T. Act wherever applicable and any other applicable statues/ guidelines etc;

As an Authorised Dealer, we have enrolled as a member of the FEDAI which prescribes rules relating to conduct of Foreign Exchange business in India. Authorised Dealers are required to determine their limits on open positions and maturity gaps in accordance with the guidelines issued by the RBI and these limits are approved by the RBI. Further, the Authorised Dealers are permitted to undertake derivatives transactions to hedge foreign currency exposure of Indian Corporations in the form of Interest Rates Swaps, Options, Currency Swaps, Forward Rate Agreement, etc;

Authorized dealers, like us, are required to determine their limits on open positions and maturity gaps in accordance with the RBI's guidelines and these limits are approved by the RBI. Further, we are permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, options, currency swaps and forward rate agreements, subject to certain conditions.

Statutes Governing Foreign Exchange and Cross-Border Business Transactions

The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act.

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 Takeover Regulations apply and must be complied with..

Prohibited Business

The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities. For further details, please see *"**History and Certain Corporate Matters**"* on page 136 of this Draft Red Herring Prospectus.

Reserve Fund

Any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days of such appropriation, explaining the circumstances leading to such appropriation. The GoI may, on the recommendation of the RBI, exempt a bank from the requirements relating to reserve fund.

Restrictions on Payment of Dividends

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

Only those banks, which comply with the following minimum prudential requirements, would be eligible to declare dividends:

(i). The Bank should have:

- CRAR of at least 9% for preceding two completed years and the accounting year for which it proposes to declare dividend
- Net NPA less than 7%

In case any bank does not meet the above CRAR norm, but has a CRAR of at least 9% for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its net NPA ratio is less than 5%.

(ii). The bank should comply with sections 15 and 17 of the Banking Regulation Act.

(iii). The bank should comply with the prevailing regulations/ guidelines issued by the RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to Statutory Reserves etc. The proposed dividend should be payable out of the current year's profit

(iv). The RBI should not have placed any explicit restrictions on the bank for declaration of dividends.

In case any bank does not meet the above eligibility criteria no special dispensation shall be available from the Reserve Bank.

Banks that are eligible to declare dividends under the above rules can do so subject to the following:

(i). The dividend pay out ratio does not exceed 40%; the maximum permissible dividend payout ratio would vary from bank to bank, depending on the capital adequacy ratio in each of the last three years and the net nonperforming asset ratio;

(ii). The proposed dividend is payable from the current year's profit;

(iii). In case the profit for the relevant period includes any extra-ordinary profits/ income, the payout ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential payout ratio; and

(iv). The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during that year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payment ratio.

In case we fulfil the conditions stated above, we can declare dividends without the consent of the RBI, but if we do not comply with the conditions stated above but wish to declare dividend or a higher rate of dividend, we would require prior permission from the RBI.

The RBI has also notified that banks may also declare and pay interim dividends out of the relevant account period's profit without the prior approval of the RBI if they satisfy the minimum criteria above, and the cumulative interim dividend is within the prudential cap on dividend payout ratio (40%) computed for the relevant accounting period. Declaration and payment of interim dividend beyond this limit would require the prior approval of the RBI.

Restriction on Share Capital and Voting Rights

Public sector banks can issue equity shares as per the SEBI Regulations.

The paid up capital of corresponding new banks may be increased by such amounts as the board of directors of the corresponding new bank may, after consultation with the RBI and with the previous sanction of the government, raise by public issue or preferential allotment or private placement, of equity shares or preference shares in such manner as may be prescribed, provided that the government's shareholding does not fall below 51% of the paid up capital of the bank.

No shareholder of the corresponding new bank, other than the government, shall be entitled to exercise voting rights in respect of any shares held by them in excess of one percent of the total voting rights of all the shareholders of the corresponding new bank.

Further, a preference share-holder may vote only on resolutions which directly affect rights attached to his preference shares.

Regulatory Reporting and Examination Procedures

The RBI is empowered under Section 27(2) of the Banking Regulation Act to inspect a bank. In 1995, RBI introduced a system of off-site monitoring and surveillance, with the primary objective of monitoring the financial condition of banks in between on-site examinations. The RBI monitors prudential parameters at quarterly intervals. To this end and to enable off-site monitoring and surveillance by the RBI, banks are required to report to the RBI on aspects such as:

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

- structural liquidity and interest rate sensitivity;
- subsidiaries, associates and joint ventures;
- consolidated accounts and related financial information;
- information on risk based supervision;
- analysis of balance sheet; and
- other prudential parameters.

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

The RBI also conducts on-site supervision of circle offices and other selected branches with respect to their general operations and foreign exchange related transactions.

Appointment and Remuneration of the Chairman and Managing Director and Other Directors

Directors on the Board of Directors of our Bank are appointed by the GoI in terms of Section 9 of the Bank Acquisition Act. The Chairman and Managing Director and Executive Director (whole time directors) are appointed by the GoI 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 GoI 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 also appointed to represent the shareholders. The whole time Directors appointed by the GoI and the officials of the GoI who serve as the nominee directors of the GoI 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 *"**Main Provisions of Constitutional Documents**"* on page 400.

The remuneration paid to Directors is determined by the GoI 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.

Restriction on Creation of Floating Charge

Prior approval of the RBI is required for creating floating charge on our undertaking or our property.

Maintenance of Records

We are required to maintain our books, records and registers as per the Banking Companies (Period of Preservation of Records) Rules, 1985. These rules specify that banks shall preserve in good order, certain books, accounts and documents (such as cheque book registers) relating to a period of not less than five years immediately preceding the current calendar year; and certain other books, accounts and documents (such as stock and share registers) relating to period of not less than eight years immediately preceding the current calendar year. The Know Your Customer Guidelines framed by the RBI also provide for certain records to be maintained for a minimum period of five years. Further, the RBI has issued guidelines dated June 27, 2002 on the record maintenance policy of banks which provides, among other things, that prior approval of the RBI is required for offshore maintenance of its records.

Secrecy Obligations

Under Section 13 of the Bank Acquisition Act, our Bank is statutorily bound to maintain secrecy about the affairs of its constituents, except in circumstances in which it is, in accordance with law or practices and usages customary among bankers, necessary or appropriate for the bank to divulge such information.

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

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

We are required to comply with the above in furnishing any information to any parties. We are also required to disclose information if ordered to do so by a court. The RBI may, in the public interest, publish the information obtained from the bank. Under the provisions of the Banker's Books Evidence Act, 1891 a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books certified by an officer of the bank may be treated as prima facie evidence of the transaction in any legal proceedings.

The RBI has directed banks to incorporate consent clauses in loan agreements to enable disclosure of borrower information to credit bureaus.

Regulations governing Offshore Banking Units

The GoI and the RBI have permitted banks to set up offshore banking units in special economic zones, which are specially delineated duty free enclaves deemed to be foreign territory for the purpose of trade operations, duties and tariffs. The key regulations applicable to offshore bank units include, but are not limited to, the following:

- Permission of the RBI is required for setting up offshore banking units
- No separate assigned capital is required. However, the parent bank is required to provide a minimum of U.S.$ 10 million to its offshore banking unit.
- Offshore banking units are exempt from CRR requirements.
- Banks are required to maintain the SLR. However, the RBI may exempt a bank's offshore banking unit from SLR requirements on specific application by the bank.
- An offshore banking unit may not enter into any transactions in foreign exchange with residents in India, unless such a person is eligible under the existing exchange control regulations to invest/maintain foreign currency accounts abroad.
- All prudential norms applicable to overseas branches of Indian banks apply to offshore banking units. The

offshore banking units are also required to follow the best international practice of 90 days' payment delinquency norm for income recognition, asset classification and provisioning.

Offshore banking units are required to adopt liquidity and interest rate risk management policies prescribed by the RBI in respect of overseas branches of Indian banks as well as within the overall risk management and asset and liability management framework of the bank subject to monitoring by the bank's board of directors at prescribed intervals.

Offshore banking units may operate and maintain balance sheets only in foreign currency and are not allowed to deal in Indian rupees except for having a special rupee account out of the convertible funds in order to meet their daily expenses. These branches are prohibited from participating in the domestic call, notice, term etc. money market and payment system.

The loans and advances of offshore banking units would not be reckoned as net bank credit for computing priority sector lending obligations.

Offshore banking units must follow the 'Know Your Customer' guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.

A bank cannot borrow from its offshore banking unit.

The exposures of an offshore banking unit in the domestic tariff area should not exceed 25% of its total liabilities as at the close of business of the previous Working Day, at any point of time.

Regulations and Guidelines of SEBI

SEBI was established to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market. We are subject to SEBI regulations for our equity and debt capital issuances, 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 for amounts of Rs. 0.01 crore and above. Under this Act, the procedures for recoveries of debt have been simplified and time frames have been fixed for speedy disposal of cases. Upon establishment of the Debt Recovery Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances.

The Sick Industrial Companies Act, 1985, provides for reference of sick industrial companies to the Board for Industrial and Financial Reconstruction. Under it, other than the board of directors of a company, a scheduled bank (where it has an interest in the sick industrial company by any financial assistance or obligation, rendered by it or undertaken by it) may refer the company to the BIFR. The Sick Industrial Companies Act, 1985 has been repealed by the Sick Industrial Companies (Special Provisions) Repeal Act, 2004 ("**SICA Repeal Act**"). However, the SICA Repeal Act, which is due to come into force on a date to be notified by the government in the official gazette, has not yet been notified. On the repeal becoming effective, the provisions of the Companies Act will apply in relation to sick companies, under which the reference must be made to the National Company Law Tribunal, and not the Board for Industrial and Financial Reconstruction.

The Securitization Act focuses on improving the rights of banks and financial institutions and other specified secured creditors as well as asset reconstruction companies by providing that such secured creditors can take over management control of a borrower company upon default and/or sell assets without the intervention of courts, in accordance with the provisions of the Securitization Act subject to limitations as set forth in section 31 of the Securitization Act.

Regulations Governing Insurance Companies

Subsidiaries offering life insurance and non-life insurance are subject to the provisions of the Insurance Act, 1938 and the various regulations prescribed by the IRDA. 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.

Income Tax Benefits

As a banking company, the Bank is entitled to certain tax benefits under the I.T. Act including the following:

(i). The Bank's dividend income is exempt from income tax.

(ii). The Bank is entitled to a tax deduction on the provisioning towards bad and doubtful debts equal to 7.50% of the Bank's total business income, computed before making any deductions prescribed under Section 36(1)(viii)(a) of the I.T. Act, and to the extent of 10.00% of the aggregate average advances made by our rural branches computed in the manner prescribed.

Corporate Governance

The Bank adheres to certain corporate governance requirements as prescribed by clause 49 of its listing agreements with the Stock Exchanges, including, ensuring the minimum number of independent directors on the Board, and composition of various committees such as audit committee and remuneration committee.

The Banking Ombudsman Scheme

The Banking Ombudsman Scheme, 2006 was introduced with effect from January 1, 2006 and provides for an enlarged extent and scope of the authority and functions of the banking ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. In February 3, 2009, the said scheme was amended to provide for revised procedures for redressal of grievances by a complainant under the scheme.

Payment and Settlement Act

The Payment and Settlement Systems Act, 2007 was introduced to provide for the regulation and supervision of payment systems by the RBI. The said act authorizes the RBI to permit the setting up and continuance of payment and settlement systems, to set standards, to call for returns and information, to audit and inspect, to issue directions, and to impose penalties and initiate prosecution for violations of the said act. On August 12, 2008, the RBI notified two regulations under the said act, namely, the Board for Regulation and Supervision of Payment and Settlement Systems Regulation, 2008 and the Payment and Settlement Systems Regulations, 2008 which provided for the constitution of a board to oversee the implementation of the said act and procedures for service providers to obtain approval for providing their payment services.

The Regional Rural Banks Act, 1976 ("RRB Act")

RRBs are established under the RRB Act, 1976 by the GoI at the instance of a sponsor bank. The GoI may also issue notifications specifying the local limits within which a given RRB shall operate. The sponsor bank shall subscribe to the share capital of the RRB, train personnel and provide managerial and financial assistance to the RRB during the first five years of its operations.

The RRB Act stipulates the limit of the paid-up capital of an RRB and further stipulates that the shares shall always be fully paid up shares of one hundred rupees each, 50% of such shares shall be subscribed to by the GoI, 15% by the concerned state government and 35% by the sponsor bank. The issued capital can be changed by the board of directors of the RRB (with the prior approval of the GoI) after consultation with NABARD, the concerned state government and the sponsor bank.

The RRB Act further requires that the board of directors shall consist of the following:

(i). a chairman-appointed by the sponsor bank;

(ii). two directors, nominated by GoI, who are not officers of GoI, the concerned state government, RBI, NABARD, sponsor bank or any other bank;

(iii). one Director to be nominated by the RBI, such person being an officer of the RBI;

(iv). one director to be nominated by NABARD, such person being an officer of NABARD;

(v). two directors to be nominated by the sponsor bank, such person being an officer of the sponsor bank; and

(vi). 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 as 'The Punjab and Sind Bank Limited' on June 24, 1908, with its registered office situated at Hall Bazar, Amritsar, Punjab, India. The Bank is one of the six banks which were nationalized on April 15, 1980.

The Bank was constituted as a 'corresponding new bank' on April 15, 1980, as defined under Section 2(b) of the Bank Acquisition Act. The central and administrative office of the Bank at the time of constitution under the Bank Acquisition Act was situated at B-45/47, Connaught Place, New Delhi 110 001.

For details in relation to the Bank's activities, services, products, market of each segment, its growth, technology, market, managerial competence, standing with reference to prominent competitors, see "***Our Business***" at page 63.

The Bank currently has only one shareholder, *i.e.* the President of India, acting through the Ministry of Finance, GoI.

Main Objects of the Bank

Our Bank, being constituted as a 'corresponding new bank' under the Bank Acquisition Act, does not have a Memorandum of Association or Articles of Association. Our Bank is governed under the provisions of the Constitutional Documents.

As per Section 3(5) of the Bank Acquisition Act,

"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 provides:

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

Section 6(1) of the Banking Regulation Act provides for the form and business in which banking companies may engage and states:

"(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, hundies, promissory notes, coupons, drafts, bill 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, traveler'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 loan and advances; the receiving of all kinds of bonds, scrips or valuables on deposit or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities;

(b) acting as agents for any government or local authority or any other person or persons; the carrying on of agency business of any description including the clearing and forwarding of goods, giving of receipts and discharges and otherwise acting as an attorney on behalf of customers, but excluding the business of a Managing Agent or Secretary and Treasurer of a company;

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

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

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

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

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

(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 pension 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 purpose 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."*

Further, Section 3(7) of the Banking Acquisition Act provides:

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

- *a.* *paying, receiving, collecting and remitting money, bullion and securities on behalf of any Government in India; and*
- *b.* *undertaking and transacting any other business which the Reserve Bank may from time to time entrust to it.*

(ii) *The terms and conditions on which any such agency business shall be carried on by the corresponding new bank on behalf of the Reserve Bank shall be such as may be agreed upon.*

(iii) *If no agreement can be reached on any matter referred to in clause (ii), or if a dispute arises between the corresponding new bank and the Reserve Bank as to the interpretation of any agreement between them, the matter shall be referred to the Central Government and the decision of the Central Government thereon shall be final.*

(iv) *The corresponding new bank may transact any business or perform any functions entrusted to it under clause (i), by itself or through any agent approved by the Reserve Bank".*

Holding Companies

The Bank is a nationalized bank, and its shareholding is entirely held by the President of India, acting through the MoF, GoI. The Bank therefore, does not have any holding company(ies).

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.

The Constitutional Documents of the Bank enable us to undertake our existing activities.

Changes in Head Office/ Central Administrative Office

The central and administrative office of the Bank at the time of constitution under the Bank Acquisition Act was situated at B-45/47, Connaught Place, New Delhi 110 001. The central and administrative office of the Bank was shifted to its current address *i.e.* 'Bank House', 21, Rajendra Place, New Delhi 110 008, India, in the year 1982.

Major Events

S. No.	Year	Particulars
1.	1908	Incorporated as 'The Punjab and Sind Bank Limited' in Amritsar, Punjab
2.	1975	Aggregate deposits with the Bank exceed Rs. 150 crore
3.	1979	Number of branches cross 500
4.	1980	Nationalized along with five other banks and constituted as a 'corresponding new bank' as per the Bank Acquisition Act
5.	1986	Sutlej Gramin Bank established as a regional rural bank with effect from March 22, 1986, in the state of Punjab, under the name Faridkot - Bathinda Kshetriya Gramin Bank
6.	1999	The paid-up capital of the Bank was reduced by Rs. 462.47 crore for write down of investments for adjustment of losses
7.	2006	Total business of the Bank for financial year 2005-06 crosses Rs. 25,000 crore
8.	2008	• Highest percentage of growth in advances of 56.28% among all public sector banks in India • Gross NPAs dropped to less than 1.00% for financial year 2007-08 • The equity capital of the Bank was restructured by converting an amount of Rs. 160.00 crore into IPDI, Rs. 200.00 crore into PNCPS and Rs. 200.00 crore into PCPS, while retaining Rs. 183.06 crore as the equity capital
9.	2009	Total business of the Bank for financial year 2008-09 crosses Rs. 50,000 crore
10.	2010	• Total business of the Bank crosses Rs. 81,000 crore • Net profit of the Bank crosses Rs. 500.00 crore • Joined the NFS • First CBS branch rolled-out on June 24, 2010

Awards/ certifications/ recognitions received by the Bank

S. No.	Year	Award and Recognition
1.	2008	Annual Business Today-KPMG survey of 'Best Banks in India, 2008 - ranked no. one on the list of 'Small Sized Best Banks in India'

Our Promoter and Associate

The Bank is promoted by the President of India, acting through the Ministry of Finance, GoI. There is one Associate RRB sponsored by the Bank, the Sutlej Gramin Bank.

For further details, see "***Our Promoter and Associate***" on page 161.

Subsidiaries

The Bank does not have any subsidiaries as on the date of this Draft Red Herring Prospectus.

Shareholders' Agreements

As on the date of filing of this Draft Red Herring Prospectus, the Bank is not a party to any subsisting shareholders' agreement(s).

Material Agreements

The Bank has entered into agreements with parties which are material to the Bank conducting its operations and undertaking its business. Certain agreements have been entered into for technological purposes, and whilst they do not increase the Bank's activities, they are material to the Bank's performance in the banking sector.

The Bank is required to possess licenses to undertake certain activities from regulatory bodies, authorities and other governmental entities in India for undertaking some of its obligations under some of the agreements it has entered into. The Bank has accordingly procured licensing for corporate agency pertaining to life insurance, general insurance and operation as a banker to the issue. For further details, see ***"Government and Other Approvals"*** on page 346.

Corporate Agency Agreement with Aviva Life Insurance Company India Private Limited ("Aviva") for Life Insurance Products ("Life Insurance Agreement")

The Bank has entered into a Life Insurance Agreement dated September 13, 2004 with Aviva, pursuant to which the Bank has been appointed as the corporate agent of Aviva, and is responsible for soliciting, promoting, marketing and selling of the insurance products of Aviva, utilizing trained and qualified employees and resources of the Bank, provide insurance consultancy and risk management services, and to receive on behalf of, and provide information to Aviva with respect to any claims and complaints pertaining to the insurance products of Aviva, for a commission payable to the Bank on the sale of such insurance products. The Bank is further obliged to provide underwriting information to Aviva, submit quotations on behalf of Aviva and pass on documentation, applications, cheques, drafts, monies, properties or securities pertaining to the business of insurance, received on behalf of Aviva, to Aviva without amendment or delay. However, Aviva is responsible for the negotiation and settlement of claims pertaining to the insurance products, and retains the exclusive right to pay, settle or repudiate in part or whole, such claims. A supplemental agreement dated February 6, 2009 was executed, making certain amendments to the provisions of the Life Insurance Agreement, including the term of the Life Insurance Agreement.

Exclusivity

The Life Insurance Agreement is exclusive on the part of the Bank, and the Bank is not permitted to act as the corporate agent, directly or indirectly, for any other life insurer.

Commission

In consideration of the activities undertaken by our Bank under the Life Insurance Agreement, Aviva shall pay commission, including renewal commission to our Bank on the life insurance products sold by our Bank, as specified in the Life Insurance Agreement, and inclusive of all costs, expenses, charges and administration charges, which might be incurred or paid by our Bank, and after deduction of any taxes and/or levies, as may be applicable from time to time.

Term and Termination

The Life Insurance Agreement shall be valid until March 31, 2012, unless terminated earlier in accordance with the terms of the Life Insurance Agreement, provided that either party may terminate the Life Insurance Agreement after September 30, 2010, for any reason whatsoever by sending the other party three months prior notice. Further, the Life Insurance Agreement may be terminated with immediate effect by either party to the Life Insurance Agreement if:

(i) an order is passed by a court of competent jurisdiction for the winding up or dissolution of a party, except if such winding up or dissolution occurs in the course of a re-organization or restructuring with prior written consent of the other party;
(ii) any step is taken (and not withdrawn within 30 days) to appoint a liquidator, receiver or other similar officer in respect of any party;
(iii) a material breach or persistent breach of the provisions of the Life Insurance Agreement by a party, and failure to remedy such breach within 30 days of notice of such breach being given by the other party;
(iv) cessation of holding requisite licenses, approvals or authorizations, or benefit of consents or exemptions necessary to be able to perform the stipulate obligations of the Life Insurance Agreement by a party;

Branding and Intellectual Property

The Bank is entitled to use the branding and intellectual property of Aviva, including trade names, trademarks, logo, style and patents under the Life Insurance Agreement only with prior written consent of Aviva, and exclusive ownership, right and title to such branding and intellectual property shall be retained by Aviva.

Indemnity

The Bank and Aviva shall indemnify each other against all costs, expenses, claims, liabilities, demands, prosecutions, damages and proceedings which may be caused to one party on account of breach, default or non-performance of the Life Insurance Agreement, non-compliance with any statutory or legal requirements (including the violation of the Code of Conduct prescribed under the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002), or any improper or negligent act or omission by the other party.

Corporate Agency Agreement ("Corporate Agency Agreement") with Bajaj Allianz for General Insurance Products

Pursuant to the terms of the memorandum of understanding dated March 22, 2003 with Bajaj Allianz, the Bank had entered into a Corporate Agency Agreement in the year 2003 with Bajaj Allianz in terms of which the Bank has been appointed as a corporate agent of Bajaj Allianz, and is responsible for soliciting, procuring and undertaking the marketing of general insurance products of Bajaj Allianz at its designated branches, through insurance officers and employees of Bajaj Allianz, intimating to Bajaj Allianz any information received by the Bank pertaining to any claims with respect to the general insurance products and completion of necessary formalities relating to such claims, and periodical reporting on policies, receipts or notes in possession of the Bank for delivery or collection by policy holders, provided that the Bank shall not negotiate or enter into any agreement of any nature whatsoever on behalf of Bajaj Allianz, notwithstanding the soliciting of insurance business by the Bank. The Corporate Agency Agreement was renewed on November 15, 2006 for a period of three years, and thereafter, further renewed with revised terms on January 27, 2010.

Commission

In consideration of the activities undertaken by our Bank under the Corporate Agency Agreement, Bajaj Allianz shall pay a commission to our Bank for marketing the general insurance products at such rates, as may be notified by Bajaj Allianz from time to time, by written notice or publication on the website of Bajaj Allianz or by providing copies at the outlets of Bajaj Allianz, subject to the limits specified under the Insurance Act, 1938 or the limits that may be specified from time to time by the IRDA.

Term and Termination

The term of the Corporate Agency Agreement is until the expiry or cancellation of our Bank's license as a corporate agent for general insurance products, or for a period of three years from its becoming effective, whichever is earlier, subject to renewal by mutual consent, provided notice of such renewal is given by Bajaj Allianz to the Bank at least 30 days before the expiry of such term. The Corporate Agency Agreement shall be immediately terminable by either Bajaj Allianz or the Bank at any time, if the other violates any of the terms, conditions, covenants or obligations contained in the Corporate Agency Agreement, and if such default is not rectified within the period stipulated in the notice of default (as required to be provided as per the Corporate Agency Agreement by the non-defaulting party to the defaulting party), provided that such period shall not be less than 15 days from the date of default.

The Corporate Agency Agreement is further terminable for dissatisfaction of one party in performance of the other, upon issue of 30 days notice without being required to provide reasons for dissatisfaction in performance.

Further, the Corporate Agency Agreement shall be immediately terminable in the event:

(i) the license of the Bank to act as the corporate agent of Bajaj Allianz is cancelled by the IRDA;
(ii) the Bank or Bajaj Allianz violate the provisions of the Insurance Act, IRDA Act or any of the rules or regulations made thereunder, or is found guilty of misconduct or violates any of the requirements under the Code of Conduct for Agents as prescribed by the IRDA;
(iii) if the Bank furnishes wrong or false information and/or documents relating to its activities under the Corporate Agency Agreement, or fails to renew its license;

Exclusivity

The Bank shall not, by itself or in conjunction with others, directly or indirectly, advertise or endorse or sell or solicit to sell the products of any other general insurance company or enter into any agreement similar to the Corporate Agency Agreement with any other company.

Distribution Agreement with UTI AMC for Mutual Fund Products

The Bank has entered into an agreement ("**Distribution Agreement**") dated July 27, 2005, with UTI AMC, pursuant to which the Bank has been appointed as the corporate agent of UTI AMC for distribution of mutual fund products of UTI AMC, in accordance with the regulations/guidelines issued by SEBI pertaining to mutual funds. The Bank shall be responsible for designating branches to perform the functions of corporate agent of UTI AMC, and such designated branches shall be responsible for distribution of mutual fund products of UTI AMC, accepting applications supported with remittances, payable for subscribing to schemes of UTI AMC, scrutinizing the applications, preparing collection schedule of applications received, and presentation of the payment instrument upon clearing, provided that UTI AMC shall be responsible for investor grievance redressal at all times. The Distribution Agreement was renewed pursuant to letter dated October 20, 2008 from UTI AMC to the Bank and the same was accepted by a corresponding acceptance letter dated November 4, 2008.

Commission

In consideration of the activities undertaken by our Bank under the Distribution Agreement, UTI AMC shall pay commission in respect of the business handled by the branches of our bank with respect to the mutual fund products, on a monthly basis, at rates prescribed in the Distribution Agreement, provided that depending on market conditions, UTI AMC reserves the right to alter the commission rates from time to time. UTI AMC shall further reimburse to our Bank handling charges as per rates prescribed in the Distribution Agreement, on a monthly basis, subject to alteration from time to time.

Term and Termination

The Distribution Agreement shall be valid for a period of three years from the date of signing, subject to renewal by mutual consent through correspondence. The Distribution Agreement may be terminated prior to the expiry of its term by written notice of three months without assigning any reasons, from the Bank to UTI AMC or vice versa, provided that until the expiry of the notice period of termination, all duties and obligations of both parties shall survive.

Master Outsourcing Agreement ("Outsourcing Agreement") with Wipro for Provision of CBS System to 500 Branches of the Bank

The Bank has entered into a master Outsourcing Agreement dated February 24, 2010 with Wipro, appointing Wipro as the vendor for implementing a 'CBS project' initiated by the Bank with Satyam Computer Services Limited. The cost of implementation of this 'CBS project' is estimated at Rs. 108.00 crore.

Scope of Work

Wipro shall furnish complete requirements from a technological perspective for the banking operations of the Bank, in terms of products, as well as services, including:

(i) Hardware: Re-using existing hardware, mail storage system, disaster recovery site hardware, refreshing of servers, networking, provided that Wipro shall retain the title to such hardware until such is purchased by the Bank;
(ii) Software: Furnishing required software support for monitoring, management, reporting, audit of application systems, operating systems, database and networking systems, data storage, centralized mail and requisite software for banking;
(iii) Functional Requirements: Implementation of software system named Finacle version 7.0.18 or above, trade finance and risk management modules, online payment of taxes modules, support and decision appraisal support systems for retail lending, support accounting products, system-based classification of accounts-related products, integration of such products with existing systems, support for foreign exchange operations, corporate products, customer services and interface and delivery channels, including ATM systems, telephonic and online banking, kiosk banking and existing applications;
(iv) Data Migration: Migration of data from existing systems to systems provided under the Outsourcing Agreement, including strategizing migration, development of data entry and conversion programs and verification of post-migration data;
(v) Hosting: Co-hosting of the data center and disaster recovery center independently of the bank data storage system;
(vi) Network Extension: Extending existing networking infrastructure to an additional 158 branches, installation and commissioning, integration and testing; and
(vii) Technical Support: Identification of detailed interface requirements for integrating existing systems with proposed systems, establishing data-upload channels between the Bank and the data center and disaster recovery center, conduction of systems requirement specifications and provision of functional requirements specification manual, gap identification and resolution, implementation and testing, training of employees of the Bank and facilities management.

Consideration

In consideration of providing the services and undertaking the activities under the Outsourcing Agreement, our Bank shall pay Wipro fees as stipulated in the Outsourcing Agreement, on the successful achievement of milestones as specified in the Outsourcing Agreement, inclusive of all costs such as insurance, taxes, custom duties, levies, cess, out-of-pocket expenses and other charges. The aggregate amount to be paid by our Bank to Wipro through the tenure of the Outsourcing Agreement is Rs. 108.00 crore.

Term and Termination

The Outsourcing Agreement shall remain in force for a period of 120 months from its becoming effective, unless terminated in terms of the Outsourcing Agreement. Termination may be invoked by written notice from the Bank to Wipro if Wipro fails to perform its obligations under the Outsourcing Agreement, including delays, discrepancy in quantity of equipment and software supplied, corrupt and fraudulent practices on part of Wipro, for a period of one month without rectification, if Wipro becomes insolvent, or for convenience (with written notice of 60 days).

If the Bank defaults in making undisputed payment under the Outsourcing Agreement, Wipro shall give notice of at least 60 days for non-payment. If payment is still not made, Wipro may, subject to the reverse transition clause, terminate the Master Outsourcing Agreement by written notice of 30 days. The Bank may terminate the Outsourcing Agreement for its convenience by giving a written notice of not less than 60 days to Wipro.

Indemnity

Wipro shall indemnify the Bank against all third party claims, costs, losses, damages, expenses, actions, suits and proceedings relation to any careless act, omission, wilful misconduct or gross negligence of, or any act committed not in accordance with the scope of the CBS project, infringement of any intellectual property rights, loss or damage to Bank's premises, property, data and life on the part of Wipro, its employees, sub-contractors or agents, subject to a maximum limit on aggregate liability of Rs. 108.00 crore, provided that there shall be no such limit on liability in the event of wilful misconduct or gross negligence, or infringement of intellectual property on the parties of Wipro, its employees, sub-contractors or agents.

Delay and Liquidated Damages

Failure or inability of Wipro to perform their obligations under the Outsourcing Agreement within the specified time limit as a breach of contract, entailing the payment of liquidated damages on the part of Wipro.

Service Level Agreement ("Service Level Agreement") with Financial Software and Systems Private Limited ("FSSPL") for Outsourcing of Activities Pertaining to ATM Operations

The Bank has entered into a Service Level Agreement dated May 27, 2008 with FSSPL for outsourcing of ATM-related services provided by the Bank.

Scope of Work

FFSPL shall provide services relating to ATM operations of the Bank, including:

(i) On-line ATM transaction processing services for the Bank, with the balance authorization being provided by the relevant branch host/CBS systems;
(ii) Connection of ATM lines;
(iii) Configuration of cash cassettes and transaction support;
(iv) ATM screen configuration;
(v) Routing to branch systems of the Bank;
(vi) Card issuing and management; and
(vii) Monitoring.

Consideration

In consideration of FFSPL providing the services under the Service Level Agreement, our Bank shall pay to FFSPL such charges as are specified under the Service Level Agreement.

Term and Termination

The Service Level Agreement shall remain in force for a period of five years from its becoming effective, unless terminated. Unless notice of intention of non-renewal is issued, the Service Level Agreement shall be extended for a specified period on revised terms and conditions as are mutually agreeable by the parties.

Either party to the Service Level Agreement may terminate the Service Level Agreement by written notice of 30 days, if there is a breach of any provision of the Service Level Agreement, which is either not remedied within 30 days of issuance of notice, or is material and cannot be remedied.

Indemnity

The Bank and FSSPL shall hold each other, their respective directors, employees, officers, representatives and agents indemnified from and against all direct losses, claims, damages and liabilities suffered as a result of any breach of the provisions of the Service Level Agreement by the indemnifying party or as a result of any incorrect or misleading statement by the indemnifying party.

Limitation of Liability

Except under the provisions of the Service Level Agreement, the Bank and FSSPL shall not be held responsible for any consequential, indirect, incidental, special, or punitive damages, whether foreseeable or unforeseeable, arising out of services not being in conformity with the Service Level Agreement, and in no event will the liability exceed the amount received by FSSPL in the financial year immediately preceding the period during which loss is caused.

Master Service Level Agreement with National Payment Corporation of India ("NPCI") for Provision of Intermediary Network Switching Through the NFS Infrastructure and Other Support Services.

Our Bank has entered into a non-exclusive, master service level agreement ("**NFS Agreement**") dated May 29, 2010 with NPCI for provision of intermediary network switching through the NFS infrastructure and other support services by NPCI, as may be required for accounting and settlement of transactions by customers of our Bank through ATMs of other banks, who have agreed to share their respective ATMs ("**Reciprocating Banks**"), and by customers of such Reciprocating Banks though ATMs of our Bank.

Consideration

For provision of services under the NFS Agreement, NPCI will be entitled to a non-refundable, one-time subscription fee of Rs. 0.03 crore, over and above other transactional fees as per the provisions of the NFS Agreement, along with reimbursement of expenditure incurred by NPCI in performance of the obligations stipulated under the NFS Agreement.

Term and Termination

The NFS Agreement shall remain effective from the date of signing of the NFS Agreement, until terminated through one of the following mechanisms:

(i) Either our Bank or NPCI may terminate this agreement at any time by providing written notice of a period of 90 days to the other, provided that the services stipulated under the NFS Agreement shall continue for a period of 12 months from the date of signing of the NFS agreement.
(ii) Further, either our Bank or NPCI may terminate this agreement with immediate effect in the event that the other commits a material default of the NFS agreement, which is incapable of remedy.
(iii) In the event such material default of the NFS Agreement is capable of being remedied, but remains un-remedied for a period of 30 days following notice of such breach being provided, the non-defaulting party may terminate the NFS Agreement following the 90 day period of written notice.
(iv) If our Bank loses its eligibility to continue the business for the facilitation of which the NFS Agreement has been executed, the NFS Agreement shall stand terminated, provided that the NFS Agreement would continue to remain in force for a period not exceeding six months from such cessation only for the purpose of resolution of disputes.
(v) The NFS Agreement shall further be terminable immediately upon giving notice if either our Bank or NPCI:

    (a) Makes an assignment for the benefit of its creditors;
    (b) Files a petition, or has a petition filed against it, under any bankruptcy, insolvency, reorganization or similar law;
    (c) Appoints a trustee or receiver, or has a trustee or receiver appointed against it for any of its property; or
    (d) Commences proceedings, or has proceedings commenced against it for liquidation or winding-up (by resolution or otherwise).

Scope of Services

NPCI shall provide the following services under the NFS Agreement to our Bank:

(i) Maintaining and operating the NFS infrastructure, encryption of the communication link between our Bank and the NFS Infrastructure;
(ii) Interconnecting our Bank with other member banks on the NFS electronic funds transfer switching infrastructure and facilitating switching of electronic funds transfer transactions ("**EFT Transactions**") originating from ATM delivery channels of our Bank;
(iii) Clearing and settlement of EFT Transactions between our Bank and other members on the NFS infrastructure, through the Clearing Corporation of India Limited ("**CCIL**") as the clearing agency;
(iv) Maintenance of records pertaining to EFT Transactions;
(v) Dispute management services for disputes pertaining to error in the settlement calculation, non-disbursement of funds, disbursement of funds in excess of amount requested and error in crediting or debiting the respective account; and
(vi) Ancillary services including provision of network connectivity and certification of our Bank as a member of the NFS infrastructure.

Damages

In the event of termination by NPCI for breach of the NFS Agreement as described hereinabove by our Bank, NPCI shall be entitled to balance amount of payment due after settlement of accounts under the NFS Agreement, if any. Further, in the event of termination by our Bank for material default by NPCI, our Bank shall be entitled to all monies paid to NPCI under the Agreement in the 12 month period prior to the date on which such breach occurred.

In the event of termination of the agreement prior to expiry of period of twelve months following the signing of the NFS Agreement as mentioned hereinabove, our Bank shall pay damages of Rs. 0.05 crore to NPCI, which in turn shall assess the total liabilities of all aggrieved banks and distribute such amount proportionate to liability.

Strategic Partners and Financial Partners

As on the date of filing of this Draft Red Herring Prospectus, the Bank does not have any strategic or financial partners.

OUR MANAGEMENT

The following table sets forth details of our Board of Directors as of the date of filing this Draft Red Herring Prospectus with SEBI:

Name, Designation, Occupation, Nationality, PAN and Term	Age	Address	Other Directorships/ Partnerships/ Trusteeships
Mr. P.K. Anand *Executive Director* *Occupation:* Service *Nationality:* Indian *Term:* December 7, 2009 to May 31, 2013 or until further orders, whichever is earlier PAN: AAUPA8611R	57	A - 1/166, Safdarjung Enclave, New Delhi 110 029	Nil
Mr. A. Bhattacharya *Government Nominee Director* *Occupation:* Service *Nationality:* Indian *Term:* January 27, 2009 until further orders. PAN: ACIPB5865G	56	B2/8, Peshwa Road, MS Flats, New Delhi 110 001	Nil
Mr. B.P. Kanungo *RBI Nominated Independent Director* *Occupation:* Service *Nationality:* Indian *Term:* July 30, 2010 until further orders. PAN: ACAPK1642C	51	R-100, RBI Officers Flats, Gandhi Nagar, Jaipur 302 015	Nil
Mr. A.K. Surana *Independent Director* *Occupation:* Chartered Accountant *Nationality:* Indian *Term:* December 31, 2008 to December 31, 2011 or until further orders, whichever is earlier PAN: AOVP55083A	57	H-38, Nishat Colony, 74 Bunglows, Bhopal, Madhya Pradesh	Nil

Name, Designation, Occupation, Nationality, PAN and Term	Age	Address	Other Directorships/ Partnerships/ Trusteeships
Mr. M.V.S. Prasad *Independent Director* *Occupation:* Agriculturist *Nationality:* Indian *Term:* January 25, 2008 to January 24, 2011 or until further orders, whichever is earlier PAN: AQCPM5596P	46	House No. 9.7.11, Md. Ali Street, Gandhinagar, Kakinada 534 004	Nil
Mr. K.M. Gangawat *Independent Director* *Occupation:* Business *Nationality:* Indian *Term:* July 10, 2008 to July 9, 2011 or until further orders, whichever is earlier PAN: ABQEG5372E	59	16, Ramanand Nagar, Lal Diggi, Alwar, Rajasthan	Nil
Mr. Hari Chand Bahadur Singh *Independent Director* *Occupation:* Agriculturist and Social Worker *Nationality:* Indian *Term:* December 4, 2008 to December 3, 2011 or until further orders, whichever is earlier PAN: AXBPH5956P	46	RR Kothi, Canal Road, Raebareli, Uttar Pradesh	Nil
Mr. Manish Gupta *Independent Director* *Occupation:* Ex-serviceman *Nationality:* Indian *Term:* July 12, 2010 to July 11, 2013 or until further orders, whichever is earlier PAN: ADHPG2404Q	68	20, Suren Tagore Road, Kolkata 700 019, West Bengal	1. Tata Metaliks Limited; 2. Texmaco limited; 3. India Carbon Limited; and 4. Calcom Cement India Limited.
Mr. Karanpal Singh Sekhon *Independent Director* *Occupation:* Agriculturist *Nationality:* Indian *Term:* July 5, 2010 to July 4, 2013 or until further orders, whichever is earlier PAN: ASGPS22750	54	House No. 26, Sector 4, Panchkula, Haryana	Nil

All the Directors of the Bank are Indian nationals. Further, none of the Directors of the Bank are related to each other.

Brief biographies of the Directors

Mr. P. K. Anand

Mr. Anand, aged 57, is our Executive Director. He holds a bachelor's degree in commerce from the University of Delhi and a master's of business administration from Allahabad University. He has more than 33 years of experience in the banking and finance sector. He has previously worked with Allahabad Bank as a general manager and was appointed as the Executive Director of our Bank on December 7, 2009.

Mr. A. Bhattacharya

Mr. Bhattacharya, aged 56, is a Government Nominee Director on our Board. He holds a bachelors degree in law from the University of Delhi and a master's degree in arts from Calcutta University. He also holds a master's degree in philosophy (Public Administration) from Punjab University. He also holds a Ph.D in agricultural economics from Agra University. He has almost 30 years of experience in the finance sector. He has previously served on the board of directors of UCO Bank and State Bank of Patiala. He currently serves as Director, Department of Financial Services, Ministry of Finance, GoI. Mr. Bhattacharya was appointed as the Government Nominee Director of the Bank on January 27, 2009.

Mr. B.P. Kanungo

Mr. B.P. Kanungo, aged 51, is a RBI Nominee Director on our Board. He holds a bachelor's degree and a master's degree in arts and a bachelor's degree in law from Utkal University. He has more than 25 years of experience in the banking and finance sector. He is the Regional Director, RBI for the Rajasthan region. Mr. Kanungo was appointed as a director nominated by the RBI on July 30, 2010.

Mr. A.K. Surana

Mr. Surana, aged 57, is an independent Director on our Board. He holds bachelor's degree in science from Jabalpur University. He is a member of the Institute of Chartered Accounts of India and a practicing chartered accountant. He has almost 33 years of experience in the fields of finance, audit, company law and taxation matters. Mr. Surana has also served as a member of the Task Force for MoU Negotiations with Central Public Sector Enterprises (fiscal 2008 – fiscal 2010). He has also served as a member of the Madhya Pradesh State Committee for Employment. Mr. Surana joined the Board on December 31, 2008 as an independent Director.

Mr. M.V.S. Prasad

Mr. Prasad, aged 46, is an independent Director on our Board. He holds a bachelor's degree in arts from Andhra University. Mr. Prasad is an agriculturist, with almost 15 years of experience in politics. Mr. Prasad joined the Board on January 25, 2008 as an independent Director.

Mr. K.M. Gangawat

Mr. Gangawat, aged 59, is an independent Director on our Board. He holds a bachelor's degree in arts and a master's degree in economics from Rajasthan University. Mr. Gangawat is an agriculturist and a social worker. He also has almost 30 years of experience in politics. He has also served as the vice-chairman of the 20 Point Implementation Committee, Alwar, Rajasthan. He joined the Board from July 10, 2008 as an independent Director.

Mr. Hari Chand Bahadur Singh

Mr. Singh, aged 46, is an independent Director on our Board. He holds a bachelors degree in science from Kanpur University. Mr. Singh is an agriculturist and has almost 24 years of experience in politics. He is also a social worker. He joined the Board on December 4, 2008 as an independent Director.

Mr. Manish Gupta

Mr. Gupta, aged 68, is an independent director on our Board. He holds a bachelors degree in science from Calcutta University. Mr. Gupta is a retired IAS officer with over 40 years of experience in areas such as finance, budget functions, rural development, urban transport and industrial development. He has also served as the Chief Secretary to the Government of West Bengal and the Chief Executive Officer of National Textile Corporation Limited (Eastern Region). He joined the Board on July 12, 2010 as an independent Director.

Mr. Karanpal Singh Sekhon

Mr. Sekhon, aged 54, is an independent director on our Board. He holds and bachelor's degree and a master's degree in arts from Kurukshetra University. Mr. Sekhon is an agriculturist with over 25 years of experience in the agricultural sector. He joined the Board from July 5, 2010 as an independent Director.

Remuneration of the Directors

The details of remuneration paid to the Directors during the last fiscal year (fiscal 2010) are as follows:

Remuneration paid to Executive Directors

The Chairman and Managing Director and the Executive Director of the Bank are paid remuneration, performance linked incentive and provided reimbursement of travelling and halting expenses as per the rules framed by the GoI but none of them are paid sitting fees for attending the meetings of the Board and other committees. The perquisites paid to the executive Directors include entertainment allowance, residential accommodation, use of office car/conveyance, travelling allowance for travel by air and leave travel concession, provident fund and medical benefits. The details of gross remuneration paid to the Executive Directors for the fiscal 2010 are set out below:

(In Rs. crore)

Sr. No.	Name of Director	Amount
1.	Mr. G.S. Vedi*	0.20
2.	Mr. P.K. Anand	0.03

** Mr. G.S. Vedi reached his superannuation on June 30, 2010.*

Terms and Conditions of employment of the Executive Directors

Mr. P.K. Anand

The current salary, allowance fees, perquisites and conditions of appointment of Mr. P.K. Anand are as set forth in notification (F.No.20/14/2009-B.O.I) dated January 21, 2010, of the GoI, Ministry of Finance, Department of Financial Services. As per the notification Mr. P.K. Anand's pay is fixed at Rs. 65,000 per month with effect from December 7, 2009. He is also entitled to dearness allowance of Rs. 17,550 per month. Further, his allowance fees, perquisites and other terms and conditions of appointment will be as defined by the GoI from time to time.

The terms and conditions governing the terms of appointment of whole-time directors ("**WTD**") of public sector banks, as specified by the GoI, are briefly mentioned below:

Dearness allowance	Entitled to dearness allowance as admissible to group 'A' officers of the central government drawing equivalent pay as may be fixed by the central government from time to time.
City compensatory allowance	Entitled to a city compensatory allowance as per existing rates subject to a maximum cap depending upon the city.
Entertainment allowance	Entitled to reimbursement of actual entertainment expense by the bank subject to the prescribed ceiling. The membership fees, if any, of clubs, is an admissible item of entertainment expenses adjustable within the above ceiling.
Increment	The qualifying period for earning an increment is 12 months. The increment is to be drawn from the 1st of the month in which it falls due.
Residential accommodation	Entitled to rent free accommodation. The type of accommodation, its purchase price/rent is to be approved by the board of directors of the bank. The bank may also provide furniture at his

	residence in accordance with the instructions contained in the Banking Division's letter no. 13/4/94-B.O.I dated September 22, 1994.
Conveyance, travelling and halting allowance	Entitled to free use of the bank's car for official purposes. Charges for private use of the car are recoverable by the bank subject to certain conditions. They are also entitled to reimbursement of single fare of the class of accommodation actually used but exceeding the fare of the class to which they are usually entitled. Additionally, they are entitled to accommodation in a hotel other than five star hotels while on tour for official purposes.
Provident Fund	Entitled to a monthly contribution by the bank towards provident fund for a sum equal to 10% of pay provided that the individual himself subscribes to it for an amount of not less than 10% of pay.
Performance linked incentive	Entitled to performance linked incentives subject to broad quantitative parameters fixed for the performance evaluation matrix based on the statement of intent and goals and qualitative parameters and benchmarks based on various compliance reports during the last fiscal year.
Leave and leave travel concession	Entitled to leave as admissible to group 'A' officers of the central government. They along with their family are also entitled to leave travel concession once in a block of two years for visiting any place in India subject to certain terms and conditions.
Acceptance of directorships, ex-officio posts, honorary posts, etc	WTDs of public sector banks cannot accept any directorship or ex officio post or honorary post in any company, association, society, institution, trust or any other organisation which is not wholly owned by the bank, without prior permission of the central government.
Medical benefits	Entitled to medical benefits in accordance with the rules relating to medical attendance for chairman and managing directors/ executive directors of nationalised banks. They are also entitled to certain post retirement medical benefits.
Advances	Entitled to avail house building advance in accordance with the terms and conditions of the scheme laid down by the bank's board for the purpose. Additionally, they are also entitled to avail motor car advance with the approval of the bank's board up to the limits and interest rate prescribed.
Bonus	WTDs of public sector banks are not entitled to any bonus.
Pension	Entitled to draw pension, if any, admissible in the career post (below board level) as per the rules and regulations of the bank where the career post was held.
Sitting fees	WTDs of public sector banks are not entitled to any sitting fees for attending the meetings of the bank's board/committees of the board.
Gratuity	Entitled to gratuity at the rate of half month's pay for every completed year of service or more than six months of service as chairman/chairman and managing director/executive director. Where the service is less than six months, they are entitled to seven days pay as gratuity. Gratuity is to be calculated on the basis of the pay last drawn at the time of retirement.

Remuneration paid to Non-Executive Directors

We pay our Non-Executive Directors a sitting fee of Rs. 5,000 per Board meeting and Rs. 2,500 per Committee meeting. Except as stated in this section no amount or benefit has been paid within the two preceding years preceding or is intended to be paid or given to any of the Bank's Directors.

The details of sitting fees paid to the Non-Executive Directors for the fiscal 2010 are set out below:

(in Rs.)

Sr. No.	Name of Director	Amount
1.	Mr. A. Bhattacharya	Nil
2.	Mr. R. Sadanandam*	1,05,000
3.	Mr. Sandip Ghose**	Nil
4.	Mr. A.K. Surana	95,000
5.	Mr. M.V.S. Prasad	75,000
6.	Mr. K.M. Gangawat	57,500

7.	Mr. Hari Chand Bahadur Singh	50,000
8.	Mr. B.P. Kanungo***	Nil
9.	Mr. Manish Gupta***	Nil
10.	Mr. Karanpal Singh Sekhon***	Nil

** Mr. R. Sadanandam ceased to be part of our Board with effect from July 29, 2010.*
***Mr. Sandip Ghose ceased to be part of our Board with effect from July 27, 2010.*
**** Appointed in fiscal 2011.*

Further, except statutory benefits upon termination of their employment in the Bank or retirement, no Director of the Bank is entitled to any benefits.

Bonus or profit sharing plan for our Directors

Pursuant to its notification (F. No. 20/1/2005-BO-I) dated March 9, 2007, the GoI, Ministry of Finance, Department of Economic Affairs has set out broad guidelines for performance linked incentives to whole time directors of public sector banks. The performance linked incentive is given according to scores obtained by the whole time directors as per the performance evaluation matrix prescribed by the said notification. The performance evaluation matrix comprises of quantitative and qualitative factors. The performance evaluation is done by a sub-committee of the Board known as the 'Remuneration Committee' comprising the government nominee director, the RBI nominee director and two other directors.

Shareholding of Directors

Our Constitutional Documents do not require our Directors to hold any qualification shares. As of the date of the filing of this Draft Red Herring Prospectus, none of our Directors hold any shares of the Bank.

Corporate Governance

The Bank believes to the extent it does not violate the guidelines and directives issued by the RBI, it is in compliance with the requirements of the applicable regulations, including the Listing Agreement with the Stock Exchanges and the SEBI ICDR Regulations, in respect of corporate governance including constitution of the Board and committees thereof. The corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of the Board Committees, as required under law. The Bank has a Board of Directors constituted in compliance with applicable law and the listing agreements to be entered into with the Stock Exchanges and in accordance with best practices in corporate governance. The Board of Directors functions either as a full board or through various committees constituted to oversee specific operational areas. The executive management provides the Board of Directors detailed reports on its performance periodically.

Currently the Board has nine Directors (including one RBI Nominated Additional Director), of which the Chairman and Managing Director is an Executive Director. In compliance with the requirements of Clause 49 of the Listing Agreement, we have two executive Directors and one non-executive Director, and five independent Directors, on the Board. In accordance with sub-clause (3) of section 9A of the Banking Acquisition Act, for the purpose of reckoning any proportion of the total number of directors, any additional director appointed under section 9A of the Banking Acquisition Act is not be taken into account.

Further, currently there are no Officer's Director and Workmen Director on our Board of Directors, which is required under the Bank Acquisition Act. The appointment of the Officer's Director is made through panel of nominees from our majority officer's association, the All India Punjab & Sind Bank Officer's Federation ("**AIPSBOF**"), which is forwarded to the GoI along with relevant information and documents. The Bank has been pursuing AIPSBOF for the list of three nominees for forwarding to the GoI along with the requisite documents. However, the nominees list has to be decided at the central committee meeting of AIPSBOF, date of meeting of which has not been decided yet. Similarly, the appointment of the Workmen Director is made through panel of nominees from our majority workmen union, the AIPSBO, which is forwarded to the GoI along with relevant information and documents. However, due to an internal organizational dispute prevailing within the AIPSBSO, the panel of nominees have not yet been prepared or sent to the GoI. The position of the Bank in relation to the appointment of Officer's Director and Workmen Director has been communicated to the GoI, Ministry of Finance, Department of Financial Services, through letters dated March 18, 2010 (no. IRC/1233/2010) and April 19, 2010 (no. IRC/1264/2010), respectively.

Though, currently the Bank is in compliance with the requirement of clause 49 of the Listing Agreement in relation to composition of its Board, it may have to appoint additional director(s) on the Board as and when the Officer's Director and Workmen Director are appointed.

I. Committees of the Board in accordance with the Listing Agreement

A. Audit Committee

As per directives of the RBI, the Bank constituted the Audit Committee with five Directors. The members of the Audit Committee are:

- Mr. A.K. Surana, Chairman
- Mr. P.K. Anand;
- Mr. B.P. Kanungo;
- Mr. A. Bhattacharya; and
- Mr. K.M. Gangawat.

The terms of reference of Audit Committee are:

- overseeing the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the central statutory auditor and the fixation of audit fees;
- approving payment to central statutory auditors for any other services rendered by the central statutory auditors;
- reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
    - matters required to be included in the Director's Responsibility Statement to be included in the report of the Board;
    - changes, if any, in accounting policies and practices along with reasons for the same;
    - major accounting entries involving estimates based on the exercise of judgment by management;
    - significant adjustments made in the financial statements arising out of audit findings;
    - compliance with listing and other legal requirements relating to financial statements;
    - disclosure of any related party transactions; and
    - qualifications in the draft audit report.
- reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- reviewing and monitoring, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems;
- reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- discussing with the internal auditors any significant findings and follow up there on;
- reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- discussing with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
- reviewing the functioning of the Whistle Blower mechanism, in case the same is existing;

- approval of appointment of CFO (*i.e.*, the whole-time finance director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate; and
- carrying out any other function as is mentioned in the terms of reference of the Audit Committee or contained in the Listing Agreement as and when amended from time to time.

During the fiscal 2010, the Audit Committee met eight times.

B. Shareholders'/ Investors' Grievance Committee

The members of the Shareholders'/Investors' Grievance Committee are:

- Mr. A.K. Surana, Chairman;
- Chairman and Managing Director of the Bank, when appointed, and in his absence, an independent director;
- Mr. P.K. Anand, and in his absence, an independent director; and
- Mr. K.M. Gangawat.

The Shareholders'/Investors' Grievance Committee was constituted for speedy redressal of shareholder/investors' complaints/grievances, like, non receipt of refund orders, share certificate, dividend warrant etc., with due care and to the satisfaction of complainants.

II. Other Committees of the Board

A. Management Committee

The members of the Management Committee are:

- Chairman and Managing Director of the Bank, when appointed, Chairman;
- Mr. P.K. Anand;
- Mr. B.P. Kanungo;
- Mr. A.K. Surana;
- Mr. Hari Chand Bahadur Singh; and
- Mr. K. M. Gangawat.

The terms of reference of the Management Committee are to consider and approve:

- High value credit/loan (funded and non funded), compromise and write off proposals.
- Proposals for capital and revenue expenditure and those relating to acquisition and hiring of premises including deviation from prescribed norms for acquisition/ hiring of premises.
- Proposals for high value investments in government and other approved securities including investment in shares/ debentures of companies as well as high value proposals of underwriting, making donations; and
- Any other matter of similar nature referred to it by the Board from time to time.

During the fiscal 2010, the Management Committee met 11 times.

B. Remunerative Committee

The members of the Remunerative Committee are:

- Mr. A. Bhattacharya, Chairman
- Mr. B.P. Kanungo;
- Mr. M.V.S. Prasad; and
- Mr. K.M. Gangawat.

In compliance with notification (F. No. 20/1/2005-BO-I) dated March 9, 2007, of the GoI, Ministry of Finance, Department of Economic Affairs, the Remunerative Committee was formed, for the sole purpose of evaluation of the performances of the whole time Directors of the Bank for payment of performance linked incentives, annually, commencing for the performance of the fiscal year 2006.

During fiscal 2010, the Remunerative Committee met once.

C. Risk Management Committee

The members of the Risk Management Committee are:

- Chairman and Managing Director of the Bank, when appointed, Chairman;
- Mr. P.K. Anand;
- Mr. B.P. Kanungo;
- Mr. M.V.S. Prasad; and
- Mr. A.K. Surana.

The Risk Management Committee identifies, evaluates, monitors and guides the Bank on various categories of risks to which the Bank's business is exposed and devises, based on periodical review and monitoring, such strategies as would ensure stability and efficiency of the national and international operations of the Bank. It also supervises asset liability management system in the Bank.

During the fiscal 2010, the Risk Management Committee met six times.

D. Special Committee of the Board for Monitoring Large Value Frauds

The members of the Special Committee of the Board for Monitoring Large Value Frauds are:

- Chairman and Managing Director of the Bank, when appointed, Chairman;
- Mr. A. Bhattacharya;
- Mr. Hari Chand Bahadur Singh;
- Mr. A.K. Surana; and
- Mr. M.V.S. Prasad.

Terms of the special committee of the Board for Monitoring of Large Value Frauds

In compliance with the guidelines issued by RBI, Special Committee for Monitoring of Large Value Frauds was constituted with the objective of monitoring and follow up of frauds involving Rs. 1.00 crore and above. Further, the committee is involved in the process of identifying lacunae, delay in detection and reporting to the top management of the Bank and RBI, monitoring progress of the CBI/Police investigation and recovery position and making policies and considering relevant strengthen preventive measures against frauds.

During fiscal 2010, the Special Committee for Monitoring Large Value Frauds met four times.

E. Customer Service Committee

The members of the Customer Service Committee are:

- Chairman and Managing Director of the Bank, when appointed, Chairman;
- Mr. P.K. Anand;
- Mr. A.K. Surana; and
- Mr. Hari Chand Bahadur Singh.

In compliance with the directives issued by the RBI, Customer Service Committee has been constituted to:

- ensure implementation of and adherence to the recommendations of Committee on Procedures and Performance Audit of Public Services as well as compliance with its recommendations;
- monitor the ongoing improvement in the level of customer satisfaction for all categories of clientele at all times; and
- consider innovative measures to enhance the quality of customer service.

During fiscal 2010, Customer Service Committee met four times.

F. Vigilance Committee

The members of the Vigilance Committee of the Bank are:

- Chairman and Managing Director of the Bank, when appointed, Chairman;
- Mr. P.K. Anand;
- Mr. A. Bhattacharya; and
- Mr. B.P. Kanungo.

The Vigilance Committee is involved in handling and review of disposal of vigilance disciplinary enquires and departmental enquiries. The Committee is also involved in reviewing the working of the vigilance department.

During the fiscal 2010, Vigilance Committee met five times.

G. Committee of the Board on Appellate/Reviewing Authority

The members of the Committee on Appellate/Reviewing Authority of the Board are:

- Chairman and Managing Director of the Bank, when appointed, Chairman;
- Mr. M.V.S. Prasad; and
- Mr. Hari Chand Bahadur Singh.

The Committee on Appellate/Reviewing Authority is involved in monitoring/reviewing the appeals filed by the aggrieved employee against the order of the Disciplinary Authority.

During fiscal 2010, the Committee on Appellate/Reviewing Authority did not have any meetings.

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 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 Draft Red Herring Prospectus and also to the extent of dividend payable to them and other distributions in respect of the said Equity Shares.

None of our Directors have been appointed on our Board pursuant to any arrangement with our shareholders, customers, suppliers or others.

None of our Directors are interested in any advances or facilities that have been provided by the Bank.

Properties acquired by the Bank from Directors in the last two years

Our Directors confirm that they have no interest in any property acquired by the Bank during the last two years from the date of filing of this Draft Red Herring Prospectus or proposed to be purchased by the Bank.

Borrowing Powers of our Directors:

Under the Constitutional Documents, the Directors do not have any borrowing powers and all the borrowings by the Bank are approved by the Board of Directors.

Changes in our Board of Directors during the last three years

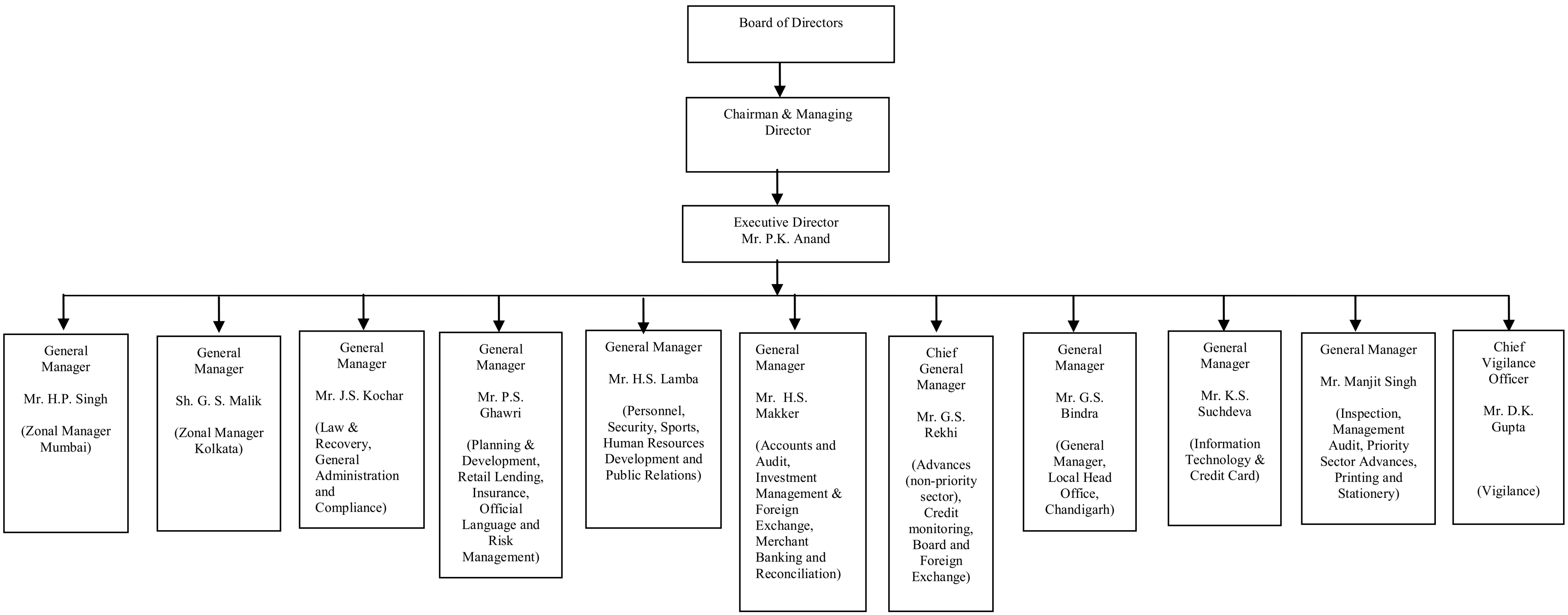
The changes in our Board of Directors during the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason

Name	Date of Appointment	Date of Cessation	Reason
Mr. B.P. Kanungo	July 30, 2010	-	Appointment
Mr. R. Sadanandam	February 27, 2007	July 29, 2010	Completion of tenure
Mr. Sandip Ghose	July 28, 2009	July 27, 2010	Completion of tenure
Mr. Karanpal Singh Sekhon	July 5, 2010	-	Appointment
Mr. Manish Gupta	July 12, 2010	-	Appointment
Mr. G.S. Vedi*	August 26, 2009	June 30, 2010	Superannuation
Mr. P.K. Anand	December 7, 2009	-	Appointment
Mr. A. Bhattacharya	January 27, 2009	-	Appointment
Mr. A.K. Surana	December 31, 2008	-	Appointment
Mr. M.V.S. Prasad	January 25, 2008	-	Appointment
Mr. K.M. Gangawat	July 10, 2008	-	Appointment
Mr. Hari Chand Bahadur Singh	December 4, 2008	-	Appointment
Mrs. Kamal Mann	January 2, 2007	January 1, 2010	Completion of tenure
Mr. K.K. Sharma	January 2, 2007	January 1, 2010	Completion of tenure
Mr. A.S. Mann	October 14, 2004	September 25, 2009	Completion of tenure
Mr. M.S. Sekhon	January 4, 2005	September 25, 2009	Completion of tenure
Mr. R.P. Singh	March 19, 2005	August 26, 2009	Completion of tenure
Mr. R. Gandhi	April 2, 2008	July 28, 2009	Completion of tenure
Mr. Anup K. Pujari	June 10, 2008	January 27, 2009	Completion of tenure
Mrs. Anita Kapoor	October 20, 2006	June 10, 2008	Completion of tenure
Mr. U.K. Sharma	December 9, 2005	April 28, 2008	Resignation
Mr. H.R. Khan	July 5, 2007	April 2, 2008	Completion of tenure
Mr. G.S. Matta	March 24, 2006	March 31, 2008	Superannuation
Ms. Krishna Mohini	November 9, 2005	October 25, 2007	Resignation

** Mr. G.S. Vedi was earlier appointed as the executive director of the Bank on October 16, 2008 and was promoted as the Chairman and Managing Director on August 26, 2009.*

Organization Structure of the Bank



Key Managerial Personnel of the Bank

All of our key managerial employees are permanent employees of the Bank and none of them are related to each other or to any Director of the Bank.

Mr. G.S. Rekhi, aged 59 years, is a Chief General Manager with the Bank. He holds a bachelor's degree in science from the University of Delhi. He also holds a master's degree in science (chemistry) from the Indian Institute of Technology, Delhi. He joined the Bank on January 28, 1974 and was appointed as a Chief General Manager with effect from June 25, 2009. He is currently responsible for the foreign exchange, credit monitoring board and advances (non-priority sector) divisions at the Bank. He has about 36 years of experience in the banking and finance sector. The gross salary paid to him in fiscal 2010 was Rs. 6,47,586. His term of office expires on November 30, 2010.

Mr. H.S. Makker, aged 59 years, is a General Manager with the Bank. He holds a bachelor's degree in science from the University of Delhi. He also holds a master's degree in science (mathematical statistics) from the University of Delhi. He joined the Bank on January 3, 1974 and was appointed as a General Manager with effect from November 7, 2007. He is currently responsible for the accounts and audit, investment management and foreign exchange, merchant banking and reconciliation divisions at the Bank. He has about 36 years of experience in the banking and finance sector. The gross salary paid to him in fiscal 2010 was Rs. 6,67,878. His term of office expires on January 31, 2011.

Mr. H.S. Lamba, aged 59 years, is a General Manager with the Bank. He holds a bachelor's degree in science from the University of Delhi. He also holds a bachelors degree in law from the University of Delhi. He joined the Bank on January 3, 1974 and was appointed as a General Manager with effect from January 1, 2008. He is currently responsible for the personnel, security, sports, human resources development and public relation divisions at the Bank. He has about 36 years of experience in the banking and finance sector. The gross salary paid to him in fiscal 2010 was Rs. 6,40,340. His term of office expires on September 30, 2010.

Mr. P. S. Ghawri, aged 58 years, is a General Manager with the Bank. He holds a bachelor's degree in science from Punjab University. He also holds a master's degree in science (geology) from Punjab University. He joined the Bank on March 17, 1973 and was appointed as a General Manager with effect from May 23, 2008. He is currently responsible for the retail lending, insurance, official language, risk management and planning and development at the Bank. He has about 37 years of experience in the banking and finance sector. The gross salary paid to him in fiscal 2010 was Rs. 5,77,360. His term of office expires on March 31, 2012.

Mr. Manjit Singh, aged 58 years, is a General Manager with the Bank. He holds a bachelor's degree in arts from the University of Delhi. He also holds a bachelor's degree in law from the University of Delhi and a master's degree in arts (political science) from Meerut University. He joined the Bank on August 2, 1971 and was appointed as a General Manager with effect from December 1, 2009. He is currently responsible for inspection, priority sector advances, management audit and printing and stationery divisions at the Bank. He has about 40 years of experience in the banking and finance sector. The gross salary paid to him in fiscal 2010 was Rs. 6,20,167. His term of office expires on September 30, 2011.

Mr. K.S. Suchdeva, aged 59 years, is a General Manager with the Bank. He holds a bachelor's degree in science from Punjab University. He also holds a master's degree in science (agricultural statistics) from the Indian Agricultural Research Institute, New Delhi and a bachelor's degree of law from the Guru Nanak Dev University. He joined the Bank on January 7, 1974 and was appointed as a General Manager with effect from November 1, 2008. He is currently responsible for IT and credit card divisions at the Bank. He has about 36 years of experience in the banking and finance sector. The gross salary paid to him in fiscal 2010 was Rs. 5,99,311. His term of office expires on June 30, 2011.

Mr. J.S. Kochar, aged 58 years, is a General Manager with the Bank. He holds a bachelor's degree in science from Punjab University. He also holds a master's degree in law from Annamalai University and a master's degree in business administration from Punjab University. He joined the Bank on July 9, 1974 and was appointed as a General Manager with effect from May 23, 2008. He is currently responsible for law and recovery, general administration and compliance divisions at the Bank. He has about 35 years of experience in the banking and finance sector. The gross salary paid to him in fiscal 2010 was Rs. 6,93,979. His term of office expires on October 31, 2011.

Mr. G.S. Bindra, aged 56 years, is a General Manager with the Bank. He holds a bachelor's degree in science from Punjab University. He also holds a master's degree in science (mathematics) from Punjabi University and a bachelor's degree of law from Kurukshetra University. He joined the Bank on December 20, 1973 and was appointed as a General Manager with effect from May 23, 2008. He is currently posted as General Manager, Local Head Office, Chandigarh. He has about 35 years of experience in the banking and finance sector. The gross salary paid to him in fiscal 2010 was Rs. 6,06,691. His term of office expires on November 30, 2013.

Mr. G.S. Malik, aged 59 years, is a General Manager with the Bank. He holds a bachelor's degree in science from the University of Delhi. He also holds a master's degree in science (chemistry) from the Indian Institute of Technology, Delhi. He joined the Bank on December 6, 1973 and was appointed as a General Manager with effect from October 24, 2009. He is currently posted as the zonal manager for the Kolkata zone. He has over 35 years of experience in the banking and finance sector. The gross salary paid to him in fiscal 2010 was Rs. 5,86,274. His term of office expires on November 30, 2010.

Mr. H.P. Singh, aged 59 years, is a General Manager with the Bank. He holds a bachelor's degree in Commerce from Lucknow University. He also holds a master's degree in commerce (business administration) from Lucknow University. He joined the Bank on September 12, 1973 and was appointed as a General Manager with effect from October 24, 2009. He is currently posted as the zonal manager for the Mumbai zone. He has about 36 years of experience in the banking and finance sector. The gross salary paid to him in fiscal 2010 was Rs. 5,52,529. His term of office expires on July 31, 2011.

None of our key management personnel have been selected pursuant to any arrangement or understanding with any major shareholders, customers or suppliers of the Bank, or others.

Change in our key managerial personnel during the last three years:

Name	Date of becoming key managerial personnel	Date of cessation	Reason for changes
Mr. Gurcharan Singh	October 24, 2009	July 31, 2010	Superannuation
Mr. Manjit Singh	December 1, 2009	Continuing	Promotion
Mr. G.S. Malik	October 24, 2009	Continuing	Promotion
Mr. H.P. Singh	October 24, 2009	Continuing	Promotion
Mr. G.S. Rekhi*	June 25, 2009	Continuing	Promotion
Mr. K.S. Suchdeva	November 1, 2008	Continuing	Promotion
Mr. G.S. Bindra	May 23, 2008	Continuing	Promotion
Mr. P.S. Ghawri	May 23, 2008	Continuing	Promotion
Mr. J.S. Kochar	May 23, 2008	Continuing	Promotion
Mr. H.S. Lamba	January 1, 2008	Continuing	Promotion
Mr. H.S. Makker	November 7, 2007	Continuing	Promotion
Mr. M.S. Sodhi	October 24, 2009	March 31, 2010	Superannuation
Mr. Ravi Kumar	March 1, 2009	November 30, 2009	Superannuation
Mr. Devinder Singh	April 1, 2002	April 30, 2009	Superannuation
Mr. K.S. Sadar	October 15, 2007	February 28, 2009	Superannuation
Mr. Upkar Singh	August 2, 2004	February 29, 2008	Superannuation
Mr. N.S. Anand	October 15, 2007	January 31, 2008	Superannuation
Mr. V.K. Marwah	October 15, 2007	January 31, 2008	Superannuation
Mr. M.S. Sarang	January 12, 2001	December 31, 2007	Superannuation
Mr. G.S. Vedi	July 29, 2004	November 7, 2007	Appointed as the executive director of Canara Bank
Mr. Gajinder Singh	August 9, 1997	November 30, 2007	Superannuation
Mr. J.S. Kathuria	October 1, 2004	October 31, 2007	Superannuation
Mr. Jaspal Singh	January 12, 2001	June 30, 2007	Superannuation

**Mr. G.S. Rekhi was appointed as a General Manager of the Bank on October 15, 2007. He was further promoted as a Chief General Manager of the Bank on June 25, 2009.*

Shareholding of the key managerial employees

None of the key managerial employees hold any equity shares, warrants, employee stock options or other convertible instruments in the Bank as on the date of filing of this Draft Red Herring Prospectus.

Bonus or profit sharing plan of the key managerial personnel

There is no bonus or profit sharing plan for our key managerial personnel. There is no employee stock option scheme or employee stock purchase scheme for any of our employees or Directors.

Interest of key managerial personnel

The key managerial personnel of our Bank do not have any interest in our Bank other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. None of our key managerial personnel have been paid any consideration of any nature by the Bank, other than their remuneration. 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 and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

OUR PROMOTER AND ASSOCIATE

Promoter

The Promoter of the Bank is the President of India acting through the Ministry of Finance, GoI. Our Promoter currently holds 100.00% of our pre-Issue paid up share capital. As our Promoter is the President of India acting through the Ministry of Finance, GoI, disclosure of our 'group companies' cannot be provided.

Our Associate

The Regional Rural Banks Act, 1976 ("**RRB Act**") provides for the incorporation, regulation and functioning of the RRBs with a view to develop the rural economy. In order to provide banking services in rural areas in pursuance of the policies of the GoI, our Bank has sponsored one RRB, the Sutlej Gramin Bank.

The RRB Act stipulates the limit of issued capital of an RRB and further stipulates that 50.00% of such capital would be contributed by the GoI, 35.00% by the sponsor bank and 15.00% by the relevant state government. Each of the RRBs is governed independently by a board of directors comprising the following directors appointed in accordance with the RRB Act:

1. Chairman, who will be appointed by the sponsor bank;
2. One director, who is an officer of the RBI and nominated by the RBI;
3. One director, who is an officer of the NABARD and nominated by the NABARD;
4. Two directors who are not officers of the GoI, the state government, the RBI, the NABARD, the sponsor bank or any other bank, and nominated by the GoI;
5. Two directors, who are officers of the relevant state government and nominated by the relevant state government; and
6. Two directors, who are officers of the sponsor bank and nominated by the sponsor bank.

The details of the RRB sponsored by the Bank are given below:

Sutlej Gramin Bank

Our Associate, Sutlej Gramin Bank was established as a regional rural bank with effect from March 22, 1986, in the state of Punjab, under the name Faridkot - Bathinda Kshetriya Gramin Bank, pursuant to notification no. F.1-15/84-RRB(I) dated March 22, 1986 by the GoI, Ministry of Finance, Department of Economic Affairs. Its name was changed to 'Sutlej Gramin Bank' pursuant to notification no. F.No. 1/2/2008/RRB dated July 22, 2008 of the GoI, Ministry of Finance, Department of Financial Services. Sutlej Gramin Bank's functional jurisdiction consists of six districts, namely, Bathinda, Faridkot, Mansa, Mukatsar, Ludhiana and Moga. Our Associate serves 103 villages through its network of 30 branches. The head office of our Associate is situated at A-4, Civil Lines, Bathinda 151 001, Punjab, India.

The shareholding pattern of our Associate as on the date of this Draft Red Herring Prospectus is as follows:

Name of Shareholders	Amount of capital (Rs. in crore)	% of Shareholding
GoI	0.50	50.00
Punjab & Sind Bank	0.35	35.00
Government of Punjab	0.15	15.00
Total	**1,000**	**100.00**

Board of Directors

Name	Designation
Mr. Kiranjit Singh Dhilon	Chairman
Mr. J.B. Mangla	Nominee of the RBI
Mr. M. Natrajan	Nominee of the NABARD
Mr. C. Cibin	Nominee of the Government of Punjab
Ms. Amarjit Kaur	Nominee of the Government of Punjab
Mr. H.S. Makker	Nominee of the Bank
Mr. I.S. Bhatia	Nominee of the Bank
Mr. H.S. Sotha	Non-Official Director
Mr. Rachpal Singh	Non-Official Director

Financial Performance

The audited financial results of our Associate for fiscal 2010, 2009 and 2008 are set forth below:

(Rs. in crore, except share data and unless stated otherwise)

	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity capital	1.00	1.00	1.00
Share Capital Deposit	0.87	0.87	0.87
Reserves and surplus (excluding revaluation)	23.71	22.07	20.85
Total Income	20.54	16.80	12.63
Profit/(Loss) after tax	1.64	1.22	1.10
EPS (Rs.) (Basic)	163.56	122.41	110.19
EPS (Rs.) (Diluted)	163.56	122.41	110.19
Book value per share (Rs.)	2,557.37	2,393.81	2,271.40

Significant notes of the auditor

Fiscal 2010

Auditors report

(3) Reference is invited to:

(A) Note 9, schedule 17, regarding shortfall in leave encashment fund with LIC up to March 31, 2010.

(B) Note 16, schedule 17, regarding provisioning of interest on matured term deposits.

(C) The effect of our observation in the foregoing para (3)(A) & (B) on the accounts, as also on the capital adequacy ratio and other ratios/disclosures set out in para 18(i) and 18(ii) of schedule 17 could not be determined.

Notes to accounts – Schedule 17

(4) The bank has opted for life insurance corporation policy to cover the future obligation of leave encashment by the RRB staff. The bank has made payment to LIC for leave encashment of Rs. 10.00 lacs during the year (previous year Rs. 10.00 lacs). Cumulative leave encashment fund as on March 31, 2010 amounting to Rs. 45.881 lacs (previous year as on March 31, 2009 Rs. 32.891 lacs) has been held by LIC.

(9) A sum of Rs. 10.00 lacs paid to LIC for leave encashment fund as stated in note no. 4 above and is debited to salary account. Total outstanding liability on account of leave encashment varies from time to time on account of availment of leave and is estimated at Rs. 86.80 lacs as on March 31, 2010 (previous year Rs. 68.86 lacs) as against the balance outstanding in cumulative leave encashment fund of Rs. 45.88 lacs as on March 31, 2010 (previous year Rs. 32.89 lacs).

(16) Provision of 6.48 lacs has been made on matured term deposit in some of the branches. However, some branches have not made provision (estimated at Rs. 4.25 lacs) in accordance to the new accounting policy no. 5(v).

Fiscal 2009

Auditors report

(3) Reference is invited to:

(A) Note 9, schedule 17, regarding recognition of certain item of income and expenditure on cash basis which is not in accordance with Accounting Standard 9 on 'Revenue Recognition' issued by the ICAI. The effect of the same on the profit for the year is not ascertained.

(B) The effect of our observation in the foregoing para (3)(A) on the accounts, as also on the capital adequacy ratio and other ratios/disclosures set out in para 15(i) and 15(ii) of schedule 17 could not be determined.

Notes to accounts – Schedule 17

(4) The bank has opted for life insurance corporation policy to cover the future obligation of leave encashment by the RRB staff. The bank has made payment to LIC for leave encashment of Rs. 10.00 lacs during the year (previous

year Rs. 10.00 lacs). Cumulative leave encashment fund as on March 31, 2009 amounting to Rs. 32.891 lacs (previous year as on March 31, 2008 Rs. 20.99 lacs) has been held by LIC.

(9) A sum of Rs. 10.00 lacs as stated above in note no. 4 relates to earlier years, has been debited to salary expenses. Except above, no other amount has been disclosed separately being immaterial in terms of Accounting Standard 5 issued by the ICAI.

Fiscal 2008

Auditors report

(4) Reference is invited to:

(A) Note 9, schedule 17, regarding recognition of certain item of income and expenditure on cash basis which is not in accordance with Accounting Standard 9 on 'Revenue Recognition' issued by the ICAI. The effect of the same on the profit for the year is not ascertained.

(B) The effect of our observation in the foregoing para (4)(A) on the accounts, as also on the capital adequacy ratio and other ratios/disclosures set out in para 15(i) and 15(ii) of schedule 17 could not be determined.

Notes to accounts – Schedule 17

(8) During the last year the bank has obtained a policy from LIC of India towards the provision for leave encashment of its staff. The total liability works out to be Rs. 6,69,22,135 as per LIC's valuation and Rs. 10.00 lacs is paid towards such policy and the balance will be paid during the next three to four years.

(9) A sum of Rs. 10.00 lacs as stated above in note no. 8 relates to earlier years, has been debited to salary expenses. Except above, no other amount has been disclosed separately being immaterial in terms of Accounting Standard 5 issued by the ICAI.

For details regarding legal proceedings involving our Associate, see "***Outstanding Litigation and Material Developments***" on page 304.

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. Pursuant to letter (No. F. No. 11/10/2009-BOA) dated May 7, 2010 the Central Government in consultation with the RBI has granted exemption to the Bank from the provisions of section 15(1) of the Banking Regulations Act, 1949 for a period of five years in relation to writing off of all its Issue expenses pertaining to the Issue. This exemption will permit the Bank to pay dividends, if any, to the shareholders in the Issue without writing off all its capitalized expenses.

However, before we pay any dividends on the Equity Shares, we must first pay the dividend due on the PNCPS. The annual floating coupon rate on the PNCPS has been benchmarked to the repo rate with a spread of 100 basis points with annual rests, which would be readjusted annually on the prevailing repo rate on the relevant date. However, the Bank has been allowed to pay a coupon benchmarked to repo rate (without any spread) for fiscal 2009, 2010 and 2011 and thereafter, at the repo rate with a spread of 100 basis points. For further details, see "***Risk Factors***" and "***Regulations and Policies in India–Restrictions on Payment of Dividends***" on pages xii and 129, respectively.

The dividends declared by our Bank during the last five years have been presented below.

Equity Shares

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
Face value per Equity Share (Rs.)	10	10	-	-	-
Dividend Paid (Rs. in crore)*	Nil	Nil	Nil	Nil	Nil
Rate of Dividend (%)	-	-	-	-	-

**Excluding dividend tax.*

PNCPS

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
Face value per PNCPS (Rs.)	10	10	-	-	-
Dividend Paid (Rs. in crore)*	10.00	2.74	-	-	-
Rate of Dividend (%)	Repo rate	Repo rate	-	-	-

**Excluding dividend tax.*

For the purposes of the issue of subordinated tier-II bonds, our Bank has entered into trusteeship agreements with IDBI Trusteeship Services Limited. The provisions of these trusteeship agreements prohibit our Bank from declaring/paying any dividend during the period the bonds are outstanding unless all dues to the bondholders/trustees have been paid or satisfactory provisions therefor have been made up to the date on which the dividend is proposed to be declared or paid.

The amounts paid 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.

SECTION V – FINANCIAL INFORMATION

FINANCIAL STATEMENTS

REPORT BY THE AUDITORS

(On restated financial information of Punjab & Sind Bank)

To,
The Board of Directors,
Punjab & Sind Bank,
H.O., Bank House,
21, Rajendra Place,
New Delhi-110008

Dear Sirs,

1) We have been engaged to examine and report on Restated Financial Information of Punjab & Sind Bank (hereinafter called the Bank), as approved by the Board of Directors of the Bank, which have been prepared in accordance with the Securities and Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations, 2009 as amended to date (herein after called SEBI Regulations) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated 31st May, 2010 in connection with the proposed issue of Equity Shares of the Bank.

2) The preparation and presentation of this Restated Financial Information is the responsibility of Bank's management. We have examined and reported on the above restated financial statements approved by the Board of Directors in their meeting held on 09.06.2010 on the basis of information and explanations provided by the management, books of accounts & records produced to us, so as to obtain a reasonable assurance that such statements are free of material misstatements. This Restated Financial Information is proposed to be included in the Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus (collectively referred to as "offer document") of the Bank in connection with its proposed issue of equity shares.

3) These information have been extracted by the Management from the audited financial statements for the year ended 31.03.2006, 31.03.2007, 31.03.2008, 31.03.2009 and 31.03.2010. Audit for the financial year ended 31.03.2006, 31.03.2007, 31.03.2008 and 31.03.2009 was conducted by respective auditors and accordingly reliance has been placed on the financial information examined by them for the said years after conducting such additional procedures as deemed appropriate by us for the purpose of expressing our opinion on the restated financial statements. These additional procedures should not be construed as an audit conducted under generally accepted auditing standards in India and accordingly we are not expressing an opinion on the individual financial statements for the year ended March 31, 2006, 2007, 2008 and 2009. The financial report included for these years i.e. 2005-06 to 2008-09 are based solely on the audited financial statements and reports submitted by the auditors, names of whom and the years of their audit are furnished below:

Year	**Name of Auditors**
2005-06	*M/s O.P.TULSYAN & CO., M/s GUPTA SHARMA & ASSOCIATES, M/s PRASAD AZAD & CO., M/s K. B. CHANDNA & CO.*
2006-07	*M/s O.P.TULSYAN & CO., M/s GUPTA SHARMA & ASSOCIATES, M/s PRASAD AZAD & CO., M/s K. B. CHANDNA & CO.*
2007-08	*M/s O.P.TULSYAN & CO., M/s PRASAD AZAD & CO., M/s K. B. CHANDNA & CO., M/s S. LALL & CO.*
2008-09	*M/s PRASAD AZAD & CO., M/s K.B.CHANDNA & CO., M/s S. LALL & CO., M/s BANSAL SINHA & CO., M/s BALRAM CHANDRA & ASSOCIATES.*

We also confirm that the restated financial information has been made after incorporating:

a) Adjustments for the changes in accounting policies retrospectively in respect of financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods except for those mentioned in Annexure A-VI.

b) Adjustments for the material amounts in the respective financial years to which they relate.

c) And adjustment for extra ordinary items that need to be disclosed separately in the books of accounts.

4) The audit of the financial statements for the years referred to in paragraph 3 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.

5) 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 restated financial information with the Bank's audited financial statements for the years 2005-2006 to 2009-2010.

6) In accordance with the SEBI Regulations and the terms of our engagement with you, we further report that:

We could not give effect of certain matters as stated in the annexure- A-VI

Subject to the above:-

a. The Restated Summary Statements of Assets and Liabilities of the Bank as at 31st March 2006, 2007, 2008, 2009 and 2010 examined by us, as set out in **Annexure A** to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in significant accounting policies and notes on accounts (Refer Annexure A- IV).

b. The Restated Summary Statements of Profit or Loss of the Bank for the year ended 31st March 2006, 2007, 2008, 2009 and 2010 examined by us, as set out in **Annexure A** to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in significant accounting policies and notes on accounts (**Refer Annexure A- IV**).

7) The Annexure A as referred to in paragraphs 6 above consists of the following:
a) Summary statement of Restated Profit and Loss (Annexure A-I).
b) Summary statement of Assets and Liabilities as restated (Annexure A-II).
c) Statement of Cash Flows as restated (Annexure A-III).
d) Significant Accounting Policies and Notes to Accounts for Financial Years 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 (Annexure A-IV).
e) Notes to adjustments carried out (Annexure A-V).
f) Adjustments not carried out in the Statements of Profit & Loss and Assets and Liabilities (Annexure A-VI).
g) Summary of significant transaction with Related Parties for the years 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 (Annexure A-VII).
h) Segment Reporting for the years 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 (Annexure A-VIII).
i) Statement of Advances (Net) (Annexure A-IX)
j) Statement of Investments (Net) (Annexure A-X)

8) We report that the Summary of dividends declared by the Bank on Equity Capital and Perpetual Non-Cumulative Preference Shares for the five financial years ended March 31, 2010 are as set out in Annexure B.

9) We report that the Bank does not have any subsidiary.

10) We have also examined the following other financial information set out in the Annexure C to H for the year ended 31.03.2006 to 31.03.2010 prepared by the Management, approved by the Board of Directors and proposed to be included in the offer documents.

i) Summary of accounting ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth as set out in Annexure C.
ii) Capitalization Statement as at March 31, 2010 of the Bank as set out in Annexure D.
iii) Statement of Tax Shelter as set out in Annexure E.

iv) Statement of Borrowings as set out in Annexure F.
v) Key Financial Indicators as set out in Annexure G.
vi) Details of Other Income which exceeds 20% of NPBT as set out in Annexure H.

11) This report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed public issue of the equity shares of the Bank and is not to be used, referred to or distributed for any other purpose except with our prior consent in writing.

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

For S. LALL & CO.
Chartered Accountants
FRN – 000355N with ICAI

[RAJAT AGGARWAL]
Partner
M. No. 087130

For BANSAL SINHA & CO.
Chartered Accountants
FRN – 006184N with ICAI

[RAVINDER KHULLAR]
Partner
M. No. 082928

For BALRAM CHANDRA & ASSOCIATES
Chartered Accountants
FRN – 002817C with ICAI

[ATUL MEHROTRA]
Partner
M. No. 076058

For BHATIA & BHATIA
Chartered Accountants
FRN – 003202N with ICAI

[ASHOK KUMAR BHATIA]
Partner
M. No. 015603

For ALKA & SUNIL
Chartered Accountants
FRN – 006739N with ICAI

[SUNIL GUPTA]
Partner
M. No. 084119

Dated: June 9, 2010
Place: New Delhi

Punjab & Sind Bank

SUMMARY FINANCIAL INFORMATION

Annexure A-I

Summary Statement of Restated Profit and Loss

(Rs. in crore)

S.NO.		FINANCIAL YEAR ENDED 31ST MARCH				
		2006	**2007**	**2008**	**2009**	**2010**
A.	**INCOME**					
1.0	**Interest Earned**	**1268.57**	**1691.67**	**2219.29**	**3247.17**	**3934.17**
1.1	Interest & Discount on advance/bills	662.83	1028.22	1530.07	2486.13	2753.70
1.2	Income on Investment	556.09	536.17	592.02	687.82	1095.07
1.3	Interest on balance with RBI & other Inter Bank Lending	47.64	118.44	86.13	68.36	66.13
1.4	Interest on Income/ Interest Tax Refund	2.01	8.84	11.07	4.86	19.27
2.0	**OTHER INCOME**	**133.36**	**227.71**	**309.14**	**383.54**	**392.13**
2.1	Commission Exchange & Brokerage	44.06	49.33	51.91	58.84	54.13
2.2	Profit on sale of Investments(Net)	26.62	17.35	17.51	118.90	109.06
2.3	Profit on sale of land, building & other assets (Net)	-	4.72	0.14	0.07	0.08
2.4	Profit on exchange transaction(Net)	21.04	23.50	30.01	39.91	37.65
2.5	Miscellaneous Income (Refer Annexure-H)	41.64	132.81	209.57	165.82	191.21
	TOTAL INCOME	**1401.93**	**1919.38**	**2528.43**	**3630.71**	**4326.30**
B.	**EXPENDITURE**					
1.0	**Interest Expended**	**668.99**	**959.86**	**1433.50**	**2235.31**	**2750.23**
1.1	Interest on Deposits	635.97	904.04	1334.60	2091.00	2567.69
1.2	Interest on RBI/Inter Bank borrowings	2.16	24.23	61.44	69.12	51.94
1.3	Others	30.86	31.59	37.46	75.19	130.60
2.0	**Operating Expenses**	**475.96**	**497.17**	**558.27**	**673.69**	**699.56**
2.1	Payment to & provision for employees	362.63	380.10	426.58	525.24	529.64
2.2	Rent, Tax & Lighting	28.47	30.69	32.00	34.21	37.49
2.3	Printing & Stationery	5.45	6.00	6.10	6.95	6.85
2.4	Advertisement & Publicity	0.35	0.34	0.34	0.38	0.54
2.5	Depreciation on Banks Properties (net of amounts adjusted against revaluation reserve)	8.08	8.15	7.20	10.63	12.05
2.6	Director's fees, allowances and expenses	0.04	0.07	0.08	0.14	0.22
2.7	Auditor's Fees & Expenses	4.85	3.22	5.94	5.49	5.86
2.8	Law Charges	4.45	3.87	4.22	4.39	7.87
2.9	Postage, Telegrams, Telephones etc.	5.73	5.36	5.97	6.41	6.12
2.10	Repairs & Maintenance	7.15	7.71	8.40	8.56	8.87
2.11	Insurance	14.59	16.42	19.65	27.22	36.95
2.12	Other Expenditure	34.17	35.24	41.79	44.07	47.10
	TOTAL EXPENDITURE	**1144.95**	**1457.03**	**1991.77**	**2909.00**	**3449.79**
	Operating Profit (before Extra Ordinary Items and Provision & Contingencies)	**256.98**	**462.35**	**536.66**	**721.71**	**876.51**

Annexure A-I
(Continued)

Summary statement of Restated Profit and Loss

S.NO.		FINANCIAL YEAR ENDED 31ST MARCH				
		2006	**2007**	**2008**	**2009**	**2010**
	Add/(less): Extra Ordinary Items net of taxes	8.80	6.29	-	-	0.69
	Less: Provisions & Contingencies (other than Provision for Tax)	(15.72)	73.36	79.74	82.88	211.10
	Profit Before Tax	**281.50**	**395.28**	**456.92**	**638.83**	**666.10**
	Provision for Tax	(4.18)	5.01	54.79	208.63	159.28
	Net Profit after tax	**285.68**	**390.27**	**402.13**	**430.20**	**506.82**
	Adjustment for Profit/ Loss Brought Forward	(430.13)	(194.71)	100.65	395.29	588.26
	Profit available for appropriation	**(144.45)**	**195.56**	**502.78**	**825.49**	**1095.08**
a)	Statutory Reserve	27.50	55.00	100.00	110.00	150.00
b)	Capital Reserve	1.05	10.02	6.78	116.79	50.26
c)	General Reserve	9.61	7.09	(1.61)	(0.02)	(0.03)
d)	Revenue & Other Reserve	11.00	22.80	2.32	7.26	11.91
e)	Deferred Tax Liability	1.10	-	-	-	-
f)	Staff welfare Fund	-	-	-	-	-
	Dividend (excluding dividend tax)	-	-	-	2.74	10.00
	Tax on Dividend	-	-	-	0.46	1.70
	Balance of Profit carried forward	(194.71)	100.65	395.29	588.26	871.24
	TOTAL					
	Break up of Miscellaneous Income*					
	Misc. Income - Technical Write Off Cases	-	80.36	132.83	78.60	75.28
	Loan Processing Fee	11.57	17.64	32.80	40.23	64.99
	Incidental Charges	13.63	14.99	15.69	15.16	16.16
	Commission on Insurance Income	2.71	4.77	7.69	11.33	11.31
	Miscellaneous Income & Others	13.73	15.05	20.56	20.50	23.47
	Total Miscellaneous Income	**41.64**	**132.81**	**209.57**	**165.82**	**191.21**
	Break up of Provisions and Contingencies					
	Provision for Non-Performing Advances	(35.66)	(52.53)	53.68	60.65	82.35
	Provision for Investment NPA	(3.34)	29.25	(1.41)	(1.63)	-
	Provision for standard Advances	17.66	47.35	30.27	11.95	5.74
	Depreciation on Investments/(Written Back)	9.04	27.17	3.30	(0.16)	110.79
	Provision for Restructured Standard A/c	-	-	-	3.16	9.78
	Others	(3.42)	22.12	(6.10)	8.91	2.44
	Provision for Contingencies (other than Provision for tax)	**(15.72)**	**73.36**	**79.74**	**82.88**	**211.10**
	Provision for Income Tax	(4.18)	5.01	54.79	208.63	159.28
	TOTAL	**(19.90)**	**78.37**	**134.53**	**291.51**	**370.38**

*Items listed here are generally of recurring nature

Annexure A-II

Summary Statement of Assets and Liabilities as Restated

(Rs. in crore)

		FINANCIAL YEAR ENDED 31ST MARCH				
		2006	**2007**	**2008**	**2009**	**2010**
A.	**ASSETS**					
1.0	**Cash in Hand**	83.88	89.45	102.99	93.91	91.31
2.0	**Balance with RBI**	749.80	984.95	1852.10	1863.16	3696.95
3.0	**Balance with Banks**					
	In India	876.79	933.73	873.51	584.84	670.73
	Outside India	436.60	470.24	111.29	298.53	196.33
4.0	**Money at Call & Short Notice**	-	169.28	-	-	100.00
5.0	**Investments**					
	In India Gross Investment	7001.15	6752.01	8524.90	12656.43	17986.65
	Less: Provision for NPA Investment	11.05	31.23	26.83	25.36	25.36
	Less: Depreciation on Investment	34.50	27.70	24.44	3.64	74.45
	In India Net Investment	6955.60	6693.08	8473.63	12627.43	17886.84
	Outside India	-	-	-	-	-
6.0	**Advances**					
	In India	8935.03	11721.22	18343.31	24615.35	32639.11
	Outside India	-	-	-	-	-
7.0	**Fixed Assets**	284.22	253.01	568.96	555.76	538.91
	Less: Revaluation Reserve	(249.79)	(217.75)	(529.02)	(504.87)	(486.24)
	Net Fixed Assets	34.43	35.26	39.94	50.89	52.67
8.0	**Other Assets**	505.06	608.42	602.22	645.61	766.78
	Less: Deferred Revenue Expenditures	(0.49)	(0.94)	(1.04)	(1.14)	(1.14)
	Net Other Assets	**504.57**	**607.48**	**601.18**	**644.47**	**765.64**
	TOTAL -(A)	**18576.70**	**21704.69**	**30397.95**	**40778.58**	**56099.58**
B.	**LIABILITIES**					
1.0	**DEPOSITS**					
	Demand Deposit					
	From Banks	23.02	19.70	38.84	31.36	52.74
	From Others	2757.85	2108.88	2035.66	2116.96	3103.96
2.0	**Saving Deposits**	6042.55	6703.28	6950.11	7477.36	9151.34
3.0	**Term Deposits from Banks**	248.45	605.97	1122.17	2306.64	2319.69
	Term Deposits from others	7852.71	9880.92	14684.63	22743.33	34527.35
4.0	**Borrowings**					
	In India	0.19	205.07	2816.24	2511.48	2186.15
	Outside India	-	-	160.48	-	44.90
	Innovative Perpetual Debt Instruments	-	-	-	160.00	160.00
	Perpetual Cumulative Preference Shares	-	-	-	200.00	200.00
	Subordinate Debts(Tier-II Bonds)	315.00	385.00	380.00	735.00	1110.00

Annexure A-II

Summary Statement of Assets and Liabilities as Restated

(Continued)

		FINANCIAL YEAR ENDED 31ST MARCH				
		2006	**2007**	**2008**	**2009**	**2010**
5.0	Other Liabilities & Provisions	570.18	639.29	651.21	870.95	1122.83
	TOTAL-(B)	**17809.95**	**20548.11**	**28839.34**	**39153.08**	**53978.96**
C.	**NET WORTH (C=(A-B)**	766.75	1156.58	1558.61	1625.50	2120.62
D.	**Share Capital***	**743.06**	**743.06**	**743.06**	**383.06**	**383.06**
	Equity Share Capital	743.06	743.06	743.06	183.06	183.06
	Perpetual Non cumulative Preference Shares	-	-	-	200.00	200.00
E.	**RESERVE & SURPLUS**					
1.0	Statutory Reserve	80.94	135.94	235.94	345.94	495.94
2.0	Capital Reserve	47.75	57.78	64.56	181.34	231.60
3.0	Revaluation Reserve	249.79	217.75	529.02	504.87	486.24
4.0	Revenue & Other Reserve	90.20	120.09	120.80	128.04	139.92
5.0	Balance of Profit & Loss Account	-	100.65	395.29	588.26	871.24
	TOTAL	**468.68**	**632.21**	**1345.61**	**1748.45**	**2224.94**
	Less: Revaluation Reserve	(249.79)	(217.75)	(529.02)	(504.87)	(486.24)
	Less: Deferred Revenue Expenditure	(0.49)	(0.94)	(1.04)	(1.14)	(1.14)
	Less: Profit & Loss (Dr.)	(194.71)	-	-	-	-
	TOTAL (E)	**23.69**	**413.52**	**815.55**	**1242.44**	**1737.56**
	NET WORTH (D+E)	766.75	1156.58	1558.61	1625.50	2120.62
F.	**Contingent Liabilities**					
1.0	Claims against the Bank not					
	acknowledged as debt	4.53	3.13	5.39	9.57	7.22
2.0	Liability for partly paid investments	-	-	-	-	-
3.0	Liability on account of outstanding forward exchange contracts	1931.57	1319.14	2738.25	3399.15	3907.57
4.0	Guarantees given on behalf of constituents:					
	In India	449.09	492.16	555.30	813.52	1079.68
	Outside India	-	-	-	-	-
5.0	Acceptance, Endorsement & other obligations	280.13	273.05	413.58	987.33	812.26
6.0	Other Items for which the Bank is contingently liable	0.03	0.01	0.01	0.02	-
	TOTAL (F)	**2665.35**	**2087.49**	**3712.53**	**5209.59**	**5806.73**
G.	Bills for collection	541.20	459.08	418.00	982.10	732.44

***Note: Reduced of Equity Capital and conversion into PNCPS, PCPS and IPDI pursuant to Govt. of India Letter no. F. No. 11/8/2006 Dated 22nd December 2008.**

Statement of Cash Flows As Restated **ANNEXURE A-III**

(Rs.in crore)

	FINANCIAL YEAR ENDED 31ST MARCH				
	2006	**2007**	**2008**	**2009**	**2010**
A. CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit after Tax	285.68	390.27	402.13	430.20	506.82
Adjustments for:					
Provisions & Contingencies	(19.90)	78.37	134.53	291.51	370.38
Depreciation (Net of drawn from Revaluation Reserve)	8.08	8.15	7.20	10.63	12.05
Profit on sale of assets	-	(4.72)	(0.14)	(0.07)	(0.08)
Interest on Bonds, PCPS and IPDI	30.83	30.33	25.75	53.11	126.27
Operating Profit before working capital changes	**304.69**	**502.40**	**569.47**	**785.38**	**1,015.44**
Adjustments for net changes in working capital:					
Increase / (Decrease) in Deposits	2,753.92	2,394.17	5,512.66	9,844.24	14,479.43
Increase / (Decrease) in Borrowings	(3.13)	204.88	2,771.65	(465.24)	(280.43)
Increase / (Decrease) in Other Liabilities	(221.94)	21.03	(10.18)	200.54	243.82
(Increase) / Decrease in Investments	120.28	206.11	(1,782.44)	(4,152.01)	(5,370.21)
(Increase) / Decrease in Advances	(2,892.02)	(2,755.05)	(6,677.84)	(6,337.51)	(8,116.01)
(Increase) / Decrease in Other Assets	(62.71)	(108.37)	(48.59)	(252.03)	(280.44)
Cash Flow from Operating Activities (A)	**(0.91)**	**465.17**	**334.73**	**(376.63)**	**1,691.60**
B. CASH FLOW FROM INVESTING ACTIVITIES					
Increase in Fixed Assets	(5.90)	(8.98)	(11.88)	(21.58)	(13.83)
Profit on sale of assets	-	4.72	0.14	0.07	0.08
Cash Flow from Investing Activities (B)	**(5.90)**	**(4.26)**	**(11.74)**	**(21.51)**	**(13.75)**
C. CASH FLOW FROM FINANCING ACTIVITIES					
Infusion of capital by Central Government	500.00	-	-	-	-
Issue of Subordinated Bonds	-	150.00	100.00	400.00	375.00
Redemption of Subordinated Bonds	-	(80.00)	(105.00)	(45.00)	-
Interest on Bonds, PCPS and IPDI	(30.83)	(30.33)	(25.75)	(53.11)	(126.27)
Dividend on PNCPS	-	-	-	(2.74)	(10.00)
Dividend Distribution Tax	-	-	-	(0.46)	(1.70)
Cash Flow from Financing Activities (C)	**469.17**	**39.67**	**(30.75)**	**298.69**	**237.03**
Cash from Operating Activities	(0.91)	465.17	334.73	(376.63)	1,691.60
Cash from Investing Activities	(5.90)	(4.26)	(11.74)	(21.51)	(13.75)
Cash from Financing Activities	469.17	39.67	(30.75)	298.69	237.03
Net Increase in Cash & Cash Equivalents	**462.36**	**500.58**	**292.24**	**(99.45)**	**1,914.88**
Cash and Cash equivalents at the beginning of the year	**1,684.71**	**2,147.07**	**2,647.65**	**2,939.89**	**2,840.44**
Cash and Cash equivalents at the end of the year	**2,147.07**	**2,647.65**	**2,939.89**	**2,840.44**	**4,755.32**

ANNEXURE- A-IV

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR 2005-06

SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

The financial statements are prepared on historical cost basis by following going concern concept and conform to the statutory provisions and practices prevailing in India, unless otherwise stated.

2. Foreign Exchange Transactions

2.1 All the Monetary assets and liabilities in foreign currencies are translated in Indian rupees at the exchange rates prevailing at the yearend as notified by Foreign Exchange Dealers Association of India (FEDAI). The resultant gain / loss is accounted for in the Profit & Loss account.

2.2 The outstanding foreign exchange contracts are stated at the prevailing exchange rate on the date of commitment. Profit or loss on such contracts is accounted for as per FEDAI guidelines.

2.3 Items of Income and expenditure relating to foreign exchange transactions are recorded at exchange rates prevailing on the date of the transactions.

2.4 Acceptances, endorsements and other obligations including guarantees in foreign currencies are valued as per the rates published by FEDAI as on the date of closing.

2.5 Segregation, netting and provisioning of un-reconciled entries in NOSTRO Accounts and respective mirror accounts have been undertaken as per RBI guidelines.

3. Investments

3.1 Classification, valuation and applicable provisions in respect of investments are made in accordance with the prudential norms prescribed by Reserve Bank of India read with clarifications / directions given by RBI.

3.2 The entire investment portfolio is classified into three categories, viz, Held to Maturity, Available for Sale and Held for Trading in line with the guidelines / directions of Reserve Bank of India. Shifting of securities from one category to another is done with the approval of the Board normally once in a year. Shifting is effected at the lower of acquisition cost / book value / market value on the date of transfer and the depreciation, if any, on such shifting is fully provided for and the book value of the securities is changed accordingly. Disclosure of the investments under the three categories mentioned above are made under six classifications viz.,

i. Government Securities
ii. Other approved securities
iii. Shares
iv. Debentures and Bonds
v. Subsidiaries / Joint Ventures and
vi. Others

3.3 Securities under 'Held to Maturity' are stated at acquisition cost unless such cost are higher than the face value, in which case the premium is amortized over the remaining period of maturity. In case the cost is less than the redemption value, the difference being the unrealized gain is ignored. Any diminution in value of investments in subsidiaries and joint venture, other than temporary in nature, is provided for each investment individually.

3.4 Securities under 'Available for sale' are valued scrip wise and depreciation/ appreciation is segregated category wise. While net appreciation is ignored, net depreciation under each category is provided for and an equivalent amount (net of tax benefit, if any, and net of consequent reduction in transfer to Statutory Reserve) is transferred to Profit & Loss Account from the Investment Fluctuation Reserve. In case of excess provision for depreciation, the excess amount is credited to profit and loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserve as applicable to such excess provisions) is appropriated to the Investment Fluctuation Reserve.

3.5 Securities under 'Held for Trading' are valued at market price and the net depreciation under each category is provided for and the net appreciation, if any, is ignored.

3.6 Cost of investment is based on the weighted average cost method category wise.

3.7 The 'market value' for the purpose of valuation of investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, price list of RBI, prices declared by Primary Dealers association of India (PDAI) jointly with the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

In respect of unquoted investments, the procedure adopted is as below:

a. Government of India Securities: At rates put out by FIMMDA/PDAI
b. State Government Loans, Other approved Securities, preference shares, Debentures and PSU Bonds: On yield to maturity (YTM) basis at the rate prescribed by FIMMDA/ PDAI with such mark ups as laid down by RBI or FIMMDA/PDAI.
c. Equity Shares: At break-up value based on the latest Balance Sheet, which are not older than one year on the date of valuation. In cases where latest Balance Sheets are not available, the shares are valued at Re.1 per company.
d. Mutual Fund Units: At re-purchase price or Net Assets Value
e. Treasury Bills, Commercial Papers, Certificate of Deposits, Recapitalisation Bonds, Subsidiaries, Joint Ventures and Sponsored Institutions: At carrying cost

3.8 In determining acquisition cost of investments:

a. Incentive received on subscription is deducted from the cost of securities.
b. Brokerage / commission/ stamp duty paid in connection with acquisition of securities are treated as revenue expenditure
c. Broken period interest, if any, paid on acquisition of investment is debited to profit & loss account. Broken period interest received on sale of securities is recognized as Interest Income.

3.9 Profit/loss on sale of investments is taken to profit and loss account. However, in case of profit on sale of investments in ‘Held to Maturity' category, an equivalent amount of profit is appropriated to Capital Reserve.

4 Advances

4.1 Advances are classified into "Performing" and "Non-performing" assets and provisions are made as per the prudential norms prescribed by the Reserve Bank of India.

4.2 Advances are stated net of de-recognized interest and provisions/ Technical write off made in respect of non-performing advances. Claims received from DICGC/ ECGC are not reduced from such advances till adjusted/ technically written-off whereas part recovery in all NPA Accounts is reduced from advances.

4.3 Provision on standard advances @ 0.40% (0.25% on direct advances to agriculture and SME Sector) is included under "Other Liabilities and Provisions" as per RBI guidelines.

5 Fixed Assets

5.1 Premises (except those revalued) and other Fixed Assets are stated at historical cost. Appreciation in respect of premises on revaluation, where segregation is not possible between land and superstructure, are considered in the value of superstructure.

5.2 Premises taken on perpetual lease are considered as freehold premises and are not amortized.

6 Depreciation on Fixed Assets

6.1 Depreciation is provided for on

6.1.1 Computers at 33.33%, on straight-line method; additions are depreciated for the full year irrespective of the date of addition as per RBI guidelines.

6.1.2 Other Fixed assets on written down value method at the rates prescribed by the Income Tax Act 1961; additions effected before 30th September are depreciated for full year and additions effected thereafter are depreciated for half year.

6.1.3 Composite cost of premises wherever it is not possible to segregate the cost of land from the cost of the superstructure.

6.2 No depreciation is provided in assets sold/disposed of during the year.

6.3 Amount equivalent to depreciation attributable to revalued portion of the assets is transferred from Revaluation Reserve Account to the Profit & Loss Account.

7 Revenue Recognition

7.1 Income and expenditure are accounted for on accrual basis unless otherwise stated.

7.2 Income on non-performing assets is recognized on realization basis in accordance with the prudential norms prescribed by Reserve Bank of India.

7.3 Partial recovery in non-performing assets is appropriated first towards principal and thereafter towards interest.

7.4 Income on guarantees and letters of credit issued, Locker rent, income from Merchant Banking transactions, dividend on shares, commission on credit card and income from units of UTI are accounted for on receipt basis.

7.5 Rebate on compromised accounts is accounted for at the time of full and final adjustment of the account.

7.6 Interest on overdue Term Deposits is accounted for as and when the deposits are renewed.

7.7 Liability in respect of incremental lease rent on renewal of lease agreement is accounted for at the time of renewal of the lease.

7.8 Bond Issue Expenses incurred in connection with raising Tier-II Capital are treated as Deferred Revenue Expenditure to be written off over a period of five years.

8 Staff Retirement Benefits

8.1 Annual contribution to Gratuity Fund, Pension Fund and Leave encashment Fund are provided for on the basis of actuarial valuation.

8.2 Additional pension liability arising on account of change in actuarial valuation from Current Unit Credit Method to Projected Unit Credit Method is spread over a period of 10 years starting from 2004-05.

9. Taxes on Income

9.1 Current Income Tax and Fringe Benefit Tax is measured at the amount expected to be paid considering the applicable tax rates and favorable judicial pronouncement/ legal opinions.

9.2 In accordance with AS-22 Deferred Tax, comprising of tax effect of timing differences between taxable and accounting income for the period, is recognized keeping in view the consideration of prudence in respect of Deferred Tax Assets.

NOTES ON ACCOUNTS

1 **Balancing of Books and Reconciliation**

1.1 In certain Branches, the balancing/ reconciliation of control accounts with subsidiary ledgers is in progress.

1.2 Initial matching of debit and credit outstanding entries in various heads of accounts included in Inter Office Adjustments (including old outstanding entries) has been done up to 31.03.2006 and reconciliation is in progress.

1.3 Reconciliation of accounts with banks, NOSTRO, Drafts / TT payable, Dividend Warrants paid/ payable, Debit Note Receivable/ Payable etc. is in progress.

In the opinion of the management, the impact of the above, if any, on the Profit & Loss Account and Balance Sheet though not quantifiable, will not be material.

1.4 In terms of Reserve Bank of India guidelines, segregation of Debit and Credit entries in Inter Branch Accounts pertaining to the period up to 30.09.2005 and remaining outstanding as on 31.03.2006 has been done which has resulted in either net debit in some heads or net credit in other heads. Provision has been made for the net debit balances.

1.5 In terms of Reserve Bank of India instruction, a sum of Rs.9.61 crore being the amount in respect of net credit entries originated in the inter-branch account up to March 31st, 1999 and still pending reconciliation, has been credited to 'Miscellaneous Income' under 'Schedule 14 - Other Income' and the amount equivalent thereof net of tax and net of transfer to Statutory Reserve as applicable thereto has been appropriated to 'General Reserve', as a result profit for the year is higher by Rs.9.61 crore.

2.1 Provision for Income Tax and Fringe Benefit Tax held by the Bank is considered adequate taking into account the opinion of legal experts and favourable judicial pronouncements.

2.2 No provision has been considered necessary in respect of disputed demands of income tax and interest tax aggregating to Rs. 146.83 crore (Previous year Rs.98.06 crore) in view of decisions of appellate authorities / judicial pronouncements / opinions of legal experts. However the entire demand has been paid / adjusted / adjustable against the refund due.

3.1 During the year, the Government of India has infused fresh capital to the tune of Rs.500 crs on 30.09.2005 vide Government of India letter No. F.No.10/20/204-BOA dated September 30, 2005. Consequently, the total paid up capital of the Bank stands increased from Rs.243.06 crore to 743.06 crore.

3.2 Legal formalities are yet to be completed in respect of 11 properties amounting to Rs.6.97 crore (Previous year 10 properties costing Rs.6.71 crore).

3.3 During the year, Bank revalued its premises as of 31.03.2006 at Rs.266.55 crore against the book value of Rs.21.07 crore (W.D.V of Rs.10.38 crore) on the basis of valuation by independent qualified external valuers. Consequently, an incremental amount of Rs.256.19 crore has been debited to Fixed Assets and corresponding credit to Revaluation Reserve Account and decrease of Rs. 0.01 crore relating to one of the premises on such revaluation has been written off and debited to Profit and Loss Account. Earlier revaluation of 1993-94 of Rs.58.87 crore has been reversed during the year.

4. INVESTMENTS

4.1 During the beginning of the financial year 2005-06, no investments were shifted from "Available for Sale" to "Held till Maturity" category and vice versa.

4.2 The Investment Fluctuation Reserve amounts to Rs.70.02 crore as on 31.03.2006 as compared to the amount of Rs.106.02 crore required pursuant to the RBI guidelines.

5. **'Other Assets'** includes Tax Paid in Advance / Tax Deducted at Source amounting to Rs.194.82 crore (previous year Rs.139.52 crore) in respect of assessment years for which assessments have been completed but appeals with ITAT / CIT(A) are pending on various issues. The provision existing in respect of above years amounting to Rs.35.71crore (Previous Year Rs.21.91 crore) is considered adequate by the Bank on the basis of favorable judicial pronouncements / opinions of legal expert

6. DICGC/ ECGC claims eligible, lodged and re-lodged have been considered as security for provisioning on Advances on the basis that such claims are valid / realizable.

7. Foreign Exchange Transactions

7.1 Aggregate net credit position in respect of un-reconciled NOSTRO Accounts relating to the period upto 31st March 1996 amounting to Rs.3.14 crore (Previous year Rs.3.11 crore) has been transferred to Blocked NOSTRO A/c Sundry Creditors.

7.2 Full provision has been made in respect of un-reconciled debit entries in NOSTRO Accounts amounting to Rs.0.17 crore (Previous year Rs.0.27 crore) relating to the period from 1st April 1996 onwards and remaining outstanding for more than three years as at the year-end. Un-reconciled credit entries for the period after 01.04.1996 amounting to Rs.2.81crore (previous year Rs.2.75 crore) have been segregated and kept in Unclaimed Deposit (NOSTRO) Account.

8. The efficacy of Application Software used in bank's operations is considered adequate. There is no Systems Audit in respect of the Bank's automated operations at various offices.

9. Compliance with Accounting Standards:

9.1 Income/ Expenditure items recognized on receipt basis are not material.

9.2 There are no material prior period items included in Profit & Loss Account required to be disclosed as per AS-5 read with RBI guidelines except those disclosed elsewhere in the notes.

9.3.1 The Bank has recognized business segment as its primary reportable segment under AS-17 classified into 'Treasury' and 'Other Banking Operation' and necessary disclosure is given below:

(Rs. in crores)

	TREASURY		OTHER BANKING OPERATIONS		TOTAL	
	31.03.06	31.03.05	31.03.06	31.03.05	31.03.06	31.03.05
Revenue	613.69	755.31	836.86	749.41	1450.55	1504.72
Result	218.24	339.69	282.99	242.15	501.23	581.84
Unallocated expneses	Not Applicable		Not Applicable		202.66	323.97
Operating Profit	Not Applicable		Not Applicable		298.57	257.87
Provisions & Contingencies	Not Applicable		Not Applicable		171.37	328.93
Income Tax	Not Applicable		Not Applicable		18.88	0
Extra Ordinary Profit/ Loss	0	0	0	0	0	0
Net Profit	Not Applicable		Not Applicable		108.32	-71.06
Other Information:						
Segment Assets	7139.74	7266.60	11681.49	8235.72	18821.23	15502.32
Unallocated Assets	Not Applicable		Not Applicable		221.81	215.20
Total Assets	Not Applicable		Not Applicable		19043.04	15717.52
Segment Liabilities	6747.52	7147.41	11039.8	8100.63	17787.28	15248.04
Unallocated Liabilities	Not Applicable		Not Applicable		33.57	29.12
Total Liabilities	Not Applicable		Not Applicable		17820.85	15277.16

9.3.2 **Geographical Segment**
As the Bank does not have any overseas branch, there is no requirement as to reporting of geographical segment.

9.4 **Disclosures of Related Party Transactions in terms of Accounting Standards (AS18)**

Key Managerial Personnel:
i. Sardar R.P.Singh, Chairman & Managing Director
ii. Shri P.Subbarao, Executive Director (upto 30.07.2005)
iii. Sardar G.S. Matta, Executive Director (w.e.f. 24.03.2006)

a). Remuneration paid to Key Managerial Personnel:

i. Sardar R.P.Singh, Chairman & Managing Director	Rs.0.05 crore
ii. Shri P.Subbarao, Executive Director	Rs.0.02 crore
iii. Sardar G.S. Matta, Executive Director	Rs.0.001 crore

b). Loans granted to Key Managerial Personnel & their relatives:

Loans Outstanding as on 31.03.2006	Nil

9.5 **Compliance with AS-22**

9.5.1 The Bank has accounted for Income Tax in compliance with Accounting Standard-22 'Accounting for taxes on Income' issued by ICAI.

9.5.2 Major components of deferred tax assets/liabilities are as under:

(Rupees in crore)

	Head	Deferred Tax Assets as on		Deferred Tax Liabilities as on	
		31.03.2006	31.03.2005	31.03.2006	31.03.2005
1	Timing difference towards provisions	Nil	21.41	--	--
2	Depreciation on Fixed Assets	--	--	1.62	0.87
	Total	**Nil**	**21.41**	**1.62**	**0.87**

9.5.3 **COMPLIANCE WITH AS-28 ACCOUNTING FOR IMPAIRMENT OF ASSETS**

Fixed Assets possessed by Bank are treated as 'Corporate Assets' and not 'Cash Generating Units' as defined by AS 28. In the opinion of the Management, there is no impairment of the 'Fixed Assets' of material amount as at 31.03.2006, requiring recognition in terms of AS-28.

9.5.4 **Compliance with AS-29: Accounting for Provisions, Contingent Liability and Contingent Assets**

As per [AS] 29, provisions, contingent liabilities and contingent assets, issued by the Institute of Chartered Accountants of India, the Bank recognizes no provision for :-

a) Any possible obligation that arises from past events and the existence of which will be confirmed only be the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank, or
b) Any present obligation from the past events but is not recognized because
    - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    - A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as contingent liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

9.5.5 **Cash Flow Statement for the year ended 31st March, 2006**

(Rupees in crore)

	2005-06	2004-05
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/ (Loss) as per Profit & Loss Account	108.33	-71.06
Adjustments for:		
Provisions & Contingencies	190.25	328.93
Depreciation (Net)	8.08	10.08

Profit on sale of assets	0	-00.02
Amortization of VRS Expenditure	0	54.00
Interest on subordinated debts	30.83	27.90
Staff Welfare Fund	-1.00	0
Operating Profit before working capital changes	**336.49**	**349.83**
Adjustments for:		
Increase / (Decrease) in Deposits	2753.92	528.62
Increase / (Decrease) in Borrowings	-3.12	-6.75
Increase / (Decrease) in Other Liabilities	-213.66	166.75
(Increase) / Decrease in Investments	89.30	-519.22
(Increase) / Decrease in Advances	-2892.02	-389.69
(Increase) / Decrease in Other Assets	-71.83	29.34
Cash Flow from Operating Activities (A)	**-0.92**	**158.88**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Increase in Fixed Assets	-5.91	-12.78
Profit on sale of assets	-0	0.02
Cash Flow from Investing Activities (B)	**-5.91**	**-12.76**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Infusion of capital by Central Government	500.00	
Issue of Subordinated Bonds	0	40.00
Redemption of Subordinated Bonds	0	0
Interest on Subordinated Bonds	-30.83	-27.90
Cash Flow from Financing Activities (C)	**469.17**	**12.10**
Cash from Operating Activities	-0.92	158.88
Cash from Investing Activities	-5.91	-12.76
Cash from Financing Activities	469.18	12.10
Increase in Cash & Cash Equivalents	**462.35**	**158.22**
Cash and Cash equivalents at the beginning of the year	1684.72	1526.50
Cash and Cash equivalents at the end of the year	2147.07	1684.72

10.1 **Additional disclosures:**

Sl. No	Particulars	31.03.2006	31.03.2005
i.	Percentage of share holding of the Government of India	100%	100%
ii.	Percentage of net NPAs to net advances	2.43%	8.11%

iii Details of Provisions and Contingencies in Profit & Loss Account:

(Rupees in crores)

		31.03.2006	31.03.2005
a.	Provisions made towards Non Performing Advances	97.96	87.07
b.	Provisions made towards Non Performing Investments	-3.34	-14.57
c.	Depreciation in the value of investments	9.04	206.90
d.	Provision made towards standard advances	17.66	0.89
e.	Provision for Income Tax	18.88	Nil
f.	Provision for Deferred Tax	21.06	-0.85
g.	Provision for Fringe Benefit Tax	1.32	Nil
h.	Other Provisions & Contingencies	27.67	49.49
	Total	**190.25**	**328.93**

iv.	Capital Adequacy Ratio:		
	Tier I Capital	10.05%	5.26%
	Tier II Capital	2.78%	4.20%

	Total	**12.83%**	**9.46%**
v.	Subordinated debt raised as Tier-II Capital	315.00	315.00
	Out of which eligible for Tier II capital	124.00	124.00
vi.	Provisions towards Standard Assets		
vii.	Interest Income as a percentage to average working funds	7.62%	7.89%
viii.	Non-Interest Income as a percentage to average working funds	0.89%	1.62%
ix.	Operating Profit as a percentage to average working funds	1.75%	1.63%
x.	Return on Assets	0.64%	-0.45%
xi.	Business [Deposits plus Advances] per employee	2.77	2.18
xii.	Profit per employee	0.01	-0.01

10.2 **Maturity Pattern of Assets and Liabilities as on 31.03.2006:**

(Rupees in crore)

Maturity Pattern (Time Buckets)	Loans & Advances	Investments (Book Value)	Foreign Currency Liabilities	Assets	Deposits	Borrowings
1-14 days	1178.43	44.22	47.90	206.52	2376.26	0.00
15-28 days	112.34	23.51	7.08	153.81	262.66	0.00
29 days to 3 months	422.84	102.75	29.05	187.44	993.08	3.00
Over 3 months to 6 months	685.06	50.79	40.68	88.99	1193.40	2.00
Over 6 months to 1 year	1489.76	112.40	93.25	10.77	2502.62	3.00
Over 1 year to 3 years	1652.49	578.18	76.34	00.04	4752.90	10.00
Over 3 years to 5 years	931.03	778.77	0.27	-	1174.11	1.00
Over 5 years	2635.52	5264.97	-	-	3669.55	-
Total	**9107.47**	**6955.59**	**294.57**	**647.57**	**16924.58**	**19.00**

10.3 **Movement of Non Performing Advances (NPAs)**

(Rupees in crore)

	Gross NPAs		Net NPAs	
	2005-06	2004-05	2005-06	2004-05
Opening Balance	1197.41	1203.51	509.81	577.31
Additions during the year	108.23	195.71	89.70	167.15
Reductions during the year	364.14	201.81	379.09	234.65
Closing Balance	**941.50**	**1197.41**	**220.42**	**509.81**

10.4 Movement of Provisions towards Non Performing Advances:

(Rupees in crore)

	2005-06	2004-05
Opening Balance	651.44	596.63
Add provisions made during the year	183.97	170.99
Less write off, write back of excess provisions	142.96	116.18
Closing Balance	**692.45**	**651.44**

10.5 **Value of Investments**

S.No.	**Items**	**2005-06**	**2004-05**
i.	Gross Value		
	a. In India	7001.15	7122.05
	b. Outside India	Nil	Nil
ii.	Provisions for Depreciation		
	a. In India	45.56	40.47
	b. Outside India	Nil	Nil
iii.	Net Value		
	a. In India	6955.59	7081.58
	b. Outside India	Nil	Nil

10.6 **Movement of provisions held towards depreciation on Investments (including provisions for NPAs)**

(Rupees in crore)

	2005-06	2004-05
Opening Balance	40.47	53.98
Add: Provisions made during the year	12.68	9.29
Less: write off, write back of excess provisions	7.59	22.80
Closing Balance	**45.56**	**40.47**

10.7 **Lending to Sensitive Sectors**

10.7.1 **Exposure to Real Estate Sector** (Rupees in crore)

Category	31.03.2006	31.03.2005
A. Direct Exposure		
i. Residential Mortgages	1223.00	748.75
ii. Commercial Real Estate	541.57	193.81
iii. Investment in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	0.36	1.04
b. Commercial	--	--
B. Indirect Exposure (Fund and Non-fund based exposures on NHB and /or Housing Finance Companies (HFCs)	91.20	52.21

Exposure to Capital Market

(Rupees in crore)

10.7.2

S.No.	Items	2005-06	2004-05
i.	Investments made in equity shares	25.93	31.74
ii.	Investments in bonds/ convertible debentures	Nil	Nil
iii.	Investments in units of equity-oriented mutual funds	Nil	5.04
iv.	Advances against shares to individuals for investment in equity shares (including IPOs / ESOPS), bonds and debentures, units of equity oriented mutual funds	7.52	32.73
v.	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	13.76	4.59
	Total Exposure to Capital Market (I+ii+iii+iv+v)	47.21	74.10
vi.	Of (v) above, the total finance extended to stock brokers for margin trading	N.A.	N.A.

10.7.3 **Exposure to Commodities Sector**	82.00	131.68

10.8.1 **Restructured/Rescheduled/Renegotiated Accounts during the year (Advances)**

(Rupees in crore)

	Under CDR 2005-06	2004-05	Other than CDR 2005-06	2004-05
Standard assets subjected to restructuring etc.	Nil	Nil	37.61	81.01
Sub-standard assets subject to restructuring etc.	Nil	Nil	8.77	2.87
Doubtful assets subject to restructuring etc.	Nil	9.93	9.50	Nil
Total Amount of assets subject to restructuring etc.	**Nil**	**9.93**	**55.88**	**83.88**

10.8.2 **Restructured / Rescheduled accounts under SMEs as on 31.03.2006**

(Rupees in crore)

	2005-06	2004-05
1) Total amount of assets of SMEs subjected to restructuring etc	7.63	Nil
2) The amount of standard assets of SMEs subjected to restructuring	1.39	Nil
3) The amount of Sub Standard assets of SMEs subjected to restructuring	Nil	Nil
4) The amount of Doubtful assets of SMEs subjected to restructuring	6.24	Nil

10.8.3 **Restructured/Rescheduled/Renegotiated - Investments during the year**

(Rupees in crore)

	2005-06	2004-05
Standard assets subjected to restructuring etc.	Nil	Nil
Sub-standard assets subject to restructuring etc.	Nil	Nil
Doubtful assets subject to restructuring etc.	Nil	Nil
Total Amount of assets subject to restructuring etc.	**Nil**	**Nil**

10.8.4 **Financial Assets sold to Securitisation/ Reconstruction Companies**

(Rupees in crore)

	2005-06	2004-05
Number of Accounts	01	Nil
Aggregate Value (net of provisions) of accounts sold to SC/RC	0.77	NA
Aggregate consideration	1.32	NA
Additional consideration realized in respect of accounts transferred in earlier years	0.00	NA
Aggregate gain/ loss over net book value	0.55	NA

10.9.1 **Non-SLR Investment Portfolio: Issuer Composition as on 31.03.2006**

(Rupees in crore)

Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of Un-rated Securities	Extent of 'Unlisted Securities'
(1)	(2)	(3)	(4)	(5)	(6)
PSUs	260.46	260.46	Nil	104.59	137.09
FIs	327.68	272.68	Nil	99.12	124.48
Banks	52.50	52.50	Nil	14.50	3.00
Private Corporate	91.20	77.67	Nil	31.20	39.17
Subsidiaries/ JVs	0.65	0.65	Nil	0.65	0.65
Others	2.00	2.00	Nil	2.00	2.00
Provision held towards depreciation	37.97	N.A.	N.A.	N.A.	N.A.
Total	**696.52**	**720.96**		**252.06**	**306.39**

10.9.2 **Movement of Non Performing Non SLR Investments (Principal)**

(Rupees in crore)

	2005-06	2004-05
Opening Balance	37.60	62.32
Additions during the year	Nil	7.10
Reductions during the year	3.54	31.82
Closing Balance	34.06	37.60
Total Provisions	28.93	33.29

10.9.3 **Transactions made by the Bank under Repo/ Reverse Repo during 2005-06**

(Rupees in crore)

	Minimum Outstanding	Maximum Outstanding	Daily Average Outstanding	Closing Balance (31.03.2006)
Security sold under Repos	26.25	420.00	20.50	Nil
Security purchased under Reverse Repos	31.50	420.00	52.11	Nil

10.10 **Detail of Prudential Credit Exposure Limit exceeded by the Bank during the year**

The bank has not exceeded the exposure limit set by RBI during the year in any account.

10.11 **Country wise Exposure Risk**
The net country wise funded exposure of the Bank in respect of Foreign Exchange Transactions in respect of each country is within 1% of the total assets of the Bank. Hence no provision is required as per RBI guidelines.

10.12 **Disclosure on Penalty by Reserve Bank of India**

	2005-06	2004-05
A. Penalty imposed by RBI on Bank during the year	Nil	Nil
B. Strictures or Directions by RBI on the basis of adverse findings	Nil	Nil

10.13 **Derivatives**
Bank has not entered into any derivate transactions either for hedging or trading purpose during the year 2005-06. Accordingly, qualitative and quantitative disclosure under RBI guidelines with respect to derivative transactions is not required.

11. **Change in Accounting Policies**
Hitherto recovery in Non-performing advances was being appropriated first towards interest recoverable and then

towards principal. Effective from 1.4.2005, the existing policy has been changed and now the recovery in Non-performing Advances is first appropriated towards principal and then towards un-recovered interest. During the year a sum of Rs.10.43 crore has been appropriated towards principal in place of interest income. The quantification of the same is as computed by the Management. Consequently this has resulted into lesser profit for the year by Rs.10.43 crore.

12. The figures of the previous year have been re-grouped / re-arranged wherever necessary except where information was not available.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR 2006-07

SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

The financial statements are prepared on historical cost basis by following going concern concept and conform to the statutory provisions and practices prevailing in India, unless otherwise stated.

2. Foreign Exchange Transactions

2.1 All the Monetary assets and liabilities in foreign currencies are translated in Indian rupees at the exchange rates prevailing at the Balance Sheet date as notified by Foreign Exchange Dealers Association of India (FEDAI). The resultant gain / loss are accounted for in the Profit & Loss account.

2.2 The outstanding foreign exchange contracts are stated at the prevailing exchange rate on the date of commitment. Profit or loss on such contracts is accounted for as per FEDAI guidelines.

2.3 Items of Income and expenditure relating to foreign exchange transactions are recorded at exchange rates prevailing on the date of the transactions.

2.4 Acceptances, endorsements and other obligations including guarantees in foreign currencies are valued as per the rates published by FEDAI as on the date of closing.

3. Investments

3.1 Classification, valuation and applicable provisions in respect of investments are made in accordance with the prudential norms prescribed by Reserve Bank of India read with clarifications / directions given by RBI.

3.2 The entire investment portfolio is classified into three categories, viz, Held to Maturity, Available for Sale and Held for Trading in line with the guidelines / directions of Reserve Bank of India. Shifting of securities from one category to another is done with the approval of the Board normally once in a year. Shifting is effected at the lower of acquisition cost / book value / market value on the date of transfer and the depreciation, if any, on such shifting is fully provided for and the book value of the securities is changed accordingly. Disclosure of the investments under the three categories mentioned above are made under six classifications viz.,

- i. Government Securities;
- ii. Other approved securities;
- iii. Shares;
- iv. Debentures and Bonds;
- v. Subsidiaries / Joint Ventures and
- vi. Others.

3.3 Securities under 'Held to Maturity' are stated at acquisition cost unless such cost are higher than the face value, in which case the premium is amortized over the remaining period of maturity. Such amortization is shown under "Other Income" – Schedule 14 as a deduction from 'Profit on Revaluation of Investments' item III. In case the cost is less than the redemption value, the difference being the unrealized gain is ignored. Any diminution in value of investments in subsidiaries and joint venture, other than temporary in nature, is provided for each investment individually.

3.4 Securities under 'Available for sale' are valued scrip wise and depreciation/ appreciation is segregated category wise. While net appreciation is ignored, net depreciation under each category is provided for and an equivalent amount (net of tax benefit, if any, and net of consequent reduction in transfer to Statutory Reserve) is transferred to Profit & Loss Account from the Investment Fluctuation Reserve. In case of excess provision for depreciation, the excess amount is credited to profit and loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserve as applicable to such excess provisions) is appropriated to the Investment Fluctuation Reserve.

3.5 Securities under 'Held for Trading' are valued at market price and the net depreciation under each category is provided for and the net appreciation, if any, is ignored.

3.6 Cost of investment is based on the weighted average cost method category wise.

3.7 The 'market value' for the purpose of valuation of investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, price list of RBI, prices declared by Primary Dealers association of India (PDAI) jointly with the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

In respect of unquoted investments, the procedure adopted is as below:

a. Government of India Securities: At rates put out by FIMMDA/PDAI;
b. State Government Loans, Other approved Securities, preference shares, Debentures and PSU Bonds: On yield to maturity (YTM) basis at the rate prescribed by FIMMDA/ PDAI with such mark ups as laid down by RBI or FIMMDA/PDAI;
c. Equity Shares: At break-up value based on the latest Balance Sheet, which are not older than one year on the date of valuation. In cases where latest Balance Sheets are not available, the shares are valued at Re.1 per company;
d. Mutual Fund Units: At re-purchase price or Net Assets Value;
e. Treasury Bills, Commercial Papers, Certificate of Deposits, Recapitalisation Bonds, Subsidiaries, Joint Ventures and Sponsored Institutions: At carrying cost.

3.8 In determining acquisition cost of investments:

a. Incentive received on subscription is deducted from the cost of securities;
b. Brokerage / commission/ stamp duty paid in connection with acquisition of securities are treated as revenue expenditure;
c. Broken period interest, if any, paid on acquisition of investment is debited to profit & loss account. Broken period interest received on sale of securities is recognized as Interest Income.

3.9 Profit/loss on sale of investments is taken to profit and loss account. However, in case of profit on sale of investments in 'Held to Maturity' category, an equivalent amount of profit is appropriated to Capital Reserve.

4 Advances

4.1 Advances are classified into "Performing" and "Non-performing" assets and provisions are made as per the prudential norms prescribed by the Reserve Bank of India and direction of RBI from time to time.

4.2 Advances are stated net of de-recognized interest and provisions/ Technical write off made in respect of non-performing advances. Claims received from DICGC/ ECGC are not reduced from such advances till adjusted/ technically written-off whereas part recovery in all NPA Accounts is reduced from advances.

4.3 Provision on standard advances is made and is included under 'Other Liabilities and Provisions' as per RBI guidelines.

5 Fixed Assets

5.1 Premises (except those revalued) and other Fixed Assets are stated at historical cost. Appreciation in respect of premises on revaluation, where segregation is not possible between land and superstructure, are considered in the value of superstructure.

5.2 Premises taken on perpetual lease are considered as freehold premises and are not amortized.

6 Depreciation on Fixed Assets

6.1 Depreciation is provided for on -

6.1.1 Computers at 33.33%, on straight-line method; additions are depreciated for the full year irrespective of the date of addition as per RBI guidelines.

6.1.2 Other Fixed assets on written down value method at the rates prescribed by the Income Tax Act 1961; additions effected before 30th September are depreciated for full year and additions effected thereafter are depreciated for half year.

6.1.3 Composite cost of premises wherever it is not possible to segregate the cost of land from the cost of the superstructure.

6.2 No depreciation is provided in assets sold/disposed of during the year.

6.3 Amount equivalent to depreciation attributable to revalued portion of the assets is transferred from Revaluation Reserve Account to the Profit & Loss Account.

7 Revenue Recognition

7.1 Income and expenditure are accounted for on accrual basis unless otherwise stated.

7.2 Income on non-performing assets is recognized on realization basis in accordance with the prudential norms prescribed by Reserve Bank of India.

7.3 Partial recovery in non-performing assets is appropriated first towards principal and thereafter towards interest.

7.4 Income on guarantees and letters of credit issued, Locker rent, income from Merchant Banking transactions, money transfer service, dividend on shares, Interest on Refund of Income Tax, commission on credit card, Government business including distribution of pension and income from units of Mutual Fund product are accounted for on receipt basis.

7.5 Rebate on compromised accounts is accounted for at the time of full and final adjustment of the account.

7.6 Interest on overdue Term Deposits is accounted for as and when the deposits are renewed.

7.7 Liability in respect of incremental lease rent on renewal of lease agreement is accounted for at the time of renewal of the lease.

7.8 Bond Issue Expenses incurred in connection with raising Tier-II Capital are treated as Deferred Revenue Expenditure to be written off over a period of five years.

8 Staff Retirement Benefits

8.1 Annual contribution to Gratuity Fund, Pension Fund and Leave encashment Fund are provided for on the basis of actuarial valuation.

8.2 Additional pension liability arising on account of change in actuarial valuation from Current Unit Credit Method to Projected Unit Credit Method is spread over a period of 10 years starting from 2004-05 as approved by Reserve Bank Of India vide its letter no.DBOD.BP.No.271/21.01.002/2005-06 dated 23.08.2005.

9. Taxes on Income

9.1 Current Income Tax and Fringe Benefits Tax is measured at the amount expected to be paid considering the applicable tax rates and favorable judicial pronouncement/ legal opinions.

9.2 In accordance with AS-22 Deferred Tax comprising of tax effect of timing differences between taxable and accounting income for the period, is recognized keeping in view the consideration of prudence in respect of Deferred Tax Assets.

NOTES ON ACCOUNTS

1 Balancing of Books and Reconciliation.

1.1 In certain Branches, the balancing/ reconciliation of control accounts with subsidiary ledgers is in progress.

1.2 Initial matching of debit and credit outstanding entries in various heads of accounts included in Inter Office Adjustments (including old outstanding entries) has been done up to 31.03.2007 and reconciliation is in progress.

1.3 Reconciliation of accounts with banks, NOSTRO, Drafts / TT payable, Dividend Warrants paid/ payable, Debit Note Receivable/ Payable etc. is in progress.

In the opinion of the management, the impact of the above, if any, on the Profit & Loss Account and Balance Sheet though not quantifiable, will not be material.

1.4 In terms of Reserve Bank of India guidelines, segregation of Debit and Credit entries in Inter Branch Accounts pertaining to the period up to 30.09.2006 and remaining outstanding as on 31.03.2007 has been done which has resulted in either net debit in some heads or net credit in other heads. Provision has been made for the net debit balances.

1.5 In terms of Reserve Bank of India instructions, a sum of Rs.7.09 crore being the amount in respect of net credit entries originated in the inter branch account up to March 31st 1999 but omitted in the accounts for the year ended 31st March, 2006 and still pending reconciliation, has been credited to 'Miscellaneous Income' under Schedule 14 - 'Other Income' and the amount equivalent thereof has been appropriated to 'General Reserve', as a result profit for the year is higher by Rs.7.09 crore.

2.1 Bank has sold two of its flats for Rs.4.72 crore during the year and has booked profit to the tune of Rs.4.71 crore.

2.2 Legal formalities are yet to be completed in respect of 8 properties amounting to Rs.7.69 crore (Previous year 11 properties costing Rs.6.97 crore).

3 **Capital**

(Rs. in crore)

	Items	2006-07	2005-06
(i)	CRAR (%)	12.88%	12.83%
(ii)	CRAR – Tier I capital (%)	9.58%	10.05%
(iii)	CRAR – Tier II capital (%)	3.30%	2.78%
(iv)	Percentage of the shareholding of the Government of India	100%	100%
(v)	Amount of subordinated debt raised as Tier II capital	385.00	315.00
(vi)	Out of which eligible for Tier II	235.00	124.00

4. **Investments**

(RUPEES IN CRORE)

4.1

ITEMS			2006-07	2005-06
VALUE OF INVESTMENTS				
(I)	GROSS VALUE OF INVESTMENTS			
	(A)	IN INDIA	6752.01	7001.15
	(B)	OUTSIDE INDIA	NIL	NIL
(II)	PROVISIONS FOR DEPRECIATION			
	(A)	IN INDIA	58.93	45.56
	(B)	OUTSIDE INDIA	NIL	NIL
(III)	NET VALUE OF INVESTMENTS			
	(A)	IN INDIA	6693.08	6955.59
	(B)	OUTSIDE INDIA	NIL	NIL

4.2 **MOVEMENT OF PROVISION HELD TOWARDS DEPRECIATION ON INVESTMENTS (INCLUDING PROVISION FOR NPAS)**

(RUPEES IN CRORE)

PARTICULARS		2006-07	2005-06
(I)	OPENING BALANCE	45.56	40.47
(II)	ADD: PROVISIONS MADE DURING THE YEAR	49.38	12.68
(III)	LESS: WRITE-OFF/ WRITE-BACK OF EXCESS PROVISIONS DURING THE YEAR	36.01	7.59
(IV)	**CLOSING BALANCE**	**58.93**	**45.56**

4.3 **Repo / Reverse Repo Transactions**

(Rupees in crore)

Particulars	Minimum Outstanding during the year	Maximum Outstanding during the year	Daily Average Outstanding during the year	Balance as on 31.03.2007
Securities sold under Repos	105.00	913.50	60.58	630.00
Securities purchased under Reverse Repos	22.05	367.50	14.54	Nil

4.4 **Non-SLR Investment Portfolio: Issuer Composition as on 31.03.2007**

(Rupees in crore)

Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Un-rated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)
PSUs	200.46	200.46	Nil	72.14	99.14
FIs	315.81	260.81	Nil	64.12	89.13
Banks	79.50	79.50	Nil	Nil	Nil
Private Corporate	55.84	37.34	Nil	3.98	3.98
Subsidiaries/ Joint Ventures	0.66	0.66	Nil	N.A.	N.A.
Others	6.04	6.04	Nil	N.A.	N.A.
Provision held towards depreciation	-50.19	xxx	xxx	Xxx	xxx
Total	**608.12**	**584.81**	**Nil**	**140.24**	**192.25**

4.5 **Movement of Non Performing Non SLR Investments**

(Rupees in crore)

Particulars	**2006-07**	**2005-06**
Opening balance	34.06	37.60
Additions during the year	Nil	Nil
Reductions during the year	7.66	3.54
Closing balance	26.40	34.06
Total Provisions held	**26.40**	**28.93**

4.6 In terms of RBI guidelines, from current year amortization on Investments amounting to Rs.35.20 crore (Previous year Rs.30.98 crore), held under 'Held to Maturity' is deducted from "Profit on Revaluation of Investment" as appearing under item no III under Schedule No 14, which was hitherto charged to Expenditure under 'Provisions & Contingencies'.

4.7 **Derivatives**

Bank has not entered into any derivate transactions either for hedging or trading purpose during the year 2006-07. Accordingly, qualitative and quantitative disclosure under RBI guidelines with respect to derivative transactions is not required.

4.8 **Restructured/Rescheduled/Renegotiated – Investments during the year**

(Rupees in crore)

	2006-07	**2005-06**
Standard assets subjected to restructuring etc.	Nil	Nil

Sub-standard assets subjected to restructuring etc.	14.98	Nil
Doubtful assets subjected to restructuring etc.	Nil	Nil
Total Amount of assets subjected to restructuring etc.	**14.98**	**Nil**

4.9 During the beginning of the financial year 2006-07, investments valuing Rs.275 crore were shifted from "Available for Sale" to "Held till Maturity" category after providing depreciation of Rs.9.84 crore in the accounts.

4.10 As on 31st March 2007, a sum of Rs.22.80 crores has been appropriated to Investment Fluctuation Reserve (IFR) so as to make it 5% of Bank's total investment in "Available for Sale" and "Held till Maturity" as per RBI guidelines. Further in terms of RBI guidelines, total outstanding balance in Investment Fluctuation Reserve of Rs.92.82 crores has been transferred to General Reserve as on 31st March 2007.

5. **Asset Quality**

5.1.1 **Non-Performing Assets**

(Rupees.in crore)

		Items	2006-07	2005-06
(i)	Net NPAs to Net Advances (%)		0.66	2.43
(ii)	Movement of Gross NPAs (Gross)			
	(a)	Opening Balance	941.50	1197.41
	(b)	Additions during the year	76.49	108.23
	(c)	Reductions during the year	727.15	364.14
	(d)	**Closing balance**	**290.84**	**941.50**
(iii)	Movement of Net NPAs			
	(a)	Opening Balance	220.42	509.81
	(b)	Additions during the year	65.26	89.70
	(c)	Reductions during the year	208.64	379.09
	(d)	**Closing balance**	**77.04**	**220.42**
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)			
	(a)	Opening Balance	692.45	651.44
	(b)	Add: provisions made during the year	189.94	183.97
	(c)	Less: write off, write back of excess provisions	671.84	142.96
	(d)	**Closing balance**	**210.55**	**692.45**

5.1.2 DICGC / ECGC claim eligible, lodged and re-lodged have been considered as security for provisioning on advances on the basis that such claims are valid / realizable.

5.1.3 **Details of Loan Assets subjected to Restructuring**

(Rupees. in crore)

	Item	Under CDR		Other than CDR	
		2006-07	2005-06	2006-07	2005-06
(i)	Standard assets subjected to restructuring, rescheduling, renegotiation	Nil	Nil	7.56	37.61
(ii)	Sub-standard assets subjected to restructuring, rescheduling, renegotiation	Nil	Nil	Nil	8.77
(iii)	Doubtful assets subjected to restructuring, rescheduling, renegotiation	Nil	Nil	Nil	9.50
(iv)	**Total Amount of loan assets subjected to restructuring, rescheduling, renegotiation**	**Nil**	**Nil**	**7.56**	**55.88**

5.1.4 **Details of Financial Assets sold to Securitization/ Reconstruction Companies for Asset Reconstruction**

(Rupees in crore)

	Item	2006-07	2005-06
(i)	Number of Accounts	6	1
(ii)	Aggregate Value (net of provisions) of accounts sold to SC/RC and Banks / NBFC	Nil	0.77
(iii)	Aggregate consideration	79.58 (*)	1.32
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v)	Aggregate gain/ loss over net book value	78.45 (*)	0.55

(*) Rs.1.13 crore is to be refunded to ECGC out of the amount of Aggregate consideration.

5.1.5 Provisions on Standard Assets

(Rupees in crore)

Item	2006-07	2005-06
Provisions towards Standard Assets	79.47	32.12

6 Business Ratios

	Items	2006-07	2005-06
(i)	Interest Income as a percentage to average working funds	8.01%	7.62%
(ii)	Non-Interest Income as a percentage to average working funds	1.06%	0.70%
(iii)	Operating Profit as a percentage to average working funds	2.19%	1.57%
(iv)	Return on Assets	1.01%	0.64%
(v)	Business [Deposits plus Advances] per employee	3.29	2.77
(vi)	Profit per employee	0.02	0.01

7 Asset Liability Management

Maturity Pattern of Assets and Liabilities as on 31.03.2007:

(Rupees in crore)

Maturity Pattern (Time Buckets)	Deposits	Loans & Advances	Investments	Borrowings	Foreign Currency	
					Liabilities	Assets
1-14 days	1235.15	1109.98	0.81	204.97	39.69	287.85
15-28 days	335.10	200.22	19.13	Nil	10.25	44.53
29 days to 3 months	1778.34	1260.62	105.34	0.01	29.65	146.19
Over 3 months to 6 months	1881.15	687.05	450.93	0.01	37.47	98.50
Over 6 months to 1 year	2901.72	1495.13	102.94	0.01	111.79	68.63
Over 1 year to 3 years	4737.01	3071.49	628.94	0.08	69.70	8.51
Over 3 years to 5 years	2431.91	917.09	957.69	Nil	0.40	Nil
Over 5 years	4018.38	2995.93	4427.30	Nil	Nil	Nil
Total	**19318.76**	**11737.51**	**6693.08**	**205.08**	**298.95**	**654.21**

8.1 Lending to Sensitive Sectors

8.1.1 Exposure to Real Estate Sector Category

(Rupees in crore)

Category			31.03.2007	31.03.2006
1)	Direct Exposure			
	(a)	Residential Mortgages	982.75	1223.00
		Lending fully secured by mortgage of residential properties that is or will be occupied by the borrower or that is rented		
		Individual housing loan upto Rs.15 lacs Included in the above	753.29	935.62
	(b)	Commercial Real Estate		

	(i)	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi family residential buildings, multi tenanted commercial premises, industrial space or warehouse space, hotels, land acquisition, development and construction, etc) exposure would also includes non fund based (NFB) limits;		913.73	541.57
	(c)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures			
		a.	Residential	Nil	0.36
		b.	Commercial	Nil	Nil
2)	Indirect Exposure [Fund and Non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)]			145.83	91.20

8.1.2 **Exposure to Capital Market**

(Rupees in crore)

Items		2006-07	2005-06
(i)	Investments made in equity shares	29.57	25.93
(ii)	Investments in convertible bonds/ convertible debentures	Nil	Nil
(iii)	Investments in units of equity-oriented mutual funds / Venture Capital Fund	1.60	Nil
(iv)	Advances against shares to individuals for investment in equity shares (including IPOs / ESOPS), bonds and debentures, units of equity oriented mutual funds	0.10	7.52
(v)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	19.23	13.76
	Total Exposure to Capital Market (i+ii+iii+iv+v)	50.50	47.21
(vi)	Of (v) above, the total finance extended to stock brokers for margin trading	Nil	Nil

8.1.3 **Exposure to Commodity Sector**

(Rupees in crore)

	2006-07	2005-06
Exposure to Commodity Market	75.54	82.00

8.1.4 **Country wise Exposure Risk**

The net country wise funded exposure of the Bank in respect of Foreign Exchange Transactions in respect of each country is within 1% of the total assets of the Bank. Hence no provision is required as per RBI guidelines.

8.1.5 **Details of Prudential Credit Exposure Limit exceeded by the Bank during the year**

During the year 2006-07, the Bank has not exceeded the exposure limits set by RBI to individual of 15% of capital funds, except in the following cases, which have been approved by the Board:

(Rupees in crore)

S. No.	Name of the Borrower	Maximum Limit during the year	Exposure (%)	Limit / Liability as on 31.03.07	Exposure (%)
1.	Indusind Bank (*)	245.00	19.75	110.00	8.87
2.	ICICI Bank (*)	215.00	17.33	65.00	5.24
3.	Bharat Petroleum Corp. Ltd.	240.00	19.34	140.00	11.28
4.	National Housing Bank	240.00	19.34	240.00	19.34
5.	Indian Oil Corporation Ltd.	200.00	16.12	-----	-----
6.	Punjab State Civil Supply Corporation	248.00	19.99	189.81	15.30
7.	Indian Potash Ltd.	248.08	20.00	248.03	19.99
8.	Hindustan Petroleum Corporation Ltd.	200.00	16.12	-----	-----
9.	Reliance Industries Ltd.	240.00	19.34	-----	-----
10.	National Cooperative Development Corporation	248.00	19.99	-----	-----
11.	Indian Farmers Fertilizer Cooperative Ltd.	200.00	16.12	-----	-----
12.	Punjab State Electricity Board	(#) 250.00	20.15	100.00	8.06

13.	Punjab State Coop. Supply & Marketing Federation Ltd.	200.00	16.12	-----	-----
14.	Power Finance Corporation Ltd.	(#) 300.00	24.18	201.40	16.23
15.	Indian Railway Finance Corporation Ltd.	(#) 300.05	24.18	47.13	3.79
16.	Infrastructure Leasing & Financial Services Ltd. (IL&FS)	207.50	16.72	144.32	11.63

(*)Consent in this regard has been obtained from the borrowers to disclose their names in Bank's Balance Sheet
(#) Covered under infrastructure lending.

8.1.6 **Disclosure of Penalties imposed by Reserve Bank of India**

	2006-07	2005-06
A. Penalty imposed by RBI on Bank during the year	Nil	Nil
B. Strictures or Directions by RBI on the basis of adverse findings	Nil	Nil

9. Compliance with Accounting Standards:

9.1Cash Flow Statement for the year ended 31st March, 2007

		(Rupees in crore)
A. CASH FLOW FROM OPERATING ACTIVITIES	**2006-07**	**2005-06**
Net Profit/ (Loss) as per Profit & Loss Account	218.53	108.33
Adjustments for:		
Provisions & Contingencies	253.91	159.27
(Profit)/ Loss on Revaluation of Investments	35.2	30.98
Depreciation (Net)	8.15	8.08
Profit on sale of assets	-4.72	0
Interest on subordinated debts	30.33	30.82
Staff Welfare Fund	-3	-1
Operating Profit before working capital changes	**538.40**	**336.48**
Adjustments for:		
Increase / (Decrease) in Deposits	2394.17	2753.92
Increase / (Decrease) in Borrowings	204.88	-3.12
Increase / (Decrease) in Other Liabilities	19.36	-213.66
(Increase) / Decrease in Investments	170.9	89.3
(Increase) / Decrease in Advances	-2755.05	-2892.01
(Increase) / Decrease in Other Assets	-107.5	-71.83
Cash Flow from Operating Activities (A)	**465.16**	**-0.92**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Increase in Fixed Assets	-8.96	-5.91
Profit on sale of assets	4.72	0
Cash Flow from Investing Activities (B)	**-4.24**	**-5.91**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Infusion of capital by Central Government	0	500
Issue of Subordinated Bonds	150	0
Redemption of Subordinated Bonds	-80	0
Interest on Subordinated Bonds	-30.33	-30.82
Cash Flow from Financing Activities (C)	**39.67**	**469.18**
Cash from Operating Activities	465.16	-0.92

Cash from Investing Activities	-4.24	-5.91
Cash from Financing Activities	39.67	469.18
Increase in Cash & Cash Equivalents	**500.59**	**462.35**
Cash and Cash equivalents at the beginning of the year	2147.07	1684.72
Cash and Cash equivalents at the end of the year	2647.65	2147.07

9.2 There are no material prior period items included in Profit & Loss Account required to be disclosed as per AS-5 read with RBI guidelines except those disclosed elsewhere in the notes.

9.3 Income/ Expenditure items recognized on receipt basis are not material.

9.4 The Bank has recognized business segment as its primary reportable segment under AS-17 classified into 'Treasury' and 'Other Banking Operation' and necessary disclosure is given below:

(Rupees in crore)

Business Segment		TREASURY		OTHER BANKING OPERATIONS		TOTAL	
Particulars		**31.03.07**	**31.03.06**	**31.03.07**	**31.03.06**	**31.03.07**	**31.03.06**
Revenue		553.52	582.71	1401.85	836.86	1955.37	1419.57
Result		136.73	187.26	564.34	282.99	701.07	470.25
Unallocated expneses						228.63	202.66
Operating Profit						472.44	267.59
Provisions & Contingencies						229.51	117.91
Income Tax						24.40	41.36
Extra Ordinary Profit/ Loss		0	0	0	0	0	0
Net Profit						218.53	108.32
Other Information:							
Segment Assets		6879.67	7139.74	14815.81	11681.49	21695.48	18821.23
Unallocated Assets						267.55	221.81
Total Assets						21963.03	19043.04
Segment Liabilities		6487.78	6747.52	13971.85	11039.76	20459.63	17787.28
Unallocated Liabilities						97.71	33.57
Total Liabilities						20557.34	17820.85

9.5 **Geographical Segment**

As the Bank does not have any overseas branch, there is no requirement as to reporting of geographical segment.

9.6 **Disclosures of Related Party Transactions in terms of Accounting Standards (AS18)**

<u>Key Managerial Personnel</u>:

i. Sardar R. P. Singh, Chairman & Managing Director
ii. Sardar G.S. Matta, Executive Director

a). <u>Remuneration paid to Key Managerial Personnel</u>:

i. Sardar R. P. Singh, Chairman & Managing Director Rs.0.05 crore
ii. Sardar G.S. Matta, Executive Director Rs. 0.07 crore

b). <u>Loans granted to Key Managerial Personnel & their relatives</u>:

Loans Outstanding as on 31.03.2007 **- Nil -**

9.7 **Compliance with AS-22**

9.7.1 The Bank has accounted for Income Tax in compliance with Accounting Standard-22 'Accounting for taxes on Income' issued by ICAI.

9.7.2 Major components of deferred tax assets/liabilities are as under:

(Rupees in crore)

	Head	Deferred Tax Assets		Deferred Tax Liabilities	
		31.03.2007	31.03.2006	31.03.2007	31.03.2006
1	Timing difference towards provisions	Nil	Nil	Nil	Nil
2	Depreciation on Fixed Assets	Nil	Nil	3.12	1.62
	Total	**Nil**	**Nil**	**3.12**	**1.62**

9.7.3 Provision for Income Tax and Fringe Benefit Tax held by the Bank is considered adequate taking into account the opinion of legal experts and favorable judicial pronouncements.

9.7.4 No provision has been considered necessary in respect of disputed demands of income tax and interest tax aggregating to Rs.134.52 crore (Previous year Rs. 146.83 crore) in view of decisions of appellate authorities / judicial pronouncements / opinions of legal experts. However the entire demand has been paid / adjusted / adjustable against the refund due.

9.8 **COMPLIANCE WITH AS-28 ACCOUNTING FOR IMPAIRMENT OF ASSETS**

FIXED ASSETS POSSESSED BY BANK ARE TREATED AS 'CORPORATE ASSETS' AND NOT 'CASH GENERATING UNITS' AS DEFINED BY AS-28. IN THE OPINION OF THE MANAGEMENT, THERE IS NO IMPAIRMENT OF THE 'FIXED ASSETS' OF MATERIAL AMOUNT AS OF 31.03.2007, REQUIRING RECOGNITION IN TERMS OF AS-28.

9.9 **Compliance with AS-29: Accounting for Provisions, Contingent Liability and Contingent Assets**

As per AS-29 , provisions, contingent liabilities and contingent assets, issued by the Institute of Chartered Accountants of India, the Bank recognizes no provision for-

c) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank, or

d) Any present obligation from the past events but is not recognized because
- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as contingent liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

Additional disclosures:

10.1

(Rupees in crore)

Break up of 'Provisions & Contingencies' shown under the head Expenditure in Profit & Loss Account	**2006-07**	**2005-06**
Provision for Non Performing Advances	103.62	97.97
Provision for Non Performing Investments	-3.95	-3.34
Provision for Depreciation in the value of Investments	27.17	9.04
Provision for Standard Asset	47.35	17.66
Provision for Income Tax	21.64	18.88

Provision for Deferred Tax	1.50	21.06
Provision for Fringe Benefit Tax	1.21	1.32
Others	55.37	-3.32
Total	**253.91**	**159.27**

10.2 **Movement of Floating Provisions**

(Rupees in crore)

	2006-07	2005-06
Opening Balance	Nil	Nil
Additions during the year	* Nil	Nil
Utilized during the year	* Nil	Nil
Closing Balance	Nil	Nil

** Does not include an amount of Rs.15 crore made in the Sept. 2006 half yearly closing since it was reversed in absence of formulation of specified policy.*

10.3 **Customer's Complaints:** **2006-07**

a)	No of Complaints pending at the beginning of the year	**71**
b)	No of Complaints received during the year	**422**
c)	No of Complaints redressed during the year	**433**
d)	No of Complaints pending at the end of the year	**60**

10.4 **Awards Passed by the Banking Ombudsman:** **2006-07**

a)	No of unimplemented Awards at the beginning of the year	**3**
b)	No of Awards passed by Banking Ombudsman during the year	**5**
c)	No of Awards implemented during the year	**7**
d)	No of unimplemented Awards pending at the end of the year	**1**

11. **'Other Assets'** includes Tax Paid in Advance / Tax Deducted at Source amounting to Rs.237.59 crore (previous year Rs. 194.82 crore) in respect of assessment years for which assessments have been completed but appeals with ITAT / CIT(A) are pending on various issues. The provision existing in respect of above years amounting to Rs.31.67 crore (Previous Year Rs. 35.71 crore) is considered adequate by the Bank on the basis of favorable judicial pronouncements / opinions of legal expert

12. *Foreign Exchange Transactions*

Aggregate net credit position in respect of un-reconciled NOSTRO Accounts relating to the period upto 31st March 1996 amounting to Rs.3.15 crore (Previous year Rs.3.14 crore) has been transferred to Blocked NOSTRO A/c Sundry Creditors and un-reconciled credit entries for the period after 1.4.1996 remaining outstanding for more than 3 years amounting to Rs.3.06 crore (previous year Rs.2.81 crore) have been segregated and kept in Unclaimed Deposit (NOSTRO) Account.

13. The figures of the previous year have been re-grouped / re-arranged wherever necessary except where information was not available.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR 2007-2008

SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

The financial statements are prepared on historical cost basis by following going concern concept and conform to the statutory provisions and practices prevailing in India, unless otherwise stated.

2. Foreign Exchange Transactions

2.1 All the Monetary assets and liabilities in foreign currencies are translated in Indian rupees at the exchange rates prevailing at the Balance Sheet date as notified by Foreign Exchange Dealers Association of India (FEDAI). The resultant gain / loss are accounted for in the Profit & Loss account.

2.2 The outstanding foreign exchange contracts are stated at the prevailing exchange rate on the date of commitment. Profit or loss on such contracts is accounted for as per FEDAI guidelines.

2.3 Items of Income and expenditure relating to foreign exchange transactions are recorded at exchange rates prevailing on the date of the transactions.

2.4 Acceptances, endorsements and other obligations including guarantees in foreign currencies are valued as per the rates published by FEDAI as on the date of closing.

3. Investments

3.1 Classification, valuation and applicable provisions in respect of investments are made in accordance with the prudential norms prescribed by Reserve Bank of India read with clarifications / directions given by RBI.

3.2 The entire investment portfolio is classified into three categories, viz, Held to Maturity, Available for Sale and Held for Trading in line with the guidelines / directions of Reserve Bank of India. Shifting of securities from one category to another is done with the approval of the Board normally once in a year. Shifting is effected at the lower of acquisition cost / book value / market value on the date of transfer and the depreciation, if any, on such shifting is fully provided for and the book value of the securities is changed accordingly. Disclosure of the investments under the three categories mentioned above are made under six classifications viz.,

i. Government Securities;
ii. Other approved securities;
iii. Shares;
iv. Debentures and Bonds;
v. Subsidiaries / Joint Ventures and
vi. Others.

3.3 Securities under 'Held to Maturity' are stated at acquisition cost unless such cost are higher than the face value, in which case the premium is amortized over the remaining period of maturity. Such amortization is shown under "Other Income" - Schedule 14 as a deduction from 'Profit on Revaluation of Investments' item III. In case the cost is less than the redemption value, the difference being the unrealized gain is ignored. Any diminution in value of investments in subsidiaries and joint venture, other than temporary in nature, is provided for each investment individually.

3.4 Securities under 'Available for sale' are valued scrip wise and depreciation/ appreciation is segregated category wise. While net appreciation is ignored, net depreciation under each category is provided for and an equivalent amount (net of tax benefit, if any, and net of consequent reduction in transfer to Statutory Reserve) is transferred to Profit & Loss Account from the Investment Fluctuation Reserve. In case of excess provision for depreciation, the excess amount is credited to profit and loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserve as applicable to such excess provisions) is appropriated to the Investment Fluctuation Reserve.

3.5 Securities under 'Held for Trading' are valued at market price and the net depreciation under each category is provided for and the net appreciation, if any, is ignored.

3.6 Cost of investment is based on the weighted average cost method category wise.

3.7 The 'market value' for the purpose of valuation of investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, price list of RBI, prices declared by Primary Dealers association of India (PDAI) jointly with the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

In respect of unquoted investments, the procedure adopted is as below:

a. Government of India Securities: At rates put out by FIMMDA/PDAI;
b. State Government Loans, Other approved Securities, preference shares, Debentures and PSU Bonds: On yield to maturity (YTM) basis at the rate prescribed by FIMMDA/ PDAI with such mark ups as laid down by RBI or FIMMDA/PDAI;
c. Equity Shares: At break-up value based on the latest Balance Sheet, which are not older than one year on the date of valuation. In cases where latest Balance Sheets are not available, the shares are valued at Re.1 per company;
d. Mutual Fund Units: At re-purchase price or Net Assets Value;
e. Treasury Bills, Commercial Papers, Certificate of Deposits, Recapitalization Bonds, Subsidiaries, Joint Ventures and Sponsored Institutions: At carrying cost.

3.8 In determining acquisition cost of investments:

a. Incentive received on subscription is deducted from the cost of securities;
b. Brokerage / commission/ stamp duty paid in connection with acquisition of securities are treated as revenue expenditure;
c. Broken period interest, if any, paid on acquisition of investment is debited to profit & loss account. Broken period interest received on sale of securities is recognized as Interest Income.

3.9 Profit/loss on sale of investments is taken to profit and loss account. However, in case of profit on sale of investments in 'Held to Maturity' category, an equivalent amount of profit is appropriated to Capital Reserve.

4. Advances

4.1 Advances are classified into "Performing" and "Non-performing" assets and provisions are made as per the prudential norms prescribed by the Reserve Bank of India. However, the bank has made higher provisions for Sub-standard and Doubtful categories as follows:

Category of Asset	As prescribed by RBI	As followed by Bank
Sub-standard	10%	35%
Doubtful I	20%	65%
Doubtful II	30%	100%

4.2 Advances are stated net of de-recognized interest and provisions/ Technical write off made in respect of non-performing advances. Claims received from DICGC/ ECGC are not reduced from such advances till adjusted/ technically written-off whereas part recovery in all NPA Accounts is reduced from advances.

4.3 Provisions on standard advances are made and are included under 'Other Liabilities and Provisions' as per RBI guidelines.

5 Fixed Assets

5.1 Premises and other Fixed Assets are stated at historical cost/revalued amount. In respect of premises, where segregation is not possible between land and superstructure, are considered in the value of superstructure.

5.2 Premises taken on perpetual lease are considered as freehold premises and are not amortized.

6 Depreciation on Fixed Assets

6.1 Depreciation is provided for on -

6.1.1 Computers at 33.33%, on straight-line method; additions are depreciated for the full year irrespective of the date of addition as per RBI guidelines.

6.1.2 Other Fixed assets on written down value method at the rates prescribed by the Income Tax Act 1961; additions effected before 30th September are depreciated for full year and additions effected thereafter are depreciated for half year.

6.1.3 Composite cost of premises wherever it is not possible to segregate the cost of land from the cost of the superstructure.

6.2 No depreciation is provided in assets sold/disposed of during the year.

6.3 Amount equivalent to depreciation attributable to revalued portion of the assets is transferred from Revaluation Reserve Account to the Profit & Loss Account.

7 Revenue Recognition

7.1 Income and expenditure are accounted for on accrual basis unless otherwise stated.

7.2 Income on non-performing assets is recognized on realization basis in accordance with the prudential norms prescribed by Reserve Bank of India.

7.3 Partial recovery in non-performing assets is appropriated first towards principal and thereafter towards interest.

7.4 Income on guarantees and letters of credit issued, Locker rent, income from Merchant Banking transactions, money transfer service, dividend on shares, Interest on Refund of Income Tax, commission on credit card, Government business including distribution of pension and income from units of Mutual Fund product are accounted for on receipt basis.

7.5 Rebate on compromised accounts is accounted for at the time of full and final adjustment of the account.

7.6 Interest on overdue Term Deposits is accounted for as and when the deposits are renewed.

7.7 Liability in respect of incremental lease rent on renewal of lease agreement is accounted for at the time of renewal of the lease.

7.8 Bond Issue Expenses incurred in connection with raising Tier-II Capital are treated as Deferred Revenue Expenditure to be written off over a period of five years.

8. Staff Retirement Benefits

Annual contribution to Gratuity Fund, Pension Fund and Leave encashment Fund are provided for on the basis of actuarial valuation. Transitional liability relating to Pension Fund determined as per actuarial valuation is written off over a period of five years commencing from 2007-08 in terms of Revised Accounting Standard 15 (AS-15) as against remaining seven years out of ten years as approved by Reserve Bank of India vide its letter no. DBOD.BP.No. 271/21.01.002/2005-06 dated 23.08.2005.

9. Taxes on Income

9.1 Current Income Tax and Fringe Benefits Tax is measured at the amount expected to be paid considering the applicable tax rates and favorable judicial pronouncement/ legal opinions.

9.2 In accordance with AS-22 Deferred Tax comprising of tax effect of timing differences between taxable and accounting income for the period, is recognized keeping in view the consideration of prudence in respect of Deferred Tax Assets.

NOTES ON ACCOUNTS

1 **Balancing of Books and Reconciliation.**

1.1 In certain Branches, the balancing / reconciliation of control accounts with subsidiary ledgers is in progress.

1.2 Initial matching of debit and credit outstanding entries in various heads of accounts included in Inter Office Adjustments (including old outstanding entries) has been done up to 31.01.2008 and reconciliation is in progress.

1.3 Reconciliation of accounts with banks, NOSTRO, Drafts / TT payable, Dividend Warrants paid / payable, Debit Note Receivable/ Payable etc. is in progress.

In the opinion of the management, the impact of the above, if any, on the Profit & Loss Account and Balance Sheet though not quantifiable, will not be material.

1.4 In terms of Reserve Bank of India guidelines, segregation of Debit and Credit entries in Inter Branch Accounts pertaining to the period up to 30.09.2007 and remaining outstanding as on 31.03.2008 has been done which has resulted in either net debit in some heads or net credit in other heads. Provision is made for the net debit balances.

1.5 Aggregate net credit position in respect of un-reconciled NOSTRO Accounts relating to the period upto 31st March 1996 amounting to Rs 3.11 crore(previous year Rs 3.15 crore) has been transferred to Blocked NOSTRO Account Sundry Creditors out of which Rs 1.77 crore is being carried at old book value. Un-reconciled credit entries for the period after 1st April 1996 remaining outstanding for more than 3 years amounting to Rs 3.20 crore (previous year Rs. 3.06 crore) have been segregated and kept in Unclaimed Deposit(NOSTRO) Account.

2.1 Legal formalities are yet to be completed in respect of 7 properties having original cost of Rs.6.52 crore (Previous year 8 properties costing Rs.7.69 crore).

2.2 **Revaluation of Premises:**

During the year, Bank revalued its Premises on 31.03.2008 at Rs 551.61 crore against cost of Rs. 25.83 crore (WDV of Rs. 14.09 crore) on the basis of valuation by independent qualified external valuers. Consequently, an incremental amount of Rs. 537.52 crore has been debited to Fixed Assets and corresponding credit to Revaluation Reserve Account. Appreciation on account of Revaluation carried out on 31.03.2006 amounting to Rs. 252.97 crore has been reversed during the year.

3. **Capital**

(Rupees. in crore)

	Items	2007-08	2006-07
(i)	CRAR (%)	11.57%	12.88%
(ii)	CRAR - Tier I capital (%)	8.04%	9.58%
(iii)	CRAR - Tier II capital (%)	3.53%	3.30%
(iv)	Percentage of the shareholding of the Government of India	100%	100%
(v)	Amount of subordinated debt raised as Tier II capital	380.00	385.00
(vi)	Out of which eligible for Tier II	317.00	235.00

4. **Investments**

(RUPEES IN CRORE)

			ITEMS	2007-08	2006-07
4.1			**VALUE OF INVESTMENTS**		
	(I)		GROSS VALUE OF INVESTMENTS		
		(A)	IN INDIA	8524.92	6752.01
		(B)	OUTSIDE INDIA	NIL	NIL
	(II)		PROVISIONS FOR DEPRECIATION		
		(A)	IN INDIA	51.29	58.93
		(B)	OUTSIDE INDIA	NIL	NIL
	(III)		NET VALUE OF INVESTMENTS		
		(A)	IN INDIA	8473.63	6693.08
		(B)	OUTSIDE INDIA	NIL	NIL

4.2 **MOVEMENT OF PROVISION HELD TOWARDS DEPRECIATION ON INVESTMENTS (INCLUDING PROVISION FOR NPAS)**

(RUPEES IN CRORE)

	PARTICULARS	2007-08	2006-07
(I)	OPENING BALANCE	58.93	45.56
(II)	ADD: PROVISIONS MADE DURING THE YEAR	13.31	49.38
(III)	LESS: WRITE-OFF/ WRITE-BACK OF EXCESS PROVISIONS DURING THE YEAR	20.95	36.01
(IV)	**CLOSING BALANCE**	**51.29**	**58.93**

4.3 **Repo / Reverse Repo Transactions**

(Rupees in crore)

Particulars	Minimum Outstanding during the year	Maximum Outstanding during the year	Daily Average Outstanding during the year	Balance as on 31.03.2008
Securities sold under Repos	210.00	892.50	47.68	Nil
Securities purchased under Reverse Repos	3.15	840.00	27.98	Nil

4.4 **Non-SLR Investment Portfolio: Issuer Composition as on 31.03.2008**

(Rupees in crore)

Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Un-rated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)
PSUs	209.10	177.03	Nil	59.72	82.71
FIs	303.20	248.21	Nil	25.59	50.59
Banks	85.98	85.00	Nil	Nil	Nil
Private Corporate	67.20	38.42	Nil	2.65	2.66
Subsidiaries/ Joint Ventures	0.65	0.65	Nil	N.A.	N.A.
Others	9.06	3.84	Nil	N.A.	N.A.
Provision held towards depreciation	(-) 42.29	XXX	XXX	XXX	XXX
Total	**632.90**	**553.15**	**Nil**	**87.96**	**135.96**

4.5 **Movement of Non Performing Non SLR Investments**

(Rupees in crore)

Particulars	**2007-08**	**2006-07**
Opening balance	26.40	34.06
Additions during the year	0.09	Nil
Reductions during the year	Nil	7.66
Closing balance	26.49	26.40
Total Provisions held	**26.49**	**26.40**

4.6 **Derivatives**

Bank has not entered into any derivative transactions either for hedging or trading purpose during the year 2007-08. Accordingly, qualitative and quantitative disclosure under RBI guidelines with respect to derivative transactions is not given.

4.7 **Restructured / Rescheduled / Renegotiated - Investments during the year**

(Rupees in crore)

	2007-08	2006-07
Standard assets subjected to restructuring etc.	Nil	Nil
Sub-standard assets subjected to restructuring etc.	Nil	14.98
Doubtful assets subjected to restructuring etc.	Nil	Nil
Total amount of assets subjected to restructuring etc.	Nil	**14.98**

4.8 During the year,, the Bank's Non SLR investment of Rs. 32.06 crore in IFCI bonds has been shifted from "Held till Maturity" to "Available for Sale", as directed by RBI, after providing depreciation of Rs. 6.48 crore. The Bank has not shifted any investments from "Available for Sale" to "Held till Maturity" category during the year.

5. **Asset Quality**

5.1. **Non-Performing Assets**

(Rupees in crore)

Items			2007-08	2006-07
(i)	Net NPAs to Net Advances (%)		0.37	0.66
(ii)	**Movement of Gross NPAs**			
	(a)	Opening Balance	290.84	941.50
	(b)	Additions during the year	105.84	76.49
	(c)	Reductions during the year	261.15	727.15
	(d)	**Closing balance**	**135.53**	**290.84**
(iii)	**Movement of Net NPAs**			
	(a)	Opening Balance	77.04	220.42
	(b)	Additions during the year	64.66	65.26
	(c)	Reductions during the year	74.73	208.64
	(d)	**Closing balance**	**66.97**	**77.04**
(iv)	**Movement of provisions for NPAs** (excluding provisions on standard assets)			
	(a)	Opening Balance	210.55	692.45
	(b)	Add: provisions made during the year	77.71	189.94
	(c)	Less: write off, write back of excess provisions	222.55	671.84
	(d)	**Closing balance**	**65.71**	**210.55**

5.2 DICGC / ECGC claim eligible, lodged and re-lodged have been considered as security for provisioning on advances on the basis that such claims are valid / realizable.

5.3 **Details of Loan Assets subjected to Restructuring**

(Rupees. in crore)

Item		Under CDR		Other than CDR	
		2007-08	2006-07	2007-08	2006-07
(i)	Standard assets subjected to restructuring, rescheduling, renegotiation	Nil	Nil	52.41	7.56
(ii)	Sub-standard assets subjected to restructuring, rescheduling, renegotiation	Nil	Nil	3.28	Nil
(iii)	Doubtful assets subjected to restructuring, rescheduling, renegotiation	Nil	Nil	11.33	Nil
(iv)	**Total Amount of loan assets subjected to restructuring, rescheduling, renegotiation (i) +(ii) +(iii)**	**Nil**	**Nil**	**67.02**	**7.56**

5.4 **Details of Financial Assets sold to Securitization / Reconstruction Companies for Asset Reconstruction**

(Rupees in crore)

Item	2007-08	2006-07

(i)	Number of Accounts	1	6 (**)
(ii)	Aggregate Value (net of provisions) of accounts sold to SC/RC and Banks / NBFC	Nil	Nil
(iii)	Aggregate consideration	65.40 (*)	79.58 (***)
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	0.07	Nil
(v)	Aggregate gain/ loss over net book value	65.47	78.45 (***)

(*) Aggregate consideration includes cash Rs. 3.63 crore and Security Receipts for Rs. 61.76 crore.

(**) Number of accounts include sale of two accounts to SC/RC, one account to bank and three accounts to NBFCs.

(***) Rs.1.13 crore is to be refunded to ECGC out of the amount of Aggregate consideration.

5.5 **Details of non-performing financial assets purchased / sold:**

A. Details of non-performing financial assets purchased:

(Rupees in crore)

Particulars			2007-08	2006-07
1.	(a)	No. of accounts purchased during the year	Nil	Nil
	(b)	Aggregate outstanding	Nil	Nil
2.	(a)	Of these, number of accounts restructured during the year	Nil	Nil
	(b)	Aggregate outstanding	Nil	Nil

B. Details of non-performing financial assets sold:

(Rupees in crore)

Particulars		2007-08	2006-07
1.	No. of accounts sold	Nil	Nil
2.	Aggregate outstanding	Nil	Nil
3.	Aggregate consideration received	Nil	Nil

5.6 **Provisions on Standard Assets**

(Rupees in crore)

Item	2007-08	2006-07
Provisions towards Standard Assets	109.74	79.47

6 **Business Ratios**

Items		2007-08	2006-07
(i)	Interest Income as a percentage to average working funds	8.79 %	8.01%
(ii)	Non-Interest Income as a percentage to average working funds	1.12 %	1.06%
(iii)	Operating Profit as a percentage to average working funds	2.12 %	2.19%
(iv)	Return on Assets	1.49 %	1.01%
(v)	Business [Deposits plus Advances] per employee	4.67	3.29
(vi)	Profit per employee	0.04	0.02

7. **Asset Liability Management**
Maturity Pattern of Assets and Liabilities as on 31.03.2008:

(Rupees in crore)

Maturity Pattern (Time Buckets)	Deposits	Loans & Advances	Investments	Borrowings	Foreign Currency	
					Liabilities	Assets
1 day	231.76	197.32	25.33	60.00	44.50	74.70
2 – 7 days	403.51	1081.41	130.61	1875.67	83.24	28.63
8 – 14 days	484.12	1011.11	24.59	200.00	4.62	40.75
15-28 days	837.77	260.68	207.27	260.18	71.83	49.39
29 days to 3 months	1942.30	3877.50	240.90	500.00	26.31	139.46
Over 3 months to 6 months	2882.29	1575.44	229.43	32.21	59.05	131.97
Over 6 months to 1 year	4080.97	1504.35	185.11	12.15	126.57	0.00

Over 1 year to 3 years	6697.89	4181.58	812.92	36.51	43.23	0.00
Over 3 years to 5 years	2495.08	1384.07	1080.19	0.00	0.53	0.00
Over 5 years	4775.72	3269.84	5537.28	0.00	0.00	0.00
Total	**24831.41**	**18343.30**	**8473.63**	**2976.72**	**459.88**	**464.90**

8. **Lending to Sensitive Sectors**

8.1 **Exposure to Real Estate Sector Category**

(Rupees in crore)

Category				31.03.2008	31.03.2007
1)	Direct Exposure				
	(a)	Residential Mortgages		1007.86	982.75
		Lending fully secured by mortgage of residential properties that is or will be occupied by the borrower or that is rented			
		Individual housing loans upto Rs.15 lacs Included in the above		773.08	753.29
	(b)	Commercial Real Estate			
	(i)	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi family residential buildings, multi tenanted commercial premises, industrial space or warehouse space, hotels, land acquisition, development and construction, etc) exposure would also include non fund based (NFB) limits;		1184.26	913.73
	(c)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures			
		a.	Residential	Nil	Nil
		b.	Commercial Real Estate	Nil	Nil
2)	Indirect Exposure [Fund and Non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)]			1224.20	145.83

8.2 **Exposure to Capital Market**

(Rupees in crore)

	Items	2007-08	2006-07
1.	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	81.06	29.57
2.	Advances against shares/ bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPSs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	2.03	0.10
3.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.10	Nil
4.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/ convertible debentures/ units of equity oriented mutual funds does not fully cover the advances;	0.30	Nil
5.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	18.39	19.23
6.	Loans sanctioned to corporates against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	Nil	Nil
7.	Bridge loans to companies against expected equity flows/ issues;	Nil	Nil
8.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	Nil	Nil

9.	Financing to stockbrokers for margin trading;	Nil	Nil
10.	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	1.22	1.60
	Total Exposure to Capital Market	103.10	50.50

8.3 **Risk Category wise Country Exposure**

The net country-wise funded exposure of the Bank in respect of Foreign Exchange Transactions in respect of each country is within 1% of the total assets of the Bank. Hence no provision is required as per RBI guidelines.

8.4 **Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank**

During the year 2007-08, the Bank has not exceeded the prudential exposure limits set by RBI to single borrower/ group borrower, except in the following cases, which have been approved by the Board:

(Rupees in crore)

S. No.	Name of the Borrower	Maximum Limit during the year	Exposure (%)	Limit / Liability as on 31.03.08	Exposure (%)
1.	Reliance Industries Ltd.	240	15.03	Nil	Nil
2.	BPCL	240	15.03	225	14.09
3.	ICICI Bank Ltd.	319	19.98	319	19.98
4.	Yes Bank Ltd.	315	19.73	315	19.73

8.5 **Disclosure of Penalties imposed by Reserve Bank of India**

	2007-08	2006-07
A. Penalty imposed by RBI on Bank during the year	Nil	Nil
B. Strictures or Directions by RBI on the basis of adverse findings	Nil	Nil

9. Compliance with Accounting Standards:

9.1 Cash Flow Statement for the year ended 31st March, 2008

(Rs. in crore)

A. CASH FLOW FROM OPERATING ACTIVITIES	**2007-08**	**2006-07**
Net Profit/ (Loss) as per Profit & Loss Account	382.36	218.53
Adjustments for:		
Provisions & Contingencies	160.3	253.91
(Profit)/ Loss on Revaluation of Investments	30.11	35.2
Depreciation (Net)	7.19	8.15
Profit on sale of assets	-0.14	-4.72
Interest on subordinated debts	25.75	30.33
Staff Welfare Fund	-6	-3
Operating Profit before working capital changes	**599.57**	**538.4**
Adjustments for:		
Increase / (Decrease) in Deposits	5512.65	2394.17
Increase / (Decrease) in Borrowings	2771.64	204.88
Increase / (Decrease) in Other Liabilities	-2.86	19.36
(Increase) / Decrease in Investments	-1812.55	170.9
(Increase) / Decrease in Advances	-6677.83	-2755.05
(Increase) / Decrease in Other Assets	-55.9	-107.5
Cash Flow from Operating Activities (A)	**334.72**	**465.16**

B. CASH FLOW FROM INVESTING ACTIVITIES		
Increase in Fixed Assets	-11.88	-8.96
Profit on sale of assets	0.14	4.72
Cash Flow from Investing Activities (B)	**-11.74**	**-4.24**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Infusion of capital by Central Government	0	0
Issue of Subordinated Bonds	100	150
Redemption of Subordinated Bonds	-105	-80
Interest on Subordinated Bonds	-25.75	-30.33
Cash Flow from Financing Activities (C)	**-30.75**	**39.67**
Cash from Operating Activities	334.72	465.16
Cash from Investing Activities	-11.74	-4.24
Cash from Financing Activities	-30.75	39.67
Increase in Cash & Cash Equivalents	**292.23**	**500.59**
Cash and Cash equivalents at the beginning of the year	2647.65	2147.07
Cash and Cash equivalents at the end of the year	2939.89	2647.65

9.2 There are no material prior period items included in Profit & Loss Account required to be disclosed as per AS-5 read with RBI guidelines except those disclosed elsewhere in the notes.

9.3 Income/ Expenditure items recognized on receipt basis are not material.

9.4 Provisions for pension, gratuity and leave encashment have been made in accordance with the Revised Accounting Standard (AS - 15) issued by the ICAI. In respect of pension funds, transitional liability has been computed at Rs. 408.35 crore as per actuarial valuation which is written off over a period of five years in terms of Revised Accounting Standard (AS - 15). The amount of unrecognized transitional liability is Rs. 326.68 crore.

9.5 The Bank has recognized business segment as its primary reportable segment under AS-17 classified into 'Treasury', Corporate/Wholesale Banking, Retail Banking and 'Other Banking Operations' and necessary disclosure is given below:

(Rupee in crore)

Business Segment	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Particulars	**31.03.2008**	**31.03.2008**	**31.03.2008**	**31.03.2008**	**31.03.2008**
Revenue	609.52	1179.35	740.37	7.69	2536.93
Result	44.16	424.21	266.31	7.69	742.37
Unallocated expneses					199.71
Operating Profit					542.66
Provisions & Contingencies					96.03
Income Tax					64.27
Extra Ordinary Profit/ Loss	0.00	0.00	0.00	0.00	0.00
Net Profit					382.36
Other Information:					
Segment Assets	8638.64	13505.47	8478.50	0.00	30622.61
Unallocated Assets					326.59
Total Assets					30949.20
Segment Liabilities	8138.50	12723.57	7987.63	0.00	28849.70
Unallocated Liabilities					6.17

Total Liabilities					28855.87

Note : 1. Pursuant to RBI Circular No. DBOD.No.BP.BC.81/21.04.018/2006-07 dated 18.04.2007, previous year figures are not given being first year of revised reporting.

2. Segmental Revenue, Results, Assets and Liabilities in respect of Corporate/ Wholesale and Retail Banking Segment have been bifurcated on the basis of exposure to these segments.

9.6 **Geographical Segment**

As the Bank does not have any overseas branch, there is no requirement as to reporting of geographical segment.

9.7 **Disclosures of Related Party Transactions in terms of Accounting Standards (AS - 18)**

Key Managerial Personnel:

i. Sardar R. P. Singh, Chairman & Managing Director

ii. Sardar G.S. Matta, Executive Director (Retired on 31.3.2008)

a). Remuneration paid to Key Managerial Personnel:

i. Sardar R. P. Singh, Chairman & Managing Director Rs. 0.23 crore

ii. Sardar G.S. Matta, Executive Director Rs. 0.18 crore

b). Loans granted to Key Managerial Personnel & their relatives:

Loans Outstanding as on 31.03.2008 **NIL**

9.8 **Compliance with AS-22**

9.8.1 The Bank has accounted for Income Tax in compliance with Accounting Standard-22 'Accounting for taxes on Income' issued by ICAI.

9.8.2 Major components of deferred tax assets/liabilities are as under:

(Rupees in crore)

Head		Deferred Tax Assets		Deferred Tax Liabilities	
		31.03.2008	31.03.2007	31.03.2008	31.03.2007
1	Timing difference towards provisions	Nil	Nil	Nil	Nil
2	Depreciation on Fixed Assets	Nil	Nil	2.81	3.12
	Total	**Nil**	**Nil**	**2.81**	**3.12**

9.8.3 Provision for Income Tax, Deferred Tax and Fringe Benefit Tax held by the Bank is considered adequate taking into account the opinion of legal experts and favorable judicial pronouncements.

9.8.4 No provision has been considered necessary in respect of disputed demands of income tax and interest tax aggregating to Rs. 226.26 crore (Previous year Rs.134.52 crore) in view of decisions of appellate authorities / judicial pronouncements / opinions of legal experts. However the entire demand has been paid / adjusted / adjustable against the refund due.

9.8.5 Minimum Alternate Tax (MAT) Credit

During the year, the bank has made provision for Income Tax in accordance with the Minimum Alternate Tax (MAT) as per the Income Tax Act, 1961 which is available as tax credit to be set off in subsequent years. In accordance with the "Guidance Note on Accounting for Credits available in respect of MAT under the Income Tax Act, 1961" issued by the ICAI, the MAT credit for the current year amounting to Rs. 26.03

crore together with MAT credit of Rs. 32.00 crore accrued upto 31.03.2007 and aggregating to Rs. 58.03 crore has been credited to Profit & Loss Account under 'Provisions and Contingencies' by debiting 'MAT Credit Entitlement Account'.

9.9 **COMPLIANCE WITH AS - 28 ACCOUNTING FOR IMPAIRMENT OF ASSETS**

FIXED ASSETS POSSESSED BY BANK ARE TREATED AS 'CORPORATE ASSETS' AND NOT 'CASH GENERATING UNITS' AS DEFINED BY AS-28. IN THE OPINION OF THE MANAGEMENT, THERE IS NO IMPAIRMENT OF THE 'FIXED ASSETS' OF MATERIAL AMOUNT AS OF 31.03.2008, REQUIRING RECOGNITION IN TERMS OF AS-28 ISSUED BY THE ICAI.

9.10 **Compliance with AS - 29: Accounting for Provisions, Contingent Liability and Contingent Assets**

As per AS-29 , provisions, contingent liabilities and contingent assets, issued by the Institute of Chartered Accountants of India, the Bank recognizes no provision for -

e) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank, or

f) Any present obligation from the past events but is not recognized because
   - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
   - A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as contingent liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

10.1 **Additional disclosures:**

(Rupees in crore)

Break up of 'Provisions & Contingencies' shown under the head Expenditure in Profit & Loss Account	**2007-08**	**2006-07**
Provision for Non Performing Advances	69.97	103.62
Provision for Non Performing Investments	-4.48	-3.95
Provision for Depreciation in the value of Investments	3.30	27.17
Provision for Standard Asset	30.27	47.35
Provision for Income Tax	121.10	21.64
Provision for Deferred Tax	-0.31	1.50
Provision for Fringe Benefit Tax	1.24	1.21
MAT Credit Entitlement	-58.03	-
Others	-2.76	55.37
Total	**160.30**	**253.91**

10.2 **Movement of Floating Provisions**

(Rupees. in crore)

	2007-08	**2006-07**
Opening Balance	Nil	Nil
Additions during the year	Nil	Nil
Draw down during the year	Nil	Nil
Closing Balance	Nil	Nil

10.3 **Customer's Complaints:**

		2007-08	**2006-07**
a)	No. of Complaints pending at the beginning of the year	60	71
b)	No. of Complaints received during the year	414	422
c)	No. of Complaints redressed during the year	434	433
d)	No. of Complaints pending at the end of the year	40	60

10.4 **Awards Passed by the Banking Ombudsman:**

		2007-08	2006-07
a)	No of unimplemented Awards at the beginning of the year	1	3
b)	No of Awards passed by Banking Ombudsman during the year	22	5
c)	No of Awards implemented during the year	22	7
d)	No of unimplemented Awards pending at the end of the year	1	1

11. The figures of the previous year have been re-grouped / re-arranged wherever necessary except where information was not available.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR 2008-09

SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

The financial statements are prepared on historical cost basis by following going concern concept and conform to the statutory provisions and practices prevailing in India, unless otherwise stated.

2. Foreign Exchange Transactions

2.1 All the Monetary assets and liabilities in foreign currencies are translated in Indian rupees at the exchange rates prevailing at the Balance Sheet date as notified by Foreign Exchange Dealers Association of India (FEDAI). The resultant gain / loss is accounted for in the Profit & Loss account.

2.2 The outstanding foreign exchange contracts are stated at the prevailing exchange rate on the date of commitment. Profit or loss on such contracts is accounted for as per rates advised by FEDAI and in accordance with FEDAI guidelines and provisions of para 38 of AS-11.

2.3 Items of Income and expenditure relating to foreign exchange transactions are recorded at exchange rates prevailing on the date of the transactions.

2.4 Acceptances, endorsements and other obligations including guarantees in foreign currencies are valued as per the rates published by FEDAI as on the date of closing.

3. Investments

3.1 Classification and valuation of investments are made in accordance with the prudential norms prescribed by Reserve Bank of India read with clarifications / directions given by RBI.

3.2 **Basis Of Classification:**

i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.

ii. Investments that are held principally for resale within 90 Days from the date of purchase are classified as Held For Trading.

iii. Investments which are not classified in the above two categories, are classified as Available For Sale.

iv. An investment is classified under the above three categories at the time of its purchase. Shifting of securities from one category to another is done with the approval of the Board normally once in a year. Shifting is effected at the lower of acquisition cost / book value / market value on the date of transfer and the depreciation, if any, on such shifting is fully provided for and the book value of securities is changed accordingly.

3.3 Securities under 'Held to Maturity' are stated at acquisition costs unless such costs are higher than the face value, in which case the premium is amortized over the remaining period of maturity. Such amortisation is shown under "Income on Investments– Schedule 13 item II. In case, the cost is less than the redemption value, the difference being the unrealized gain, is ignored. Any diminution in value of investments in subsidiaries and joint venture, other than temporary in nature, is provided for each investment individually

3.4 Securities under 'Available for sale' are valued scrip wise and depreciation/ appreciation is segregated category wise. While net appreciation is ignored, net depreciation under each category is provided for.

3.5 Securities under 'Held for Trading' are valued at market price and the net depreciation under each category is provided for and the net appreciation, if any, is ignored.

3.6 Cost of investment is based on the weighted average cost method category wise.

3.7 The 'market value' for the purpose of valuation of investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, price list of RBI, prices declared by Primary Dealers association of India (PDAI) jointly with the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

In respect of unquoted securities, the procedure adopted is as below:

a. Government of India Securities: At rates put out by FIMMDA/PDAI;
b. State Government Loans, Other approved Securities, preference shares, Debentures and PSU Bonds: On yield to maturity (YTM) basis at the rate prescribed by FIMMDA/ PDAI with such mark ups as laid down by RBI or FIMMDA/PDAI;
c. Equity Shares: At break-up value based on the latest Balance Sheet, which are not older than one year on the date of valuation. In cases where latest Balance Sheets are not available, the shares are valued at Re.1 per company;
d. Mutual Fund Units: At re-purchase price or Net Assets Value;
e. Treasury Bills, Commercial Papers, Certificate of Deposits, Recapitalization Bonds, Subsidiaries, Joint Ventures and Sponsored Institutions: At carrying cost.

3.8 In determining acquisition cost of investments:

a. Incentive received on subscription is deducted from the cost of securities;
b. Brokerage / commission/ stamp duty paid in connection with acquisition of securities are treated as revenue expenditure;
c. Broken period interest, if any, paid on acquisition of investment is debited to profit & loss account. Broken period interest received on sale of securities is recognized as Interest Income.

3.9 Profit/ Loss on sale of investments is taken to profit and loss account. However, in case of profit on sale of investments in 'Held to Maturity' category, an equivalent amount of profit is appropriated to Capital Reserve.

3.10 In respect of non-performing securities, income is not recognized and appropriate provision is made for depreciation in the value of such securities as per Reserve Bank Of India guidelines.

4. Advances

4.1 Advances are classified into "Performing" and "Non-performing" assets and provisions are made as per the prudential norms prescribed by the Reserve Bank of India. However, the bank has made higher provisions for Sub-standard and Doubtful categories as follows:

Category of Asset	As prescribed by RBI	As followed by Bank
Sub-standard	10%	35%
Doubtful I	20%	65%
Doubtful II	30%	100%

4.2 Advances are stated net of de-recognized interest and provisions/ Technical write off made in respect of non-performing advances. Claims received from DICGC/ ECGC are not reduced from such advances till adjusted/ technically written-off whereas part recovery in all NPA Accounts is reduced from advances.

4.3 Provisions on standard advances are made and are included under ‘Other Liabilities and Provisions’ as per RBI guidelines.

5 Fixed Assets

5.1 Premises and other Fixed Assets are stated at historical cost/revalued amount. In respect of premises, where segregation is not possible between land and superstructure, are considered in the value of superstructure.

5.2 Premises taken on perpetual lease are considered as freehold premises and are not amortized.

6 Depreciation on Fixed Assets

6.1 Depreciation is provided for on -

6.1.1 Computers at 33.33%, on straight-line method; additions are depreciated for the full year irrespective of the date of addition as per RBI guidelines.

6.1.2 Other Fixed assets on written down value method at the rates prescribed by the Income Tax Act 1961; additions effected before 30th September are depreciated for full year and additions effected thereafter are depreciated for half year.

6.1.3 Cost of premises is taken composite, wherever it is not possible to segregate the cost of land from the cost of the superstructure.

6.2 No depreciation is provided in assets sold/disposed of during the year.

6.3 Amount equivalent to depreciation attributable to revalued portion of the assets is transferred from Revaluation Reserve Account to the Profit & Loss Account.

7 Revenue Recognition

7.1 Income and expenditure are accounted for on accrual basis unless otherwise stated.

7.2 Income on non-performing assets is recognized on realization basis in accordance with the prudential norms prescribed by Reserve Bank of India.

7.3 Partial recovery in non-performing assets is appropriated first towards principal and thereafter towards interest.

7.4 Income on guarantees and letters of credit issued, Locker rent, income from Merchant Banking transactions, money transfer service, dividend on shares, Interest on Refund of Income Tax, commission on credit card, interest on overdue bills, processing fee, Government business including distribution of pension and income from units of Mutual Fund product are accounted for on receipt basis.

7.5 Rebate on compromised accounts is accounted for at the time of full and final adjustment of the account.

7.6 Interest on overdue Term Deposits is provided at the rate of interest applicable to Savings Bank Deposits.

7.7 Liability in respect of incremental lease rent on renewal of lease agreement is accounted for at the time of renewal of the lease.

7.8 Bond Issue Expenses incurred in connection with raising Tier-II Capital are treated as Deferred Revenue Expenditure to be written off over a period of five years.

8. Staff Retirement Benefits

Annual contribution to Gratuity Fund, Pension Fund and Leave encashment Fund are provided for on the basis of actuarial valuation. Transitional liability relating to Pension Fund and Sick Leave determined as per actuarial valuation is written off over a period of five years commencing from 2007-08 in terms of Revised Accounting Standard 15 (AS-15) as against remaining seven years out of ten years as approved by Reserve Bank of India vide its letter no. DBOD.BP.No. 271/21.01.002/2005-06 dated 23.08.2005.

9. Taxes on Income

9.1 Current Income Tax and Fringe Benefits Tax is measured at the amount expected to be paid considering the applicable tax rates and favorable judicial pronouncement/ legal opinions.

9.2 In accordance with AS-22 Deferred Tax comprising of tax effect of timing differences between taxable and accounting income for the period, is recognized keeping in view the consideration of prudence in respect of Deferred Tax Assets.

NOTES ON ACCOUNTS

1 **Balancing of Books and Reconciliation.**

1.1 In certain Branches, the balancing / reconciliation of control accounts with subsidiary ledgers is in progress.

1.2 Initial matching of debit and credit outstanding entries in various heads of accounts included in Inter Office Adjustments (including old outstanding entries) has been done up to 31.01.2009 and reconciliation is in progress.

1.3 Reconciliation of accounts with banks, NOSTRO, Drafts / TT payable, Dividend Warrants paid / payable, Debit Note Receivable/ Payable etc. is in progress.

In the opinion of the management, the impact of the above, if any, on the Profit & Loss Account and Balance Sheet though not quantifiable, will not be material.

1.4 In terms of Reserve Bank of India guidelines, segregation of Debit and Credit entries in Inter Branch Accounts pertaining to the period up to 30.09.2008 and remaining outstanding as on 31.03.2009 has been done which has resulted in either net debit in some heads or net credit in other heads. Provision is made in respect of net debit entries outstanding for period exceeding six months.

1.5 Aggregate net credit position in respect of un-reconciled NOSTRO Accounts relating to the period up to 31st March 1996 amounting to Rs 3.36 crore (previous year Rs 3.11 crore) has been transferred to Blocked NOSTRO Account Sundry Creditors out of which Rs 1.77 crore for period prior to 14.11.1989 is being carried at old book value. Un-reconciled credit entries for the period after 1st April 1996 remaining outstanding for more than 3 years amounting to Rs 3.79 crore (previous year Rs. 3.20 crore) have been segregated and kept in Unclaimed Deposit(NOSTRO) Account.

2 Legal formalities are yet to be completed in respect of 7 properties having original cost of Rs.4.81 crore (Previous year 7 properties costing Rs.6.52 crore).

3.1 **Capital**

(Rupees. in crore)

	Items	2008-09	2007-08
(i)	CRAR (%) (Basel-I)	11.88 %	11.57 %
(ii)	CRAR - Tier I capital (%) (Basel-I)	6.99 %	8.04 %
(iii)	CRAR - Tier II capital (%) (Basel-I)	4.89 %	3.53 %
(iv)	CRAR (%) (Basel-II)*	14.35 %	N.A.
(v)	CRAR - Tier I capital (%) (Basel-II)*	8.44 %	N.A.
(vi)	CRAR - Tier II capital (%) (Basel-II)*	5.91 %	N.A.
(vii)	Percentage of the shareholding of the Government of India	100%	100%
(viii)	Amount of subordinated debt raised as Tier II capital	735.00	380.00
(ix)	Out of which eligible for Tier II	708.00	317.00

* As compiled by the Management and relied upon by the Auditors

3.2 **Restructuring of Equity Capital**

The Equity Capital of Rs.743.06 crore has been restructured by Government of India w.e.f. 22.12.2008 by converting an amount of Rs.160 crore into **'Innovative Perpetual Debt Instrument' (IPDI)** (under Tier-I Capital), Rs.200 crore into **'Perpetual Non-cumulative Preference Shares' (PNCPS)** (under Tier-I Capital) and Rs.200 crore into **'Perpetual Cumulative Preference Shares' (PCPS)** (under Tier-II Capital), retaining Rs.183.06 crore as Equity Share Capital.

4. **Investments**

(RUPEES IN CRORE)

		ITEMS	2008-09	2007-08
4.1		VALUE OF INVESTMENTS		
	(I)	GROSS VALUE OF INVESTMENTS		

	(A)	IN INDIA	12656.43	8524.92
	(B)	OUTSIDE INDIA	NIL	NIL
(II)	PROVISIONS FOR DEPRECIATION			
	(A)	IN INDIA	29.00	51.29
	(B)	OUTSIDE INDIA	NIL	NIL
(III)	NET VALUE OF INVESTMENTS			
	(A)	IN INDIA	12627.43	8473.63
	(B)	OUTSIDE INDIA	NIL	NIL

4.2 **MOVEMENT OF PROVISION HELD TOWARDS DEPRECIATION ON INVESTMENTS (INCLUDING PROVISION FOR NPAS)**

(RUPEES IN CRORE)

PARTICULARS		**2008-09**	**2007-08**
(I)	OPENING BALANCE	51.29	58.93
(II)	ADD: PROVISIONS MADE DURING THE YEAR	3.30	13.31
(III)	LESS: WRITE-OFF/ WRITE-BACK OF EXCESS PROVISIONS DURING THE YEAR	25.59	20.95
(IV)	**CLOSING BALANCE**	**29.00**	**51.29**

4.3 **Repo / Reverse Repo Transactions**

(Rupees in crore)

Particulars	Minimum Outstanding during the year	Maximum Outstanding during the year	Daily Average Outstanding during the year	Balance as on 31.03.2009
Securities sold under Repos	0.00	900.00	72.18	Nil
Securities purchased under Reverse Repos	0.00	1200.00	36.78	Nil

4.4 **Non-SLR Investments Portfolio: Issuer Composition as on 31.03.2009**

(Rupees in crore)

No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Un-rated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i.	PSUs	164.88	132.82	Nil	37.50	59.50
ii.	FIs	351.70	196.70	Nil	25.59	50.59
iii.	Banks	433.35	432.38	Nil	0.00	0.00
iv.	Private Corporate	410.38	378.28	Nil	1.03	1.03
v.	Subsidiaries/ Joint Ventures	0.65	Nil	Nil	N.A.	N.A.
vi.	Others	19.56	1.22	Nil	0.00	0.00
vii.	Provision held towards depreciation	28.66	Nil	Nil	Nil	Nil
	Total	**1351.86**	**1141.40**	**Nil**	**64.12**	**111.12**

4.5 **Movement of Non Performing Non SLR Investments**

(Rupees in crore)

Particulars	**2008-09**	**2007-08**
Opening balance	26.49	26.40
Additions during the year	0.16	0.09
Reductions during the year	1.62	Nil
Closing balance	25.03	26.49
Total Provisions held	**25.03**	**26.49**

4.6 In terms of RBI Master Circular DBOD. No.BP.BC.5/21.04.141/2008-09 dated 01.07.2008 on the "Prudential norms for classification, valuation and operation of Investment portfolio by Banks", from current year amortization on HTM Investments amounting to Rs.37.67 crore (previous Year Rs. 30.11 crore), is deducted from 'Income on Investments' under item No. II of Schedule-13, which was hitherto shown under the head 'Profit on Revaluation of Investments' under item III of Schedule-14.

4.7 **Derivatives**

Bank has not entered into any derivative transactions either for hedging or trading purpose during the year 2008-09. Accordingly, qualitative and quantitative disclosure under RBI guidelines with respect to derivative transactions is not given.

4.8 **Restructured / Rescheduled / Renegotiated - Investments during the year**

(Rupees in crore)

Particulars	2008-09	2007-08
Standard assets subjected to restructuring etc.	Nil	Nil
Sub-standard assets subjected to restructuring etc.	Nil	Nil
Doubtful assets subjected to restructuring etc.	Nil	Nil
Total amount of assets subjected to restructuring etc.	Nil	Nil

4.9 During the year, the Bank shifted securities worth Rs.854.34 crore from "Available for Sale" to "Held till Maturity" after providing depreciation of Rs.20.49 crore. The Bank has not shifted any investments from "Held till Maturity" to "Available for Sale" during the year.

5. **Asset Quality**

5.1. **Non-Performing Assets**

(Rupees in crore)

		Items	2008-09	2007-08
(i)		Net NPAs to Net Advances (%)	0.32	0.37
(ii)		**Movement of Gross NPAs**		
	(a)	Opening Balance	135.53	290.84
	(b)	Additions during the year	141.87	105.84
	(c)	Reductions during the year	116.36	261.15
	(d)	**Closing balance**	**161.04**	**135.53**

(iii)		**Movement of Net NPAs**		
	(a)	Opening Balance	66.97	77.04
	(b)	Additions during the year	77.35	64.66
	(c)	Reductions during the year	66.29	74.73
	(d)	**Closing balance**	**78.03**	**66.97**

(iv)		**Movement of provisions for NPAs** (excluding provisions on standard assets)		
	(a)	Opening Balance	65.71	210.55
	(b)	Add: provisions made during the year	85.72	77.71
	(c)	Less: write off, write back of excess provisions	72.48	222.55
	(d)	**Closing balance**	**78.95**	**65.71**

5.2 DICGC / ECGC claim eligible, lodged and re-lodged have been considered as security for provisioning on advances on the basis that such claims are valid / realizable.

5.3 **Details of Loan Assets subjected to Restructuring**

(Rupees. In crore)

Item			Under CDR		Other than CDR	
			2008-09	2007-08	2008-09	2007-08
(i)	Standard assets subjected to restructuring, rescheduling, renegotiation	No. of Borrowers	1	Nil	3440	22
		Amount Outstanding	5.68	Nil	518.61	52.41
		Sacrifice (diminution in the fair value)	0.31	Nil	2.84	Nil
(ii)	Sub-standard assets subjected to restructuring, rescheduling, renegotiation	No. of Borrowers	0	Nil	238	8
		Amount Outstanding	0	Nil	8.47	3.28
		Sacrifice (diminution in the fair value)	0	Nil	0.09	Nil

(iii)	Doubtful assets subjected to restructuring, rescheduling, renegotiation	No. of Borrowers	0	Nil	3	1
		Amount Outstanding	0	Nil	0.13	11.33
		Sacrifice (diminution in the fair value)	0	Nil	0	Nil
(iv)	**Total Amount of loan assets subjected to restructuring, rescheduling, renegotiation (i) +(ii) +(iii)**	**No. of Borrowers**	**1**	**Nil**	**3681**	**31**
		Amount Outstanding	**5.68**	**Nil**	**527.21**	**67.02**
		Sacrifice (diminution in the fair value)	**0.31**	**Nil**	**2.93**	**Nil**

The above details have been compiled by the management & relied upon by the auditors

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5.4 **Additional disclosure regarding restructured accounts**

S.No.	Disclosures	Number	Amount (in crores of rupees)
1.	Application received up to March 31, 2009 for restructuring in respect of accounts which were standard as on September 1, 2008	3932	980
2.	Of (1), proposals approved and implemented as on March 31, 2009 and thus became eligible for special regulatory treatment and classified as standard assets as on the date of the balance sheet.	3533	529
3.	Of (1), proposals approved and implemented as on March 31, 2009 but could not be upgraded to the standard category	149	4
4.	Of (1), proposals under process/ implementation which were standard as on March 31, 2009	247	439
5.	Of (1), proposals under process/ implementation which turned NPA as on March 31, 2009 but are expected to be classified as standard assets on full implementation of the package	3	8

The above details have been compiled by the Management and relied upon by the Auditors

5.5 **Details of Financial Assets sold to Securitization / Reconstruction Companies for Asset Reconstruction**

(Rupees in crore)

	Item	2008-09	2007-08
(i)	Number of Accounts	1	1
(ii)	Aggregate Value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii)	Aggregate consideration	1.38	65.40 (*)
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	0.07
(v)	Aggregate gain/ loss over net book value	1.38	65.47

(*) Aggregate consideration includes cash Rs.3.63 crore and Security Receipts Rs.61.76 crore.

5.6 **Details of non-performing financial assets purchased / sold:**

A. Details of non-performing financial assets purchased:

(Rupees in crore)

		Particulars	2008-09	2007-08
1.	(a)	No. of accounts purchased during the year	Nil	Nil
	(b)	Aggregate outstanding	Nil	Nil
2.	(a)	Of these, number of accounts restructured during the year	Nil	Nil
	(b)	Aggregate outstanding	Nil	Nil

B. Details of non-performing financial assets sold:

(Rupees in crore)

	Particulars	2008-09	2007-08
1.	No. of accounts sold	Nil	Nil
2.	Aggregate outstanding	Nil	Nil
3.	Aggregate consideration received	Nil	Nil

5.7 **Provisions on Standard Assets**

(Rupees in crore)

Item	2008-09	2007-08
Provisions towards Standard Assets	121.69	109.74

5.8 a) In terms of the Agriculture Debt Waiver and Debt Relief Scheme 2008 framed by the Government of India, an amount of Rs.48.20 crore has been waived under the Debt Waiver Scheme, against which Bank has received 1st installment of Rs.19.77 crore. An amount of Rs. 18.38 crore is worked out as eligible under the Debt Relief Scheme, out of which Rs. 11.41 crore is subject to fulfillment of conditions attached thereto, claim will be lodged with Reserve Bank of India for the same. Interest receivable from Govt. of India has not been given effect in the books. The said claims are subject to certification by Statutory Central Auditors.

b) In respect of Debt Relief Scheme, Bank has made a provision of Rs. 0.65 crore against loss in Present Value terms on amount receivable from eligible farmers from the existing provision held amounting to Rs.3.92 crore and balance provision has been written back. Outstanding in these accounts has been considered as Standard category as laid down in the Scheme.

6. **Business Ratios**

Items		2008-09	2007-08
(i)	Interest Income as a percentage to average working funds	9.35 %	8.67 %
(ii)	Non-Interest Income as a percentage to average working funds	1.17 %	1.24 %
(iii)	Operating Profit as a percentage to average working funds	2.09 %	2.12 %
(iv)	Return on Assets	1.26 %	1.49 %
(v)	Business [Deposits plus Advances] per employee	6.56	4.67
(vi)	Profit per employee	0.05	0.04

7. **Asset Liability Management**

Maturity Pattern of Assets and Liabilities as on 31.03.2009:

(Rupees in crore)

Maturity Pattern (Time Buckets)	Deposits	Loans & Advances	Investments	Borrowings	Foreign Currency	
					Liabilities	Assets
1 day	289.88	114.19	33.37	0.00	66.23	148.69
2 – 7 days	1293.93	422.79	322.42	2474.98	2.94	27.32
8 – 14 days	1414.25	749.00	0.00	0.00	7.75	25.02
15-28 days	1096.68	992.71	94.45	0.00	7.30	60.81
29 days to 3 months	5095.20	4716.84	666.79	0.00	32.35	289.88
Over 3 months to 6 months	3462.45	2875.98	588.04	12.20	39.55	130.18
Over 6 months to 1 year	7664.78	2555.62	172.32	12.15	116.50	3.70
Over 1 year to 3 years	6452.54	5632.61	1395.51	12.15	41.30	Nil
Over 3 years to 5 years	2004.72	3065.72	1204.54	0.00	1.59	Nil
Over 5 years	5901.22	3489.89	8149.99	200.00	Nil	Nil
Total	**34675.65**	**24615.35**	**12627.43**	**2711.48**	**315.51**	**685.60**

8. **Exposures:**

8.1 **Exposure to Real Estate Sector Category**

(Rupees in crore)

Category			31.03.2009	31.03.2008
1)	Direct Exposure			
	(a)	Residential Mortgages	1180.84	1007.86
		Lending fully secured by mortgage of residential properties that is or will be occupied by the borrower or that is rented		
		Individual housing loans Included in the above	931.22	773.08
	(b)	Commercial Real Estate		

	(i)	Lending secured by mortgages of commercial real estates (office buildings, retail space, multipurpose commercial premises, multi family residential buildings, multi tenanted commercial premises, industrial space or warehouse space, hotels, land acquisition, development and construction, etc) exposure would also include non fund based (NFB) limits;		1640.74	1184.26
	(c)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures			
		a.	Residential	Nil	Nil
		b.	Commercial Real Estate	Nil	Nil
2)	Indirect Exposure [Fund based and Non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)]			1308.23	1224.20

8.2 **Exposure to Capital Market**

(Rupees in crore)

	Items	2008-09	2007-08
1.	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	53.82	81.06
2.	Advances against shares/ bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	0.08	2.03
3.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.18	0.10
4.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/ convertible debentures/ units of equity oriented mutual funds does not fully cover the advances;	0.01	0.30
5.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	3.49	18.39
6.	Loans sanctioned to corporates against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	Nil	Nil
7.	Bridge loans to companies against expected equity flows/ issues;	Nil	Nil
8.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	Nil	Nil
9.	Financing to stockbrokers for margin trading;	Nil	Nil
10.	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	1.22	1.22
	Total Exposure to Capital Market	**58.80**	**103.10**

8.3 **Risk Category wise Country Exposure**

The net country-wise funded exposure of the Bank in respect of Foreign Exchange Transactions in respect of each country is within 1% of the total assets of the Bank. Hence no provision is required as per RBI guidelines.

8.4 **Details of Single Borrower**

Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank

During the year 2008-09, the Bank has not exceeded the prudential exposure limits set by RBI to single borrower/ group borrower, except in the following cases, which have been approved by the Board:

(Rupees in crore)

S. No.	Name of the Borrower	Maximum Limit during the year	Exposure (%) as on	Limit / Liability as on 31.03.09	Exposure (%)
1.	BPCL	650.00	29.99 (19.11.08)	225.00	8.76
2.	IFFCO	425.00	19.61 (20.11.08)	Nil	Nil
3.	INDIAN OIL CORPORATION	650.00	29.99 (20.11.08)	Nil	Nil
4.	HPCL	650.00	29.99 (08.12.08)	625.04	24.35
5.	YES BANK LTD.	360.00	16.61 (26.12.08)	360.00	14.02
6.	SAIL	425.00	19.61 (29.12.08)	350.05	13.63
7.	SIDBI	500.00	19.47 (27.03.09)	500.00	19.47
8.	HDFC LTD.	415.00	16.16 (31.03.09)	415.00	16.16

8.5 **Disclosure of Penalties imposed by Reserve Bank of India**

	2008-09	2007-08
A. Penalty imposed by RBI on Bank during the year	Nil	Nil
B. Strictures or Directions by RBI on the basis of adverse findings	Nil	Nil

9. Compliance with Accounting Standards:

9.1 Cash Flow Statement for the year ended 31st March, 2009

		Rs. in crore
A. CASH FLOW FROM OPERATING ACTIVITIES	**2008-09**	**2007-08**
Net Profit/ (Loss) as per Profit & Loss Account	437.18	382.36
Adjustments for:		
Provisions & Contingencies	290.53	160.3
Depreciation (Net)	10.63	7.19
Profit on sale of assets	-0.07	-0.14
Interest on subordinated debts	53.11	25.75
Staff Welfare Fund	-6	-6
Operating Profit before working capital changes	**785.38**	**569.46**
Adjustments for:		
Increase / (Decrease) in Deposits	9844.24	5512.65
Increase / (Decrease) in Borrowings	-465.24	2771.64
Increase / (Decrease) in Other Liabilities	254.36	-2.86
(Increase) / Decrease in Investments	-4152.01	-1782.44
(Increase) / Decrease in Advances	-6337.5	-6677.83
(Increase) / Decrease in Other Assets	-309.06	-55.9
Cash Flow from Operating Activities (A)	**-379.83**	**334.72**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Increase in Fixed Assets	-21.58	-11.88
Profit on sale of assets	0.07	0.14
Cash Flow from Investing Activities (B)	**-21.51**	**-11.74**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Subordinated Bonds	400	100
Redemption of Subordinated Bonds	-45	-105
Interest on Subordinated Bonds	-53.11	-25.75
Cash Flow from Financing Activities (C)	**301.89**	**-30.75**
Cash from Operating Activities	-379.83	334.72
Cash from Investing Activities	-21.51	-11.74
Cash from Financing Activities	301.89	-30.75

Increase in Cash & Cash Equivalents	-99.45	292.23
Cash and Cash equivalents at the beginning of the year	2939.89	2647.65
Cash and Cash equivalents at the end of the year	2840.44	2939.89

9.2 There are no material prior period items included in Profit & Loss Account required to be disclosed as per AS-5 read with RBI guidelines except those disclosed elsewhere in the notes.

9.3 Income/ Expenditure items recognized on receipt basis are not material.

9.4 **Accounting Standard 15 - Employees Benefit**

9.4.1 Provisions for pension, gratuity, leave encashment and other long term benefits have been made in accordance with the Revised Accounting Standard (AS - 15) issued by the ICAI. In respect of pension funds and sick leave, transitional liability was computed at Rs.408.35 crore and Rs. 24.79 crore as on 01.04.2007 as per actuarial valuation which is to be written off over a period of five years w.e.f. financial year 2007-08 in terms of Revised Accounting Standard (AS - 15). The amount of unrecognized transitional liability on account of pension fund and sick leave is Rs. 271.61 crore and Rs.14.87 crore respectively.

The summarized position of post employment benefits recognized in the Profit & Loss A/c and Balance Sheet as under:

9.4.2 **Changes in the present value of the obligation**

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Present Value of defined benefit obligation as at 1st April	1037.63	996.36	272.96	246.69	130.89	112.21
Interest cost	85.60	84.69	22.51	21.03	10.80	9.56
Current service cost	23.33	24.78	10.44	10.26	5.41	8.30
Less: Benefits paid	(35.59)	(29.65)	(14.87)	(10.06)	(6.45)	(4.13)
Actuarial loss/ (gain) on obligations	(30.70)	(38.55)	6.98	5.04	7.54	4.95
Present value of defined Benefit obligation at 31st March	1080.27	1037.63	298.02	272.96	148.19	130.89

9.4.3 **Changes in the Fair Value of Plan Assets**

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Fair value of Plan Assets as at 1st April	690.55	588.01	268.18	241.28	127.50	108.18
Expected return of Plan Assets	60.64	47.45	21.75	19.34	11.68	10.18
Employer contribution	93.06	84.74	17.53	17.62	12.87	13.27
Less: Benefit paid	(35.59)	(29.65)	(14.87)	(10.06)	(6.45)	(4.13)
Actuarial loss/ (gain)	Nil	Nil	Nil	Nil	Nil	Nil
Fair value of Plan Assets as at 31st March	808.66	690.55	292.59	268.18	145.60	127.50
Actual return on Plan Assets	60.64	47.45	21.75	19.34	11.68	10.18

9.4.4 **Net Actuarial Loss/ (Gain)**

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08

Actuarial loss/(gain) on Obligation. (A)	(30.70)	(38.55)	6.98	5.04	7.54	4.95
Actuarial loss/(gain) on Plan Assets. (B)	(1.94)	Nil	1.05	Nil	(0.20)	Nil
Net Actuarial loss/(gain)	(32.64)	(38.55)	8.03	5.04	7.34	4.95
Actuarial loss/(gain) recognized in the period	(32.64)	(38.55)	8.03	5.04	7.34	4.95
Unrecognized actuarial loss/ (Gain) at the end of the year	Nil	Nil	Nil	Nil	Nil	Nil

9.4.5 **Amount recognized in the Balance Sheet**

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Present value of defined benefit obligation as at 31st March	1080.27	1037.63	298.02	272.96	148.19	130.89
Less: Fair value of Plan Assets as at 31st March	808.66	690.55	292.59	268.18	145.60	127.50
Unfunded net Asset / (Liability) Recognized in the balance sheet	(271.61)	(347.08)	(5.43)	(4.78)	(2.59)	(3.39)

9.4.6 **Expenses recognized in the Profit & Loss Account**

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Current service cost	23.33	24.78	10.44	10.26	5.41	8.30
Interest cost	85.60	84.69	22.51	21.03	10.80	9.56
Expected return on plan assets	(58.70)	(47.45)	(22.80)	(19.34)	(11.48)	(10.18)
Net Actuarial (gain)/ loss recognized during the year	(32.64)	(38.55)	8.03	5.04	7.34	4.95
Net benefit expense	17.59	23.47	18.18	16.99	12.07	12.63

9.4.7 **Movements in the liability recognized in the Balance Sheet**

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Opening net liability	347.08	408.35	4.78	5.41	3.39	4.03
Net benefit expense	17.59	23.47	18.18	16.99	12.07	12.63
Less: Contribution paid	93.06	84.74	17.53	17.62	12.87	13.27
Closing liability	271.61	347.08	5.43	4.78	2.59	3.39

9.4.8 **Investment percentage maintained by the trust**

(in %age)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Central Government Securities	32.05	33.90	30.26	31.54	Nil	Nil
State Government Securities	19.15	19.75	18.17	17.80	Nil	Nil
High quality corporate bonds	43.31	39.92	42.42	40.66	83.22	75.00
Special Deposit Scheme	5.49	6.43	9.15	10.00	Nil	Nil

Other investments	Nil	Nil	Nil	Nil	16.78	25.00

9.4.9 **Principal Actuarial assumption at the Balance Sheet date**
(expressed as weighted average)

(in %age)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Discount rate	8.25	8.50	8.25	8.50	8.25	8.50
Expected rate of return on plan assets	8.50	8.50	8.50	8.50	8.50	8.50
Rate of escalation in salary	5.25	5.00	5.25	5.00	5.25	5.00
Attrition rate	0.15	0.13	0.15	0. 13	0.15	0.13
Method used	PUC	PUC	PUC	PUC	PUC	PUC

9.4.10 **Basis of Actuarial Assumption considered**

Particulars	Basis of assumption
Discount rate	Discount rate has been determined by reference to market yield on the balance sheet date on Government Bonds of term consistent with estimated term of the obligation.
Expected rate of return on plan assets	The expected return on Plan assets is based on market expectation, at the beginning of the period, for returns over the entire life of the related obligation.
Rate of escalation in salary	The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion, and other relevant factor, such as supply and demand in employee market.
Attrition rate	Attrition rate has been determined by reference to past and expected future experience and includes all type of withdrawals other than death but including those due to disability.

9.4.11 **Other long term employee benefit (Unfunded)**

(Rs. in crore)

Particulars	LTC/LFC Encashment *	Silver jubilee Bonus	Sick leave	Medical Benefits *	Retirement Gifts
Present Value of Obligation	5.42	0.35	25.46	0.43	0.63
Transitional Liability	Nil	Nil	14.87	Nil	Nil
Transitional Liability recognized during the year	5.42	0.35	10.59	0.43	0.63
Unrecognized transitional liability	Nil	Nil	14.87	Nil	Nil
Liability recognized in the Balance Sheet	5.42	0.35	10.59	0.43	0.63

* As assessed by the management

9.4.12 "Payment to and provision for Employee" under Schedule-16 includes an ad-hoc provision of Rs.55 crore towards wage revision pending settlement.

9.5 **Accounting Standard 17 – Segment Reporting**

(Rupee in crore)

Business Segment	**Treasury**		**Corporate/ Wholesale Banking**		**Retail Banking**		**Other Banking Operations**		**Total**	
Particulars	**31.03.09**	**31.03.08**	**31.03.09**	**31.03.08**	**31.03.09**	**31.03.08**	**31.03.09**	**31.03.08**	**31.03.09**	**31.03.08**
Revenue	806.72	609.52	1935.9	1179.35	900.91	740.37	11.32	7.69	3654.86	2536.93
Result	101.74	44.16	624.49	424.21	290.62	266.31	11.32	7.69	1028.17	742.37
Unallocated expneses									300.45	199.71
Operating Profit									727.72	542.66
Provisions & Contingencies									82.88	96.03
Income Tax									207.66	64.27

Extra Ordinary Profit/ Loss		0.00		0.00		0.00		0.00	0.00	0.00
Net Profit									437.18	382.36
Other Information:										
Segment Assets	12841.23	8638.64	19231.29	13505.47	8949.62	8478.50	0.00	0.00	41022.14	30622.61
Unallocated Assets									341.65	326.59
Total Assets									41363.79	30949.20
Segment Liabilities	12238.6	8138.50	18328.82	12723.57	8529.64	7987.63	0.00	0.00	39097.09	28849.70
Unallocated Liabilities									126.36	6.17
Total Liabilities									39223.45	28855.87

Note: For the purpose of segment reporting in terms of AS-17 of ICAI and as prescribed in RBI guidelines, the business of the Bank has been classified into four segments i.e. a) Treasury Operations b) Corporate/wholesale Banking, c) Retail Banking and d) Other Banking Operations.

Since the Bank does not have any Overseas branch, reporting under Geographic Segment is not applicable.

Segmental Revenue, Results, Assets & Liabilities in respect of Corporate / Wholesale and Retail Banking segment have been bifurcated on the basis of exposure to these segments.

Assets & Liabilities wherever directly related to segments have been accordingly allocated to segments and wherever not directly related have been allocated on the basis of pro-rata segment revenue.

9.6 **Accounting Standards 18 - Related Party Disclosures**

Key Managerial Personnel:

i. Sardar R. P. Singh, Chairman & Managing Director
ii. Sardar G.S. Vedi, Executive Director

a). Remuneration paid to Key Managerial Personnel:

i. Sardar R. P. Singh, Chairman & Managing Director Rs. 0.22 crore
ii. Sardar G.S. Vedi, Executive Director Rs. 0.06 crore (w.e.f. 16.10.2008)
iii. Sardar G.S. Matta, Ex-Executive Director Rs.0.08 crore

b). Loans granted to Key Managerial Personnel & their relatives:

Loans outstanding as on 31.03.2009 **NIL**

9.7 **Accounting Standard 22 – Accounting for Taxes on Income**

9.7.1 The Bank has accounted for Income Tax in compliance with Accounting Standard-22 'Accounting for taxes on Income' issued by ICAI.

9.7.2 Major components of deferred tax assets/liabilities are as under:

(Rupees in crore)

	Head	Deferred Tax Assets		Deferred Tax Liabilities	
		31.03.2009	31.03.2008	31.03.2009	31.03.2008
1	Depreciation on Fixed Assets	Nil	Nil	2.81	2.81
2	Interest accrued but not due on securities	Nil	Nil	70.89	Nil
3	Provision for wage revision	18.69	Nil	Nil	Nil
4	Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	Nil	Nil	3.26	Nil
	Total	**18.69**	**Nil**	**76.96**	**2.81**

9.7.2.1 Interest accrued but not due on securities has not been considered while working out the current tax whereas considering the same in tax provisions in the past. However, there has been no impact of the same on the profitability of the Bank as resultant DTL of Rs. 70.89 crore has been created.

9.7.2.2 Based on the opinion of legal expert, the bank has considered the difference between accounting income and computation of taxable income on valuation of securities as permanent difference and accordingly, deferred tax liability of Rs.101.43 crore has not been considered necessary.

9.7.3 Provision for Income Tax, Deferred Tax and Fringe Benefit Tax held by the Bank is considered adequate taking into account the opinion of legal experts and favorable judicial pronouncements.

9.7.4 No provision has been considered necessary in respect of disputed demands of income tax and interest tax aggregating to Rs.185.11 crore (Previous year Rs.226.26 crore) in view of decisions of appellate authorities / judicial pronouncements / opinions of legal experts. However the entire demand has been covered against the refund due.

9.8 ACCOUNTING STANDARD 28 - IMPAIRMENT OF ASSETS

FIXED ASSETS POSSESSED BY BANK ARE TREATED AS ‘CORPORATE ASSETS’ AND NOT ‘CASH GENERATING UNITS’ AS DEFINED BY AS-28. IN THE OPINION OF THE MANAGEMENT, THERE IS NO IMPAIRMENT OF THE ‘FIXED ASSETS’ OF MATERIAL AMOUNT AS OF 31.03.2009, REQUIRING RECOGNITION IN TERMS OF AS-28 ISSUED BY THE ICAI.

9.9 Accounting Standard 29 - Provisions, Contingent Liability and Contingent Assets

As per AS-29 , provisions, contingent liabilities and contingent assets, issued by the Institute of Chartered Accountants of India, the Bank recognizes no provision for -

a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank, or

b) Any present obligation from the past events but is not recognized because
- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as contingent liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

10.1 Additional disclosures:

(Rupees in crore)

Break up of ‘Provisions & Contingencies’ shown under the head Expenditure in Profit & Loss Account	**2008-09**	**2007-08**
Provision for Non Performing Advances	64.46	69.97
Provision for Non Performing Investments	-1.63	-4.48
Provision for Depreciation in the value of Investments	-0.16	3.30
Provision for Standard Asset	11.95	30.27
Provision for Income Tax	92.56	121.10
Provision for Deferred Tax	55.45	-0.31
Provision for Fringe Benefit Tax	1.53	1.24
MAT Credit Entitlement	58.03	-58.03
Others	8.34	-2.76
Total	**290.53**	**160.30**

10.2 **Movement of Floating Provisions**

(Rupees. in crore)

	2008-09	2007-08
Opening Balance	Nil	Nil
Additions during the year	Nil	Nil
Draw down during the year	Nil	Nil
Closing Balance	Nil	Nil

10.3 **Draw down from Reserve**

A sum of Rs.0.02 crore has been drawn from the General Reserve on account of payment to the claimant of old entries.

10.4 **Customer's Complaints:**

		2008-09	2007-08
a)	No. of Complaints pending at the beginning of the year	40	60
b)	No. of Complaints received during the year	483	414
c)	No. of Complaints redressed during the year	511	434
d)	No. of Complaints pending at the end of the year	12	40

10.5 **Awards Passed by the Banking Ombudsman:**

		2008-09	2007-08
a)	No. of unimplemented Awards at the beginning of the year	1	1
b)	No. of Awards passed by Banking Ombudsman during the year	16	22
c)	No. of Awards implemented during the year	16	22
d)	No. of unimplemented Awards pending at the end of the year	1	1

11. **Change in Accounting Policy**

Interest on Overdue Term Deposits (ODFD) has been provided at Saving Bank Interest Rate (presently 3.50%) as per RBI guidelines instead of accounting the same in the previous year on the basis of as and when the deposits are renewed. Hence, profit for the year is lower by Rs.45.91crore and liabilities are higher by the similar amount.

12. The figures of the previous year have been re-grouped / re-arranged wherever necessary except where information was not available.

13. Bank has represented to Govt. of India for exemption from payment of any dividend. Pending receipt of approval from Govt. of India, no provision has been made for dividend on Equity and Perpetual Non-cumulative Preference Shares.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR 2009-10

SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

The financial statements are prepared on historical cost basis by following going concern concept and conform to the statutory provisions and practices prevailing in India, unless otherwise stated.

2. Foreign Exchange Transactions

2.1 All the Monetary assets and liabilities in foreign currencies are translated in Indian rupees at the exchange rates prevailing at the Balance Sheet date as notified by Foreign Exchange Dealers Association of India (FEDAI). The resultant gain / loss is accounted for in the Profit & Loss account.

2.2 The outstanding foreign exchange contracts are stated at the prevailing exchange rate on the date of commitment. Profit or loss on such contracts is accounted for as per rates advised by FEDAI and in accordance with FEDAI guidelines and provisions of para 38 of AS-11.

2.3 Items of Income and expenditure relating to foreign exchange transactions are recorded at exchange rates prevailing on the date of the transactions.

2.4 Acceptances, endorsements and other obligations including guarantees in foreign currencies are valued as per the rates published by FEDAI as on the date of closing except Bills for Collection which are accounted for at the notional rates at the time of lodgment.

3. Investments

3.1 Classification and valuation of investments are made in accordance with the prudential norms prescribed by Reserve Bank of India read with clarifications / directions given by RBI.

3.3 Basis Of Classification:

i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.

ii. Investments that are held principally for resale within 90 Days from the date of purchase are classified as Held For Trading.

iii. Investments which are not classified in the above two categories, are classified as Available For Sale.

iv. An investment is classified under the above three categories at the time of its purchase. Shifting of securities from one category to another is done with the approval of the Board normally once in a year. Shifting is effected at the lower of acquisition cost / book value / market value on the date of transfer and the depreciation, if any, on such shifting is fully provided for and the book value of securities is changed accordingly.

3.4 Securities under ‘Held to Maturity’ are stated at acquisition costs unless such costs are higher than the face value, in which case the premium is amortized over the remaining period of maturity. Such amortisation is shown under “Income on Investments– Schedule 13 item II. In case, the cost is less than the redemption value, the difference being the unrealized gain, is ignored. Any diminution in value of investments in subsidiaries and joint venture, other than temporary in nature, is provided for each investment individually

3.5 Securities under ’Available for sale’ are valued scrip wise and depreciation/ appreciation is segregated category wise. While net appreciation is ignored, net depreciation under each category is provided for.

3.6 Securities under 'Held for Trading' are valued at market price and the net depreciation under each category is provided for and the net appreciation, if any, is ignored.

3.7 Cost of investment is based on the weighted average cost method category wise.

3.8 The 'market value' for the purpose of valuation of investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, price list of RBI, prices declared by Primary Dealers association of India (PDAI) jointly with the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

In respect of unquoted securities, the procedure adopted is as below:

a. Government of India Securities: At rates put out by FIMMDA/PDAI;
b. State Government Loans, Other approved Securities, preference shares, Debentures and PSU Bonds: On yield to maturity (YTM) basis at the rate prescribed by FIMMDA/ PDAI with such mark ups as laid down by RBI or FIMMDA/PDAI;
c. Equity Shares: At break-up value based on the latest Balance Sheet, which are not older than one year on the date of valuation. In cases where latest Balance Sheets are not available, the shares are valued at Re.1 per company;
d. Mutual Fund Units: At re-purchase price or Net Assets Value;
e. Treasury Bills, Commercial Papers, Certificate of Deposits, Recapitalization Bonds, Subsidiaries, Joint Ventures and Sponsored Institutions: At carrying cost.

3.9 In determining acquisition cost of investments:

a. Incentive received on subscription is deducted from the cost of securities;
b. Brokerage / commission/ stamp duty paid in connection with acquisition of securities are treated as revenue expenditure;
c. Broken period interest, if any, paid on acquisition of investment is debited to profit & loss account. Broken period interest received on sale of securities is recognized as Interest Income.

3.10 Profit/ Loss on sale of investments is taken to profit and loss account. However, in case of profit on sale of investments in 'Held to Maturity' category, an equivalent amount of profit is appropriated to Capital Reserve.

3.11 In respect of non-performing securities, income is not recognized and appropriate provision is made for depreciation in the value of such securities as per Reserve Bank of India guidelines.

4. Advances

4.1 Advances are classified into "Performing" and "Non-performing" assets and provisions are made as per the prudential norms prescribed by the Reserve Bank of India. However, the bank has made higher provisions for Sub-standard and Doubtful categories as follows:

Category of Asset	As prescribed by RBI	As followed by Bank
Sub-standard	10%	35%
Doubtful I	20%	65%
Doubtful II	30%	100%

For restructured/ rescheduled advances, provisions are made in accordance with the guidelines issued by RBI.

4.2 Advances are stated net of de-recognized interest and provisions/ Technical write off made in respect of non-performing advances. Claims received from DICGC/ ECGC are not reduced from such advances till adjusted/ technically written-off whereas part recovery in all NPA Accounts is reduced from advances.

4.3 Provisions on standard advances are made and are included under 'Other Liabilities and Provisions' as per RBI guidelines.

5 Fixed Assets

5.1 Premises and other Fixed Assets are stated at historical cost/revalued amount. In respect of premises, where segregation is not possible between land and superstructure, are considered in the value of superstructure.

5.2 Premises taken on perpetual lease are considered as freehold premises and are not amortized.

6 Depreciation on Fixed Assets

6.1 Depreciation is provided for on -

6.1.1 Computers at 33.33%, on straight-line method; additions are depreciated for the full year irrespective of the date of addition as per RBI guidelines.

6.1.2 Other Fixed assets on written down value method at the rates prescribed by the Income Tax Act 1961; additions effected before 30th September are depreciated for full year and additions effected thereafter are depreciated for half year.

6.1.3 Cost of premises is taken composite, wherever it is not possible to segregate the cost of land from the cost of the superstructure.

6.2 No depreciation is provided in assets sold/disposed of during the year.

6.3 Amount equivalent to depreciation attributable to revalued portion of the assets is transferred from Revaluation Reserve Account to the Profit & Loss Account.

7 Revenue Recognition

7.1 Income and expenditure are accounted for on accrual basis unless otherwise stated.

7.2 Income on non-performing assets is recognized on realization basis in accordance with the prudential norms prescribed by Reserve Bank of India.

7.3 Partial recovery in non-performing assets is appropriated first towards principal and thereafter towards interest.

7.4 Income on guarantees and letters of credit issued, Locker rent, income from Merchant Banking transactions, money transfer service, Dividend on shares, Interest on Refund of Income Tax, commission on credit card, interest on overdue bills, processing fee, Government business including distribution of pension and income from units of Mutual Fund product are accounted for on receipt basis.

7.5 Rebate on compromised accounts is accounted for at the time of full and final adjustment of the account.

7.6 Interest on overdue Term Deposits is provided at the rate of interest applicable to Savings Bank Deposits.

7.7 Liability in respect of incremental lease rent on renewal of lease agreement is accounted for at the time of renewal of the lease.

7.8 Bond Issue Expenses incurred in connection with raising Tier-II Capital are treated as Deferred Revenue Expenditure to be written off over a period of five years.

8. Staff Retirement Benefits

Annual contribution to Gratuity Fund, Pension Fund and Leave Encashment Fund are provided for on the basis of an actuarial valuation. Transitional liability relating to Pension Fund and Sick Leave determined as per actuarial valuation is written off over a period of five years commencing from 2007-08 in terms of Revised Accounting Standard 15 (AS-15) as against remaining seven years out of ten years as approved by Reserve Bank of India vide its letter no. DBOD.BP.No. 271/21.01.002/2005-06 dated 23.08.2005.

9. Taxes on Income

9.1 Current Income Tax is measured at the amount expected to be paid considering the applicable tax rates and favorable judicial pronouncement/ legal opinions.

9.2 In accordance with AS-22 Deferred Tax comprising of tax effect of timing differences between taxable and accounting income for the period, is recognized keeping in view the consideration of prudence in respect of Deferred Tax Assets/Liabilities.

NOTES ON ACCOUNTS

1 **Balancing of Books and Reconciliation.**

1.1 In certain Branches, the balancing / reconciliation of control accounts with subsidiary ledgers is in progress.

1.2 Initial matching of debit and credit outstanding entries in various heads of accounts included in Inter Office Adjustments(including old outstanding entries) has been done up to 28.02.2010 and reconciliation is in progress.

1.3 Reconciliation of accounts with banks, NOSTRO, Drafts / TT payable, Dividend Warrants paid / payable, Debit Note Receivable/ Payable, RTGS (Suspense) etc. is in progress.

In the opinion of the management, the impact of the above para 1.1 to 1.3, if any, on the Profit & Loss Account and Balance Sheet though not quantifiable, will not be material.

1.4 In terms of Reserve Bank of India guidelines, segregation of Debit and Credit entries in Inter Branch Accounts pertaining to the period up to 30.09.2009 and remaining outstanding as on 31.03.2010 has been done which has resulted in either net Debit in some heads or net credit in other heads. Provision is made in respect of Net Debit Entries outstanding for period exceeding 6 months.

1.5 Aggregate net credit position in respect of un-reconciled NOSTRO Accounts relating to the period up to 31st March 1996 amounting to Rs 3.20 crore (previous year Rs 3.36crore) has been transferred to Blocked NOSTRO Account Sundry Creditors out of which Rs 1.77 crore for period prior to 14.11.1989 is being carried at old book value. Un-reconciled credit entries for the period after 1st April 1996 remaining outstanding for more than 3 years amounting to Rs 2.63 crore (previous year Rs. 3.79 crore) have been segregated and kept in Unclaimed Deposit (NOSTRO) Account. An amount of Rs. 105,09,548.00 being sum of total credit entries for less than US$ 2500 and equiv in NOSTRO Account pertaining to the period between 1.04.1996 and 31.03.2002 which was kept in Unclaimed Deposit (NOSTRO) Accounts for the period after 1.04.1996 has been transferred to “Miscellaneous Income Account” on 30.12.2009 at prevailing TT buying rates in terms of RBI guidelines contained in its Circular No. DBOD. BP. BC. No. 133 / 21.04.018 / 2008-09 dated 11.05.2009.

2 Legal formalities are yet to be completed in respect of 6 Bank’s properties having original cost of Rs. 4.09 crore (Previous year 7 properties costing Rs.4.81 crore).

3. **Capital**

(Rupees. in crore)

	Items	2009-10	2008-09
(i)	CRAR (%) (Basel-I)	11.74%	11.88 %
(ii)	CRAR - Tier I capital (%) (Basel-I)	6.89%	6.99 %
(iii)	CRAR - Tier II capital (%) (Basel-I)	4.85%	4.89 %
(iv)	CRAR (%) (Basel-II)*	13.10%	14.35 %
(v)	CRAR - Tier I capital (%) (Basel-II)	7.68%	8.44 %
(vi)	CRAR - Tier II capital (%) (Basel-II)	5.42%	5.91 %
(vii)	Percentage of the shareholding of the Government of India	100%	100%
(viii)	Amount raised by issue of IPDI	160.00	160.00
(ix)	Amount raised by issue of Upper Tier II Instruments	Nil	NIL
(x)	Amount of subordinated debt raised as Tier II capital	1110.00	735.00
(xi)	Out of which eligible for Tier II	1066.00	708.00

4. **Investments**

(Rupees in crore)

			ITEMS	2009-10	2008-09
4.1			VALUE OF INVESTMENTS		
	(1)	(I)	GROSS VALUE OF INVESTMENTS		

		(A)	IN INDIA	17986.66	12656.43
		(B)	OUTSIDE INDIA	NIL	NIL
	(II)	PROVISIONS FOR DEPRECIATION (INCLUDING PROVISION FOR NPA)			
		(A)	IN INDIA	99.82	29.00
		(B)	OUTSIDE INDIA	NIL	NIL
	(III)	NET VALUE OF INVESTMENTS			
		(A)	IN INDIA	17886.84	12627.43
		(B)	OUTSIDE INDIA	NIL	NIL
(2)	**MOVEMENT OF PROVISION HELD TOWARDS DEPRECIATION ON INVESTMENTS (INCLUDING PROVISION FOR NPAS)**				
	(I)	OPENING BALANCE		29.00	51.29
	(II)	ADD: PROVISIONS MADE DURING THE YEAR		74.21	3.30
	(III)	LESS: WRITE-OFF/ WRITE-BACK OF EXCESS PROVISIONS DURING THE YEAR		3.39	25.59
	(IV)	**CLOSING BALANCE**		**99.82**	**29.00**

4.2 **Repo / Reverse Repo Transactions**

4.2.1 **Repo / Reverse Repo Transactions (Government Securities)**

(Rupees in crore)

Particulars	Minimum Outstanding	Maximum Outstanding	Daily Average Outstanding	Balance as on 31.03.2010
Securities sold under Repos	Nil	Nil	Nil	Nil
Securities purchased under Reverse Repos	196.00	1800.00	566.27	Nil

4.2.2 **Repo / Reverse Repo Transactions (Corporate Debt Securities)**

(Rupees in crore)

Particulars	Minimum Outstanding	Maximum Outstanding	Daily Average Outstanding	Balance as on 31.03.2010
Securities sold under Repos	Nil	Nil	Nil	Nil
Securities purchased under Reverse Repos	Nil	Nil	Nil	Nil

4.3 **Non-SLR Investments Portfolio: Issuer Composition as on 31.03.2010**

(Rupees in crore)

No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Un-rated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i.	PSUs	339.41	311.52	Nil	25.00	25.00
ii.	FIs	669.61	582.55	Nil	25.59	50.59
iii.	Banks	1116.20	1114.55	Nil	Nil	Nil
iv.	Private Corporate	302.68	253.57	Nil	1.03	1.03
v.	Subsidiaries/ Joint Ventures	0.65	0.65	Nil	Nil	0.65
vi.	Others	32.79	2.16	Nil	Nil	Nil
vii.	Provision held towards depreciation (including NPA)	26.71	Nil	Nil	Nil	Nil
	Total	**2434.63**	**2265.00**	**Nil**	**51.62**	**77.27**

4.4 **Movement of Non Performing Non SLR Investments**

(Rupees in crore)

Particulars	**2009-10**	**2008-09**
Opening balance	25.03	26.49
Additions during the year	Nil	0.16
Reductions during the year	Nil	1.62
Closing balance	25.03	25.03
Total Provisions held	**25.03**	**25.03**

4.5 **Derivatives**

Bank has not entered into any derivative transactions (Forward Rate Agreement/ Interest Rate Swap/ Exchange Traded Interest Rate Derivatives) during the year 2009-10. Accordingly, qualitative and quantitative disclosure under RBI guidelines with respect to derivative transactions is not required.

4.6 **Restructured / Rescheduled / Renegotiated - Investments during the year**

(Rupees in crore)

Particulars	2009-10	2008-09
Standard assets subjected to restructuring etc.	Nil	Nil
Sub-standard assets subjected to restructuring etc.	Nil	Nil
Doubtful assets subjected to restructuring etc.	Nil	Nil
Total amount of assets subjected to restructuring etc.	Nil	Nil

4.7 During the year, the Bank shifted securities worth Rs. 650 crore (face value) from “Available for Sale” to “Held till Maturity” and Rs. 45 crore (face value) from “Held for Trading” to “Available for Sale” after providing depreciation of Rs. 39.05 crore and Rs. 0.93 crore respectively. The Bank has not shifted any investments from “Held till Maturity” to “Available for Sale” during the year.

5. **Asset Quality**

5.1. **Non-Performing Assets**

(Rupees.in crore)

		Items	2009-10	2008-09
(i)	Net NPAs to Net Advances (%)		0.36	0.32
(ii)	Provisioning Coverage Ratio (PCR) (%)		89.62	92.80
(iii)	**Movement of Gross NPAs**			
	(a)	Opening Balance	161.04	135.53
	(b)	Additions during the year	208.05	141.87
	(c)	Reductions during the year	162.94	116.36
	(d)	**Closing balance**	**206.15**	**161.04**
(iv)	**Movement of Net NPAs**			
	(a)	Opening Balance	78.03	66.97
	(b)	Additions during the year	142.11	77.35
	(c)	Reductions during the year	103.51	66.29
	(d)	**Closing balance**	**116.63**	**78.03**
(v)	**Movement of provisions for NPAs** (excluding provisions on standard assets)			
	(a)	Opening Balance	78.95	65.71
	(b)	Add: provisions made during the year	116.15	85.72
	(c)	Less: write off, write back of excess provisions	108.90	72.48
	(d)	**Closing balance**	**86.20**	**78.95**

5.2 DICGC / ECGC claim eligible, lodged and re-lodged have been considered as security for provisioning on advances on the basis that such claims are valid / realizable.

5.3 **Details of Accounts Restructured**

(Rs. in crore)

Item			Under CDR		SME		Others	
			2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
(i)	Standard advances restructured, rescheduled, renegotiated	No. of Borrowers	2	1	513	595	1582	2845
		Amount Outstanding	28.44	5.68	61.52	83.99	542.53	434.62
		Sacrifice (diminution in the fair value)	3.42	0.31	1.39	0.59	8.12	2.25
(ii)	Sub-standard advances restructured, rescheduled, renegotiated	No. of Borrowers	0	0	56	109	96	129
		Amount Outstanding	0.00	0	1.91	5.54	1.19	2.93
		Sacrifice (diminution in the fair value)	0.00	0	0.03	0.07	0.02	0.02
(iii)	Doubtful advances restructured, rescheduled, renegotiated	No. of Borrowers	0	0	45	2	23	1
		Amount Outstanding	0.00	0	0.26	0.12	0.28	0.01
		Sacrifice (diminution in the fair value)	0.00	0	0.01	0.00	0.01	0.00
(iv)	**Total Advances restructured, rescheduled, renegotiated (i) +(ii) +(iii)**	**No. of Borrowers**	**2**	**1**	**614**	**706**	**1701**	**2975**
		Amount Outstanding	**28.44**	**5.68**	**63.69**	**89.65**	**544**	**437.56**
		Sacrifice (diminution in the fair value)	**3.42**	**0.31**	**1.43**	**0.66**	**8.15**	**2.27**

5.4 **Details of Financial Assets sold to Securitization / Reconstruction Companies for Asset Reconstruction**

(Rupees in crore)

Item		2009-10	2008-09
(i)	Number of Accounts	3	1
(ii)	Aggregate Value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii)	Aggregate consideration	22.00	1.38
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	0.95	Nil
(v)	Aggregate gain/ loss over net book value	22.00	1.38

(*) Aggregate consideration includes cash Rs.22.00 crore and Security Receipts Rs. Nil .

5.5 **Details of non-performing financial assets purchased / sold:**

A. Details of non-performing financial assets purchased:

(Rupees in crore)

Particulars			2009-10	2008-09
1.	(a)	No. of accounts purchased during the year	Nil	Nil
	(b)	Aggregate outstanding	Nil	Nil
2.	(a)	Of these, number of accounts restructured during the year	Nil	Nil
	(b)	Aggregate outstanding	Nil	Nil

B. Details of non-performing financial assets sold:

(Rupees in crore)

Particulars		2009-10	2008-09
1.	No. of accounts sold	Nil	Nil
2.	Aggregate outstanding	Nil	Nil
3.	Aggregate consideration received	Nil	Nil

5.6 **Provisions on Standard Assets**

(Rupees in crore)

Item	2009-10	2008-09
Provisions towards Standard Assets	127.43	121.69

5.7 In terms of the Agriculture Debt Waiver and Debt Relief Scheme 2008 framed by the Government of India, an amount of Rs.47.72 crore has been waived under the Debt Waiver Scheme and final claim has been lodged with RBI after verification by the Statutory Central Auditors, against which Bank has received

Rs.31.23 crore. The Debt Relief Claim amounting to Rs.14.73 crore in respect of Agriculture Debt Relief has been settled till 31.03.2010. The said claims are subject to certification by Statutory Central Auditors.

5.8 In respect of Debt Relief Scheme, Bank has made a provision of Rs. 0.44 crore against loss in Present Value Terms on amount receivable from eligible farmers from the existing provisions held amounting to Rs. 0.68 crore and balance provision has been written back. Outstanding in these accounts has been considered as standard category as under the said scheme the last date for payment of 75% of the overdue portion by the other farmers are allowed to repay the amount in one or more installments upto 30.06.10 as per RBI guidelines.

6 **Business Ratios**

	Items	2009-10	2008-09
(i)	Interest Income as a percentage to average working funds	8.13%	9.35 %
(ii)	Non-Interest Income as a percentage to average working funds	0.85%	1.17 %
(iii)	Operating Profit as a percentage to average working funds	1.81%	2.08 %
(iv)	Return on Assets	1.05%	1.24 %
(v)	Business [Deposits plus Advances] per employee (Rs. in crore)	9.63	6.56
(vi)	Profit per employee (Rs. in crore)	0.06	0.05

7. **Asset Liability Management**

Maturity Pattern of Assets and Liabilities as on 31.03.2010:

(Rupees in crore)

Maturity Pattern (Time Buckets)	Deposits	Loans & Advances	Investments	Borrowings	Foreign Currency	
					Liabilities	Assets
1 day	421.15	200.30	Nil	Nil	45.83	122.18
2 – 7 days	798.15	489.19	249.40	1598.92	2.68	118.35
8 – 14 days	1347.46	1506.99	440.74	Nil	5.73	14.14
15 - 28 days	3875.01	1828.19	424.72	Nil	33.78	60.31
29 days to 3 months	7571.19	7024.50	1085.58	522.45	24.47	125.49
Over 3 months & up to 6 months	8355.47	4304.54	192.12	34.60	63.19	177.71
Over 6 months & up to 1 year	13247.48	2268.28	53.16	0.08	118.27	Nil
Over 1 year & up to 3 years	5290.26	6214.58	826.25	120.00	47.57	Nil
Over 3 years & up to 5 years	1972.35	3625.82	2152.84	40.00	6.83	Nil
Over 5 years	6276.56	5176.72	12462.03	1385.00	Nil	Nil
Total	**49155.08**	**32639.11**	**17886.84**	**3701.05**	**348.35**	**618.18**

8. **Exposures:**

8.1 **Exposure to Real Estate Sector**

(Rupees in crore)

Category			31.03.2010	31.03.2009
1)	Direct Exposure			
	(a)	Residential Mortgages		
	i.	Lending fully secured by mortgages of residential property that is or will be occupied by the borrower or that is rented	1319.39	1180.84
	ii.	Individual housing loans eligible for inclusion in priority sector advances	1059.97	931.22
	(b)	Commercial Real Estate		

		Lending secured by mortgages of commercial real estates (office buildings, retail space, multipurpose commercial premises, multi family residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc) Exposure would also include non fund based (NFB) limits;		1978.93	1640.74
	(c)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures		Nil	Nil
		a.	Residential	Nil	Nil
		b.	Commercial Real Estate	Nil	Nil
2)	Indirect Exposure [Fund based and Non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)]			2372.33	1308.23
Total Exposure to Real Estate Sector				6730.62	5061.03

8.2 **Exposure to Capital Market**

(Rupees in crore)

	Items	**2009-10**	**2008-09**
1.	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	113.63	53.82
2.	Advances against shares/ bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	Nil	0.08
3.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.01	0.18
4.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/ convertible debentures/ units of equity oriented mutual funds does not fully cover the advances;	Nil	0.01
5.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	9.27	3.49
6.	Loans sanctioned to corporates against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	Nil.	Nil
7.	Bridge loans to companies against expected equity flows/ issues;	Nil	Nil
8.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	Nil	Nil.
9.	Financing to stockbrokers for margin trading;	Nil	Nil
10.	All exposures to Venture Capital Funds (both registered and unregistered)	0.88	1.22
Total Exposure to Capital Market		**123.79**	**58.80**

8.3 **Risk Category wise Country Exposure**

The net country-wise funded exposure of the Bank in respect of Foreign Exchange Transactions in respect of each country is within 1% of the total assets of the Bank. Hence no provision is required as per RBI guidelines.

8.4 **Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank**

During the year 2009-10, the Bank has not exceeded the prudential exposure limits set by RBI to single borrower/ group borrower, except in the following case, which has been approved by the Board:

(Rupees in crore)

S. No.	**Name of the Borrower**	**Maximum Limit during the year**	**Exposure (%) as on**	**Limit / Liability as on 31.03.10**	**Exposure (%)**

1.	FCI	685.00	22.01.2010	687.95	20.08

8.5 **Unsecured Advances against Intangible Collaterals**

(Rs. in crore)

Particulars	As on 31.03.2010
Total Advances against intangible securities such as charge over the rights, licenses, authority etc.	Nil
Estimated Value of intangible collateral such as charge over the rights, licenses, authority etc.	Nil

9.1 **Disclosure of Penalties imposed by Reserve Bank of India**

	2009-10	2008-09
A. Penalty imposed by RBI on Bank during the year	Nil	Nil
B. Strictures or Directions by RBI on the basis of adverse findings	Nil	Nil

9.2 **Disclosure of Fees/ Remuneration Received in respect of Bancassurance Business**

(Rs. in crore)

	2009-10	2008-09
A. Fee/ Remuneration from Life Insurance Business	17.23	15.70
B. Fee/ Remuneration from General Insurance Business	2.38	2.16
C. UTI Mutual Fund Business	0.095	0.152

10. Compliance with Accounting Standards:

10.1 Cash Flow Statement for the year ended 31st March, 2010

(Rs. in crore)

A. CASH FLOW FROM OPERATING ACTIVITIES	2009-10	2008-09
Net Profit/ (Loss) as per Profit & Loss Account	508.8	431.18
Adjustments for:		
Provisions & Contingencies	368.76	290.53
Depreciation (Net)	12.05	10.63
Profit on sale of assets	-0.08	-0.07
Interest on Bonds, PCPS and IPDI	126.27	53.11
Operating Profit before working capital changes	**1015.8**	**785.38**
Adjustments for:		
Increase / (Decrease) in Deposits	14479.43	9844.25
Increase / (Decrease) in Borrowings	-280.42	-465.24
Increase / (Decrease) in Other Liabilities	243.76	254.36
(Increase) / Decrease in Investments	-5370.21	-4152.01
(Increase) / Decrease in Advances	-8116	-6337.5
(Increase) / Decrease in Other Assets	-277.55	-309.06
Cash Flow from Operating Activities (A)	**1694.81**	**-379.82**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Increase in Fixed Assets	-13.83	-21.58
Profit on sale of assets	0.08	0.07
Cash Flow from Investing Activities (B)	**-13.75**	**-21.51**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Subordinated Bonds	375	400
Redemption of Subordinated Bonds	0	-45

Interest on Bonds, PCPS and IPDI	-126.27	-53.11
Dividend on PNCPS	-12.74	0
Dividend Distribution Tax	-2.17	0
Cash Flow from Financing Activities (C)	**233.82**	**301.89**
Cash from Operating Activities	1694.81	-379.82
Cash from Investing Activities	-13.74	-21.51
Cash from Financing Activities	233.82	301.89
Increase in Cash & Cash Equivalents	**1914.89**	**-99.44**
Cash and Cash equivalents at the beginning of the year	2840.44	2939.89
Cash and Cash equivalents at the end of the year	4755.33	2840.44

10.2 There are no material prior period items included in Profit & Loss Account required to be disclosed as per AS-5 read with RBI guidelines except those disclosed elsewhere in the notes.

10.3 **Accounting Standard 15 - Employees Benefit**

10.3.1 Provisions for pension, gratuity, leave encashment and other long term benefits have been made in accordance with the Revised Accounting Standard (AS - 15) issued by the ICAI. In respect of pension funds and sick leave, transitional liability was computed at Rs.408.35 crore and Rs. 24.79 crore as on 01.04.2007 as per actuarial valuation which is to be written off over a period of five years w.e.f. financial year 2007-08 in terms of Revised Accounting Standard (AS - 15). The amount of unrecognized transitional liability on account of pension fund and sick leave is Rs. 163.34 crore and Rs. 9.92 crore respectively.

The summarized position of post employment benefits are recognized in the Profit & Loss A/c and Balance Sheet as under:

10.3.2 **Changes in the present value of the obligation**

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Present Value of defined benefit obligation as at 1st April	1080.27	1037.63	298.02	272.96	148.19	130.89
Interest cost	86.53	85.60	23.76	22.51	11.86	10.80
Current service cost	24.29	23.33	12.27	10.44	19.58	5.41
Less: Benefits paid	(62.88)	(35.59)	(20.09)	(14.87)	(8.92)	(6.45)
Actuarial loss/ (gain) on obligations	(2.62)	(30.70)	(30.41)	6.98	(28.30)	7.54
Present value of defined Benefit obligation at 31st March	1125.59	1080.27	283.55	298.02	142.41	148.19

10.3.3 **Changes in the Fair Value of Plan Assets**

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Fair value of Plan Assets as at 1st April	808.66	690.55	292.59	268.18	145.60	127.50
Expected return of Plan Assets	69.10	58.70	24.10	22.80	12.49	11.48
Employer contribution	120.60	93.06	19.05	17.53	11.65	12.87
Less: Benefit paid	(62.88)	(35.59)	(20.09)	(14.87)	(8.92)	(6.45)

Actuarial loss/ (gain)	(1.35)	(1.94)	(0.20)	1.05	(2.84)	(0.20)
Fair value of Plan Assets as at 31st March	936.83	808.66	315.85	292.59	163.66	145.60
Actual return on Plan Assets	70.45	60.64	24.30	21.75	15.33	11.68

10.3.4 **Net Actuarial Loss/ (Gain)**

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Actuarial loss/(gain) on Obligation. (A)	(2.62)	(30.70)	(30.41)	6.98	(28.30)	7.54
Actuarial loss/(gain) on Plan Assets. (B)	(1.35)	(1.94)	(0.20)	1.05	(2.84)	(0.20)
Net Actuarial loss/(gain)	(3.97)	(32.64)	(30.61)	8.03	(31.14)	7.34
Actuarial loss/(gain) recognized in the period	(3.97)	(32.64)	(30.61)	8.03	(31.14)	7.34
Unrecognized actuarial loss/ (Gain) at the end of the year	Nil	Nil	Nil	Nil	Nil	Nil

10.3.5 **Amount recognized in the Balance Sheet**

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Present value of defined benefit obligation as at 31st March	1125.59	1080.27	283.55	298.02	142.41	148.19
Less: Fair value of Plan Assets as at 31st March	936.83	808.66	315.85	292.59	163.66	145.60
Unfunded net Asset / (Liability) Recognized in the balance sheet	(188.76)	(271.61)	32.30	(5.43)	21.25	(2.59)

10.3.6 **Expenses recognized in the Profit & Loss Account**

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Current service cost	24.29	23.33	12.27	10.44	19.58	5.41
Interest cost	86.53	85.60	23.76	22.51	11.86	10.80
Expected return on plan assets	(69.10)	(58.70)	(24.10)	(22.80)	(12.49)	(11.48)
Net Actuarial (gain)/ loss recognized during the year	(3.97)	(32.64)	(30.61)	8.03	(31.14)	7.34
Net benefit expense	37.75	17.59	(18.68)	18.18	(12.19)	12.07

10.3.7 **Movements in the liability recognized in the Balance Sheet**

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Opening net liability	271.61	347.08	5.43	4.78	2.59	3.39
Net benefit expense	37.75	17.59	(18.68)	18.18	(12.19)	12.07
Less: Contribution paid	120.60	93.06	19.05	17.53	11.65	12.87
Closing liability	188.76	271.61	(32.30)	5.43	(21.25)	2.59

10.3.8 **Investment percentage maintained by the trust**

(in %age)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Central Government Securities	34.00	32.05	33.07	30.26	Nil	Nil
State Government Securities	18.44	19.15	16.62	18.17	Nil	Nil
High quality corporate bonds	41.90	43.31	40.95	42.42	100.00	83.22
Special Deposit Scheme	4.81	5.49	8.85	9.15	Nil	Nil
Other investments	0.85	Nil	0.51	Nil	Nil	16.78

10.3.9 **Principal Actuarial assumption at the Balance Sheet date**
(expressed as weighted average)

(in %age)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Discount rate	8.25	8.25	8.25	8.25	8.25	8.25
Expected rate of return on plan assets	8.50	8.50	8.50	8.50	8.50	8.50
Rate of escalation in salary	5.00	5.25	5.00	5.25	5.00	5.25
Attrition rate	0.50	0.15	0.50	0.15	0.50	0.15
Method used	PUC	PUC	PUC	PUC	PUC	PUC

10.3.10 **Basis of Actuarial Assumption considered**

Particulars	Basis of assumption
Discount rate	Discount rate has been determined by reference to market yield on the balance sheet date on Government Bonds of term consistent with estimated term of the obligation.
Expected rate of return on plan assets	The expected return on Plan assets is based on market expectation, at the beginning of the period, for returns over the entire life of the related obligation.
Rate of escalation in salary	The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion, and other relevant factor, such as supply and demand in employee market.
Attrition rate	Attrition rate has been determined by reference to past and expected future experience and includes all type of withdrawals other than death but including those due to disability.

10.3.11 **Other long term employee benefit (Unfunded)**

(Rs. in crore)

Particulars	LTC/LFC Encashment *	Silver jubilee Bonus	Sick leave Including Casual leave	Medical Benefits *	Retirement Gifts
Present Value of Obligation	8.01	0.27	18.34	0.46	0.74
Transitional Liability	Nil	Nil	9.92	Nil	Nil
Transitional Liability recognized during the year	8.01	0.27	4.96	0.46	0.74
Unrecognized transitional liability	Nil	Nil	9.92	Nil	Nil
Liability recognized in the Balance Sheet	8.01	0.27	4.96	0.46	0.74

* As assessed by the management

10.3.12 "Payment to and provision for Employee" under Schedule-16 includes an ad-hoc provision of Rs.45.00 crore towards wage revision pending settlement since November, 2007 (previous year Rs. 55.00 crore)

10.4 **Accounting Standard 17 – Segment Reporting**

(Rs. in crore)

Business Segment	**Treasury**	**Corporate/ Wholesale Banking**	**Retail Banking**	**Other Banking Operations**	**Total**

Particulars	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
Revenue	1204.14	806.72	2292.55	1935.91	837.98	900.91	11.32	11.32	4345.99	3654.86
Result	164.67	100.14	735.65	621.49	268.90	289.22	11.32	11.32	1180.54	1022.17
Unallocated expneses									302.97	300.45
Operating Profit									877.57	721.72
Provisions & Contingencies									211.10	82.88
Income Tax									157.66	207.66
Extra Ordinary Profit/ Loss		0.00		0.00		0.00		0.00	0.00	0.00
Net Profit									508.81	431.18
Other Information:										
Segment Assets	18152.91	12841.23	27951.28	19231.29	10216.91	8949.62	0.00	0.00	56321.10	41022.14
Unallocated Assets									343.78	341.65
Total Assets									56664.88	41363.79
Segment Liabilities	17350.24	12238.63	26715.35	18328.82	9765.14	8529.64	0.00	0.00	53830.73	39097.09
Unallocated Liabilities									218.54	126.36
Total Liabilities									54049.27	39223.45

Note: For the purpose of segment reporting in terms of AS-17 of ICAI and as prescribed in RBI guidelines, the business of the Bank has been classified into four segments i.e. a) Treasury Operations, b) Corporate/Wholesale Banking, c) Retail Banking and d) Other Banking Operations.

Since the Bank does not have any Overseas branch, reporting under Geographic Segment is not applicable.

Segmental Revenue, Results, Assets & Liabilities in respect of Corporate / Wholesale and Retail Banking segment have been bifurcated on the basis of exposure to these segments.

Assets & Liabilities wherever directly related to segments have been accordingly allocated to segments and wherever not directly related have been allocated on the basis of pro-rata segment revenue.

10.5 **Accounting Standards 18 – Related Party Disclosures**

Key Managerial Personnel:

i. Sardar R. P. Singh, Chairman & Managing Director (up to 25.08.2009)
ii. Sardar G.S. Vedi, Chairman & Managing Director (from 26.08.2009)
iii. Sardar G.S. Vedi, Executive Director (up to 25.08.2009)
iv. Shri P.K.Anand, Executive Director (from 07.12.2009)

a). Remuneration paid to Key Managerial Personnel:

i. Sardar R. P. Singh, Chairman & Managing Director Rs. 0.19 crore
ii. Sardar G.S. Vedi, Chairman & Managing Director Rs. 0.09 crore
iii. Sardar G.S. Vedi, Executive Director Rs. 0.08 crore
iv. Shri P.K.Anand, Executive Director Rs. 0.03 crore
v. Sardar G.S. Matta, Ex. Executive Director Rs. 0.05 crore

b) Loans granted to Key Managerial Personnel & their relatives:
Loans outstanding as on 31.03.2010 Nil

c) Associate Entity
Satluj Gramin Bank / RRB - Total Exposures Rs. 5.56 crore (Advances against FDRs)

10.6 **Accounting Standard 22 – Accounting for Taxes on Income**

10.6.1 The Bank has accounted for Income Tax in compliance with Accounting Standard-22 ‘Accounting for taxes on Income’ issued by ICAI.

10.6.2 Major components of deferred tax assets/liabilities are as under:

(Rupees in crore)

Head		Deferred Tax Assets		Deferred Tax Liabilities	
		31.03.2010	31.03.2009	31.03.2010	31.03.2009
1	Depreciation on Fixed Assets		Nil	2.69	2.81
2	Interest accrued but not due on securities		Nil	88.86	70.89
3	Provision for wage revision	33.99	18.69		Nil
4	Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961		Nil	Nil	3.26
	Total	**33.99**	**18.69**	**91.55**	**76.96**

The Deferred Tax Liability on account of Special Reserve created and maintained u/s 36 (i) (viii) has not been considered necessary in view of the management's irrevocable decisions not to withdraw from the Special Reserve.

10.6.3 Based on the opinion of legal expert, the bank has considered the difference between accounting income and computation of taxable income on valuation of securities as permanent difference and accordingly, deferred tax liability of Rs. 171.59 crore (Previous Year Rs. 101.43 crore) has not been considered necessary.

10.6.4 Provision for Income Tax, Deferred Tax and Fringe Benefit Tax held by the Bank is considered adequate taking into account the opinion of legal experts and favorable judicial pronouncements.

10.6.5 No provision has been considered necessary in respect of disputed demands of Income Tax, Fringed Benefit Tax and Interest Tax aggregating to Rs. 177.22 crore (Previous year Rs185.11 crore) in view of decisions of appellate authorities / judicial pronouncements / opinions of legal experts. However the entire demand is covered against the refund that is likely to accrue.

10.7 **ACCOUNTING STANDARD 28 - IMPAIRMENT OF ASSETS**

FIXED ASSETS POSSESSED BY BANK ARE TREATED AS 'CORPORATE ASSETS' AND NOT 'CASH GENERATING UNITS' AS DEFINED BY AS-28. IN THE OPINION OF THE MANAGEMENT, THERE IS NO IMPAIRMENT OF THE 'FIXED ASSETS' OF MATERIAL AMOUNT AS OF 31.03.2010, REQUIRING RECOGNITION IN TERMS OF AS-28 ISSUED BY THE ICAI.

10.8 **Accounting Standard 29 - Provisions, Contingent Liability and Contingent Assets**

As per AS-29- Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, the Bank recognizes no provision for -

c) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank, or

d) Any present obligation from the past events but is not recognized because
- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as contingent liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

11.1 **Additional disclosures:**

(Rupees in crore)

Break up of 'Provisions & Contingencies' shown under the head Expenditure in Profit & Loss Account	2009-10	2008-09
Provision for Non Performing Advances	91.92	64.46
Provision for Non Performing Investments	0.00	-1.63
Provision for Depreciation in the value of Investments	110.80	-0.16
Provision for Standard Asset	5.74	11.95
Provision for Income Tax	159.94	92.56
Provision for Deferred Tax	-0.70	55.45
Provision for Fringe Benefit Tax	0.00	1.53
MAT Credit Entitlement	-1.74	58.03
Others	2.80	8.34
Total	**368.76**	**290.53**

11.2 **Movement of Floating Provisions**

(Rupees in crore)

	2009-10	2008-09
Opening Balance	Nil	Nil
Additions during the year	Nil	Nil
Draw down during the year	Nil	Nil
Closing Balance	Nil	Nil

11.3 **Draw down from Reserve**

A sum of Rs 0.03 crore (previous year Rs. 0.02 crore) has been drawn from the General Reserve on account of payment to the claimant of old entries.

11.4 **Customer's Complaints:**

		2009-10	2008-09
a)	No. of Complaints pending at the beginning of the year	12	40
b)	No. of Complaints received during the year	555	483
c)	No. of Complaints redressed during the year	549	511
d)	No. of Complaints pending at the end of the year	18	12

11.5 **Awards Passed by the Banking Ombudsman:**

		2009-10	2008-09
a)	No. of unimplemented Awards at the beginning of the year	1	1
b)	No. of Awards passed by Banking Ombudsman during the year	19	16
c)	No. of Awards implemented during the year	19	16
d)	No. of unimplemented Awards pending at the end of the year	1	1

11.6 **Concentration of Deposits, Advances, Exposures and NPAs**

11.6.1 **Concentration of Deposits**

(Rupees. in crore)

	31.03.2010
Total Deposits of twenty largest depositors	**11,411.45**
Percentage of Deposits of twenty largest depositors to Total Deposits	**23.21%**

11.6.2 **Concentration of Advances**

(Rupees. in crore)

	31.03.2010
Total Advances to twenty largest borrowers	**8155.91**
Percentage of Advances to twenty largest borrowers to Total Advances	**24.91%**

11.6.3 **Concentration of Exposures**

(Rupees. in crore)

	31.03.2010
Total Exposure to twenty largest borrowers/ customers	**8392.85**

Percentage of Exposure to twenty largest borrowers/ customers to Total Exposure of the bank on borrowers/ customers	**24.84%**

11.6.4 **Concentration of NPAs**

(Rupees. in crore)

	31.03.2010
Total Exposure to top four NPA Accounts	**59.08**

11.7 **Sector-wise NPAs**

S. No.	**Sector**	**Percentage of NPAs to Total Advances in that sector as on 31.03.2010**
1.	Agricultural & allied activities	0.73
2.	Industry (Micro & Small, Medium and Large)	1.69
3.	Services	0.57
4.	Personal Loans	1.04

11.8 **Movement of NPAs**

(Rupees. in crore)

Particulars	**31.03.2010**
Gross NPAs as on 1st April (Opening Balance)	161.04
Additions (Fresh NPAs) during the year	208.05
Sub-total (A)	**369.09**
Less: (i) Up-gradations	**33.87**
(ii) Recoveries (excluding recoveries made from up-graded accounts)	**128.78**
(iii) Write-offs	**0.29**
Sub-total (B)	**162.94**
Gross NPAs as on 31st March (closing balance) (A-B)	**206.15**

11.9 **Overseas Assets, NPAs and Revenue**

(Rupees. in crore)

Particulars	**31.032010**
Total Assets	196.60
Total NPAs	0.19
Total Revenue	1.26

11.10 **Off-Balance Sheet SPVs sponsored**

(Rupees. in crore)

Name of the SPV sponsored	
Domestic	**Overseas**
Nil	**Nil**

12. The figures of the previous year have been re-grouped / re-arranged wherever necessary except where information was not available.

13. Bank has represented to Govt. of India for exemption from payment of dividend. Pending receipt of approval from Govt. of India, no provision has been made for dividend on Equity Shares.

NOTES TO ADJUSTMENTS CARRIED OUT IN THE STATEMENT OF PROFIT & LOSS AND BALANCE SHEET

1 Provisions In NPA accounts:

The Bank had been making provisions for Non Performing Assets as per the Prudential Norms issued by the Reserve Bank of India till the financial year 2006-07. However, with effect from the financial year 2007-08, the bank adopted rates of provisioning which were substantially higher than the rates prescribed by the Reserve Bank of India. The restatement of financial statements for the years 2004-05, 2005-06 and 2006-07 have also been made on the basis of the rates of higher provisions as prescribed for subsequent years. The Summary Statement of Profit & Losses and Balance Sheet, as restated has been adjusted for respective years in respect of excess / short provisions made in NPA accounts and effect for the F.Y. 2004-05 has been adjusted with opening Profit and Loss and Provision for NPA of F.Y. 2005-06.

2 Staff Welfare fund transfer from Appropriations to Expenses:

The Bank had been making contribution to Staff Welfare Fund through the appropriation account. However, with effect from financial year 2009-10, the contribution has been made by directly charging the amount to expenses. The financial statements of the previous years have been adjusted accordingly by increasing the expenses. The Summary Statement of Profit & Losses and Balance Sheet, as restated has been adjusted for respective years in respect of transfer the Staff Welfare Fund from appropriations to Expenses

3 Impact on Provision for Income Tax on account changes in method of computation of Income

A) The bank has made following changes in the method of estimation of Taxable Income with effect from the financial year 2008-09:

i) Based on expert opinions obtained by the bank , Interest accrued but not due was not offered for tax , however, corresponding Deferred Tax Liability has been created in the accounts.
ii) Based on expert opinions obtained by the bank, Investments have been valued as Inventories at Cost or Market price whichever less for Tax purposes is as against Category wise valuation in the accounts as per the Guidelines issued by the Reserve Bank of India. We have restated the accounts of previous years by making the tax provisions considering that the above policies would have been followed in those years as well.

B) The Provision for income tax has also been restated on account of changes referred to in para 1 and 2 above. The provision for income tax has been made considering the profits/loss and availability of MAT credit as per restated financial statements.

C) The provision for taxes pertaining to earlier years have also been restated in respective years on account of various assessment/ appeal orders received by the bank.

D) The impact of the above changes on the Provision for taxes upto the financial year 2004-05 has been adjusted from the opening balance of Profit & Loss Account.

4 Adjustment for Extra Ordinary Items

The Items which were non-recurring in nature and were included in other income in the F.Y. 2005-06, 2006-07 and 2009-10 has been restated as extra ordinary items (net of tax) in the said years. Tax impact on the same has been reduced from the provision for tax accordingly in the said years. (Refer the note no. 1.5 of notes on accounts for F.Y. 2005-06, 2006-07 and 2009-10 in attached annexure IV of this report)

Annexure A-V
(continued)

Table reflecting reconsolidation of Audited Profit with Restated Profit. **(Rs. in crore)**

Particulars	**For the year ended 31st March**				
	2006	**2007**	**2008**	**2009**	**2010**
Net Profit after tax as per audited financial statements	108.32	218.53	382.36	437.18	508.80
Increase / (decrease) in profit as a result of adjustment for:					
Provisions for NPA accounts on account of change in accounting policy in respect of creation of higher provision than required as per RBI Norms in 2007-08.	133.63	156.15	16.29	-	-
Amount Transfer to Staff Welfare Fund through charge of revenue expenditure instead of Appropriations as required as per RBI Guidelines.	(1.00)	(3.00)	(6.00)	(6.00)	-
Provision for taxes on account of restatement of financial statements as per current practice in r/o tax provisions and adjustment of provision for taxes of earlier years adjusted in respective years from which it relates.	44.73	18.59	9.48	(0.98)	(1.98)
Adjusted / Restated Net profit after tax	**285.68**	**390.27**	**402.13**	**430.20**	**506.82**

Table reflecting reconsolidation of Audited Advances with Restated Advances.

Particulars	**For the year ended 31st March**				
	2006	**2007**	**2008**	**2009**	**2010**
Net Advances as per audited financial statements	9,107.47	11,737.51	-	-	-
Increase / (decrease) in other liabilities and provisions as a result of adjustments for -					
Increase/(decrease) in provisions made in NPA accounts	(172.44)	(16.29)	-	-	-
Adjusted / Restated Net Advances	**8,935.03**	**11,721.22**	**-**	**-**	**-**

Annexure A-V
(continued)

Table reflecting reconsolidation of Audited profts available for appropriation with Restated profits available for appropriation.

(Rs. in crore)

Particulars	**For the year ended 31st March**				
	2006	**2007**	**2008**	**2009**	**2010**
Opening Accumulated Profit available for appropriation as per audited financial statements	(46.61)	10.45	131.07	399.94	597.09
Increase / (decrease) in Opening Accumulated Profit on account of change in accounting policy in respect of higher NPA provision than required as per RBI Guidelines and Provision for taxes on account of restatement of financial statements as per current practice in r/o tax provisions and adjustment of provision for taxes, dividend and dividend distribution tax thereon of earlier years adjusted in respective years from which it relates.	(383.52)	(205.16)	(30.42)	(4.65)	(8.83)
Add : current year profit available for appropriation as per Audited Balance sheet	108.32	218.53	382.36	437.18	508.80
Increase / (decrease) in provisions and appropriations as a result of adjustments for -					
Amount Transfer to Staff Welfare Fund through charge of revenue expenditure instead of Appropriations as required as per RBI Guidelines.	(1.00)	(3.00)	(6.00)	(6.00)	-
Adjustment in provisions in NPA accounts on account of change in accounting policy in respect of NPA Provision.	133.63	156.15	16.29	-	-
Provision for taxes on account of restatement of financial statements as per current practice in r/o tax provisions and adjustment of provision for taxes of earlier years adjusted in respective years from which it relates.	44.73	18.59	9.48	(0.98)	(1.98)
Adjusted / Restated balance of Accumulated Profit available for appropriation	**(144.45)**	**195.56**	**502.78**	**825.49**	**1,095.08**

Annexure A-V
(continued)

Table reflecting reconsolidation of Audited Other Liabilities and Provisions with Restated Other Liabilities and Provisions.

Particulars	For the year ended 31st March				
	2006	**2007**	**2008**	**2009**	**2010**
Other Liabilities and Provisions as per audited financial statements	896.08	1,033.52	1,047.75	1,836.32	1,193.14
Increase / (decrease) in other liabilities and provisions as a result of adjustments for -					
Regrouping of subordinated debts as Borrowings from Other Liabilities and Provision as per RBI circular no. DBOD.BP.BC No. 81/21.01.002/2009-10 dated 30th March, 2010.	(315.00)	(385.00)	(380.00)	(735.00)	-
Regrouping of Innovative Perpetual Debt Instrument (IPDI) as Borrowings from Other Liabilities and Provision as per RBI circular no. DBOD.BP.BC No. 81/21.01.002/ 2009-10 dated 30th March, 2010.	-	-	-	(160.00)	-
Provision for taxes on account of restatement of financial statements as per current practice in r/o tax provisions and adjustment of provision for taxes of earlier years adjusted in respective years from which it relates.	(10.90)	(9.23)	(16.54)	(70.37)	(70.31)
Adjusted / Restated balance of Other Liabilities and Provisions	**570.18**	**639.29**	**651.21**	**870.95**	**1,122.83**

Note: Figures mentioned in adjustment for provision for taxes row includes Rs. (2.61) crore which relates to prior to year 2005-06 and deemed the same has been adjusted in opening other liabilities and provisions figures of year 2005-06.

Table reflecting reconsolidation of Audited Other Assets with Restated Other Assets.

Particulars	For the year ended 31st March				
	2006	**2007**	**2008**	**2009**	**2010**
Other Assets as per audited financial statements	548.68	631.78	623.41	724.81	844.70
Increase / (decrease) in other assets as a result of adjustments for -					
Provision for taxes on account of restatement of financial statements as per current practice in r/o tax provisions and adjustment of provision for taxes of earlier years adjusted in respective years from which it relates.	(43.62)	(23.36)	(21.19)	(79.20)	(77.92)
Adjusted / Restated balance of Other Assets	**505.06**	**608.42**	**602.22**	**645.61**	**766.78**

Note: Figures mentioned in adjustment row includes Rs. (80.06) crore which relates to prior to year 2005-06 and deemed the same has been adjusted in opening other assets figures of year 2005-06.

Annexure A-V
(continued)

5 NULLIFY THE EFFECT OF REVALUATION RESERVE

The Summary Statement of Balance Sheet, as restated has been adjusted for respective years in respect of effect of revaluation reserve on Fixed assets as required under SEBI (Issue of Capital and Disclosure Requirements) Guidelines 2009.

Table reflecting reconsolidation of Audited fixed assets with Restated fixed assets

Particulars	For the year ended 31st March				
	2006	2007	2008	2009	2010
Opening Balance of Fixed Assets as per audited financial statements	284.22	253.01	568.96	555.76	538.91
Increase/ (Decrease) in Fixed Assets as a result of adjustments for Revaluation Reserve	(249.79)	(217.75)	(529.02)	(504.87)	(486.24)
Adjusted / Restated balance of Fixed Assets	**34.43**	**35.26**	**39.94**	**50.89**	**52.67**

Table reflecting reconsolidation of Audited revaluation reserve with Restated revaluation reserve

Particulars	For the year ended 31st March				
	2006	2007	2008	2009	2010
Opening Balance of Revaluation Reserve as per audited financial statements	249.79	217.75	529.02	504.87	486.24
Increase/ (Decrease) in Revaluation reserve as a result of adjustments for Fixed Assets	(249.79)	(217.75)	(529.02)	(504.87)	(486.24)
Adjusted / Restated Balance of Revaluation Reserve	-	-	-	-	-

6 **Revaluation reserve Account adjust with Depreciation on Bank Properties**

The Summary Statement of Profit & Losses, as restated has been adjusted for respective years in respect of adjustment of revaluation reserve account in depreciation on bank deposits.

Table reflecting reconsolidation of Audited Total Income with Restated Total Income.

Particulars	For the year ended 31st March				
	2006	2007	2008	2009	2010
Amount of Total income as per audited financial statements	1,419.57	1,955.37	2,536.93	3,654.86	4,345.98
Increase /(Decrease) in Total income as a result of adjustments for:-					
Extra Ordinary Items	(9.61)	(7.09)	-	-	(1.05)
Depreciation on Bank Properties on account of depreciation on revaluation of assets.	(8.03)	(28.90)	(8.50)	(24.15)	(18.63)
Adjusted / Restated Balance of Total income	**1,401.93**	**1,919.38**	**2,528.43**	**3,630.71**	**4,326.30**

Annexure A-V
(continued)

Table reflecting reconsolidation of Audited Total Expenditure with Restated Total Expenditure.

Particulars	For the year ended 31st March				
	2006	2007	2008	2009	2010
Amount of Total Expenditure as per audited financial statements	1,151.98	1,482.93	1,994.27	2,927.15	3,468.42
Increase /(Decrease) in Total Expenses as a result of adjustments for -					
Depreciation on Assets (Transfer from Revaluation Reserve Account on account of depreciation on revaluation of assets)	(8.03)	(28.90)	(8.50)	(24.15)	(18.63)
Amount Transfer to Staff Welfare Fund through charge of revenue expenditure instead of Appropriations as required as per RBI Guidelines.	1.00	3.00	6.00	6.00	-
Adjusted / Restated Balance of Total Expenditure	**1,144.95**	**1,457.03**	**1,991.77**	**2,909.00**	**3,449.79**

7 **Restatement of dividend (including Dividend Tax) paid on perpetual Non-Cumulative Preference Shares**

The amount of dividend on perpetual Non-Cumulative shares for the year 2008-09 and dividend distributed tax paid thereon which have been accounted during the year 2009-2010 has been restated, the effect thereof is as under :-

Table reflecting reconsolidation of Audited appropriation for dividend with Restated appropriation for dividend.

Particulars	For the year ended 31st March				
	2006	2007	2008	2009	2010
Amount of appropriation for Dividend as per audited financial statements	-	-	-	-	12.74
Increase /(Decrease) in Total Expenses as a result of adjustments for -					
Dividend Amount pertaining to 2008-09 transferred to year to which they relate	-	-	-	2.74	(2.74)
Adjusted / Restated amount of appropriation for Dividend	**-**	**-**	**-**	**2.74**	**10.00**

Table reflecting reconsolidation of Audited appropriation for dividend distribution tax with Restated appropriation for dividend distribution tax.

Particulars	For the year ended 31st March				
	2006	2007	2008	2009	2010
Amount of appropriation for Dividend Distribution Tax as per audited financial statements	-	-	-	-	2.16
Increase /(Decrease) in Total Expenses as a result of adjustments for -					
Dividend Distribution tax Amount transferred to years to which they relate	-	-	-	0.46	(0.46)
Adjusted / Restated appropriation for Dividend Distribution Tax	**-**	**-**	**-**	**0.46**	**1.70**

8 The accounts for the years 2005-06 to 2009-10 have been restated in accordance with the (Revised) Guidance Note on reports in company prospectuses issued by the institute of Chartered Accountants of India and other changes / adjustments referred above. The effect of changes for the financial year prior to 2005-06 has been adjusted in the balance of profit and loss account as at 1st April 2005.

ANNEXURE- A-VI

Adjustments not carried out in the Statements of Restated Profit & Loss and Assets and Liabilities

1. The Reserve Bank of India has issued various guidelines on Income Recognition and Asset Classification, Provisioning in respect of standard assets, other assets, classification of investments, amortization of voluntary retirement scheme expenditure and interest provisioning on overdue fixed deposits (ODFD). The bank has carried out necessary adjustments in its accounting statements of the relevant years to be in conformity with the said RBI guidelines. The effect of such adjustments for other respective years is not quantifiable and ascertainable at this stage.

2. The bank has also carried out necessary amendments in the accounting policies in the relevant years to be in conformity with the amendments in the Accounting Standard – 15 (Employee Benefits) issued by the Institute of Chartered Accountants of India/ notified under Companies (Accounting Standards) Rules, 2006.

3. The provision for wage arrears amounting to Rs.55 crore and Rs.45 crore have been made on estimated basis during the financial year 2008-09 and 2009-10 respectively. The impact of the same in respective years could not be restated as the actual amount of wage arrears which is pending since 1st November 2007 is yet to be worked out.

4. **Qualifications in Auditors' report could not be given effect to in the restated financial statements:**

Audited Accounts for the year 2005-06

a) Adjustments required on account of non reconciliation of balances and clearance/ identification of outstanding items in respect of various accounts of income, expenditure, assets and liabilities, the effect of which is not ascertainable.

b) Disputed tax liabilities pending in appeals, the effect of which is not ascertainable.

Audited Accounts for the year 2006-07

a) Adjustments required on account of non reconciliation of balances and clearance/ identification of outstanding items in respect of various accounts of income, expenditure, assets and liabilities, the effect of which is not ascertainable.
b) Disputed tax liabilities pending in appeals, the effect of which is not ascertainable.

Audited Accounts for the year 2007-08

a) Adjustments required on account of non reconciliation of balances and clearance/ identification of outstanding items in respect of various accounts of income, expenditure, assets and liabilities, the effect of which is not ascertainable.

b) Disputed tax liabilities pending in appeals, the effect of which is not ascertainable.

Audited Accounts for the year 2008-09

a) Adjustments required on account of non reconciliation of balances and clearance/ identification of outstanding items in respect of various accounts of income, expenditure, assets and liabilities, the effect of which is not ascertainable.

b) Disputed tax liabilities pending in appeals, the effect of which is not ascertainable.

Audited Accounts for the year 2009-10

a) Adjustments required on account of non reconciliation of balances and clearance/ identification of outstanding items in respect of various accounts of income, expenditure, assets and liabilities, the effect of which is not ascertainable.

b) Disputed tax liabilities pending in appeals, the effect of which is not ascertainable.

c) Note No. 10.6.3 in respect of non creation of Deferred Tax Liability of Rs. 171.59 crore including Rs. 101.43 crore upto previous year, in respect of timing differences on account of variation in the value of investment as per books of accounts and for income tax computation considering the difference to be permanent and Note No. 10.6.2 regarding non creation of Deferred Tax Liability of Rs. 3.63 crore and withdrawal of the existing DTL amounting to Rs. 3.26 crore in respect of Special Reserve created and maintained under section 36(1)(viii) on the basis of management's decision not to withdraw the same.

Annexure A-VII

Summary of Significant Transaction with Related Parties (AS-18)

State controlled enterprises are exempted from making any disclosure pertaining to their transactions with other related parties that are also state controlled as per para 9 of AS-18 issued by ICAI. Further, as per RBI guideline DBOD. No. BP. BC. 89/ 21.04.018/2002-03 dated March 29, 2003, nationalized banks need not disclose their transaction with their subsidiaries as well as the RRBs sponsored by them.

Details pertaining to related party transactions are disclosed as under:

Key Management Personnel: **Rs. In Crore**

S.No.	Name	Designation	Item	Financial Year Ended 31st March				
				2005-06	2006-07	2007-08	2008-09	2009-10
1	Sh. R.P.Singh	CMD	Salary & Emoluments	0.05	0.05	0.23	0.22	0.19
			Loans / Advances	-	-	-	-	-
2	Sh. P.Subbarao	ED	Salary & Emoluments	0.02	-	-	-	-
			Loans / Advances	-	-	-	-	-
3	Sardar G.S.Matta	ED	Salary & Emoluments	0.00	0.07	0.18	0.08	0.05
			Loans / Advances	-	-	-	-	-
4	Sh. G.S.Vedi	ED	Salary & Emoluments	-	-	-	0.06	0.08
			Loans / Advances	-	-	-	-	-
5	Sh. G.S.Vedi	CMD	Salary & Emoluments	-	-	-	-	0.09
			Loans / Advances	-	-	-	-	-
6	Sh. P.K.Anand	ED	Salary & Emoluments	-	-	-	-	0.03
			Loans / Advances	-	-	-	-	-

SEGMENT REPORTING **Annexure- A-VIII**

PART A: BUSINESS SEGMENT

(Rs. in crores)

S. No.	Particulars	FINANCIAL YEAR ENDED 31ST MARCH				
		2006	**2007**	**2008**	**2009**	**2010**
1	**Segment Revenue**					
	a) Treasury Operations	582.71	553.52	609.53	806.72	1,204.13
	b) Corporate Banking	308.11	673.67	1,174.12	1,919.43	2,278.13
	c) Retail Banking	508.40	687.42	737.09	893.24	832.72
	d) Other Banking Operations	2.71	4.77	7.69	11.32	11.32
	TOTAL	**1,401.93**	**1,919.38**	**2,528.43**	**3,630.71**	**4,326.30**
	Segment Results					
2	a) Treasury Operations	187.26	136.73	44.17	101.84	161.09
	b) Corporate Banking	99.10	259.14	418.98	607.94	723.86
	c) Retail Banking	163.53	264.44	263.03	282.91	264.59
	d) Other Banking Operations	2.71	4.77	7.69	11.32	11.32
	TOTAL	452.61	665.08	733.87	1,004.01	1,160.85
	Unallocated expenses	195.63	202.73	197.21	282.30	284.34
	Operating Profit	256.98	462.35	536.66	721.71	876.51
	Provisions & Contingencies	(15.72)	73.36	79.74	82.88	211.10
	Profit Before Tax	272.70	388.99	456.92	638.83	665.41
	Tax Provision	(4.18)	5.01	54.79	208.63	159.28
	Extra Ordinary Profit/ Loss	8.80	6.29	-	-	0.69
	Net Profit	268.08	377.68	402.13	430.20	505.43
	Other Information					
3	**Segment Assets**					
	a) Treasury Operations	7,139.74	6,879.67	8,638.64	12,841.23	18,152.91
	b) Corporate Banking	4,248.43	7,216.71	13,179.84	18,885.98	27,594.36
	c) Retail Banking	7,010.34	7,364.11	8,274.07	8,788.92	10,086.45
	d) Other Banking Operations	-	-	-	-	-
	Unallocated Assets	178.19	244.20	305.40	262.45	265.86
	Total Assets	**18,576.70**	**21,704.69**	**30,397.95**	**40,778.58**	**56,099.58**
	Segment Liabilities					
	a) Treasury Operations	6,898.32	6,555.86	8,277.11	12,369.17	17,478.83
	b) Corporate Banking	4,104.77	6,877.04	12,628.26	18,191.71	26,569.69
	c) Retail Banking	6,773.29	7,017.50	7,927.80	8,465.83	9,711.90
	d) Other Banking Operations	-	-	-	-	-
	Unallocated Liabilities	33.57	97.71	6.17	126.36	218.54
	Total Liabilities	**17,809.95**	**20,548.11**	**28,839.34**	**39,153.08**	**53,978.96**

PART B: Geographical Segment: Not Applicable

ANNEXURE: A-IX

STATEMENT OF ADVANCE (Net) **Rs. in Crores**

	FINANCIAL YEAR ENDED 31ST MARCH				
PARTICULARS	**2006**	**2007**	**2008**	**2009**	**2010**
Bills Purchased & discounts	223.38	272.21	649.14	811.35	623.19
Cash Credit, Overdraft and demand Loans	4065.83	4480.71	6053.39	7319.96	8621.56
Term Loans	4645.82	6968.3	11640.78	16484.04	23394.36
TOTAL	**8935.03**	**11721.22**	**18343.31**	**24615.35**	**32639.11**

Annexure: A-X

SUMMARY OF INVESTMENT (NET)

(Rs. in crores)

	FINANCIAL YEAR ENDED 31ST MARCH					
S. No.	**Particulars**	**2006**	**2007**	**2008**	**2009**	**2010**
1	Government Securities	5760.01	5641.54	7409.79	10954.1	15270.05
2	Other Approved Securities	499.07	443.43	430.95	321.47	182.17
3	Shares	16.65	21.62	64.36	66.46	103.08
4	Debentures & Bonds	677.22	579.8	559.31	627.1	1309.23
5	Others	2.65	6.69	9.22	658.3	1022.31
	TOTAL	**6955.60**	**6693.08**	**8473.63**	**12627.43**	**17886.84**

ANNEXURE:B

STATEMENT OF DIVIDENDS DECLARED BY THE BANK ON EQUITY SHARE CAPITAL AND PERPETUAL NON-CUMULATIVE PREFERENCE SHARES.

a) On Equity Share Capital:

Bank has not paid any dividend on the Equity capital in the last 5 years.

b) On Perpetual Non-Cumulative Preference Shares:

(Rupees in crore)

Year ended	PNCPS	Rate of Dividend (%)	Total Dividend Paid
31.03.2006	N.A.	N.A.	N.A.
31.03.2007	N.A.	N.A.	N.A.
31.03.2008	N.A.	N.A.	N.A.
31.03.2009	200	**5.00%**	**2.74**
31.03.2010	200	**5.00%**	**10.00**

Note: Pursuant to Govt. of India letter no F.No. 11/8/2006-BOA dated 22nd December a part of equity capital has been converted in to PNCPS and the dividend for the same has been paid @ of REPO Rate (i.e 5.00% for both year) prevailing at last day of financial year as calculated on proportionate basis as stipulated by GOI.

ANNEXURE-C

Summary of Accounting Ratios					
	FINANCIAL YEAR ENDED 31ST MARCH				
PARTICULARS	**2006**	**2007**	**2008**	**2009**	**2010**
Earning per share (Basic) (Rs.)	5.62	5.17	5.41	7.08	27.01
Earning per share (Diluted) (Rs.)	5.62	5.17	5.41	7.08	27.01
Return on net worth %	36.11	33.20	25.80	26.47	23.87
Net asset value per equity share (Rs.)	15.55	15.57	20.98	23.64	104.92
Weighted average number of equity shares outstanding during the year / period (in crore)	49.31	74.31	74.31	60.31	18.31
Total number of shares outstanding at the end of the year / period (in crore)	74.31	74.31	74.31	18.31	18.31

Notes:

1 The ratios have been computed as below:

Earnings per share (Rs) = Net profit available to equity shareholders (after extra-ordinary items) / Weighted average number of equity shares outstanding during the year/period

Earnings per share calculations are done in accordance with Accounting Standard 20 — Earnings per Share notified under —Companies (Accounting Standards) Rules, 2006

Return on net worth (%) = Net profit after tax (after extra- ordinary items) / Net worth excluding revaluation reserve at the end of the year/period

Net asset value per equity share (Rs) = Net worth excluding revaluation reserve and preference share capital at the end of the year/period / Number of equity shares outstanding at the end of the year/period.

2 As per Government of India letter no. F.No. 11/8/2006-BOA dated 22nd December, the Government has approved the restructuring the equity capital of Rs. 743.06 crore by converting an amount of Rs. 160 crore into 'Innovative Perpetual Debt Instrument', Rs. 200 crore into Perpetual Non-cumulative Preference Shares and Rs. 200 crore into 'Perpetual Cumulative Preference Shares' while retaining Rs. 183.06 crore as the equity capital of the Bank.

3 The paid up Share capital of the bank has been considered to comprise of corresponding number of outstanding equity shares at the face value of Rs 10 each at each year/period end considering;

CAPITALISATION STATEMENT **Annexure – D**

(Rs. In Crore)

Particulars	Pre Issue @ after restructuring (As on 31st March 2010)	Post Issue #
Short Term Debt	**2231.05**	
Long Term Debt	**1470.00**	
Total Debt	**3701.05**	
Share Holders' funds		
- Share Capital	**183.06**	
- perpetual non convertible preference shares	**200.00**	
- Reserves & Surplus $	**1737.56**	
Total Shareholders' fund	**2120.62**	
Long term Debt / Share Holder Funds	**69.32%**	

Note: The above figure is based on the restated figure as given in annexure A-II

@ As per Government of India letter no. F.No. 11/8/2006-BOA dated 22nd December, the Government has approved the restructuring the equity capital of Rs. 743.06 crore by converting an amount of Rs. 160 crore into 'Innovative Perpetual Debt Instrument', Rs. 200 crore into Perpetual Non-cumulative Preference Shares and Rs. 200 crore into 'Perpetual Cumulative Preference Shares' while retaining Rs. 183.06 crore as the equity capital of the Bank.

The corresponding post issue figures are not determinable at this stage pending the completion of book building process and hence have not been furnished.

$ Reserves & Surplus are arrived at after excluding the Revaluation Reserve & Deferred Tax Assets / Deferred Revenue Expenditure.

STATEMENT OF TAX SHELTER **Annexure - E**

(As per Income Tax Returns- Non Restated) **(Rs. in crore)**

	Financial Year ended 31st March				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
Net Profit before Tax as per Audited Statements (A)	**149.69**	**242.93**	**446.63**	**644.85**	**666.44**
Normal Applicable Tax Rates (%)	33.66	33.66	33.99	33.99	33.99
Minimum Alternative Tax (MAT) applicable rates u/s 115JB (%)	8.42	11.22	11.33	11.33	17.00
Income Tax as per Income Tax Returns / Audited Statements (B)	**10.44**	**32.00**	**52.91**	**94.38**	**155.98***
<u>Adjustments</u>	**-**				
<u>Permanent Difference</u>	**-**				
Income exempt u/s 10					
Dividend Income	0.72	0.96	0.96	0.85	2.42
Interest income exempt u/s 10	16.79	1.40	1.28	0.35	1.71
Provision for others	0.16	(43.37)	(19.55)	(33.57)	(22.04)
Others	0.05	4.77	0.06	(0.68)	(2.78)
Deduction claimed u/s 36(1)(viia) of the Income Tax Act	97.97	117.08	53.64	60.65	82.35
Deduction claimed u/s 36(1)(viii) of the Income Tax Act	-	0.00	2.32	7.26	10.68
Bad Debts written off claim u/s 36(1)(vii)	-	341.29	97.74	0.00	9.23
Provision for Bad and doubtful debts	(97.97)	(103.62)	(69.97)	(60.65)	(82.35)
Difference between Tax and Book Profit / Loss on securities	-	-	-	(5.14)	(4.34)
Difference between Depreciation / Amortization on securities as per Tax and Books	-	-	249.58	53.97	210.78
Sub-Total (C)	**17.72**	318.51	**316.06**	**23.04**	**205.66**
<u>Timing Difference</u>					
Provision for Wage arrears	72.04	-	-	(55.00)	(45.00)
Interest accrued but not due on securities (Net)		-	-	208.56	52.88
Deduction u/s 35DDA of the Income Tax Act	4.00	-	-	-	-
Disallowable under section 43B and 40(a)(ia) of the Income Tax Act	(0.47)	(0.67)	(1.15)	(3.36)	0.00

STATEMENT OF TAX SHELTER **Annexure - E**

(Continued)

(As per Income Tax Returns- Non Restated) **(Rs. in crore)**

	Financial Year ended 31st March				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
Expenses allowable u/s 40(a)(ia) which was disallowed in previous year	-	0.40	0.53	0.65	-
Difference between Tax and Book Depreciation	(1.03)	(1.91)	(1.00)	(0.06)	(0.22)
Sub-Total (D)	**74.54**	**(2.18)**	**(1.62)**	**150.79**	**7.66**
Total (C+D)	**92.26**	**316.33**	**314.44**	**173.83**	**213.32**
Tax Saving Thereon (E)	31.05	106.48	106.88	59.08	72.51
Profit / Loss as per Income Tax Return	57.43	(73.40)	132.19	471.02	453.12
Total - F=A-(C+D)	57.43	(73.40)	132.19	471.02	453.12
Brought Forward Loss / Unabsorbed Depreciation adjusted as per Return - (G)	29.75	-	73.40	-	-
Taxable Income as per Return [H=(F-G)]	27.68	(73.40)	58.79	471.02	453.12
Tax including surcharge and education cess as per normal provisions - I	9.31	-	19.97	93.71	154.02
Book Profit / Loss as per MAT Provisions - J	124.13	285.19	467.14	720.01	917.82
Tax including surcharge and education cess per MAT provisions - K	10.44	32.00	52.91	81.58	155.98
Tax as per Return -Higher of I and K	10.44	32.00	52.91	93.71	155.98
Interest u/s 234B and 234C - M	-	-	-	0.67	-
Total Tax as per Return - (L+M)	10.44	32.00	52.91	94.38	155.98
Carried Forward capital losses					
- Short Term	NA	NA	NA	NA	NA
- Long Term	NA	NA	NA	NA	NA
Carried Forward Business losses	-	67.16	-	-	-
Carried Forward Unabsorbed Depreciation	-	6.24	-	-	-
Total Carried Forward loss and unabsorbed depreciation as per Return	-	73.40	-	-	-

* Based on Audited Figures and previous year practice in respect to other matters and figures on provisional basis as the income tax return for the F.Y. 2009-10 is not yet prepared.

Statement of Borrowings **Annexure-F**

(Rs. in Crores)

	FINANCIAL YEAR ENDED 31ST MARCH				
	2006	**2007**	**2008**	**2009**	**2010**
Reserve Bank of India	-	-	-	-	-
Under Repo	-	-	-	-	-
Other Banks	-	-	875.00	550.00	1,598.92
SIDBI / IDBI Refinance	0.12	119.96	1,880.49	0.05	75.08
NABARD Refinance	Nil	85.04	60.75	36.45	12.15
Others EXIM / DFHI / NHB	0.07	0.07	-	1,924.98	500.00
Innovative Perpetual Debt Instruments (IPDI)	-	-	-	160.00	160.00
Perpetual cumulative Preference Shares (PNCPS)	-	-	-	200.00	200.00
Borrowing outside India	-	-	160.48	-	44.90
Sub Total	**0.19**	**205.07**	**2,976.72**	**2871.48**	**2,591.05**
Subordinated Debt for Tier II Capital	315.00	385.00	380.00	735.00	1,110.00
Total	**315.19**	**590.07**	**3,356.72**	**3,606.48**	**3,701.05**

Key Financial Indicators **Annexure- G**

S.No.	Particulars	2006	2007	2008	2009	2010
		(In Percentage unless otherwise stated)				
		FINANCIAL YEAR ENDED 31ST MARCH				
1	Interest income/ Average working funds (AWF)	7.73	8.05	8.69	9.32	8.23
2	Interest expenses/ AWF	4.07	4.57	5.61	6.41	5.75
3	Interest spread/AWF	3.65	3.48	3.08	2.90	2.48
4	Non Interest Income/AWF	0.81	1.08	1.21	1.10	0.82
5	Operating Expenses/AWF	2.90	2.37	2.19	1.93	1.46
6	Cost Income Ratio	64.94	51.81	50.99	48.28	44.39
7	Gross(Operating Profit)/AWF	1.57	2.20	2.10	2.07	1.83
8	Net Profit/AWF	1.74	1.86	1.57	1.23	1.06
9	Return on assets	1.74	1.86	1.57	1.23	1.06
10	Yield on Advances	10.06	9.93	11.20	11.65	10.37
11	Cost of Deposit	4.37	4.91	6.16	7.00	6.24
12	Dividend pay- out ratio (Including Corporate Dividend Tax)	-	-	-	0.74	2.31
13	Credit Deposit Ratio	57.90	61.85	74.14	71.23	66.60
14	**Capital Adequacy Ratio**					
	(BASEL-1)	10.71	12.63	11.85	11.84	11.71
	Tier-I	7.93	9.33	8.32	6.95	6.86
	Tier-II	2.78	3.30	3.53	4.89	4.85
	(BASEL II)	-	-	-	14.31	13.07
	Tier I	-	-	-	8.40	7.66
	Tier II	-	-	-	5.91	5.41
15	No. of Employees	9542	9325	9013	8700	8259
16	No. Of Branches	813	843	867	912	918
17	Business per employee (Rs. In Crores)	2.77	3.29	4.67	6.56	9.63
18	Gross profit per employee (Rs. In Crores)	0.03	0.05	0.06	0.08	0.11
19	Net Profit per employee (Rs. In Crores)	0.03	0.04	0.04	0.05	0.06
20	Business per branch (Rs. In Crores)	32.54	36.35	48.53	62.54	86.62
21	Gross profit per branch (Rs. In Crores)	0.32	0.55	0.62	0.79	0.95
22	Net profit per branch (Rs. In Crores)	0.35	0.46	0.46	0.47	0.55

Annexure - H

DETAILS OF OTHER INCOME WHICH EXCEEDS 20% OF NPBT

(Rs. in Crores)

Particulars	**Year Ended**				
	31.03.2006	**31.03.2007**	**31.03.2008**	**31.03.2009**	**31.03.2010**
Other Income	133.36	227.71	309.14	383.54	392.13
Net Profit Before tax, as re stated	281.50	395.28	456.92	638.83	666.10
Other Income as a % to NPBT	**47.37%**	**57.61%**	**67.66%**	**60.04%**	**58.87%**

Source of Income	**31.03.2006**	**31.03.2007**	**31.03.2008**	**31.03.2009**	**31.03.2010**
Commission, Exchange and Brokerage	44.06	49.33	51.91	58.84	54.13
Profit on sale of investments (net)	26.62	17.35	17.51	118.90	109.06
Profit on sale of land, building & other assets (Net)	-	4.72	0.14	0.07	0.08
Profit on exchange transaction (Net)	21.04	23.50	30.01	39.91	37.65
Miscellaneous Income:	**41.64**	**132.81**	**209.57**	**165.82**	**191.21**
Incidental Charges	13.63	14.99	15.69	15.16	16.16
Bad Debts written off Realised	-	80.36	132.83	78.6	75.28
Service Charges/Loan Processing Fee	11.57	17.64	32.8	40.23	64.99
Commission on Insurance Business	2.71	4.77	7.69	11.33	11.31
Others	13.73	15.05	20.56	20.5	23.47
Total:	**133.36**	**227.71**	**309.14**	**383.54**	**392.13**

Note: Items mentioned here are generally recurring in nature and derived from normal business activities.

SELECTED STATISTICAL INFORMATION

*The following information should be read together with our financial statements included in this Draft Red Herring Prospectus as well as "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" on page 287. The amounts presented in this section are based on our financial statements prepared in accordance with Indian GAAP and internally generated statistical data.*

Average Balance Sheet & Net Interest Margin									
									(Rs. in crores)
	Year ending March 31, 2008			Year ending March 31, 2009			Year ending March 31, 2010		
	Average Balance	Interest Income/ Interest Expenses	Average Yield/ Cost	Average Balance	Interest Income/ Interest Expenses	Average Yield/ Cost	Average Balance	Interest Income/ Interest Expenses	Average Yield/ Cost
Assets (Interest Earning)									
Advances	13666.61	1530.07	11.20	21339.74	2486.13	11.65	26543.64	2753.70	10.37
Investments	7993.73	622.12	7.78	9239.56	687.82	7.44	16113.11	1095.08	6.80
Others	1094.71	86.13	7.87	492.30	68.36	13.89	918.74	66.13	7.20
Total Interest Earning Assets (Other than Interest Bearing)	**22755.05**	**2238.32**	**9.84**	**31071.60**	**3242.31**	**10.43**	**43575.49**	**3914.91**	**8.98**
Fixed assets (Including Revaluation reserve)	269.11	0.00	0.00	564.24	0.00	0.00	546.25		0.00
Other assets	2525.22	11.07	0.44	3221.26	4.86	0.15	3672.15	19.27	0.52
Total Assets	**25549.38**	**2249.39**	**8.80**	**34857.11**	**3247.17**	**9.32**	**47793.89**	**3934.18**	**8.23**
Less: Revaluation Reserves	**233.93**	0.00		**519.61**	0.00		**494.32**	0.00	
Net Total Assets	25315.45	2249.39	**8.89**	34337.50	3247.17	**9.46**	47299.57	3934.18	**8.32**
Liabilities (Interest Bearing)									
Deposits	**21679.68**	**1334.60**	**6.16**	**29883.89**	**2091.00**	**7.00**	**41181.14**	**2567.70**	**6.24**
of which:-									
Demand	1773.38	0.00	0.00	2127.37	45.91	2.16	2569.79	45.80	1.78
Saving	6572.62	213.81	3.25	7140.89	231.37	3.24	8081.08	265.39	3.28
Term	13333.68	1120.79	8.41	20615.63	1813.72	8.80	30530.27	2256.51	7.39
Borrowings (Other than Tier-II Bonds)	1181.49	73.14	6.19	1186.61	85.99	7.25	1769.39	72.85	4.12
Tier- II Bonds	307.92	25.75	8.36	635.00	58.32	9.18	1130.83	109.68	9.70
Total Interest bearing Liabilities	**23169.09**	**1433.49**	**6.19**	**31705.50**	**2235.31**	**7.05**	**44081.36**	**2750.23**	**6.24**
Capital & Reserves	1586.83	0.00	0.00	2179.96	0.00	0.00	2396.85		
Other Liabilities	793.46			971.65			1315.68		
Total Liabilities	**25549.38**	**1433.49**	**5.61**	**34857.11**	**2235.31**	**6.41**	**47793.89**	**2750.23**	**5.75**
Net Interest Income	**804.83**			**1007.00**			**1164.68**		
Net Interest Margin	**3.54**			**3.24**			**2.67**		
Net Interest Margin: Net Interest Income as percentage to average Interest earning Assets.									

Analysis of changes in Interest Income & Interest Expense Volume and rate Analysis

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

(Rs. in crore)

	Fiscal 2007 Vs. Fiscal 2008			**Fiscal 2008 Vs. Fiscal 2009**			**Fiscal 2009 Vs. Fiscal 2010**		
	Net Changes in Interest income or expenses	**Changes due to change in average Volume**	**Change due to change in average rate**	**Net Changes in Interest income or expenses**	**Changes due to change in average Volume**	**Change due to change in average rate**	**Net Changes in Interest income or expenses**	**Changes due to change in average Volume**	**Change due to change in average rate**
Interest Income	520.30	378.93	141.37	1003.99	908.62	95.37	672.60	1177.18	(504.58)
Advances	501.86	328.91	172.95	956.06	859.06	97.00	267.57	606.27	(338.70)
Investments	50.75	83.96	(33.21)	65.70	96.96	(31.26)	407.26	511.69	(104.43)
Others	(32.31)	(33.94)	1.63	(17.77)	(47.40)	29.63	(2.23)	59.22	(61.45)
Interest Expense	473.63	283.97	189.66	801.82	658.26	143.56	514.92	1000.05	(485.13)
Deposits									
Demand Deposits	0.00	0.00	0.00	45.91	0.00	45.91	(0.11)	9.55	(9.66)
Saving Deposits	6.73	7.20	(0.47)	17.56	18.49	(0.93)	34.02	30.46	3.56
Term Deposits	423.84	203.73	220.11	692.93	612.10	80.83	442.79	872.27	(429.48)
Borrowings	47.64	75.49	(27.85)	12.85	0.32	12.53	(13.14)	42.23	(55.37)
Tier-II Bonds	(4.58)	(2.45)	(2.13)	32.57	27.35	5.22	51.36	45.54	5.82
Net Interest Income	46.67	94.96	(48.29)	202.17	250.36	(48.19)	157.68	177.13	(19.45)

Yields, Spreads and Margins

(Rs. in crore)

		Year Ended March 31,				
		2006	**2007**	**2008**	**2009**	**2010**
1	Interest Income	1297.54	1718.02	2238.32	3242.31	3914.91
1(a)	of which Interest Income on Rupee Assets	1297.54	1718.02	2238.32	3242.31	3914.91
2	Average Interest earning Assets	14469.10	18858.34	22755.05	31071.60	43575.49
2 (a)	of which average Interest earning on rupee Assets	14469.10	18858.34	22755.05	31071.60	43575.49
3	Interest Expense	668.99	959.86	1433.49	2235.31	2750.23
3 (a)	of which average Interest expense on rupee Liabilities	668.99	959.86	1433.49	2235.31	2750.23
4	Average interest bearing Liabilities	14891.01	19044.91	23169.09	31705.50	44081.36
4 (a)	of which average interest bearing Rupee Liabilities	14891.01	19044.91	23169.09	31705.50	44081.36
5	Net Interest Income (1-3)	628.55	758.16	804.83	1007.00	1164.68
6	Average Net Total assets	16374.25	20773.49	25315.45	34337.50	47299.57

Yields, Spreads and Margins						
						(Rs. in crore)
		Year Ended March 31,				
		2006	2007	2008	2009	2010
7	Average interest earning assets as % of average total assets (2 / 6)	88.36	90.78	89.89	90.49	92.13
8	Average interest bearing liabilities as % of average total assets (4 / 6)	90.94	91.68	91.52	92.33	93.20
9	Average interest earning assets as % of average interest bearing liabilities [2 / 4]	97.17	99.02	98.21	98.00	98.85
10	Average interest earning assets as % of average interest bearing liabilities [2 (a) / 4 (a)]	97.17	99.02	98.21	98.00	98.85
11	Yield (1 / 2)	8.97	9.11	9.84	10.43	8.98
	of which Yield on Rupee Interest Earning Assets [1(a) / 2 (a)]	8.97	9.11	9.84	10.43	8.98
12	Cost (3 / 4)	4.49	5.04	6.19	7.05	6.24
	of which Cost of Rupee Interest bearing liabilities [3(a) / 4(a)]	4.49	5.04	6.19	7.05	6.24
13	Spread [11-12]	4.48	4.07	3.65	3.38	2.75
14	Net Interest Margin (NIM) (5 / 2)	4.34	4.02	3.54	3.24	2.67

Return on Equity & Assets					
					(Rs. in crore)
Particulars	For The Year Ended March 31st				
	2006	2007	2008	2009	2010
Profit available for equity shareholders after extra ordinary items	276.88	383.98	402.13	427.00	494.43
Average Total Assets	16419.59	21007.89	25549.38	34857.11	47793.89
Average Equity Share Holders fund	555.79	961.67	1357.60	1492.06	1673.06
Profit Available for Equity shareholders to Average Equity Share Holders fund	49.82%	39.93%	29.62%	28.62%	29.55%
Average Equity Share Holders fund to Average Total Assets	3.38%	4.58%	5.31%	4.28%	3.50%

Note: Average Equity Share Holders Funds means: Simple Average of Opening and Closing Balance of Equity Shareholders' Funds.

The following table sets forth, as of March 31 2010, 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.

RESIDUAL MATURITY OF COUPON BEARING SECURITIES AS ON 31ST MARCH 2010

(Rs. in crore)

	Next Day	2-7 days	8-14 days	15-28 days	29 days to 3 months	3-6 months	6-12 months	1-3 years	3-5 years	over 5 years	Total
i. Approved Securities:											
Government Securities (Central & State) Treasury Bills & Other Approved Securities	-	-	11.69	210.65	1,085.58	76.58	40.54	430.70	1,806.00	11,790.47	**15,452.21**
ii. Other Debt Securities:											
Corporate debts & bonds PSU bonds, Call Deposits & Commercial Papers	-	249.40	429.05	214.07	-	115.53	10.00	394.77	346.85	540.12	**2,299.79**
TOTAL COUPON BEARING SECURITIES	-	249.40	440.74	424.72	1,085.58	192.11	50.54	825.47	2,152.85	12,330.59	**17,752.00**
TOTAL MARKET VALUE OF COUPON BEARING SECURITIES	-	249.40	440.74	424.93	1,085.73	193.87	52.32	845.74	2,123.67	12,002.13	**17,418.53**

Funding

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

Total Deposits

The average cost (interest expense divided by average of fortnightly balances) of savings deposits was 3.25% in Fiscal 2008, 3.24% in Fiscal 2009 and 3.28% in Fiscal 2010. The average cost of term deposits was 8.41% in Fiscal 2008, 8.80% in Fiscal 2009 and 7.89% in Fiscal 2010. Demand deposits do not bear interest, and are therefore carried at zero cost. The following table sets forth, as at the dates indicated our outstanding deposits and the percentage composition by each category of deposits.

						(Rs. in crore)
	As at 31.03.2008		**As at 31.03.2009**		**As at 31.03.2010**	
	Balance O/S	**% of Total**	**Balance O/S**	**% of Total**	**Balance O/S**	**% of Total**
Demand Deposit	**2074.5**	**8.35%**	**2148.32**	**6.20%**	**3156.7**	**6.42%**
From Banks	38.84	0.16%	31.36	0.09%	52.74	0.11%
From Others	2035.66	8.20%	2116.96	6.11%	3103.96	6.31%
Savings Deposits	**6950.11**	**27.99%**	**7477.36**	**21.56%**	**9151.34**	**18.62%**
Term Deposits	**15806.8**	**63.66%**	**25049.97**	**72.24%**	**36847.04**	**74.96%**
From Banks	1122.17	4.52%	2306.64	6.65%	2319.69	4.72%
From Others	14684.63	59.14%	22743.33	65.59%	34527.35	70.24%

(Rs. in crore)						
	As at 31.03.2008		As at 31.03.2009		As at 31.03.2010	
	Balance O/S	% of Total	Balance O/S	% of Total	Balance O/S	% of Total
Total Deposits	**24831.41**	**100.00%**	**34675.65**	**100.00%**	**49155.08**	**100.00%**

Total Borrowings

The following table sets forth, as at the dates indicated our outstanding borrowings with or without Tier II bonds

(Rs. in crore)

	Year ending March 31, 2008			Year ending March 31, 2009			Year ending March 31, 2010		
	Average Balance	Interest Expenses	Average Cost (%)	Average Balance	Interest Expenses	Average Cost (%)	Average Balance	Interest Expenses	Average Cost (%)
Borrowings (Other than Tier-II Bonds)	1181.49	73.14	6.19	1186.61	85.99	7.25	1769.39	72.85	4.12
Tier- II Bonds	307.92	25.75	8.36	635.00	58.32	9.18	1130.83	109.68	9.70
Total Borrowings	**1489.41**	**98.89**	**6.64**	**1821.61**	**144.31**	**7.92**	**2900.22**	**182.53**	**6.29**

Asset Liability Gap

The Board has set forth the following prudential limits for our asset liability gap positions for the periods (buckets) indicated:

The cumulative asset/liability gap should not exceed 40% of the cumulative outflow.

As per the RBI's guidelines, if a negative gap exceeds the prudential limit of 5%, 10%, 15% and 20% of outflows in the Day1, 2-7 days, 8-14 days and 15-28 days buckets, the gap is financed from market borrowings (call/term), by mobilising fresh deposits, repos and availing refinance etc..

Time Period	Tolerance Limits % (For Individual Gaps)		Tolerance Limits % (For Cumulative Gaps)	
	Positive	Negative	Positive	Negative
Next Day	5	-5	5	-5 #
2 to 7 days	15	-15	10	-10 #
8to14 days	20	-20	15	-15 #
15days to 28 days	30	-30	20	-20 #
29 days to 3 months	30	-30	20	-20
Over 3 months to 6 months	30	-30	20	-20
Over 6 months to 1 year	30	-30	20	-20
Over 1 year to 3 years	20	-20	10	-10
Over 3 years to 5 years	20	-20	10	-10
Over 5 years	10	-10	10	-10

The following table sets forth our asset - liability as at March 31, 2008:

(Rs. in crore)

	OUTFLOWS	1 Day	2 to 7 days	08 to 14 days	15 to 28 days	29 days & upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 year	Over 3 year & upto 5 year	Over 5 years	Total
1	Capital	-	-	-	-	-	-	-	-	-	**743.06**	**743.06**
2	Reserves & Surplus	-	-	-	-	-	-	-	-	-	**815.55**	**815.55**
3	Deposits	**150.11**	**308.43**	**367.86**	**623.43**	**1,344.32**	**2,157.14**	**2,868.25**	**5,390.70**	**2,120.70**	**9,500.47**	**4,831.41**
i)	Current Deposits	5.14	30.84	35.98	-	-	-	-	888.90	274.73	838.91	2,074.50
ii)	Savings Bank Deposits	2.04	12.24	14.28	-	-	79.28	140.47	1,736.30	1,221.03	3,744.47	6,950.11
iii)	Term Deposits	142.93	265.35	317.60	623.43	1,344.32	2,077.86	2,727.78	2,765.50	624.94	4,917.09	5,806.80
iv)	Certificates of Deposits	-	-	-	-	-	-	-	-	-	-	-
4	Borrowings	**60.00**	**1,875.67**	**200.00**	**260.18**	**500.00**	**32.21**	**12.15**	**36.51**	**63.00**	**317.00**	**3,356.72**
i)	Call & Short Notice & CBLO	-	-	-	-	-	-	-	-	-	-	-
ii)	Inter Bank (Term)	-	-	-	-	-	-	-	-	-	-	-
iii)	Refinances	60.00	-	-		-	-	-	0.06	-	-	60.06
iv)	Others (Specify) TT. Disc./ Bond	-	1,875.67	200.00	260.18	500.00	32.21	12.15	36.45	63.00	317.00	3,296.66
5	Other Liabilities & Provisions	**8.18**	**29.10**	**37.80**	**27.41**	**6.50**	**0.98**	**79.60**	**421.02**	**27.97**	**12.65**	**651.21**
i)	Bills Payable	4.82	28.90	33.72	-	-	-	-	228.78	-	-	296.22
ii)	Provisions	-	-	-	0.02	6.50	-	79.60	187.40	0.17	12.65	286.34
iii)	Others (Specify)	3.36	0.20	4.08	27.39	-	0.98	-	4.84	27.80	-	68.65
6	Lines of Credit committed	-	-	-	-	-	-	-	-	-	-	-
i)	Institutions	-	-	-	-	-	-	-	-	-	-	-
ii)	Customers	-	-	-	-	-	-	-	-	-	-	-
7	Unavailed portion of CC/OD	-	-	15.67	47.06	61.60	20.33	2.90	9.23	-	-	

	OUTFLOWS	1 Day	2 to 7 days	08 to 14 days	15 to 28 days	29 days & upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 year	Over 3 year & upto 5 year	Over 5 years	Total
	etc.											**156.79**
8	Letters of Credit / Guarantees	-	-	-	-	-	-	-	-	-	-	**-**
9	Repos	-	-	-	-	-	-	-	-	-	-	**-**
10	Bills Rediscounted (DUPN)	-	-	-	-	-	-	-	-	-	-	**-**
11	Swaps (Buy / Sells / Maturing)	-	751.76	200.61	304.32	656.42	211.40	101.21	-	-	-	**2,225.72**
12	Interest Payable	-	-	-	-	-	-	-	-	-	-	**-**
13	Others (Specify)	-	-	-	-	-	-	-	-	-	-	**-**
A	**Total Outflows**	**218.29**	**2,964.96**	**821.94**	**1,262.40**	**2,568.84**	**2,422.06**	**3,064.11**	**5,857.46**	**2,211.67**	**11,388.73**	**32,780.46**
B	**Cumulative Outflows**	**218.29**	**3,183.25**	**4,005.19**	**5,267.59**	**7,836.43**	**10,258.49**	**13,322.60**	**19,180.06**	**21,391.73**	**32,780.46**	**32,780.46**

The following table sets forth our asset - liability as at March 31, 2008.

(Rs. in crore)

	INFLOWS	1 Day	2 to 7 days	08 to 14 days	15 to 28 days	29 days & upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 year	Over 3 year & upto 5 year	Over 5 years	Total
1	Cash	102.99	-	-	-	-	-	-	-	-	-	**102.99**
2	Balance with RBI	31.57	17.46	177.06	48.43	74.56	158.80	175.23	230.46	461.25	477.28	**1,852.10**
3	Balances with other Bank	**147.71**	**119.95**	**-**	**9.52**	**309.52**	**398.10**	**-**	**-**	**-**	**-**	**984.80**
i)	Current Account	147.71	-	-	-	-	-	-	-	-	-	147.71
ii)	Money at Call / Short Notice, Term Deposits & Other Placements	-	119.95	-	9.52	309.52	398.10	-	-	-	-	837.09
4	Investments	25.33	130.61	24.59	207.27	240.90	229.43	185.11	812.92	1,080.19	5,537.28	**8,473.63**
5	Advances (Performing)	**197.32**	**1,081.41**	**1,011.12**	**260.68**	**3,877.51**	**1,575.44**	**1,504.35**	**4,181.58**	**1,321.50**	**3,262.57**	**18,273.48**
i)	BP/BD (Including DUPN)	6.15	39.73	50.54	87.24	223.82	165.10	6.73	69.57	0.02	-	648.90
ii)	CC/OD/ Demand Loan	127.48	772.40	904.00	13.95	115.00	67.91	9.16	1,315.39	228.38	2,470.05	6,023.72
iii)	Term Loans	63.69	269.28	56.58	159.49	3,538.69	1,342.43	1,488.46	2,796.62	1,093.10	792.52	11,600.86
6	NPA (Advances)	-	-	-	-	-	-	-	-	62.58	7.25	**69.83**
7	Fixed Assets	-	-	-	-	-	-	-	-	-	39.94	**39.94**
8	**Other Assets**	**1.00**	**106.48**	**15.56**	**199.75**	**4.36**	**-**	**186.82**	**58.03**	**0.08**	**29.10**	**601.18**

	INFLOWS	1 Day	2 to 7 days	08 to 14 days	15 to 28 days	29 days & upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 year	Over 3 year & upto 5 year	Over 5 years	Total
i)	Leased Assets	-	-	-	-	-	-	-	-	-	-	-
ii)	Others	1.00	106.48	15.56	199.75	4.36	-	186.82	58.03	0.08	29.10	**601.18**
9	Reverse Repos	-	-	-	-	-	-	-	-	-	-	**-**
10	Swaps (Sell / Buy etc.)	-	652.03	159.80	222.00	993.74	298.69	141.04	-	-	-	**2,467.30**
11	Bills Rediscounted (DUPN)	-	-	-	-	-	-	-	-	-	-	-
12	Interest Receivable	-	-	-	-	-	-	-	-	-	-	-
13	Committed Lines of Credit	-	-	-	-	-	-	-	-	-	-	-
14	Export Refinance from RBI	-	-	-	-	-	-	-	-	-	-	-
	Others (Specify)	-	-	-	-	-	-	-	-	-	-	-
C	**TOTAL INFLOWS**	**505.92**	**2,107.94**	**1,388.13**	**947.65**	**5,500.59**	**2,660.46**	**2,192.55**	**5,282.99**	**2,925.60**	**9,353.42**	**32,865.25**
D	**MISMATCH (C-A)**	**287.63**	**(857.02)**	**566.19**	**(314.75)**	**2,931.75**	**238.40**	**(871.56)**	**(574.47)**	**713.93**	**(2,035.31)**	**84.79**
E	**% OF MISMATCH (D AS % OF A)**	**131.77**	**(28.90)**	**68.88**	**(24.93)**	**114.13**	**9.84**	**(28.44)**	**(9.81)**	**32.28**	**(17.87)**	**0.26**
F	**CUMULATIVE MISMATCH**	**287.63**	**(569.39)**	**(3.20)**	**(317.95)**	**2,613.80**	**2,852.20**	**1,980.64**	**1,406.17**	**2,120.10**	**84.79**	**84.79**
G	**% OF CUM MISMATCH (F) AS % OF (B)**	**131.77**	**(17.89)**	**(0.08)**	**(6.04)**	**33.35**	**27.80**	**14.87**	**7.33**	**9.91**	**0.26**	**0.26**

The following table sets forth our asset - liability as at March 31, 2009:

(Rs. In crore)

	OUTFLOWS	1 Day	2 to 7 days	08 to 14 days	15 to 28 days	29 days & upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 year	Over 3 year & upto 5 year	Over 5 years	Total
1	Capital	-	-	-	-	-	-	-	-	-	**383.06**	**383.06**
2	Reserves & Surplus	-	-	-	-	-	-	-	-	-	**1,242.44**	**1,242.44**
3	Deposits	**223.20**	**1,071.98**	**1,193.40**	**658.00**	**3,057.12**	**2,077.47**	**4,598.87**	**4,250.59**	**1,728.32**	**15,816.70**	**34,675.65**
i)	Current Deposits	66.36	398.11	464.44	-	-	-	-	-	-	1,219.41	2,148.32
ii)	Savings Bank Deposits	56.82	340.92	397.72	-	-	-	-	947.67	1,313.74	4,420.49	7,477.36
iii)	Term Deposits	100.02	332.95	331.24	658.00	3,057.12	2,077.47	4,598.87	3,302.92	414.58	10,176.81	25,049.98
iv)	Certificates of Deposits	-	-	-	-	-	-	-	-	-	-	-

	OUTFLOWS	1 Day	2 to 7 days	08 to 14 days	15 to 28 days	29 days & upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 year	Over 3 year & upto 5 year	Over 5 years	Total
v)	Other Demand Deposit	-	-	-	-	-	-	-	-	-	-	-
4	Borrowings	**-**	**2,474.98**	**-**	**-**	**-**	**12.20**	**12.15**	**12.15**	**-**	**1,095.00**	**3,606.48**
i)	Call & Short Notice & CBLO	-	-	-	-	-	-	-	-	-	-	-
ii)	Inter Bank (Term)	-	-	-	-	-	-	-	-	-	-	-
iii)	Refinances	-	-	-	-	-	12.20	12.15	12.15	-	-	36.50
iv)	Others (Specify) TT. Disc. / Bond	-	2,474.98	-	-	-	-	-	-	-	1,095.00	3,569.98
5	Other Liabilities & Provisions	**6.26**	**181.35**	**44.20**	**0.01**	**108.65**	**-**	**28.13**	**313.94**	**55.44**	**132.97**	**870.95**
i)	Bills Payable	1.39	8.34	9.65	-	-	-	-	233.72	-	-	253.10
ii)	Provisions	-	-	-	-	08.65	-	27.88	34.34	53.57	130.00	354.44
iii)	Others (Specify)	4.87	173.01	34.55	0.01	-	-	0.25	45.88	1.87	2.97	263.41
6	Lines of Credit committed	-	-	-	-	-	-	-	-	-	-	-
i)	Institutions	-	-	-	-	-	-	-	-	-	-	-
ii)	Customers	-	-	-	-	-	-	-	-	-	-	-
7	Unavailed portion of CC/OD etc.	-	0.25	7.09	3.10	112.88	21.44	41.46	-	-	-	**186.22**
8	Letters of Credit / Guarantees	0.51	-	-	-	6.07	0.17	2.20	2.70	3.54	1.49	**16.68**
9	Repos	-	-	-	-	-	-	-	-	.	-	**-**
10	Bills Rediscounted (DUPN)	-	-	-	-	-	-	-	-	-	-	**-**
11	Swaps (Buy / Sells / Maturing)	-	168.60	214.91	372.41	539.77	148.76	59.99	-	-	-	**1,504.44**
12	Interest Payable	-	-	-	-	-	-	-	-	-	-	**-**
13	Others (Specify)	-	-	-	-	-	-	-	-	-	-	

	OUTFLOWS	1 Day	2 to 7 days	08 to 14 days	15 to 28 days	29 days & upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 year	Over 3 year & upto 5 year	Over 5 years	Total
												-
A	**TOTAL OUTFLOWS**	**229.97**	**3,897.16**	**1,459.60**	**1,033.52**	**3,824.49**	**2,260.04**	**4,742.80**	**4,579.38**	**1,787.30**	**18,671.66**	**42,485.92**
B	Cumulative Outflows	**229.97**	**4,127.13**	**5,586.73**	**6,620.25**	**10,444.74**	**12,704.78**	**17,447.58**	**22,026.96**	**23,814.26**	**42,485.92**	**42,485.92**

The following table sets forth our asset - liability as at March 31, 2009.

(Rs. In crore)

	INFLOWS	1 Day	2 to 7 days	08 to 14 days	15 to 28 days	29 days & upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 year	Over 3 year & upto 5 year	Over 5 years	Total
1	Cash	93.91	-	-	-	-	-	-	-	-	-	93.91
2	Balance with RBI	654.82	60.50	76.17	22.42	112.71	72.69	129.99	117.80	60.09	555.97	1,863.16
3	Balances with other Bank	225.25	9.43	190.25	46.75	330.89	80.80	-	-	.	-	883.37
i)	Current Account	225.25	-	-	-	-	-	-	-	-	-	225.25
ii)	Money at Call / Short Notice etc.	-	9.43	190.25	46.75	330.89	80.80	-	-	-	-	658.12
4	Investments	33.37	322.42	-	94.45	666.79	588.04	172.32	1,395.51	1,204.54	8,149.99	12,627.43
5	Advances (Performing)	114.19	422.79	749.00	992.71	4,716.84	2,875.98	2,555.62	5,632.61	3,000.25	3,477.07	24,537.06
i)	BP/BD (Including DUPN)	8.23	43.41	37.07	83.04	343.28	112.59	118.73	22.66	-	-	769.01
ii)	CC/OD/ Demand Loan	57.52	356.07	404.74	9.84	112.72	97.68	29.98	2,269.09	1,489.79	2,476.68	7,304.11
iii)	Term Loans	48.44	23.31	307.19	899.83	4,260.84	2,665.71	2,406.91	3,340.86	1,510.46	1,000.39	16,463.94
6	NPA (Advances)	-	-	-	-	-	-	-	-	65.47	12.82	78.29
7	Fixed Assets	-	-	-	-	-	-	-	-	-	50.89	50.89
8	Other Assets	1.64	537.52	3.52	6.10	27.46	28.32	11.90	4.48	20.37	3.16	644.47

	INFLOWS	1 Day	2 to 7 days	08 to 14 days	15 to 28 days	29 days & upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 year	Over 3 year & upto 5 year	Over 5 years	Total
i)	Leased Assets	-	-	-	-	-	-	-	-	-	-	-
ii)	Others	1.64	537.52	3.52	6.10	27.46	28.32	11.90	4.48	20.37	3.16	644.47
9	Reverse Repos	-	-	-	-	-	-	-	-	-	-	-
10	Swaps (Sell / Buy etc.)	-	178.27	131.65	231.94	831.42	257.57	63.11	-	-	-	1,693.96
11	Bills Rediscounted (DUPN)	-	-	-	-	-	-	-	-	-	-	-
12	Interest Receivable	-	-	-	-	-	-	-	-	-	-	-
13	Comm. Lines of Credit	-	-	-	-	-	-	-	-	-	-	-
14	Export Refinance from RBI	553.58	-	-	-	-	-	-	-	-	-	553.58
	Others (Specify)	-	-	-	-	-	-	-	-	-	-	-
C	TOTAL INFLOWS	1,676.76	1,530.93	1,150.59	1,394.37	6,686.11	3,903.40	2,932.94	7,150.40	4,350.72	12,249.90	43,026.12
D	MISMATCH (C-A)	1,446.79	(2,366.23)	(309.01)	360.85	2,861.62	1,643.36	(1,809.86)	2,571.02	2,563.42	(6,421.76)	540.20
E	% OF MISMATCH (D AS % OF A)	629.12	(60.72)	(21.17)	34.91	74.82	72.71	(38.16)	56.14	143.42	(34.39)	1.27
F	CUMULATIVE MISMATCH	1,446.79	(919.44)	(1,228.45)	(867.60)	1,994.02	3,637.38	1,827.52	4,398.54	6,961.96	540.20	540.20
G	% OF CUM MISMATCH (F) AS % OF (B)	629.12	(22.28)	(21.99)	(13.11)	19.09	28.63	10.47	19.97	29.23	1.27	1.27

The following table sets forth our asset - liability as at March 31, 2010

(Rs. in crore)

	OUTFLOWS	1 Day	2 to 7 days	08 to 14 days	15 to 28 days	29 days & upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 year	Over 3 year & upto 5 year	Over 5 years	Total
1	Capital	-	-	-	-	-	-	-	-	-	**383.06**	**383.06**
2	Reserves & Surplus	-	-	-	-	-	-	-	-	-	**1,737.56**	**1,737.56**
3	Deposits	**274.33**	**562.93**	**1,298.10**	**3,532.93**	**7,307.37**	**7,853.05**	**10,415.03**	**3,200.57**	**1,750.28**	**12,960.49**	**49,155.08**
i)	Current Deposits	53.51	141.67	200.32	282.96	507.65	718.05	-	-	-	1,252.55	3,156.71
ii)	Savings Bank Deposits	79.63	210.83	298.11	421.09	755.48	1,068.60	-	-	1,549.34	4,768.26	9,151.34
iii)	Term Deposits	141.19	210.43	450.15	1,891.08	3,591.39	3,514.12	8,905.64	3,152.58	200.94	6,939.68	28,997.20
iv)	Certificates of Deposits	-	-	349.52	937.80	2,452.85	2,552.28	1,509.39	47.99	-	-	7,849.83
4	Borrowings	**-**	**1,598.92**	**-**	**-**	**522.45**	**34.60**	**0.08**	**120.00**	**40.00**	**1,385.00**	**3,701.05**
i)	Call & Short Notice & CBLO	-	-	-	-	-	-	-	-	-	-	-
ii)	Inter Bank (Term)	-	-	-	-	-	-	-	-	-	-	-
iii)	Refinances	-	-	-	-	500.00	12.15	-	75.00	-	-	**587.15**
iv)	Others (Specify) TT. Disc. / Bond	-	1,598.92	-	-	22.45	22.45	0.08	45.00	40.00	1,385.00	**3,113.90**
5	Other Liabilities & Provisions	**23.41**	**136.31**	**161.55**	**8.22**	**46.80**	**53.79**	**314.29**	**25.77**	**100.46**	**252.23**	**1,122.83**
i)	Bills Payable	11.00	66.00	77.00	-	-	-	-	-	-	205.01	359.01
ii)	Provisions	0.54	1.32	4.06	4.90	18.84	11.56	292.39	17.36	86.19	16.43	453.59
iii)	Others (Specify)	11.87	68.99	80.49	3.32	27.96	42.23	21.90	8.41	14.27	30.79	310.23
6	**Lines of Credit committed**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i)	Institutions	-	-	-	-	-	-	-	-	-	-	-
ii)	Customers		-			-	-	-	-	-	-	-
7	Unavailed portion of CC/OD etc.	2.95	1.50	31.31	6.87	20.19	66.82	12.20	-	-	-	**141.84**
8	Letters of Credit / Guarantees	1.00	-	-	-	9.00	-	3.50	4.00	5.50	2.00	**25.00**
9	Repos	-	-	-	-	-	-	-	-	-	-	**-**
10	Bills Rediscounted (DUPN)	-	-	-	-	-	-	-	-	-	-	**-**
11	Swaps (Buy / Sells / Maturing)	-	233.06	109.81	50.27	308.24	185.26	167.50	-	-	-	**1,054.14**
12	Interest Payable	-	-	-	-	-	-	-	-	-	-	**-**
13	Others (Specify)	-	-	-	-	-	-	-	-	-	-	**-**
A	**TOTAL OUTFLOWS**	**301.69**	**2,532.72**	**1,600.77**	**3,598.29**	**8,214.05**	**8,193.52**	**10,912.60**	**3,350.34**	**1,896.24**	**16,720.34**	**57,320.56**

	OUTFLOWS	1 Day	2 to 7 days	08 to 14 days	15 to 28 days	29 days & upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 year	Over 3 year & upto 5 year	Over 5 years	Total
B	**Cumulative Outflows**	**301.69**	**2,834.41**	**4,435.18**	**8,033.47**	**16,247.52**	**24,441.04**	**35,353.64**	**38,703.98**	**40,600.22**	**57,320.56**	**57,320.56**

The following table sets forth our asset - liability as at March 31, 2010.

(Rs. in crore)

	INFLOWS	1 Day	2 to 7 days	08 to 14 days	15 to 28 days	29 days & upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 year	Over 3 year & upto 5 year	Over 5 years	Total
1	Cash	91.31	-		-	-	-	-	-	-	-	**91.31**
2	Balance with RBI	1,798.59	64.89	107.4	59.07	300.77	233.43	474.81	252.31	97.78	307.82	**3,696.95**
3	Balances with other Bank	**304.78**	**99.90**		**485.96**	**25.30**	**3.96**	**-**	**47.16**	**-**	**-**	**967.06**
i)	Current Account	204.63	-		-	-	-	-	-	-	-	204.63
ii)	Money at Call / Short Notice etc.	100.15	99.90		485.96	25.30	3.96	-	47.16	-	-	762.43
4	Investments	-	249.40	440.7	424.72	1,085.58	192.12	53.16	826.25	2,152.84	12,462.03	**17,886.84**
5	Advances (Performing)	**200.28**	**489.41**	**1,507.8**	**1,827.15**	**7,020.68**	**4,307.49**	**2,268.41**	**6,214.98**	**3,511.50**	**5,171.38**	**32,519.09**
i)	BP/BD (Including DUPN)	16.18	36.35	39.6	121.56	253.90	129.10	0.43	0.28	-	-	597.42
ii)	CC/OD/ Demand Loan	129.32	335.09	453.9	664.40	1,297.21	1,759.12	7.85	-	721.22	3,197.13	8,565.27
iii)	Term Loans	54.78	117.97	1,014.2	1,041.19	5,469.57	2,419.27	2,260.13	6,214.70	2,790.28	1,974.25	23,356.40
6	NPA (Advances)	-	-		-	-	-	-	-	114.50	5.52	**120.02**
7	Fixed Assets	-	-		-	-	-	-	-	-	52.67	**52.67**
8	Other Assets	**7.54**	**40.55**	**658.4**	**0.76**	**12.56**	**4.02**	**20.56**	**9.75**	**8.22**	**3.21**	**765.64**
i)	Leased Assets	-	-		-	-	-	-	-	-	-	-
ii)	Others	7.54	40.55	658.4	0.76	12.56	4.02	20.56	9.75	8.22	3.21	765.64
9	Reverse Repos	-	-		-	-	-	-	-	-	-	-
10	Swaps (Sell / Buy etc.)	-	311.36		-	574.95	249.10	226.68	-	-	-	**1,362.09**
11	Bills Rediscounted (DUPN)	-	-		-	-	-	-	-	-	-	-
12	Interest Receivable	-	-		-	-	-	-	-	-	-	-
13	Comm. Lines of Credit	-	-		-	-	-	-	-	-	-	-
14	Export Refinance from RBI	82.53	-		-	-	-	-	-	-	-	**82.53**
15	Others (Specify)	-	-		-	-	-	-	-	-	-	**-**

	INFLOWS	1 Day	2 to 7 days	08 to 14 days	15 to 28 days	29 days & upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 year	Over 3 year & upto 5 year	Over 5 years	Total
C	TOTAL INFLOWS	2,485.03	1,255.51	2,714.5	2,797.66	9,019.84	4,990.12	3,043.62	7,350.45	5,884.84	18,002.63	57,544.20
D	MISMATCH (C-A)	2,183.34	(1,277.21	1,113.7	(800.63)	805.79	(3,203.40)	(7,868.98)	4,000.11	3,988.60	1,282.29	223.64
E	% OF MISMATCH (D AS % OF A)	723.70	(50.43	69.5	(22.25)	9.81	(39.10)	(72.11)	119.39	210.34	7.67	0.39
F	CUMULATIVE MISMATCH	2,183.34	906.13	2,019.8	1,219.23	2,025.02	(1,178.38)	(9,047.36)	(5,047.25)	(1,058.65)	223.64	223.64
G	% OF CUM MISMATCH (F) AS % OF (B)	723.70	31.97	45.54	15.18	12.46	-4.82	-25.59	-13.04	-2.61	0.39	0.39

Assumptions made in respect of the Asset Liability Management Gap Statement

Regression Analysis

1. As per RBI guidelines, the bank is determining the core and volatile portion of Saving deposits, Current Deposits & the cash credit on the basis of behavioural study made through regression analysis utility developed by NIBM Pune.
2. The core & Volatile portion of Bills payable are arrived at based on behavioural pattern for the last three years computed by 36 monthly moving average.
3. Gaps in structural liquidity have been computed after considering that 40% of the deposits are renewed on maturity. This is based on the empirical study conducted from time to time by the bank.

Loan Portfolio

As at March 31, 2010, our total outstanding loan portfolio was Rs.32738.67 crore. The following table sets forth, for the dated indicated, our loan portfolio classified by product group.

Category	As of March 31, 2008		As of March 31, 2009		As of March 31, 2010	
	Amount Outstanding	%age of Total Outstanding	Amount Outstanding	%age of Total Outstanding	Amount Outstanding	%age of Total Outstanding
Bills	649.34	3.53	826.26	3.35	624.37	1.91
Demand Loans	6084.68	33.05	7349.83	29.76	8672.54	26.49
Term Loans	11674.99	63.42	16522.01	66.90	23441.76	71.60
Total	**18409.01**	**100.00**	**24698.10**	**100.00**	**32738.67**	**100.00**

The following table presents our outstanding loans by sector and the proportion of these loans to our outstanding total loans, as at the dates indicated:

(Rs. in Crore)

	As of March 31, 2008		As of March 31, 2009		As of March 31, 2010	
	Amount	%age	Amount	%age	Amount	%age
Housing & Retail	3709.80	20.15	3744.36	15.16	4974.86	15.20
Corporate	9313.24	50.59	13319.51	53.93	16843.47	51.45
Others (including Priority sector)	5385.97	29.26	7634.23	30.91	10920.34	33.36
Total outstanding Loans	**18409.01**	**100.00**	**24698.10**	**100.00**	**32738.67**	**100.00**

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The following table sets forth, for the dates indicated, our 10 largest single exposures in descending order as determined by the RBI guidelines, which includes funded exposure, non funded exposure along with adjustments if any, whichever is higher

(Rs. in crore)

As on 31.3.2008					As on 31.3.2009					As on 31.3.2010				
Borrower	Exposure	%of total outstanding exposure	%of Capital Funds	Asset Classification	Borrower	Exposure	%of total outstanding exposure	%of Capital Funds	Asset Classification	Borrower	Exposure	%of total outstanding exposure	%of Capital Funds	Asset Classification
BORROWER -I	319.00	1.73	14.72	Standard	BORROWER -I	500.00	2.02	16.39	Standard	BORROWER -I	687.95	2.10	17.64	Standard
BORROWER -II	260.00	1.41	12.00	Standard	BORROWER -II	385.74	1.56	12.64	Standard	BORROWER -II	627.28	1.92	16.08	Standard
BORROWER -III	240.00	1.30	11.07	Standard	BORROWER -III	385.00	1.56	12.62	Standard	BORROWER -III	582.06	1.78	14.92	Standard
BORROWER -IV	229.00	1.24	10.57	Standard	BORROWER -IV	385.00	1.56	12.62	Standard	BORROWER -IV	565.00	1.73	14.49	Standard
BORROWER -V	228.71	1.24	10.55	Standard	BORROWER -V	375.00	1.52	12.29	Standard	BORROWER -V	510.00	1.56	13.08	Standard
BORROWER -VI	225.00	1.22	10.38	Standard	BORROWER -VI	375.00	1.52	12.29	Standard	BORROWER -VI	510.00	1.56	13.08	Standard
BORROWER -VII	225.00	1.22	10.38	Standard	BORROWER -VII	360.00	1.46	11.80	Standard	BORROWER -VII	475.00	1.45	12.18	Standard
BORROWER -VIII	225.00	1.22	10.38	Standard	BORROWER -VIII	350.05	1.42	11.47	Standard	BORROWER -VIII	435.00	1.33	11.15	Standard
BORROWER -IX	224.99	1.22	10.34	Standard	BORROWER -IX	300.00	1.21	9.83	Standard	BORROWER -IX	401.02	1.22	10.28	Standard
BORROWER -X	211.12	1.15	9.74	Standard	BORROWER -X	295.61	1.20	9.69	Standard	BORROWER -X	360.00	1.10	9.23	Standard

The following table sets forth, for the dates indicated, our 10 largest group exposures in descending order as determined by the RBI guidelines, which includes funded exposure, non funded exposure along with adjustments if any, whichever is higher.

(Rs. in Crore)

As on 31.3.2008					As on 31.3.2009					As on 31.3.2010				
Borrower	**Exposure**	**%of total o/s exposure**	**%of Capital Funds**	**Asset Classification**	**Borrower**	**Exposure**	**%of total o/s exposure**	**%of Capital Funds**	**Asset Classification**	**Borrower**	**Exposure**	**%of total o/s exposure**	**%of Capital Funds**	**Asset Classification**
GROUP-I	388.09	2.11	17.91	Standard	GROUP-I	656.50	2.66	21.52	Standard	GROUP-I	867.42	2.65	22.24	Standard
GROUP-II	270.79	1.47	12.49	Standard	GROUP-II	442.30	1.79	14.50	Standard	GROUP-II	775.66	2.37	19.89	Standard
GROUP-III	259.94	1.41	11.99	Standard	GROUP-III	354.00	1.43	11.60	Standard	GROUP-III	733.32	2.24	18.80	Standard
GROUP-IV	250.29	1.36	11.55	Standard	GROUP-IV	317.37	1.28	10.40	Standard	GROUP-IV	604.37	1.85	15.49	Standard
GROUP-V	225.00	1.22	10.38	Standard	GROUP-V	294.41	1.19	9.65	Standard	GROUP-V	549.73	1.68	14.09	Standard
GROUP-VI	180.00	0.98	8.31	Standard	GROUP-VI	250.09	1.01	8.20	Standard	GROUP-VI	484.11	1.48	12.41	Standard
GROUP-VII	175.05	0.95	8.08	Standard	GROUP-VII	238.41	0.97	7.81	Standard	GROUP-VII	469.51	1.43	12.04	Standard
GROUP-VIII	171.03	0.93	7.89	Standard	GROUP-VIII	230.43	0.93	7.55	Standard	GROUP-VIII	324.35	0.99	8.32	Standard
GROUP-IX	151.06	0.82	6.97	Standard	GROUP-IX	225.18	0.91	7.38	Standard	GROUP-IX	283.52	0.87	7.27	Standard
GROUP-X	131.24	0.71	6.06	Standard	GROUP-X	222.44	0.90	7.29	Standard	GROUP-X	250.58	0.77	6.42	Standard

The following table sets forth, as at March 31, 2010, the total outstanding of top ten customers in the industry as a percentage of the total outstanding to the industry:

Total Outstanding of Top 10 Companies in the Industry as a % of Total Outstanding to the Industry

(Rs. in crore)

Industry	As on 31.3.2009			As on 31.3.2010		
	Funded Outstanding	**Fund outstanding to top 10 companies in the industry**	**Fund outstanding to top 10 companies as a % of outstanding to the industry**	**Funded Outstanding**	**Fund outstanding to top 10 companies in the industry**	**Fund outstanding to top 10 companies as a % of outstanding to the industry**
Mining	177.17	121.54	68.60	149.43	146.20	97.84
Iron & Steel	1001.78	547.17	54.62	889.30	570.06	64.10
Other metal & metal products	458.11	69.07	15.08	332.73	83.32	25.04
All Engineering	344.78	118.35	34.33	384.13	123.31	32.10
Textile	709.07	187.17	26.40	1086.02	184.64	17.00
Sugar	120.82	120.82	100.00	168.05	165.43	98.44
Tea Processing	1.18	1.18	100.00	1.94	1.82	93.81
Food Processing	392.32	69.83	17.80	430.27	69.23	16.09
Vegetable Oil including Vanaspati	81.26	66.69	82.07	84.31	65.84	78.09
Tobacco & Tobacco Products & Beverages	0.30	0.12	40.00	0.13	0.12	92.31
Paper & Paper Products	87.42	67.45	77.16	90.13	70.05	77.72
Rubber & Rubber Products	144.85	69.00	47.64	174.39	68.80	39.45
Chemicals dye paints, drugs & pharmaceuticals	421.41	305.30	72.45	388.51	266.36	68.56
Cement	340.43	340.43	100.00	403.81	396.22	98.12
Leather & Leather Products	67.13	56.85	84.69	82.03	54.00	65.83
Gems & Jewellery	18.48	18.48	100.00	35.83	35.21	98.27
Construction	228.14	167.65	73.49	502.70	163.62	32.55
Petroleum	885.69	101.14	11.42	668.24	668.04	99.97
Automobiles including trucks	97.59	73.75	75.57	117.34	80.31	68.44
Computer Software	18.46	18.46	100.00	34.66	21.56	62.20
Infrastructure	4140.00	2966.92	71.66	5926.90	2260.22	38.13
NBFC	3350.88	2348.77	70.09	5424.75	3859.00	71.14
Coal	2.07	2.06	99.52	88.61	88.60	99.99
Other Industries	741.40	298.47	40.26	751.91	297.40	39.55
Total	**13830.74**	**8136.67**	**58.83**	**18216.12**	**9739.36**	**53.47**

Security

The table below shows the amount of our total advances as at March 31, 2008, 2009 and 2010 that are secured or covered by guarantees or unsecured.

(Rs. in Crore)

	As of March 31, 2008		As of March 31, 2009		As of March 31, 2010	
	Amount	**%age**	**Amount**	**%age**	**Amount**	**%age**
Secured by tangible assets(includes advances against book debts	13544.14	73.57	17100.56	69.24	22373.89	68.34
Covered by Bank/ Government Guarantees	748.80	4.07	745.05	3.02	1389.11	4.24
Unsecured	4116.07	22.36	6852.49	27.75	8975.67	27.42
Total	**18409.01**	**100.00**	**24698.10**	**100.00**	**32738.67**	**100.00**

Non Performing Assets

As at March 31, 2010, our gross non-performing assets as a percentage of gross advances was 0.63% and our net non-performing assets as a percentage of net advances was 0.36%. 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 provisions for 41.81% of our gross non-performing loans. As at March 31, 2010, 1.29% of our gross priority sector advances were classified as NPAs. The following table set forth, as at the dates indicated, information about our non-performing loan portfolio:

(Rs. in crore)

S.No.	Items	For The Year Ended March 31st				
		2006	**2007**	**2008**	**2009**	**2010**
i)	Net NPAs to Net Advances (%)	2.42%	0.66%	0.37%	0.32%	0.36%
ii)	Movement of NPAs (Gross)					
	a) Opening Balance	1197.41	941.50	290.84	135.53	161.04
	b) Additions during the year	108.23	76.49	105.84	141.87	208.05
	c) Reductions during the year	364.14	727.15	261.15	116.36	162.94
	d) Closing Balance	941.50	290.84	135.53	161.04	206.15
iii)	Movement of Net NPAs					
	a) Opening Balance	509.81	220.42	77.04	66.97	78.03
	b) Additions during the year	89.70	65.26	64.66	77.35	142.11
	c) Reductions during the year	379.09	208.64	74.73	66.29	103.51
	d) Closing Balance	220.42	77.04	66.97	78.03	116.63
iv)	Movement of provisions for NPA					

	(Excluding provisions on standard Assets)					
	a) Opening Balance	651.44	692.45	210.55	65.71	78.95
	b) Additions during the year	183.97	189.94	77.71	85.72	116.15
	c) Reductions during the year	142.96	671.84	222.55	72.48	108.9
	d) Closing Balance	692.45	210.55	65.71	78.95	86.2

Non Performing Assets after restating provisions

(Rs. in crore)

S. No.	Items	For The Year Ended March 31st				
		2006	2007	2008	2009	2010
i)	Net NPAs to Net Advances (%)	0.54%	0.52%	0.37%	0.32%	0.36%
ii)	Movement of NPAs (Gross)					
	a) Opening Balance	1197.41	941.50	290.84	135.53	161.04
	b) Additions during the year	108.23	76.49	105.84	141.87	208.05
	c) Reductions during the year	364.14	727.15	261.15	116.36	162.94
iii)	Movement of Net NPAs					
	a) Opening Balance	203.74	47.98	60.75	66.97	78.03
	b) Additions during the year	49.68	48.97	64.66	77.35	142.11
	c) Reductions during the year	205.44	36.20	58.44	66.29	103.51
	d) Closing Balance	47.98	60.75	66.97	78.03	116.63
iv)	Movement of provisions for NPA (Excluding provisions on standard Assets)					
	a) Opening Balance	957.51	864.89	226.84	65.71	78.95
	b) Additions during the year	223.99	206.23	77.71	85.72	116.15
	c) Reductions during the year	316.61	844.28	238.84	72.48	108.90
	d) Closing Balance	864.89	226.84	65.71	78.95	86.20

Classification of Assets

We classify and account for our assets in accordance with the RBI guidelines. Under these guidelines, term loans are regarded as non-performing if any amount of interest or principal remains overdue for more than 90 days; overdrafts and cash credits are regarded as non-performing if the account balance remains out of order for a period of 90 days; and bills are regarded as non-performing if the account remains overdue for more than 90 days. In respect of agricultural loans, the loan is classified as non-performing if any instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops or one crop season for long duration crops. Crops with a crop season longer than one year are long duration crops, and other crops are treated as short duration crops. Our assets are classified as described below:

Standard Assets: Assets that do not disclose any problems or which do not carry more than the normal risk attached to the business of the borrower.

Sub-standard Assets: Assets that are non-performing for a period not exceeding 12 months.

Doubtful Assets: Assets that are non-performing for more than 12 months.

Loss Assets: Assets (i) with identified losses or (ii) that are considered uncollectible.

The following table provides a breakdown of our gross advances as at the dates indicated.

Break up of Gross Advances

						(Rs. in crore)
Asset Classification	**Mar-08**		**Mar-09**		**Mar-10**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Standard Assets	18273.48	99.26%	24537.06	99.35%	32532.52	99.37%
N P A	135.53	0.74%	161.04	0.65%	206.15	0.63%
Of which						
Sub Standard	96.25	0.52%	101.73	0.41%	176.18	0.54%
Doubtful	37.41	0.20%	58.75	0.24%	29.3	0.09%
Loss	1.87	0.01%	0.56	0.00%	0.67	0.00%
Total	**18409.01**	**100.00%**	**24698.10**	**100.00%**	**32738.67**	**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 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:

Restructured Assets					
					(Rs. in crore)
	For The Year Ending				
CDR Restructured Assets	**31.03.2006**	**31.03.2007**	**31.03.2008**	**31.03.2009**	**31.03.2010**
Standard Assets	-	-	-	5.68	28.44
Sub-standard Assets	-	-	-	-	-
Doubtful Assets	-	-	-	-	-
Loss Assets	-	-	-	-	-
Total CDR Restructured Assets	-	-	-	**5.68**	**28.44**
Others Restructured Assets					
Standard Assets	37.61	7.56	52.41	518.61	604.02

Restructured Assets					
					(*Rs. in crore*)
	For The Year Ending				
Sub Standard Assets	8.77	-	3.28	8.47	3.10
Doubtful Assets	9.50	-	11.33	0.13	0.54
Loss Assets	-	-	-	-	-
Total Others Restructured Assets	**55.88**	**7.56**	**67.02**	**527.21**	**607.66**
Total Restructured Assets	**55.88**	**7.56**	**67.02**	**532.89**	**636.10**

Provisioning & Write offs

Once loan accounts are identified as non-performing, interest and other fees charged in the account, if uncollected, are suspended. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets net of cumulative provision and interest suspended in our financial statements. In accordance with the RBI guidelines, interest income from advances for NPAs is recognized upon realization, rather than on an accrual basis as with all other assets. Recovery in respect of non-performing advances is allocated first toward interest and thereafter against principal.

Industry wise Analysis of Gross Non-Performing Assets

(Rs. In Crore)

Industry	31.03.2006			31.03.2007			31.03.2008			31.03.2009			31.03.2010		
	NPA	NPA %	Provision	NPA	NPA %	Provision	NPA	NPA %	Provision	NPA	NPA %	Provision	NPA	NPA %	Provision
All Engineering	66.59	12.90	59.94	8.12	15.10	6.76	4.74	15.75	1.88	3.87	7.23	1.44	1.08	2.32	0.49
Automobiles	8.25	1.60	5.60	0.16	0.30	0.15	0.10	0.33	0.06	0.03	0.06	0.02	0.63	1.35	0.23
Beverages & Tobacco	0.05	0.01	0.02	0.04	0.07	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cement & Cement Products	1.11	0.22	0.24	0.38	0.71	0.26	0.07	0.23	0.05	0.12	0.22	0.06	0.03	0.06	0.02
Chemicals	7.43	1.44	8.88	0.59	1.10	0.30	1.64	5.45	0.61	0.59	1.10	0.31	0.25	0.54	0.10
Computer Software	2.29	0.44	1.47	1.49	2.77	1.32	0.13	0.43	0.07	0.61	1.14	0.23	0.08	0.17	0.04
Construction	17.19	3.33	10.04	4.57	8.50	1.86	1.04	3.46	0.36	0.76	1.42	0.24	0.31	0.66	0.17
Cotton Textile	40.71	7.89	31.66	6.99	13.00	6.99	0.77	2.56	0.64	7.18	13.41	2.53	0.08	0.17	0.04
Jute Textiles	0.16	0.03	0.07	0.31	0.58	0.31	0.00	0.00	0.00	0.00	0.00	0.00	5.63	12.08	1.97
Other Textiles	100.70	19.51	75.36	7.72	14.36	4.94	4.27	14.19	1.72	4.79	8.94	1.82	10.26	22.01	3.66
Total Textiles	**141.57**	**27.43**	**107.09**	**15.02**	**27.94**	**12.24**	**5.04**	**16.75**	**2.36**	**11.97**	**22.35**	**4.35**	**15.99**	**34.30**	**5.67**
Food Processing	33.35	6.46	22.93	9.19	17.09	5.08	3.94	13.09	1.54	4.67	8.72	1.71	4.24	9.09	2.09
Gems & Jewellery	1.48	.29	0.85	0.40	0.74	0.24	0.04	0.13	0.01	0.02	0.04	0.01	0.02	0.04	0.01
Infrastructure	34.08	6.60	29.19	3.34	6.21	2.38	2.23	7.41	1.50	2.13	3.98	1.25	7.14	15.32	2.99
Iron & Steel	55.14	10.68	47.64	1.34	2.49	0.78	4.51	14.98	1.60	0.21	0.39	0.08	0.97	2.08	0.35
Leather & Leather Products	32.34	6.26	25.21	0.74	1.38	0.55	0.05	0.17	0.02	0.25	0.47	0.10	0.52	1.12	0.20
Mining & Querying	1.04	0.20	0.66	0.48	0.89	0.33	0.00	0.00	0.00	0.01	0.02	0.01	0.01	0.02	0.00
Other Industry	41.65	8.07	36.27	3.89	7.24	3.28	1.54	5.12	0.56	20.47	38.22	12.14	5.17	11.09	2.05
Other Metal	37.57	7.31	34.52	1.81	3.37	1.63	0.73	2.43	0.28	1.76	3.29	0.67	1.92	4.12	0.69
Paper Industry	11.15	2.16	10.20	0.78	1.45	0.61	0.26	0.86	0.14	0.18	0.34	0.07	1.24	2.66	0.44
Coal	0.48	0.09	0.31	0.07	0.13	0.05	0.04	0.13	0.03	0.17	0.32	0.06	0.00	0.00	0.00
Rubber Plastic & their Products	5.99	1.16	4.88	0.85	1.58	0.59	0.08	0.27	0.03	4.22	7.88	1.48	0.93	2.00	0.33
Sugar	0.13	0.03	0.09	0.02	0.04	0.02	0.00	0.00	0.00	0.01	0.02	0.00	0.00	0.00	0.00
Electricity	0.05	0.01	0.04	0.06	0.11	0.05	0.05	0.17	0.02	0.00	0.00	0.00	0.00	0.00	0.00
Vegetable Oil	17.27	3.35	16.55	0.42	0.78	0.33	0.11	0.33	0.11	1.49	2.78	0.53	6.12	13.13	2.15
N.B.F.Cs	-	-	-	-	-	-	3.74	12.43	3.21	0.00	0.00	0.00	0.00	0.00	0.00
Total Industries	**516.22**	**100**	**422.62**	**53.76**	**100**	**38.87**	**30.10**	**100**	**14.42**	**53.56**	**100**	**24.77**	**46.62**	**100**	**18.02**

The following Tables sets forth our 10 largest gross non-performing assets as at March 31, 2010. Together these borrowers constitute 41.35% of our gross NPAs as at March 31, 2010.

Statement of 10 largest Gross Non Performing Assets

			(Rs. in crore)
S.No.	**Name of the borrower**	**Gross NPA Amount**	**Provision held**
1	Borrower 1	35.48	12.42
2	Borrower 2	9.75	3.41
3	Borrower 3	7.79	2.73
4	Borrower 4	6.06	2.12
5	Borrower 5	5.62	1.97
6	Borrower 6	5.21	1.82
7	Borrower 7	4.66	1.63
8	Borrower 8	4.32	1.51
9	Borrower 9	3.74	1.31
10	Borrower 10	2.60	0.91
	Total	**85.24**	**29.83**

Interest Suspense Account

Interest suspense account is the interest due on non-performing loans that has not been recognized in our books of accounts. No amount has been outstanding in our Interest Suspense Account as on March 31, 2008, 2009 and 2010.

Geographical Distribution of Deposits

(Rs. in crore)

Geographical Distribution	**As on 31.03.08**		**As on 31.03.09**		**As on 31.03.10**	
	Deposits	**% age of Deposit**	**Deposits**	**% age of Deposit**	**Deposits**	**% age of Deposit**
Central	3957	15.94	4638	13.38	6013	12.23
Eastern	1351	5.44	2114	6.10	2247	4.57
North East	294	1.18	416	1.19	338	0.69
Northern	16690	67.22	22597	65.16	26499	53.91
Southern	383	1.54	959	2.77	1287	2.62
Western	2156	8.68	3952	11.40	12771	25.98
Total	**24831**	**100.00**	**34676**	**100.00**	**49155**	**100.00**

FINANCIAL INDEBTEDNESS

The total outstanding amount as on March 31, 2010, with respect to the financial borrowings of our Bank was Rs. 3,701.05 crore, and as on June 30, 2010, was Rs. 2,512.47 crore. Set forth below is a brief summary of our current significant financing arrangements as on June 30, 2010.

A. DETAILS OF SECURED BORROWINGS OF OUR BANK

As on June 30, 2010 our Bank has no outstanding secured borrowings. Further, our Bank had no outstanding secured borrowings as on March 31, 2010.

B. DETAILS OF UNSECURED BORROWINGS OF OUR BANK

Set forth below is a brief summary of our current significant unsecured borrowings that are outstanding as on June 30, 2010, including particulars of such borrowing as on March 31, 2010:

I. Details of Tier II Capital of our Bank*

S. No.	Issue Series	Date of Allotment	Amount Outstanding as on June 30, 2010 (In Rupees crore)	Amount Outstanding as on March 31, 2010 (In Rupees crore)	Date of Maturity	Coupon (%)	Security
1.	Bond Series VI	September 30, 2003	45.00	45.00	April 30, 2011	6.00	Unsecured
2.	Bond Series VII	March 30, 2005	40.00	40.00	April 30, 2014	7.40	Unsecured
3.	Bond Series VIII	July 31, 2006	150.00	150.00	April 30, 2016	9.25	Unsecured
4.	Bond Series IX	February 15, 2008	100.00	100.00	May 15, 2018	9.10	Unsecured
5.	Bond Series X	September 22, 2008	400.00	400.00	April 22, 2019	11.05	Unsecured
6.	Bond Series XI	June 26, 2009	175.00	175.00	April 26, 2019	8.70	Unsecured
7.	Bond Series XII	January 11, 2010	200.00	200.00	April 11, 2020	8.70	Unsecured

* *The abovementioned bonds have been issued on a private placement basis and except Bond Issue Series VI, IDBI Trusteeship Services Limited is the trustee for the holders of the aforementioned bonds.*

For the purposes of the issue of subordinated tier-II bonds, our Bank has entered into trusteeship agreements with IDBI Trusteeship Services Limited. The provisions of these trusteeship agreements prohibit our Bank from declaring/paying any dividend during the period the bonds are outstanding unless all dues to the bondholders/trustees have been paid or satisfactory provisions therefor have been made up to the date on which the dividend is proposed to be declared or paid.

II. Breakdown of Aggregate Unsecured Borrowings of our Bank

Set forth below is a breakdown of our aggregate unsecured borrowings as on June 30, 2010, including particulars of unsecured borrowings as on March 31, 2010:

S. No.	Nature of Borrowing	Amount Outstanding as on June 30, 2010 (Rs. in crore)	Amount Outstanding as on March 31, 2010 (Rs. in crore)
	Borrowings in India		
1.	Borrowings from the RBI	0.00	0.00
2.	Borrowings from other banks	864.73	1,598.92
3.	Borrowings from other institutions and agencies	87.24	587.23
4.	IPDI*	160.00	160.00
5.	PCPS*	200.00	200.00
6.	Subordinated Debt	1110.00	1,110.00
Sub-Total		**2421.97**	**3,656.15**

Borrowings outside India			
1.	Borrowings from sources outside India	90.50	44.90
Sub-Total		**90.50**	**44.90**
Total		**2512.47**	**3,701.05**

** Pursuant to its letter no. F. No. 11/8/2006 – BOA dated December 22, 2008, the President of India acting through the Ministry of Finance (Department of Financial Services), GoI, approved the restructuring of the equity capital of the Bank by converting an amount of Rs. 160.00 crore into IPDI, Rs. 200.00 crore into PNCPS and Rs. 200.00 crore into PCPS, while retaining Rs. 183.06 crore as the equity capital of the Bank. The annual floating coupon rate on the PNCPS has been benchmarked to the repo rate with a spread of 100 basis points with annual rests, which would be readjusted annually on the prevailing repo rate on the relevant date. However, the Bank has been allowed to pay a coupon benchmarked to repo rate (without any spread) for fiscal 2009, 2010 and 2011 and thereafter, at the repo rate with a spread of 100 basis points.*

III. BORROWINGS FROM OTHER INSTITUTIONS AND AGENCIES

Our Bank has availed of borrowings from other institutions and agencies aggregating to Rs. 587.23 crore, including refinancing schemes from the SIDBI and the NABARD. Set forth below are the salient particulars of such refinancing schemes as on June 30, 2010, including particulars of such refinancing schemes as on March 31, 2010:

S. No.	Refinancing Agency	Date of Refinance	Amount of Refinance (Rs. in crore)	Date of Final Repayment	Amount Outstanding as on June 30, 2010 (Rs. in crore)	Amount Outstanding as on March 31, 2010 (Rs. in crore)
1.	NABARD	January 24, 2007	85.04	July 31, 2010*	12.15	12.15
2.	SIDBI	January 22, 2010	75.00	January 22, 2013	75.08	75.08

* *The amount availed under the refinancing scheme from NABARD was repaid in full on July 31, 2010. The amount outstanding under the refinancing scheme from NABARD is zero.*

The refinancing schemes availed of by our Bank are unsecured, and the necessary sanction is accorded by the respective refinancing agencies based on fulfillment of the prescribed eligibility criteria, as and when our Bank requests for availment of such facilities.

C. BORROWINGS IN FOREIGN EXCHANGE

As on June 30, 2010, our Bank had no subsisting agreements for secured or unsecured borrowings in foreign exchange. Our bank had short-term borrowings for the purpose of lending to exporters of Rs. 44.90 crore in foreign exchange as on March 31, 2010, and of Rs. 90.50 crore in foreign exchange as on June 30, 2010.

D. BORROWINGS FROM OTHER BANKS

As on March 31, 2010, our Bank had short-term borrowings with banks other than the RBI, of Rs. 1,598.92 crore. Further, as on June 30, 2010, our Bank had short-term borrowings with banks other than the RBI, of Rs. 864.73 crore. The branches of our Bank maintain accounts with other Banks, for the primary purpose of facilitating clearing house transactions. Such clearing house transactions undertaken by the branches of our Bank are regular in nature, in as much such transactions are exercised through the said accounts on a daily basis, and are reconciled at frequent intervals. The banks with which the branches of our Bank maintain accounts of such nature issue certificates periodically, as to the balance pending in each of such accounts.

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

*You should read the following discussion and analysis of our financial condition and results of operations together with our restated financial statements and the annexures and notes thereon, included in this Draft Red Herring Prospectus. You should also read "**Risk Factors**" and "**Selected Statistical Information**" on pages xii and 261, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to the Bank and is based on our restated financial statements, which have been prepared in accordance with Indian GAAP, the guidelines issued by the RBI and the SEBI ICDR Regulations. The following discussion is also based on internally prepared statistical information and on information publicly available from the RBI.*

*We prepare our financial statements in accordance with Indian GAAP as applicable to banks. The financial statements reflect applicable statutory requirements and regulatory guidelines and accounting practices in India. We do not provide a reconciliation of our financial statements to IAS/IFRS or U.S. GAAP and we have not otherwise quantified or identified the impact of the differences between Indian GAAP and IAS/IFRS and U.S. GAAP as applied to our financial statements. As there are significant differences between Indian GAAP and IAS/IFRS and U.S. GAAP, there may be substantial differences in our results of operations, cash flows and financial position if we were to prepare our financial statements in accordance with IAS/IFRS or U.S. GAAP instead of Indian GAAP. This discussion also contains forward looking statements and you should refer to "**Forward-Looking Statements**" on page xi.*

Overview

Punjab & Sind Bank is a GoI undertaking, incorporated in June 1908 in Amritsar. We were one of the six banks nationalized by the GoI in April 1980, and today, we are one of 19 nationalized banks in India. In the annual Business Today-KPMG survey of Best Banks in India 2008, we were ranked number one on the list of 'Small Sized Best Banks in India' (*i.e*. banks with a then balance sheet size of less than Rs. 24,000 crore).

In over 100 years of operation, we have significantly grown our branch network with a presence predominantly in north India. As on July 31, 2010, our network comprised of 920 branches and 63 ATMs across India. We also sponsor one regional rural bank, Sutlej Gramin Bank, in collaboration with the GoI and the state Government of Punjab. As on July 31, 2010, we had a total of 8,116 employees, serving over 0.60 crore customers.

Our primary business is taking deposits, and making advances and investments, and is principally divided into retail banking, corporate banking, priority sector banking, treasury operations and other banking services such as agency functions for insurance, distribution of mutual funds and pension and tax collection services. We have various deposit products, such as current, savings and term deposits for our customers. In retail banking, we provide loans and advances for housing, trade, automobiles, consumer durables, education and personal loans. We provide commercial banking products and services to corporate customers, including mid-sized and small businesses and government entities. In corporate banking, our loan products include term loans to finance capital expenditure of assets across various industries as well as short-term loans, cash and export credit and other working capital financing and bill discounting facilities. We also provide credit substitutes, such as letters of credit and guarantee. We also engage in syndication of loans provided by other financial institutions and other fee-based services such as cash management and remittance services. In the priority sector, we offer direct financing to farmers for production, as well as indirect financing for infrastructure development and credit to suppliers of agricultural inputs. We also offer a wide range of general banking services to our customers including ATM cards, cash management, remittance services and collection services.

In fiscal 2010, we made a net profit of Rs. 506.82 crore and had net worth of Rs. 2,120.62 crore. We have experienced growth in advances and deposits, with total advances growing at a CAGR of 36.24% over the last five fiscals, and total deposits growing at a CAGR of 28.24% over the last five fiscals. We have also experienced significant improvement in asset quality and as on March 31, 2010 our net NPA was 0.36%, compared to our net NPA of 8.11% as on March 31, 2005.

Certain other key growth and efficiency parameters achieved by us in the last three fiscals are set forth below.

	Fiscal 2008	Fiscal 2009	Fiscal 2010

	Fiscal 2008	Fiscal 2009	Fiscal 2010
NIM (as a % of Total Assets)	3.54	3.24	2.67
CAR (%)	N/A (Basel II) 11.85 (Basel I)	14.31 (Basel II) 11.84 (Basel I)	13.07 (Basel II) 11.71 (Basel I)
NNPAs (%)	0.37	0.32	0.36
GNPAs (%)	0.74	0.65	0.63
NNPAs as a % of Net Assets	0.22	0.19	0.21
RoA (%)	1.57	1.23	1.06
RoE (%)	29.62	28.62	29.55
Business per employee (Rs. in crore)	4.67	6.56	9.63

We also distribute third-party products such as life and non-life insurance policies through corporate agency agreements with Aviva Life Insurance Company India Private Limited and Bajaj Allianz, respectively, and mutual funds with UTI AMC through a distribution agreement. We also act as an agent for various state governments and the GoI on numerous matters including the collection of taxes and payment of salary and pension.

Factors Affecting Our Results of Operations, Cash Flows and Financial Condition

Set forth below are explanations to some of the major factors that affect our results of operations:

Macroeconomic Environment

Our financial condition and results of operation are influenced largely by general economic conditions prevailing in India and around the world.

The global credit markets have experienced significant dislocations and liquidity disruptions since the second half of 2007, which have originated from the liquidity disruptions in the United States and the European Union credit and sub-prime mortgage markets. These and other related events, such as collapse of a number of financial institutions, have had and continue to have a significant adverse impact on the availability of credit and the confidence of the financial markets, globally. The deterioration in the financial markets has heralded a recession in many countries, which has lead to significant declines in employment, household wealth, consumer demand and lending and, as a result, has adversely affected economic growth. Further, the enhanced perception of liquidity and solvency risks led to an almost total reluctance on the part of banks and financial institutions to expose themselves to the money and credit markets.

Despite the slowdown in the global economic environment in fiscal year 2008, the Indian economy grew at a rate of nearly 9% in fiscal year 2008. However, with the collapse of Lehman Brothers in September 2008 and the ensuing events globally, the Indian economy witnessed a slowdown as growth rate dropped to 6.7% in fiscal year 2009 and to 7.9% in the second quarter of fiscal 2010. The Indian economy also witnessed shortages of liquidity which led to an increase in the interest rates for loans provided by banks and financial institutions. The slowdown in India has not been led by the financial sector but affected mainly by the following:

- The sharp slowdown in global demand resulted in an export slowdown;
- A contraction in the availability of global finance, particularly export finance, and an increase in the costs of foreign currency funds; and
- A slowdown in investment plans of many corporations as a consequence of demand slowdown.

Many market observers are of the view that the Indian economy has weathered the global liquidity disruptions better than most global peers, due in part to the prudential policies of the Indian regulators, including the RBI.

Regulatory Intervention

The last year witnessed increased intervention by government and regulatory authorities in India, both at the monetary policy level (through decreases in interest rates and liquidity injections into the financial system) as well as at the fiscal policy level to address the effect of the global slowdown on the Indian economy.

In response to inflationary pressures in the first half of the fiscal year 2009, the RBI adopted a tight monetary policy stance. From April 2008 to August 2008, the RBI increased the repo rate by 125 basis points and the

CRR by 150 basis points. From September 2008, to alleviate credit constraints arising from global events affecting the banking sector such as the bankruptcy filing of Lehman Brothers, the RBI adopted an aggressive monetary easing stance. From October 2008 to April 2009 the RBI decreased the key short-term rates, *i.e*., the repo rate by 425 basis points, the reverse repo rate by 275 basis points and the CRR by 400 basis points to 4.75%, 3.25% and 5.00%, respectively. The RBI also enhanced export credit refinance, special refinance for scheduled commercial banks (non-regional rural banks) and refinance facilities for SIDBI, National Housing Bank and EXIM Bank. Additionally, risk weights on banks' exposures to all unrated claims on corporations, claims secured by commercial real estate and claims on non-deposit taking systemically important companies were reduced to 100% from 150%. The provisioning requirements for all types of standard assets were reduced to a uniform level of 0.40%, (except for direct advances to agriculture and SME sectors which continue to attract provisioning of 0.25%, as earlier). The RBI has since published a series of policies enabling banks to restructure stressed loans, subject to certain conditions. Additionally, on July 27, 2010, in its Monetary Policy Statement 2010-11, the RBI increased repo rate by 25 basis points from 5.50% to 5.75% and reverse repo rate by 50 basis points from 4.00% to 4.50%. The CRR of scheduled banks was retained at 6.00% of their net demand and time liabilities. See ***"Regulations and Policies in India***" on page 90.

With the easing of liquidity pressures in response to the above measures and to manage a potential excess of liquidity, with effect from October 2009 the RBI increased the SLR for scheduled commercial banks from 24.00% to 25.00% of their net demand and time liabilities. Such regulatory intervention by the RBI and the government will continue to have an impact on our business and financial condition.

Interest Rates, Allocation of Funds and Sources and Costs of Funding

Net interest income has historically constituted a significant portion of our total net income. In fiscal 2010 net interest income represented 27.37% of our total income. Our net interest income depends on the level of interest-earning assets and interest-bearing liabilities, and on our spread, which is the difference between the average rate earned on our interest-earning assets and the average rate payable on our interest-bearing liabilities. Our net interest income is affected by a number of factors including interest rates, our ability to allocate funds to assets that provide high interest rates and cost of funding.

Interest rates

Changes in interest rates affect our operations and movements in short and long-term interest rates have affected our interest income and interest expense. The majority of our corporate and commercial loans were priced on a floating rate based on our Bank's prime lending rate. The rate was primarily determined by the RBI's lending rate. The following table sets forth the bank rate, the reverse repo rate and the repo rate as at the end of each of the last five fiscal years.

As on March 31	Bank Rate (%)	Reverse Repo Rates (%)	Repo Rate (%)
2006	6.00	5.50	6.50
2007	6.00	6.00	7.75
2008	6.00	6.00	7.75
2009	6.00	3.50	5.00
2010	6.00	3.50	5.00

Increases in the RBI lending rate allow the Bank to receive higher rates of return on its loans. Any subsequent reductions in the RBI lending rate would reduce the Bank's base rate and could reduce net interest income despite supporting loan growth and NPA reduction. Conversely, increases in the RBI lending rate could affect the ability of potential borrowers to take out loans despite partly mitigating higher deposit costs. More recently, in February 2010, the RBI issued draft guidelines on base rate- a minimum rate below which banks will not be permitted to lend, aimed at increasing transparency in lending rates of banks.

The base rate system has replaced the BPLR system for most categories of loans from July 1, 2010. Changes in base rate are applicable to all loans linked to base rate in a non-discriminatory manner. The base rate of the Bank for the quarter ending September 30, 2010 has been pegged at 8.20% per annum. In accordance with the RBI's guidelines on base rate, banks are required to review their base rate once in every quarter with the approval of their board or asset liability management committee as per the bank's practice. While we expect that the impact of the base rate system will only be marginal, affecting only the quantum of the amount borrowed from RBI affecting cost of funds of the Bank, there can be no assurance that the base rate system will not be implemented in a manner that may be prejudicial to the interests of the Bank. Any unfavourable modifications in the base rate system in the future may have an adverse effect on our financial condition and results of operations.

Allocation of funds

Our ability to take advantage of increases in RBI lending rates depends largely on our loan volume. In the last few years there has been an increased demand for funding across many sectors of the Indian economy. The growth of the Indian economy has enabled us to allocate our funds from government securities to loans, which offer us higher returns. Further, our net interest income increases to the extent we increase the proportion of loans to small businesses, which generally bear a higher interest rate than other loans, but decreases to the extent that we increase the proportion of highly rated large corporate loans, which generally bear a lower interest rate. In addition, we may not be able to reallocate our funds to more profitable assets in the event that interest rates decrease.

Cost of funding

As discussed above, recent macroeconomic conditions in the fiscal years 2008, 2009 and 2010 have sharply restricted the ability of banks and financial institutions to rise funding and liquidity, resulting in a renewed emphasis on customer deposits as a source of funding. This has in turn resulted in a high level of competition for deposits, combined with a flight to quality among deposit customers. Our primary interest-bearing liability is our deposit base. Our ability to offer low interest rates for customers' deposit accounts depends significantly on our ability to provide customers with convenient banking services that compensate for the lower returns on deposits. Depositors with low balances tend to choose their banks based upon proximity and convenience rather than deposit rates. To continue to source low-cost funding through deposits, we must, among other things, continue to develop our branch network and brand recall and develop products and services to distinguish ourselves in an increasingly competitive industry. However, increasing sophistication of customers, competition for funding, increasing interest rates and changes to the RBI's liquidity and reserve requirements may increase the rates that we pay on our deposits. In addition to a larger proportion of deposits forming part of our funding, in order to meet the growing needs of our customer groups and to further enhance our capital adequacy ratios, we have and may continue to issue subordinated debt, which increases our cost of funding.

Customer Relationships

The key drivers of our revenues from both our corporate and retail businesses are the number and quality of customer relationships, as well as the range of products and services we are able to cross-sell to each customer. We provide a knowledge based approach to banking by providing our customers tailored solutions using our expertise in specific business sectors. We believe that such a knowledge based approach solidifies our relationships with our customers, allowing us to deepen those relationships. The number of customers we serve depends on the success of our relationship managers, the reach and strength of our distribution network, and the demand for, and competitiveness of, our products and services. In the last three fiscals, we have significantly increased the number of corporate and retail customers and enhanced our distribution network. For our institutional business, revenues are driven primarily by the number, as well as quality, of our institutional and corporate customers, and our ability to grow our share of customer's business by providing multiple products and services, innovative business solutions and efficient execution.

Government policies and regulations in relation to the Indian banking system

The Indian banking industry is regulated by the RBI and operates within a framework that provides guidelines on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPAs. The RBI can alter any of these policies at any time and can introduce new regulations to control any particular line of business. See ***"Regulations and Policies in India"*** on page 90. These include an increase in capital requirements, which will in turn have an impact on the Bank's results of operations. In addition to more stringent capital adequacy requirements, the RBI has increased the CRR for Indian banks. Despite these increases, the RBI has decided to suspend interest payments on CRR balances. Any further increases in the CRR could have a negative impact on the Bank's results from operations. Any other changes in the regulatory environment as pertaining to the Indian banking industry could have a material impact on the Bank's operations and financial condition. See "***Risk Factors***" on page xii.

Critical Accounting Policies

Our critical accounting policies are those that are both (i) relevant to the presentation of our financial condition and results of operations; and (ii) require our management's most difficult, subjective or complex judgments, often as a result of the need to make estimates and assumptions about the effect of various matters. By their nature, assumptions, estimates and judgments that our management is required to make are inherently subject to a degree of uncertainty. These judgments are based on our historical experience, our evaluation of accounting practices that would be appropriate in respect of our business, our observation of trends in the banking sector, information with respect to our customers, and information available from independent sources, as appropriate. While we believe that these judgments have been exercised by our management in good faith and with due consideration to all material effects on our financial statements, there can be no assurance that our management's judgment will prove correct or that actual results reported in future periods will not differ from our expectations reflected in the accounting treatment of certain items.

While we believe that all aspects of our financial statements should be reviewed when assessing our current and expected financial condition and results of operations, we believe that the following critical accounting policies warrant particular attention.

Foreign Exchange Transactions

All the monetary assets and liabilities in foreign currencies are translated in Indian rupees at the exchange rates prevailing at the balance sheet date as notified by Foreign Exchange Dealers Association of India ("**FEDAI**"). The resultant gain / loss is accounted for in the profit and loss account. The outstanding foreign exchange contracts are stated at the prevailing exchange rate on the date of commitment. We account for profit or loss on such contracts as per rates advised by FEDAI and in accordance with FEDAI guidelines and provisions of para 38 of AS-11.

Items of income and expenditure relating to foreign exchange transactions are recorded at exchange rates prevailing on the date of the transactions. We value acceptances, endorsements and other obligations including guarantees in foreign currencies as per the rates published by FEDAI as on the date of closing except Bills for Collection which are accounted for at the notional rates at the time of lodgement.

Investments

We classify and value our investments in accordance with the prudential norms prescribed by RBI read with clarifications / directions given by RBI. Our basis of classification is as follows:

- Investments that the Bank intends to hold till maturity are classified as 'Held to Maturity'.
- Investments that are held principally for resale within 90 days from the date of purchase are classified as 'Held For Trading'; and
- Investments which are not classified in the above two categories, are classified as 'Available for Sale'.

An investment is classified under the above three categories at the time of its purchase. Shifting of securities from one category to another is done with the approval of the Board normally once in a year. Shifting is effected at the lower of acquisition cost / book value / market value on the date of transfer and the depreciation, if any, on such shifting is fully provided for and the book value of securities is changed accordingly.

Securities under 'Held to Maturity' are stated at acquisition costs unless such costs are higher than the face value, in which case the premium is amortized over the remaining period of maturity. Such amortisation is shown under "Income on Investments– Schedule 13 item II". In case, the cost is less than the redemption value, the difference being the unrealized gain, is ignored. We provide any diminution in value of investments in subsidiaries and joint venture (other than temporary in nature) for each investment individually.

Securities classified as 'Available for Sale' are valued scrip wise and depreciation/ appreciation is segregated category wise. While net appreciation is ignored, net depreciation under each category is provided for.

Securities classified as 'Held for Trading' are valued at market price and the net depreciation under each category is provided for and the net appreciation, if any, is ignored.

Cost of investment is based on the weighted average cost method category wise. The 'market value' for the purpose of valuation of investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, price list of RBI, prices declared by Primary Dealers Association of India ("**PDAI**") jointly with the Fixed Income Money Market and Derivatives Association of India ("**FIMMDA**"). In respect of unquoted securities, the procedure adopted is as below:

a. GoI Securities: At rates put out by FIMMDA/PDAI;
b. State Government Loans, Other approved Securities, preference shares, debentures and PSU Bonds: On yield to maturity ("**YTM**") basis at the rate prescribed by FIMMDA/ PDAI with such mark ups as laid down by RBI or FIMMDA/PDAI;
c. Equity Shares: At break-up value based on the latest balance sheet, which are not older than one year on the date of valuation. In cases where latest balance sheets are not available, the shares are valued at Re.1 per company;
d. Mutual Fund Units: At re-purchase price or net assets value; and
e. Treasury Bills, Commercial Papers, Certificate of Deposits, Recapitalization Bonds, Subsidiaries, Joint Ventures and Sponsored Institutions: At carrying cost.

In determining acquisition cost of investments:

a. Incentive received on subscription is deducted from the cost of securities;
b. Brokerage / commission/ stamp duty paid in connection with acquisition of securities are treated as revenue expenditure; and
c. Broken period interest, if any, paid on acquisition of investment is debited to profit and loss account. Broken period interest received on sale of securities is recognized as Interest Income.

Profit/ Loss on sale of investments is taken to profit and loss account. However, in case of profit on sale of investments in 'Held to Maturity' category, an equivalent amount of profit is appropriated to Capital Reserve.

In respect of non-performing securities, income is not recognized and appropriate provision is made for depreciation in the value of such securities as per Reserve Bank of India guidelines.

Advances

Advances are classified into 'Performing' and 'Non-performing' assets and provisions are made as per the prudential norms prescribed by the RBI. However, the Bank has made higher provisions for 'Sub-standard and Doubtful' categories as follows:

Category of Asset	As prescribed by RBI	As followed by Bank
Sub-standard	10%	35%
Doubtful I	20%	65%
Doubtful II	30%	100%

For restructured/ rescheduled advances, provisions are made in accordance with the guidelines issued by RBI.

Advances are stated net of de-recognized interest and provisions/ technical write off made in respect of non-performing advances. Claims received from DICGC/ ECGC are not reduced from such advances till adjusted/ technically written-off whereas part recovery in all NPA Accounts is reduced from advances.

Provisions on standard advances are made and are included under 'Other Liabilities and Provisions' as per guidelines issued by the RBI.

Fixed Assets

Premises and other fixed assets are stated at historical cost/revalued amount. In respect of premises, where segregation is not possible between land and superstructure, are considered in the value of superstructure. Premises taken on perpetual lease are considered as freehold premises and are not amortized.

Depreciation on Fixed Assets

Depreciation is provided for on –

- Computers at 33.33%, on straight-line method; additions are depreciated for the full year irrespective of the date of addition as per guidelines issued by the RBI.

- Other Fixed assets on written down value method at the rates prescribed by the Income Tax Act 1961; additions effected before 30th September are depreciated for full year and additions effected thereafter are depreciated for half year.

- Cost of premises is taken composite, wherever it is not possible to segregate the cost of land from the cost of the superstructure.

No depreciation is provided in assets sold/disposed of during the year. Amount equivalent to depreciation attributable to revalued portion of the assets is transferred from Revaluation Reserve Account to the Profit and Loss Account.

Revenue Recognition

Income and expenditure are accounted for on accrual basis unless otherwise stated. Income on NPAs is recognized on realization basis in accordance with the prudential norms prescribed by the RBI. Partial recovery in NPAs is appropriated first towards principal and thereafter towards interest.

Income on guarantees and letters of credit issued, locker rent, income from merchant banking transactions, money transfer service, dividend on shares, interest on refund of income tax, commission on credit card, interest on overdue bills, processing fee, Government business including distribution of pension and income from units of Mutual Fund products are accounted for on receipt basis.

Rebate on compromised accounts is accounted for at the time of full and final adjustment of the account. Interest on overdue Term Deposits is provided at the rate of interest applicable to Savings Bank Deposits. Liability in respect of incremental lease rent on renewal of lease agreement is accounted for at the time of renewal of the lease.

Bond Issue Expenses incurred in connection with raising Tier-II Capital are treated as Deferred Revenue Expenditure to be written off over a period of five years.

Staff Retirement Benefits

Annual contribution to Gratuity Fund, Pension Fund and Leave Encashment Fund are provided for on the basis of an actuarial valuation. Transitional liability relating to Pension Fund and Sick Leave determined as per actuarial valuation is written off over a period of five years commencing from 2007-08 in terms of Revised Accounting Standard 15 (AS-15) as against remaining seven years out of 10 years as approved by the RBI vide its letter no. DBOD.BP.No. 271/21.01.002/2005-06 dated August 23, 2005.

Segment Reporting

For the purpose of segment reporting in terms of AS-17 of ICAI and as prescribed in the applicable guidelines issued by the RBI, the business of our Bank has been classified into four segments *i.e.* a) retail banking, b) corporate/wholesale banking, c) treasury operations and d) other banking operations. Since our Bank does not have any overseas branch, reporting under geographic segment is not applicable.

During the fiscal 2010 revenue from our corporate/wholesale banking division contributed 52.66% of the entire revenue, treasury contributed 27.83%, retail contributed 19.25% and others banking operations constituted 0.26%.

Results of Operations

Income

Our income consists of interest earned and other (non-interest) income.

Interest earned: Interest earned consists of interest on advances and discounts on bills, income on investments and interest on balances with RBI and other inter-bank funds and other interest earned. Income from investments consists of interest on securities and other investments. Our securities portfolio consists primarily of government securities. We meet our SLR requirements through these investments. We also hold debentures and bonds issued by public sector undertakings and other corporations, commercial paper, equity shares, mutual fund units, certificate of deposits and pass through certificates of asset backed and mortgage backed securities.

Other (Non-interest) income: Our non-interest income consists principally of income from commission, exchange and brokerage (which includes fees from opening and negotiating letters of credit, financial and performance guarantee and locker and safe custody fee) as well as profit on the sale of investments, profit / loss on sale of land, buildings and other assets, profit on exchange transactions and miscellaneous income. Miscellaneous income consists primarily of income from recovery in technically written off cases, loan processing fee and incidental charges and third-party sales of insurance and mutual fund products among other things.

Expenditure

Our expenditure consists of interest expended, operating expenses and provisions and contingencies.

Interest expended: Our interest expended consists of interest on deposits, interest on RBI and other interbank borrowings and other interest. Other interest consists of interest on subordinated debt, IPDI and PCPS. Both our interest income and expenditure are affected by fluctuations in interest rates as well as the volume of activity. Our interest expenditure is also affected to the extent we fund our activities with low-interest or non-interest deposits, and the extent to which we rely on borrowings.

Operating expenses: Our operating expenses consist principally of employee expenses, rent, taxes and lighting, printing and stationery, advertisement and publicity, depreciation on fixed assets, directors' fees/ allowances and expenses, auditor's fees and expenses, legal fees and expenses, communications, repair and maintenance, insurance and other expenditure. Other expenditure consists primarily of information and technology expense, stamp duty, security and house-keeping charges, bond issue expenses, concurrent auditors fee, travel expenses, and rent for ATM machines.

Provisions and contingencies: Our provisions and contingencies consist of provision for taxation, provision for depreciation on investments, claims against the Bank not acknowledged as debt, provisions for any frauds or bank robbery, provision for NPAs (including write-offs net of recoveries), provision for standard advances and other provisions.

Fiscal 2010 compared with fiscal 2009

Our total income increased by 19.16% from Rs. 3,630.71 crore in fiscal 2009 to Rs. 4,326.30 crore in fiscal 2010 and our total expenditure increased by 18.59% from Rs. 2,909.00 crore in fiscal 2009 to Rs. 3,449.79 crore in fiscal 2010. Our operating profit before extra-ordinary items increased by 21.45% from Rs. 721.71 crore in fiscal 2009 to Rs. 876.51 crore in fiscal 2010. Our net profit increased by 17.81% from Rs. 430.20 crore in fiscal 2009 to Rs. 506.82 crore in fiscal 2010.

Our total income was higher in fiscal 2010 mainly on account of a 21.16% increase in interest earned on advances/bills and income from investments.

Summary of performance

(Rs. in crore)

	Fiscal 2009	Fiscal 2010	Percentage change
Net interest income	1,011.86	1,183.94	17.01
Other income	383.54	392.13	2.24
Operating expenses	673.69	699.56	3.84
Provisions and contingencies	291.51	370.38	27.06
Net profit	430.20	506.82	17.81

Net Interest Income

Our net interest income increased by 17.01% from Rs. 1,011.86 crore in fiscal 2009 to Rs. 1,183.94 crore in fiscal 2010. The following table sets forth the components of net interest income.

(Rs. in crore)

	Fiscal 2009	Fiscal 2010	Percentage change
Interest /discounts on advances/bills	2,486.13	2,753.70	10.76
Income on investments	687.82	1,095.07	59.21
Interest on balances with RBI and other inter-bank funds	68.36	66.13	(3.26)
Others	4.86	19.27	296.50
Interest Income(A)	3,247.17	3,934.17	21.16
Interest on deposits	2,091.00	2,567.69	22.80
Interest on RBI / inter-bank deposits	69.12	51.94	(24.86)
Others	75.19	130.60	73.69
Interest Expended (B)	2,235.31	2,750.23	23.04
Net Interest Income (A-B)	1,011.86	1,183.94	17.01

The increase in net interest income was primarily due to 40.24 % increase in average interest earning assets and a decrease in NIM, which was 2.67% in fiscal 2010 as compared to 3.24% in fiscal 2009.

Interest Income

Our total interest income increased by 21.16%, from Rs. 3,247.17 crore in fiscal 2009 to Rs. 3,934.17 crore in fiscal 2010. The increase in interest income was due to the following:

- our interest income on advances and discounts on bills increased by 10.76% from fiscal 2009 to fiscal 2010 primarily due to increase in volume of advances. The average yield on our advances portfolio was 10.37% in fiscal 2010 as compared to 11.65% in fiscal 2009;
- our interest income on investments increased by 59.21% from Rs. 687.82 crore in fiscal 2009 to Rs. 1095.07 crore in fiscal 2010. These investments included primarily of investment in government securities (including investments held to meet SLR requirements), debenture and bonds, pass through certificates of mortgage backed and asset backed securities, commercial papers and certificate of deposits. Average investments increased by 74.39%, from Rs. 9,239.56 crore in fiscal 2009 to Rs. 16,113.11 crore in fiscal 2010; and
- our other interest income increased by 16.63% from Rs. 73.22 crore in fiscal 2009 to Rs. 85.40 crore in fiscal 2010. Other interest income primarily includes interest on income tax / interest tax refunds.

Interest Expended

Total interest expense increased by 23.04% from Rs. 2,235.31 crore in fiscal 2009 to Rs. 2,750.23 crore in fiscal 2010. The increase in interest expense was primarily due to the following:

- an increase in average deposits by 37.80% from Rs. 29,883.89 crore in fiscal 2009 to Rs. 41,181.14 crore in fiscal 2010 resulting from our business growth and
- an increase in other interest expense by 26.49% from Rs. 144.31 crore in fiscal 2009 to Rs. 182.54 crore. The increase in our other interest expense was primarily due to issue of additional debt aggregating Rs. 375.00 crore.

However, this increase was partially offset by a decrease in the interest on RBI and other inter-bank deposits from Rs. 69.12 crore in fiscal 2009 to Rs. 51.94 crore in fiscal 2010, primarily due to a reduction in the quantum of call borrowings, *i.e.* short term borrowings to meet immediate requirements.

Other Income

Our non-interest income increased by 2.24% from Rs. 383.54 crore in fiscal 2009 to Rs. 392.13 crore in fiscal 2010 primarily due to an increase in our miscellaneous income. Non-interest income constituted mainly commission, exchange and brokerage, profit on sale of investments and miscellaneous income.

Our miscellaneous income comprised mainly of income from recovery in technically written off cases, loan processing fee and incidental charges and third-party sales of insurance and mutual fund products among other things. Income from these increased by 15.31% from Rs. 165.82 crore in fiscal 2009 to Rs. 191.21 crore in fiscal 2010 primarily due to an increase in loan processing fee from Rs. 40.23 crore in fiscal 2009 to Rs. 64.99 crore in fiscal 2010.

This increase was partially offset by a decrease in our net profit on sale of investments and income from commission, exchange and brokerage. Our net profit on sale of investments decreased from Rs. 118.90 crore in fiscal 2009 to Rs. 109.06 crore in fiscal 2010. Our income from commission, exchange and brokerage (comprising of fees from opening and negotiating letters of credit, financial and performance guarantee and locker and safe custody fee) decreased from Rs. 58.84 crore in fiscal 2009 to Rs. 54.13 crore in fiscal 2010.

Operating expenses

Our non-interest expense increased by 3.84% from Rs. 673.69 crore in fiscal 2009 to Rs. 699.56 crore in fiscal 2010. Employee costs increased by 0.84% from Rs. 525.24 crore in fiscal 2009 to Rs. 529.64 crore in fiscal 2010 primarily due to a general increase in wages and increase in dearness allowance payable to our employees. Other significant reasons for increase in operating expense were an increase in law charges and insurance primarily due to increased expenditure on litigation and increase in deposit insurance premium due to increase in deposits, respectively.

Operating Profit

As a result of the foregoing factors, our operating profit before extra ordinary items and provisions and contingencies increased from Rs. 721.71 crore in fiscal 2009 to Rs. 876.51 crore in fiscal 2010. As a percentage of total income, our operating profit increased from 19.88% in fiscal 2009 to 20.26% in fiscal 2010.

Provisions and contingencies

Our provisions and contingencies increased by 27.06% from Rs. 291.51 crore in fiscal 2009 to Rs. 370.38 crore in fiscal 2010 primarily due to increase in depreciation on investments from Rs. (0.16) crore in fiscal 2009 to Rs. 110.79 crore in fiscal 2010 and increase in provision for NPAs.

Net Profit

As a result of above, our net profit increased by 17.81% from Rs. 430.20 crore in fiscal 2009 to Rs. 506.82 crore in fiscal 2010.

Fiscal 2009 compared with fiscal 2008

Our total income increased by 43.60% from Rs. 2,528.43 crore in fiscal 2008 to Rs. 3,630.71crore in fiscal 2009 and our total expenditure increased by 46.05% from Rs. 1,991.77 crore in fiscal 2008 to Rs. 2,909.00 crore in fiscal 2009. Our operating profit before extra ordinary items increased by 34.48% from Rs. 536.66 crore in fiscal 2008 to Rs. 721.71 crore in fiscal 2009. Our net profit increased by 6.98% from Rs. 402.13 crore in fiscal 2008 to Rs. 430.20 crore in fiscal 2009.

Our total income was higher in fiscal 2009 mainly on account of a 46.31% increase in interest earned on advances/bills and income from investments and profit from sale of investments.

Summary of performance

(Rs. in crore)

	Fiscal 2008	Fiscal 2009	Percentage change
Net interest income	785.79	1,011.86	28.77
Other income	309.14	383.54	24.07
Operating expenses	558.27	673.69	20.67
Provisions and contingencies	134.53	291.51	116.69
Net profit	402.13	430.20	6.98

Net Interest Income

Our net interest income increased by 28.77% from Rs. 785.79 crore in fiscal 2008 to Rs. 1,011.86 crore in fiscal 2009. The following table sets forth the components of net interest income.

(Rs. in crore)

	Fiscal 2008	Fiscal 2009	Percentage change
Interest /discounts on advances/bills	1,530.07	2,486.13	62.48
Income on investments	592.02	687.82	16.18
Interest on balances with RBI and other			

inter-bank funds	86.13	68.36	(20.63)
Others	11.07	4.86	(56.10)
Interest Income(A)	2,219.29	3,247.17	46.32
Interest on deposits	1,334.60	2,091.00	56.68
Interest on RBI / inter-bank deposits	61.44	69.12	12.50
Others	37.46	75.19	100.72
Interest Expended (B)	1,433.50	2,235.31	55.93
Net Interest Income (A-B)	785.79	1,011.86	28.77

The increase in net interest income was primarily due to a 36.55% increase in average interest earning assets and an decrease in NIM, which was 3.24 % in fiscal 2009 as compared to 3.54% in fiscal 2008.

Interest Income

Our total interest income increased by 46.32%, from Rs. 2,219.29 crore in fiscal 2008 to Rs. 3,247.17 crore in fiscal 2009. The increase in interest income was due to the following:

- our interest income on advances and discounts on bills increased by 62.48% from fiscal 2008 to fiscal 2009 primarily due to an increase in volume of advances and an increase in the PLR. The average yield on our advances portfolio was 11.65% in fiscal 2009 as compared to 11.20% in fiscal 2008; and
- our interest income on investments increased by 16.18% from Rs. 592.02 crore in fiscal 2008 to Rs. 687.82 crore in fiscal 2009. These investments included primarily of investment in government securities (including investments held to meet SLR requirements), debenture and bonds, pass through certificates of mortgage backed and asset backed securities, commercial papers and certificate of deposits. Average investments increased by 15.59%, from Rs. 7,993.73 crore in fiscal 2008 to Rs. 9,239.56 crore in fiscal 2009.

This increase was partially offset by a decrease in interest income from RBI and other inter-bank lending and our other interest income, primarily comprising of interest on income / tax refunds. This decrease was on account of reduction in the quantum of call lending.

Interest Expended

Total interest expense increased by 55.93% from Rs. 1,433.50 crore in fiscal 2008 to Rs. 2,235.31 crore in fiscal 2009. The increase in interest expense was primarily due to the following:

- an increase in average deposits by 37.84% from Rs. 21,679.68 crore in fiscal 2008 to Rs. 29,883.89 crore in fiscal 2009 on account of increased volume of business;
- an increase in the interest on RBI and other inter-bank deposits by 12.50% from Rs. 61.44 crore in fiscal 2008 to Rs. 69.12 crore in fiscal 2009, primarily due to increase in the quantum of call borrowings; and
- an increase in other interest expense by 100.72 % from Rs. 37.46 crore in fiscal 2008 to Rs. 75.19 crore in fiscal 2009. The increase in our other interest expense was primarily due to issue of additional debt aggregating Rs. 400.00 crore and payment of interest on IPDI and PCPS for 100 days on account of restructuring of capital of the Bank.

Other Income

Our non-interest income increased by 24.07% from Rs. 309.14 crore in fiscal 2008 to Rs. 383.54 crore in fiscal 2009 primarily due to a profit on sale of investments. Non-interest income constituted mainly commission, exchange and brokerage, profit on sale of investments and miscellaneous income. Our non-interest income increased on account of the following factors:

- Our profit on sale of investment increased by 579.04% from Rs. 17.51 crore in fiscal 2008 to Rs. 118.90 crore in fiscal 2009 primarily due to favourable market conditions
- Our income from commission, exchange and brokerage (comprising of fees from opening and negotiating letters of credit, financial and performance guarantees and locker and safe custody fees) increased from Rs. 51.91 crore in fiscal 2008 to Rs. 58.84 crore in fiscal 2009. This increase was primarily due to an increase in commission received on letters of credit and bank guarantees.

- Our net profit on exchange transaction increased from Rs. 30.01 crore in fiscal 2008 to Rs. 39.91 crore in fiscal 2009. This increase was primarily due to an increase in forward exchange contracts.

This increase was partially offset by a decrease in our miscellaneous income in fiscal 2009. Our miscellaneous income decreased from Rs. 209.57 crore in fiscal 2008 to Rs. 165.82 crore in fiscal 2009 primarily due to a decrease in income from recovery in technically written off cases.

Operating expenses

Our non-interest expense increased by 20.67% from Rs. 558.27 crore in fiscal 2008 to Rs. 673.69 crore in fiscal 2009. Employee costs increased by 23.13% from Rs. 426.58 crore in fiscal 2008 to Rs. 525.24 crore in fiscal 2009 primarily due to an increase in dearness allowance and provisions for wage revision, terminal and other long term benefits provided to our employees as per revised AS 15. Other significant reasons for increase in operating expense were an increase in insurance from Rs. 19.65 crore to Rs. 27.22 crore primarily due to an increase in deposit insurance premium due to increase in deposits.

Operating Profit

As a result of the foregoing factors, our operating profit before extra ordinary items and provisions and contingencies increased from Rs. 536.66 crore in fiscal 2008 to Rs. 721.71 crore in fiscal 2009. As a percentage of total income, our operating profit increased from 21.23% in fiscal 2008 to 19.88% in fiscal 2009.

Provisions and contingencies

Our provisions and contingencies increased by 116.69% from Rs. 134.53 crore in fiscal 2008 to Rs. 291.51 crore in fiscal 2009 primarily due to an increase in provision for taxation.

Net Profit

As a result of above, our net profit increased by 6.98% from Rs. 402.13 crore in fiscal 2008 to Rs. 430.20 crore in fiscal 2009.

Liquidity and Capital Resources

Liquidity

Our growth over the years has been financed by a combination of cash generated from operations, increased in customer deposits and borrowings. The following table sets forth out cash flows from operating activities, investing activities and financing activities.

(Rs. in crore)

	Fiscal 2008	Fiscal 2009	Fiscal 2010
Net cash provided by/(used in) operating activities	334.73	(376.63)	1,691.60
Net cash provided by/(used in) investing activities	(11.74)	(21.51)	(13.75)
Net cash provided by/(used in) financing activities	(30.75)	298.69	237.03
Net increase/(decrease) in cash and cash equivalents	292.24	(99.45)	1,914.88
Closing Cash and Cash Equivalents	**2,939.89**	**2,840.44**	**4,755.32**

Cash flows in operating activities

Our operations generated cash flows of Rs. 334.73 crore, Rs. (376.63) crore and Rs. 1,691.60 crore in fiscal 2008, 2009 and 2010 respectively.

Net cash operations in fiscal 2010 resulted primarily from net profit before taxes of Rs. 666.10 crore, an increase in deposits of Rs. 14,479.43 crore and an increase in other liabilities of Rs. 243.82 crore. These were partially offset by a decrease in borrowings of Rs. 280.43 crore, an increase in other investments of Rs. 5,370.21 crore, an increase in advances of Rs. 8,116.01 crore and an increase in other assets of Rs. 280.44 crore.

Net cash operations in fiscal 2009 resulted primarily from net profit before taxes of Rs. 638.83 crore, an increase in deposits of Rs. 9,844.24 crore and an increase in other liabilities of Rs. 200.54 crore. This was partially offset by a decrease in borrowings of Rs. 465.24 crore, an increase in other investments of Rs. 4,152.01 crore, an increase in advances of Rs. 6,337.51 crore and an increase in other assets of Rs. 252.03 crore.

Net cash operations in fiscal 2008 resulted primarily from net profit before taxes of Rs. 456.92 crore, an increase in deposits of Rs. 5,512.66 crore and an increase in borrowings of Rs. 2,771.65 crore. This was partially offset by a decrease in other liabilities of Rs. 10.18 crore, an increase in other investments of Rs. 1,782.44 crore, an increase in advances of Rs. 6,677.84 crore and an increase in other assets of Rs. 48.59 crore.

Cash flows from investing activities

Our net cash flow from investing activities was Rs. (11.74) crore, Rs. (21.51) crore and Rs. (13.75) crore in fiscal 2008, 2009 and 2010 respectively. Our net cash flow from investing activities reflects investments consisting of purchase and sale fixed assets.

Cash flows from financing activities

Our net cash flow from financing activities was Rs. (30.75) crore, Rs. 298.69 crore and Rs. 237.03 crore in fiscal 2008, 2009 and 2010 respectively. Our financing source comprised proceeds from our issue of subordinated bonds, which were partially offset by payment of interest, redemption of certain subordinated bonds and payment of dividends on PNCPS.

We issued bonds aggregating Rs. 375.00 crore, Rs. 400.00 crore and Rs. 100.00 crore in fiscal 2010, 2009 and 2008 respectively. In fiscal 2009 and fiscal 2008 we redeemed bonds of Rs. 45.00 crore and Rs. 105.00 crore respectively. We have paid interest of Rs. 126.27 crore, Rs. 53.11 crore and Rs. 25.75 crore on such bonds in fiscal 2010, 2009 and 2008 respectively. Further outflow on account of dividend on PNCPS and dividend distribution tax thereon was Rs. 11.70 crore and Rs. 3.20 crore in fiscal 2010 and fiscal 2009 respectively.

Capital Resources

As at March 31, 2010, we had computed the capital charge for operational, market and credit risk and our capital adequacy ratio as per the Basel II accord. In line with the RBI circular on new capital adequacy framework for computing capital requirements, we adopted the standardised approach for credit risk, the standardised duration approach for market risk and the basic indicator approach for operational risk.

The minimum total capital adequacy ratio currently required by the RBI is 9.00% of the RWA. We adopted the Basel II framework as on March 31, 2009, which shapes our risk management policies, which is described further below under "***- Risk Management***".

	Fiscal 2008 (BASEL I)	**Fiscal 2009 (BASEL II)**	**Fiscal 2010 (BASEL II)**
Tier I Capital (Rs. in crore)	1,559	1,789	2,281
Tier II Capital (Rs. in crore)	662	1,257	1,612
Total Capital (Rs. in crore)	**2,221**	**3,046**	**3,893**
RWA (Rs. in crore)	**18,736**	**21,265**	**29,784**
Tier I CAR (%)	8.32	8.41	7.66
Tier II CAR (%)	3.53	5.91	5.41
Total CAR (%)	**11.85**	**14.32**	**13.07**

Tier I capital consists of equity capital, statutory reserves, other disclosed free reserves, capital reserves and innovative perpetual debt instruments eligible for inclusion in Tier I capital. The Tier II capital consists of general provision and loss reserves, upper Tier II instruments and subordinate debt instruments eligible for inclusion in Tier II capital. For a description of the RBI's capital adequacy guidelines see ***"Regulations and Policies in India"*** on page 90. Going forward, we plan to finance our liquidity and capital resource needs primarily through the proceeds of this Issue, internal accruals and subordinated debt. In addition, in the future we may issue additional equity securities. There can be no assurance that financing will be available if needed, on terms favourable to us, or at all.

Our current sources of funding (other than equity capital) are term deposits and demand deposits from our retail and corporate customers and borrowings (which primarily include our Tier II subordinated debt and perpetual debt issuances). The cost of funds obtained is sensitive to interest rate fluctuations, which expose us to the risk that increasing interest rates will reduce our "spread", if we are unable to pass on the increased rates to our customers *i.e.*, the difference between the returns we earn on our products and services, as well as our investments, and the amounts that we must pay to fund them. The pricing on our issuances of debt will also be negatively impacted by any downgrade or potential downgrade in our credit ratings. Our outstanding credit rating for debt instruments qualifying for subordinated bonds (Lower Tier II) are AA, LAA and CARE-AA from CRISIL, ICRA and CARE respectively. In addition, attracting customer deposits in the Indian market is competitive. The rates that we must pay to attract deposits will be determined by numerous factors like interest rates, Indian monetary policy, inflation and demand.

Financial Condition

Assets

The following table sets forth the principal components of our assets as on March 31, 2008, March 31, 2009 and March 31, 2010, based on our restated financial statements:

(Rs. in crore)

	As on March 31, 2008	As on March 31, 2009	As on March 31, 2010
Cash in Hand	102.99	93.91	91.31
Balance with RBI	1,852.10	1,863.16	3,696.95
Balance with banks in India	873.51	584.84	670.73
Balance with banks outside India	111.29	298.53	196.33
Money at Call and Short Notice	0.00	0.00	100.00
Investments (Net) in India	8,473.63	12,627.43	17,886.84
Total Advances	18,343.31	24,615.35	32,639.11
Fixed Assets (Net of revaluation reserves)	39.94	50.89	52.67
Net Other Assets (less deferred revenue expenditure)	601.18	644.47	765.64
Total	**30,397.95**	**40,778.58**	**56,099.58**

Our total assets increased by 34.15% from Rs. 30,397.95 crore as of March 31, 2008 to Rs. 40,778.58 crore as of March 31, 2009, and further increased by 37.57% to Rs. 56,099.58 crore as of March 31, 2010. The most significant elements of these changes were increases in balance with RBI, investments and advances as a result of a general increase in our business activities.

Our net investments increased by 49.02% from Rs. 8,473.63 crore as of March 31, 2008 to Rs. 12,627.43 crore as of March 31, 2009, and further increased by 41.65% to Rs. 17,886.84 crore as of March 31, 2010. Of our investment portfolio as of March 31, 2010, 85.37% consisted of government securities, compared with 86.75% and 87.45% as of March 31, 2009 and 2008, respectively.

Our advances increased by 34.19% from Rs. 18,343.31 crore as of March 31, 2008 to Rs. 24,615.35 crore as of March 31, 2009, and further increased by 32.60% to Rs. 32,639.11 crore as of March 31, 2010. These increases were primarily due to our focus on credit growth.

Our net fixed assets increased by 27.42% from Rs. 39.94 crore as of March 31, 2008 to Rs. 50.89 crore as of March 31, 2009, and further increased by 3.50% to Rs. 52.67 crore as of March 31, 2010.

Our net other assets, which included interest accrued, tax paid in advance, tax deducted at source, stationery and stamps, debtors, security deposit and recoverables etc. increased by 7.20% from Rs. 601.18 crore as of March 31, 2008 to Rs.644.47 crore as of March 31, 2009, and further increased by 18.80% to Rs. 765.64 crore as of March 31, 2010.

Our gross NPAs increased from Rs. 135.53 crore as of March 31, 2008 to Rs. 161.04 crore as of March 31, 2009 and further increased to Rs. 206.15 crore as of March 31, 2010. However, our gross NPAs as percentage to gross advances decreased from 0.74% as of March 31, 2008 to 0.65% as of March 31, 2009 and further decreased to 0.63% as of March, 2010.

Our net NPAs increased from Rs. 66.97 crore as of March 31, 2008 to Rs. 78.03 crore as of March 31, 2009 and further increased to Rs. 116.63 crore as of March 31, 2010. However, our net NPAs as percentage to net advances decreased from 0.37% as of March 31, 2008 to 0.32% as of March 31, 2009 but increased to 0.36% as of March, 2010.

Liabilities and shareholder's funds

The following table sets forth the principal components of our liabilities as of March 31, 2008, March 31, 2009 and March 31, 2010:

(Rs. in crore)

	As on March 31, 2008	As on March 31, 2009	As on March 31, 2010
Equity Capital	743.06	183.06	183.06
Preference Capital	-	200.00	200.00
Reserves and Surplus	815.55	1,242.44	1,737.56
Total shareholder's funds	**1,558.61**	**1,625.50**	**2,120.62**
Demand deposits from banks	38.84	31.36	52.74
Demand deposits from others	2,035.66	2,116.96	3,103.96
Savings deposits	6,950.11	7,477.36	9,151.34
Term deposits from banks	1,122.17	2,306.64	2,319.69
Term deposits from others	14,684.63	22,743.33	34,527.36
Borrowings	2,976.72	2,871.48	2,591.05
Other liabilities and provisions	651.21	870.95	1,122.83
Subordinate debts	380.00	735.00	1,110.00
Total Liabilities and Shareholder's funds	**30,397.95**	**40,778.58**	**56,099.58**

Our total liabilities increased by 34.15% from Rs. 30,397.95 crore as of March 31, 2008 to Rs. 40, 778.58 crore as of March 31, 2009 and further increased by 37.57% to Rs. 56,099.58 crore as of March 31, 2010. Other liabilities and provisions include bills payable, inter-office adjustments (net), interest accrued, deferred tax liability and others (including provisions).

Our total deposits increased by 39.64% from Rs. 24,831.41 crore as of March 31, 2008 to Rs. 34,675.65 crore as of March 31, 2009, and further increased by 41.76% to Rs. 49,155.09 crore as of March 31, 2010.

Our demand deposits increased by 3.56% from Rs. 2,074.50 crore as of March 31, 2008 to Rs. 2,148.32 crore as of March 31, 2009, and further increased by 46.94% to Rs. 3,156.70 crore as of March 31, 2010.

Our Borrowings increased by 7.44% from Rs. 3,356.72 crore as of March 31, 2008 to Rs. 3,606.48 crore as of March 31, 2009 due to conversion of equity capital into IPDI and PCPS, and further increased by 2.62% to Rs. 3,701.05 crore as of March 31, 2010.

Our share capital decreased from Rs. 743.06 crore as of March 31, 2008 to Rs. 183.06 crore as of March 31, 2009 on account of capital restructuring. In December 2008, the President of India acting through the Ministry of Finance (Department of Financial Services), GoI, approved the restructuring of the equity capital of the Bank by converting an amount of Rs. 160.00 crore into IPDI, Rs. 200.00 crore into PNCPS and Rs. 200.00 crore into PCPS, while retaining Rs. 183.06 crore as the equity capital of the Bank. The annual floating coupon rate on the PNCPS has been benchmarked to the repo rate with a spread of 100 basis points with annual rests, which would be readjusted annually on the prevailing repo rate on the relevant date. However, the Bank has been allowed to pay a coupon benchmarked to repo rate (without any spread) for fiscal 2009, 2010 and 2011 and thereafter, at the repo rate with a spread of 100 basis points.

Our reserves and surplus increased from Rs. 815.55 crore as of March 31, 2008 to Rs. 1,242.44 crore as of March 31, 2009 and further increased to Rs. 1,737.56 crore as of March 31, 2010. The premises were revalued as on March 31, 2006 at Rs. 266.55 crore against the book value of Rs. 21.07 crore (W.D.V of Rs.10.38 crore) on the basis of valuation by independent qualified external valuers. The premises were again revalued as on March 31, 2008 at Rs 551.61 crore against cost of Rs. 25.83 crore (WDV of Rs. 14.09 crore) on the basis of valuation by independent qualified external valuers.

Financial Instruments and Off-Balance Sheet Arrangements

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities as of March 31, 2010.

(Rs. in crore)

	As on March 31, 2010
Claims against the Bank not acknowledged as debt	7.22
Liability on account of outstanding forward exchange contracts	3,907.57
Guarantees given on behalf of constituents	
In India	1,079.68
Outside India	-
Acceptance, Endorsement and other obligations	812.26
Total	5,806.73

Foreign Exchange Contracts

The Bank enters into foreign exchange forward contracts to hedge for customers and for its own account. Foreign exchange contracts include forward sale and purchase of foreign currency. The outstanding liability on account of forward exchange contracts as on March 31, 2010 is Rs. 3,907.57 crore.

As part of its corporate banking activities, the Bank issues guarantees and documentary credits. Guarantees are generally issued to enhance the credit standing of the Bank's customers and represent irrevocable assurances that the Bank will make the payments in the event that the customer fails to fulfil its financial or performance obligations. Documentary credits are provided to customers to meet their working capital requirements as well as for capital equipment purchases.

Quantitative and Qualitative Disclosure about Market Risk

Risk is associated with all of our businesses. Risks are broadly classified in three major categories, namely, credit risk, operational risk and market risk. We have developed our risk management systems to ensure that there is always an appropriate balance between risk and return and we have implemented comprehensive policies and procedures to identify, measure, monitor and control risk throughout the organisation. Our risk management strategy is based on understanding the various types of risk, assessment of the risk and continuous monitoring of the risk. For details about the types of risks and our risk management policies and structures see "Business".

Other matters

Unusual or infrequent events and transactions

Other than the capital restructuring and revaluation of our properties as described above, to our knowledge there are no events that may be described as unusual or infrequent events and transactions.

Significant economic / regulatory changes

Except as stated in "*— Significant Developments after March 31, 2010*" below, to our knowledge there are no significant economic / regulatory changes that materially affect or are likely to affect the income from continuing operations.

Known trends and uncertainties

Other than a decrease in our CASA ratio and as otherwise described in ***"Risk Factors"***, to our knowledge there are no trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of the Bank from continuing operations.

Future relationship between costs and income

Other than as described in this Draft Red Herring Prospectus, particularly in "***Management's Discussion and Analysis of Financial Condition and Results of Operations***", to our knowledge there are no known factors which will have a material adverse impact on the operation and finances of the Bank, taken as a whole.

New product or business segment

Other than as described in this Draft Red Herring Prospectus, particularly in "***Our Business- Business Strategies***", to our knowledge there are no new business segments or material new products planned.

Seasonality of business

The business of the Bank is cyclical in nature. Accordingly, the Bank experiences seasonality in its financial results and a comparatively higher portion of its business is generally booked in the third and forth quarters of a fiscal year. For details see ***"Risk Factors- The business of the Bank is cyclical in nature with a major part of the business being done in the second half of any fiscal year. Any decrease in the Bank's business in the third and fourth quarters of any fiscal year, whether because of a downturn in the Indian economy or otherwise, could have an adverse effect on its business and results of operations."*** on page xxvi.

Dependence on single or few customers

Other than as described in this Draft Red Herring Prospectus, particularly in ***"Risk Factors – We have concentrations of loans to certain customers and to certain groups of customers, which exposes us to risk of credit losses from these customers or groups that could materially and adversely affect our business, results of operations and financial condition.***" on page xvii and to our knowledge we have no dependence on a single or few customers and our business interests are spread across industries and customer segments.

Competitive conditions

We face competition in all our principal areas of business from Indian and foreign commercial banks, housing finance companies, mutual funds and investment banks. See "***Our Business - Competition***" on page 87.

Significant developments after March 31, 2010

In compliance with AS-4 "Contingencies and Events Occurring after the Balance Sheet Date" issued by ICAI, except as stated below, to our knowledge, no circumstances have arisen since March 31, 2010 which materially and adversely affect or are likely to affect, the operations or profitability of our Bank, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

Wage revision of employees

The wage revision for the employees of the Bank is reported to have been finalized at the Industry level with a raise of 17.50% of the level as on November 1, 2007. The Bank has already made a provision of Rs. 100.00 crore for the estimated impact of the wage revision up to March 31, 2010. Since the exact working of the actual liability in this regard is yet to be made, we are unable to comment on the adequacy of the liability in this regard.

Payment on interest on savings bank balances

As per the directives of the Reserve Bank of India, there has been a change in the accounting policy with regard to payment of interest on savings bank balances with effect from April 1, 2010. As per the new guidelines, the interest is payable on such balances on daily product basis as against monthly minimum balance during 11^{th} and last day of the month. The change in method of calculating the interest is expected to increase the interest burden of the Bank. However, the impact thereof is currently not ascertainable.

SECTION VI – LEGAL AND OTHER INFORMATION
OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigation, suits or criminal or civil proceedings or tax liabilities against us or our Directors or Sponsored Bank, whose outcome would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional or bank dues or dues payable to holders of any debentures, bonds and fixed deposits, that would have a material adverse effect on our business other than unclaimed liabilities against us as on August 13, 2010 and the Directors as on the date of this Draft Red Herring Prospectus.

Except as described below, there are no proceedings initiated for economic offences or civil offences, or any disciplinary action taken by SEBI or any stock exchange, penalties imposed by any authorities against our Bank and the Directors and no adverse findings, in respect of our Bank as regards compliance with securities laws. Further, except as described below, there are no instances where our Bank or the Directors have been found guilty in suits or criminal or civil prosecutions, or proceedings initiated for economic offences or civil offences, or any disciplinary action taken by SEBI or any stock exchange, proceedings or tax liabilities.

A. LITIGATION INVOLVING OUR BANK

I. Litigation against our Bank

Except as disclosed hereunder, there are no legal or regulatory proceedings or investigations pending against our Bank. However, over and above such proceedings as are disclosed hereunder, our Bank may be impleaded in legal proceedings from time to time, as proforma defendants in the ordinary course of business.

Claims and Notices

Income Tax

There are 12 income tax proceedings pending against our Bank as on August 13, 2010. The aggregate claim against us as on August 13, 2010 as far as can be quantified is approximately Rs. 254.90 crore, inclusive of interest, however, for assessment year 2006-2007 (the details whereof have been provided hereunder), order dated July 15, 2010 has been passed confirming deleting certain disallowances, for which the appeal effect is yet to be received, as on August 13, 2010. The actual aggregate claim against us will be revised pursuant to such order becoming effective. Brief particulars of such income tax proceedings are set forth hereunder:

Assessment Year 1984-1985

The Inspecting Assistant Commissioner of Income Tax (Assistant), Range XV, New Delhi passed an order dated February 19, 1987 against our Bank making certain additions to our assessable income for the assessment year 1984-1985, including amount included under the head of interest suspense account on loans, expenditure incurred on vehicles, advertising expenditure, interest on securities and renovation expenditure, assessing our total assessable income at Rs. 9.50 crore and imposing demand of Rs. 4.02 crore on such assessable income. Our Bank filed an appeal (no. 157/86-87) against such order dated February 19, 1987 before the Commissioner of Income Tax (Appeals) ("**CIT(A)**")-IV, New Delhi. The CIT(A)-IV, New Delhi passed an order dated March 30, 1993, deleting certain disallowances, including expenditure incurred on maintenance of vehicles, renovation expenditure and entertainment expenditure. Our Bank filed an appeal (no. 3858/Del/1993) before the Income Tax Appellate Tribunal ("**ITAT**"), New Delhi against such order dated March 30, 1993. The ITAT, New Delhi passed an order dated February 24, 2003 making certain deletions, including deletion of disallowance of advertisement expenditure and branch opening expenditure, and further remanded disallowances including with respect to interest on non-repaying advances and donations to the Deputy Commissioner of Income Tax ("**DCIT**"), Circle 14(1), New Delhi for determination, who by order dated December 30, 2004, confirmed the disallowances and added Rs. 1.09 crore to our assessable income of our Bank, and assessed our income at Rs. 2.38 crore. In the present stage of the proceedings, there is no demand of income tax imposed on our Bank, as per demand notice dated December 30, 2004. Our Bank has filed an appeal dated February 23, 2005 before the CIT(A), New Delhi against such order dated December 30, 2004. The proceedings are presently pending.

Assessment Year 1985-1986

The Inspecting Assistant Commissioner of Income Tax (Assistant), Range-XXIII, New Delhi passed an assessment order dated March 30, 1988 against our Bank, assessing our Bank's taxable income for the assessment year 1985-1986 at Rs. 4.47 crore on the basis of certain disallowances, including loss on revaluation of securities, provisions for foreign exchange fluctuation fund, difference in interest on due (accrual) basis on securities, expenditure on staff training, entertainment expenditure, expenditure on furniture and fittings. Our Bank filed an appeal (no. 1345/88-89) on April 28, 1988 against such assessment order dated March 30, 1988 before the CIT(A)-IV, New Delhi. The CIT(A)-IV, New Delhi passed an order dated October 8, 1993 deleting disallowances aggregating to Rs. 2.28 crore, including loss on re-valuation of securities, difference in interest on due (accrual) basis on securities and expenditure on furniture and fittings. Our Bank filed an appeal (no. 6724/Del/93) against such order dated October 8, 1993 challenging addition of Rs. 2.27 crore on the basis of disallowances including interest on non-performing advances. The ITAT, New Delhi passed an order dated June 3, 2003 setting aside disallowance of Rs. 2.16 crore to the DCIT, Circle 14, New Delhi. The DCIT, Circle 14, New Delhi passed an order dated December 30, 2004 confirming the disallowance of Rs. 2.16 crore on account of interest on non-performing advances. In the present stage of the proceedings, there is no demand of income tax imposed on our Bank, as per demand notice dated December 30, 2004. Our Bank filed an appeal (no. 301/04-05) before the CIT(A)-X, New Delhi against such order dated December 30, 2004. The proceedings are presently pending.

Assessment Year 1986-1987

The DCIT (Assistant), Special Range-2, New Delhi, New Delhi passed an order dated January 24, 1989 making total addition of Rs. 8.36 crore to our assessable income for the assessment year 1986-1987 on the basis of disallowances including loss on valuation of securities, interest tax liability, depreciation on plant and machinery, expenditure on furniture and fixtures and depreciation on building not owned by our Bank. Refund order of Rs. 0.84 crore was passed in favour of our Bank by such order dated January 24, 1989. Our Bank filed an appeal (no. 1344/88-89) before the CIT(A)-IV, New Delhi against such order dated January 24, 1989. The CIT(A)-IV, New Delhi passed an order dated August 11, 1994 deleting disallowance of expenditure on furniture and fittings. Our Bank filed further appeal (no. 6597/Del/94) before the ITAT, New Delhi. The ITAT, New Delhi passed an order dated May 5, 2004 remanding certain disallowances including, depreciation on properties, interest tax liability and loss on valuation of securities to the assessing officer and disallowance of interest on non-performing advances to the CIT(A), New Delhi. The Assistant Commissioner of Income Tax ("**ACIT**"), Circle 14(1) passed an order dated March 24, 2006 in favour of our Bank and deleting all disallowances, and directing refund of Rs. 1.75 crore paid to our Bank by order dated September 22, 2006. In the present stage of the proceedings, there is no demand of income tax imposed on our Bank, as per demand notice dated September 22, 2006. Our Bank filed an appeal on February 19, 2007 seeking interest on the refund of Rs. 1.75 crore and the same was allowed by the CIT(A), New Delhi. The remanded proceedings with respect to the disallowance of interest on non-performing advances is presently pending before the CIT(A), New Delhi.

Assessment Year 1987-1988

The DCIT, Special Range 14, New Delhi passed an order dated July 28, 1989 against our Bank making certain additions to our assessable income for the assessment year 1987-1988, including amount charged by our Bank as interest on advances to non-repaying advances to the taxable income of our Bank and disallowance of amount claimed as loss of valuation of securities by our Bank, assessing our total taxable income at Rs. 6.25 crore, and imposing demand on such taxable income of Rs. 3.12 crore. Our Bank filed appeal (no. 1561/1989-1990) against such order dated July 28, 1989 before the CIT(A), New Delhi. The CIT(A), New Delhi passed an order dated September 15, 1993, deleting certain disallowances including expenditure incurred on purchase of gifts and towards membership fees of clubs for the officers of our Bank, and directing relief to our Bank of Rs. 0.01 crore from our assessable income, and confirming other additions made by the order dated July 28, 1989. Our Bank has filed further appeal (no. 6444/1993) before the ITAT, New Delhi against such order dated September 15, 1993 to the extent that such order confirmed the addition of Rs. 9.32 crore, and consequential tax demand of Rs. 3.12 crore on the basis of disallowance of interest on non-repaying advances, depreciation of securities, which was dismissed by the ITAT, New Delhi for absence of authorization from the High Powered Committee of the Cabinet Secretariat ("**HPC**"). Our Bank received such authorization from the HPC on July 13, 2000, pursuant to which our Bank filed miscellaneous application (no. 211/D/2005) before the ITAT, New Delhi praying for restoration of the appeal on receipt of the authorization from the HPC. The proceedings are presently pending before the ITAT, New Delhi.

Assessment Year 1996-1997

The Joint Commissioner of Income Tax ("**JCIT**"), Special Range-2, New Delhi passed an assessment order dated January 29, 1999 against our Bank making total addition of Rs. 67.30 crore to our assessable income for the assessment year 1996-1997 on the basis of disallowances including depreciation on investment, amortization of securities, expenditure incurred on membership fees of clubs, provision for gratuity and entertainment expenditure. Our Bank filed an appeal (no. SR-2/11/99-2000) before the CIT(A)-XXII, New Delhi against such order dated January 29, 1999. The CIT(A)-XXII, New Delhi passed an order dated March 28, 2001 deleting disallowances pertaining to expenditure incurred on membership fees of clubs, entertainment expenditure and depreciation of properties not owned by our Bank. Our Bank filed further appeal (no. 3178 of 2001) before the ITAT, New Delhi challenging the disallowances confirmed by the CIT(A)-XXII, New Delhi by order dated March 28, 2001. The ITAT, New Delhi passed an order dated September 28, 2007, deleting disallowances pertaining to depreciation on furniture and interest tax liability, and remanding the issues pertaining to interest accrued on investments made in Bihar Zamindari Abolition Compensation Bonds and amount written-off on account of bad debts for fresh assessment. Our Bank has filed an appeal before the High Court of Delhi at New Delhi against such order dated September 28, 2007, challenging the confirmation of disallowances of depreciation of investment, amortization of securities and net addition of Rs. 2.09 crore on account of reverse entry made of interest paid to sellers of securities for the period from April 1, 1990 to March 31, 1994, aggregating to a total addition of Rs. 39.38 crore. In the present stage of the proceedings, there is no demand of income tax imposed on our Bank, as per demand notice dated December 7, 2009. The proceedings are presently pending before the High Court of Delhi at New Delhi.

Assessment Year 1997-1998

The JCIT, Special Range-2, New Delhi passed an assessment order dated March 16, 2000 against our Bank making total addition of Rs. 37.63 crore to our assessable income for the assessment year 1997-1998 on the basis of disallowances including depreciation on investment, amortization of premium on securities, interest accrued on investment in Bihar Zamindari Abolition Compensation Bonds, excess claim of depreciation on items of furniture and fixture, depreciation on land/amortization, unpaid bonus, non-repaying advances written off, contingencies and rebate and depreciation on building not owned by our Bank, expenditure incurred towards membership of clubs, entertainment expenditure, payment of gratuity and interest tax. Our Bank filed an appeal (no. SR-243/2000-2001) before the CIT(A)-XXII, New Delhi. The CIT(A)-XXII, New Delhi passed an order dated March 28, 2001 deleting disallowances pertaining to interest tax, depreciation on properties, interest tax liability and membership fees of clubs. Our Bank filed further appeal (no. 3179 of 2001) before the ITAT, New Delhi challenging the disallowances confirmed by the CIT(A)-XXII, New Delhi by order dated March 28, 2001. The ITAT, New Delhi passed an order dated September 28, 2007, deleting disallowances pertaining to depreciation on furniture and interest tax liability, and remanding the issues pertaining to interest accrued on investments made in Bihar Zamindari Abolition Compensation Bonds, rebate allowed and amount written-off on account of bad debts for fresh assessment to the assessing officer, and the disallowance of interest on non-performing advances to the CIT(A), New Delhi. Our Bank has accordingly filed an appeal before the High Court of Delhi at New Delhi against such order dated September 28, 2007, challenging the disallowances on depreciation on investments and amortization of securities amounting to Rs. 4.82 crore. In the present stage of the proceedings, there is no demand of income tax imposed on our Bank, as per demand notice dated August 7, 2009. The proceedings are presently pending before the CIT(A), New Delhi.

Assessment Year 2005-2006

The DCIT, Circle 14(1), New Delhi passed an order dated November 30, 2007 against our Bank making certain additions on the basis of disallowance including amortization of securities, depreciation on land/amortization, payment of membership fees of clubs, interest on infrastructure bonds and exempt loans and provision for wage revision, aggregating to a total addition of Rs. 352.31 crore, and an assessable income of Rs. 286.55 crore for the assessment year 2005-2006, on which demand of Rs. 134.23 crore was imposed. Our Bank filed an appeal (no. 26/CIT(A)XVII/Del/07-08) before the CIT(A)-XVII, New Delhi. The CIT(A), New Delhi passed an order dated January 15, 2009 deleting disallowances aggregating to Rs. 268.18 crore. The CIT(A), New Delhi also enhanced the disallowance of Rs. 10.16 crore to Rs. 12.05 crore as determined by the order of the DCIT, Circle 14(1), New Delhi dated November 30, 2007 with respect to dividend and exempted income received by our Bank in assessment year 2005-2006. Our Bank filed an appeal (no. 1374/Del-2009) before the ITAT, New Delhi challenging the said enhancement of disallowance to Rs. 12.05 crore. Our Bank filed application before the HPC on May 4, 2009 for authorization to file the appeal (no. 1374/Del-2009). In the present stage of the proceedings, there is demand of Rs. 134.23 crore of income tax imposed on our Bank, as per demand notice dated November 30, 2007. The Bank proposes to file application for restoration of the proceedings before the ITAT, New Delhi, upon receipt of authorization from the HPC.

Assessment Year 2006-2007

The Additional Commissioner of Income Tax ("**Addl. CIT**"), Range 14, New Delhi passed an assessment order dated December 29, 2008 making addition of Rs. 151.60 crore to our assessable income for the assessment year 2006-2007 on the basis of various disallowances including amortization of premium on securities, depreciation of investment, interest accrued on investment in Bihar Zamindari Abolition Compensation Bonds, 1973, depreciation of land/amortization, expenditure incurred on membership fees of clubs, proportionate expenditure against income received as dividend on shares claimed as exempt, contribution made to provident fund and expenditure incurred towards voluntary retirement scheme of the employees of our Bank. A demand of Rs. 59.19 crore has been imposed on our Bank by demand notice dated December 28, 2008. Our Bank has filed an appeal (no. 150/08-09) before the CIT(A)-XVII, New Delhi against such order dated December 29, 2008. The CIT(A)-XVII, New Delhi passed an order dated July 15, 2010 confirming the addition of Rs. 0.04 crore as interest accrued on investment in Bihar Zamindari Abolition Compensation Bonds, 1973, and partly allowing relief of Rs. 2.44 crore on addition of Rs. 10.32 crore on proportionate expenditure against income received as dividend on shares claimed as exempt, subject to verification by the assessing officer, and the entire amount of such amount of addition being remanded for verification. The rest of the disallowances have been deleted, but the appeal effect is yet to be received. The Bank is proposing to file an appeal against such order of the CIT(A)-XVII, New Delhi

Assessment Year 2006-2007 (Fringe Benefit Tax)

The Addl. CIT, Range 14, New Delhi passed an assessment order dated December 29, 2008 making addition of Rs. 66.91 crore as amount deposited in the pension fund of our Bank during the assessment year 2006-2007 to the total value of fringe benefits, and imposing a demand of Rs. 29.93 crore on our Bank by demand notice dated December 28, 2008. Our Bank filed an appeal (no. 152/CIT(A)XVII/Del/08-09) before the CIT(A)-XVII, New Delhi against such order dated December 29, 2008. The CIT(A)-XVII, New Delhi passed an order dated June 30, 2009 dismissing our appeal. Our Bank has accordingly filed an appeal (no. 3869/Del-2009) before the ITAT, New Delhi, which is presently pending.

Assessment Year 2007-2008

The Addl. CIT, Range 14, New Delhi passed an order dated December 15, 2009 for the assessment year 2007-2008 against our Bank, making total addition of Rs. 102.21 crore to book profits and Rs. 102.26 crore to our assessable income based on disallowances including amortization of expenditure on securities, depreciation of investments, additional contribution made to employees pension fund trust, payment of membership fees to clubs and depreciation of land/amortization, aggregating to a total taxable income of Rs. 28.86 crore, on which demand of Rs. 13.36 crore was imposed on our Bank by demand notice dated December 15, 2009. Our Bank filed an appeal against such order dated December 15, 2009 before the CIT(A)-XVII, New Delhi. The proceedings are presently pending before the CIT(A)-XVII, New Delhi.

The JCIT, Range-51, New Delhi passed an order dated May 28, 2010 for the assessment year 2007-2008, imposing penalty of Rs. 0.07 crore on account of delayed filing of quarterly e-tax deducted at source. The Bank has filed an appeal before the CIT(A)-XXX, New Delhi against such order dated May 28, 2010. The proceedings before the CIT(A)-XXX, New Delhi are presently pending.

Assessment Year 2007-2008 (Fringe Benefit Tax)

The Addl. CIT, Range 14, New Delhi passed an assessment order dated December 15, 2009 making addition of Rs. 33.44 crore as amount deposited in the pension fund of our Bank during the assessment year 2007-2008 to the total value of fringe benefits, and imposing a demand of Rs. 15.00 crore on our Bank pursuant to demand notice dated December 15, 2009. Our Bank has filed an appeal dated January 21, 2010 before the CIT(A)-XVII, New Delhi against such order dated December 15, 2009. The proceedings before the CIT(A)-XVII, New Delhi are presently pending.

Demand Notices for Income Tax

The Bank has received three notices imposing demand of income-tax on account of short-payment. The aggregate liability imposed by such notices is Rs. 0.05 crore. Brief particulars of such notices are set forth hereunder:

1. The Bank has received two notices dated June 24, 2010 pertaining to its branch at Nawashahr, imposing demands of Rs. 0.02 crore and Rs. 0.02 crore respectively, on account of short-payment of income-tax. The Bank is proposing to file a reply to such notices dated June 24, 2010.

2. The Bank has received a notice dated June 24, 2010 pertaining to its branch at Garshankar, imposing demand of Rs.0.01 crore, on account of short-payment of income-tax. The Bank is proposing to file a reply to such notice dated June 24, 2010.

Service Tax

There are three service tax proceedings pending against our Bank as on August 13, 2010. The aggregate claim quantified against us is approximately Rs. 0.01 crore. Brief particulars of such service tax proceedings are set forth hereunder:

1. Our Bank received a show cause notice dated December 2, 2009 from the Superintendent, Service Tax Department, Chandigarh demanding an amount of Rs. 56,414 on account of non payment of service tax for the period September 10, 2004 to September 21, 2004. Subsequent to this notice, our Bank filed a reply dated January 4, 2010. We received a notice from the Superintendent, Service Tax Department, Chandigarh dated March 2, 2010 on account of requisitioning the service tax amount of Rs. 56,414 in addition to interest of Rs. 36,669 for the period September 10, 2004 to September 21, 2004. Our Bank is in the process of filing reply.

2. Our Bank received a show cause notice (no. CE-20/STC/SCN/Punjab&SindBank/18/07/262) dated November 5, 2007 from the Assistant Commissioner, Central Excise Division, Chandigarh alleging a shortfall of Rs. 28,769 on account of less service tax paid on the exchange commission received. The Bank paid an amount of Rs. 22,362 along with an interest amounting to Rs. 13,914 and filed its reply to the abovementioned notice before the Deputy Commissioner, Central Excise Division, Chandigarh. The Deputy Commissioner, Central Excise Division, Chandigarh passed an order dated December 21, 2009 confirming the demand of service tax amounting to Rs. 28,769 and directed our Bank to pay the remaining balance of Rs. 6,407 along with interest and penalty. Our Bank filed an appeal dated March 26, 2010 before the Commissioner, Central Excise, (Appeals), Chandigarh disputing the balance amount mentioned above and claiming relief from the penalty imposed. The proceedings are presently pending.

3. The Central Excise Department had conducted an audit dated January 6, 2010 and January 7, 2010 at the branch office of our Bank situated at Rajbaha Road, Patiala. Pursuant to the audit, an amount of Rs. 0.02 crore on account of less service tax paid by our Bank on taxable banking services became payable. Our Bank deposited the abovementioned amount on January 23, 2010. Our Bank received notice dated March 29, 2010 demanding an additional payment of Rs. 7,100 on account of penal interest on the abovementioned amount. Our Bank filed a reply dated April 8, 2010 claiming a refund of Rs. 15,760 on account of the incorrect calculation of the taxable services. The matter is currently pending.

Interest Tax

There are four interest tax proceedings pending against our Bank as on August 13, 2010. The aggregate demand/refund amount involved in such proceedings as on August 13, 2010 is Rs. 2.03 crore. Brief particulars of such interest tax proceedings are set forth hereunder:

Assessment Year 1996-1997

An assessment order dated February 3, 1999 was passed by the JCIT, Special Range-2, New Delhi under Section 8(2) of the Interest Tax Act, 1974 ("**Interest Tax Act**") making an addition of Rs. 8.64 crore to the chargeable interest. The JCIT, Special Range-2, New Delhi also granted refund of Rs. 0.28 crore pursuant to the order dated February 3, 1999. Our Bank filed an appeal against the assessment order dated February 3, 1999 before the CIT(A), New Delhi, which upheld the said assessment order by its order dated December 13, 2002 on the ground that no interest tax had been separately charged and recovered from the borrowers of our Bank and therefore it formed a part of the interest earned by our Bank. Pursuant to the order of the CIT(A) our Bank filed an appeal (no. 16/ Del/2001) and (no. 17/Del/2001) before the ITAT, New Delhi for the assessment year 1996-1997 which further upheld the order of the CIT(A), New Delhi by its order dated April 28, 2006. Our Bank has filed an appeal (no. 1641 of 2006) against the order of the ITAT, New Delhi before the High Court of Delhi at New Delhi. The proceedings are presently pending before the High Court of Delhi at New Delhi.

Assessment Year 1997- 1998

An assessment order dated March 13, 2000 was passed by the assessing officer, JCIT, Special Range- 2, New Delhi under Section 8(2) of the Interest Tax Act making an addition of Rs. 9.17 crore to the chargeable interest, and granting refund of Rs. 1.09 crore pursuant to demand notice dated March 13, 2000. Our Bank filed an appeal before the CIT(A), which upheld the said assessment order by its order dated March 30, 2001 on the ground that no interest tax had been separately charged and recovered from the borrowers of our Bank and therefore it formed a part of the interest earned by our Bank. Pursuant to the order of the CIT(A), New Delhi we filed an appeal (no. 57/ Del/2001) before the ITAT, New Delhi for the assessment year 1997-1998 which further upheld the order of the CIT(A), New Delhi by its order dated October 7, 2008. Our Bank has filed an appeal (no. 895 of 2009) before the High Court of Delhi. The amount of chargeable interest in dispute is Rs. 9.17 crore. The matter is presently pending.

Assessment Year 1998-1999

An assessment order dated February 14, 2001 was passed by the assessing officer, ACIT, Special Range-2, New Delhi under Section 8(2) of the Interest Tax Act making an addition of Rs. 6.77 crore to the chargeable interest and also disallowing discounting charges of Rs. 3.93 crore earned on 'Hundiana', on which interest tax demand of Rs. 0.30 crore was imposed pursuant to demand notice dated February 14, 2001. Our Bank filed an appeal against the assessment order dated February 14, 2001 before the CIT(A), New Delhi, which upheld the said assessment order by its order dated December 13, 2001 on the ground that no interest tax had been separately charged and recovered from the borrowers of our Bank and therefore it formed a part of the interest earned by our Bank. Pursuant to the order of the CIT(A), New Delhi we filed appeals (no. 16/ Del/2003) and (no. 17/Del/2003) before the ITAT, New Delhi for the assessment year 1998-99, which further upheld the order of the CIT(A), New Delhi by its order dated April 28, 2009. Our Bank has filed an appeal against the said order of the ITAT, New Delhi. The amount of chargeable interest in dispute is Rs. 10.70 crore. The matter is currently pending.

Assessment Year 2000- 2001

An assessment order dated March 27, 2003 was issued by the DCIT, Circle 14(1), New Delhi under Section 8(2) of the Interest Tax Act, making an addition of Rs. 8.53 crore to the chargeable interest on the basis of disallowing discounting charges of Rs. 3.33 crore earned on 'Hundiana' and deduction on account of hire charges of Rs. 2.97 crore and imposing a demand of Rs. 0.36 crore pursuant to demand notice dated March 27, 2003. An appeal was filed before the CIT(A), New Delhi by our Bank which upheld the assessment order by its order dated February 26, 2004. Subsequently, we filed an appeal (no. 25/Del/2004) before the ITAT, New Delhi which by its order dated February 15, 2008 upheld the order of CIT(A), disallowing the deduction claim with respect to the interest tax charged and collected from customers. The matter was then appealed before the High Court of Delhi (no. 603 of 2009) which by its order dated May 1, 2009, remanded the matter for fresh adjudication to the ITAT, New Delhi in the light of change of method of accounting in respect of booking of interest tax in separate account. The ITAT, New Delhi again upheld the addition pursuant to its order dated October 30, 2009. Our Bank filed an appeal (no. 717 of 2010) against such order of the ITAT, New Delhi before the High Court of Delhi at New Delhi. The matter was dismissed by order dated May, 18, 2010 on account of absence of authorization from the HPC. Our Bank proposes to file an application for restoring the proceedings before the High Court of Delhi at New Delhi, upon receipt of the authorization from the HPC.

*Notices Pertaining to Tax Deducted At Source ("**TDS**"):*

There are five notices pertaining to TDS pending against our Bank as on August 13, 2010. The aggregate claim quantified against us is approximately Rs. 0.03 crore. Brief particulars of such notices are set forth hereunder:

1. Our Bank, at our branch office G.T. Road Ludhiana received two notices, both dated April 30, 2010 from Income Tax Officer (TDS-II), Ludhiana demanding an aggregate amount of Rs. 27,200 on account of non-payment of TDS. Our Bank filed a reply dated May 13, 2010 to such notices. The proceedings are presently pending.

2. Our Bank, at our branch office Salem Tabri, Ludhiana received a notice dated November 28, 2008 from the Income Tax Officer (TDS-I), Ludhiana demanding an amount of Rs. 4,000 for the financial year 2000-2001 and 2001-2002 on account of income tax and penalties. Our Bank filed a reply dated December 9, 2008 requisitioning the basis of the demand. Subsequently, the Income Tax Officer (TDS-I), Ludhiana issued notices dated January 2, 2009, March 6, 2009, May 21, 2009, July 9, 2009, February 9, 2010 and May 6, 2010 raising the abovementioned demand. The Bank filed its reply through letters dated January 10, 2009, March 13, 2009, May 27, 2009, July 11, 2009, February 19, 2010 and May 14, 2010 respectively. The proceedings are presently pending.

3. Our Bank, at branch office Kashmiri Gate, New Delhi received a notice dated November 11, 2009 from the Income Tax Officer (TDS Ward 51(1)), New Delhi demanding an amount of Rs. 4,720 on account of non-payment of TDS for the assessment year 1996-1997 which was notified through notice dated November 8, 1999. The Bank is in the process of filing the reply. The proceedings are presently pending.

4. Our Bank received a letter dated April 21, 2010, providing reference to the letter (no. 190) dated December 2, 2009 from the Zonal Accounts Office, Central Board of Direct Taxes, New Delhi, which claimed interest on the delayed remittance of taxes amounting to Rs. 2,90,298. Our Bank filed two replies dated May 18, 2010 and May 24, 2010 explaining the difficulties in reconciling the entries pertaining to branch offices at Kashmiri Gate and Fatehpuri in the absence of core banking, in order to justify the delay. The proceedings are presently pending.

5. Our Bank received a notice under 201(1) and 201(1A) of the I.T. Act by the Income Tax Officer (TDS) - II, Indore on account of non-deduction of income tax at source on Magnetic Ink Character Recognition ("**MICR**") processing charges paid to the State Bank of Indore, Service Branch, Ada Bazar, Indore for the assessment year 2001-2002 to 2008-2009, under section 194J of the I.T. Act. The demand against our Bank is not quantified. Our Bank filed a reply dated March 4, 2010. The proceedings are presently pending.

Sales Tax

There is one sales tax proceedings pending against our Bank as on August 13, 2010. The aggregate claim quantified against us is approximately Rs. 0.05 crore. Brief particulars of such sales tax proceeding is set forth hereunder:

Our Bank received a notice dated September 29, 2005 from the Pay and Accounts Officer-XXI, New Delhi, demanding an amount of Rs. 0.05 crore on account of delayed remittance of sales tax. Further, Our Bank received various notices dated July 25, 2006, July 13, 2007, December 31, 2007, February 25, 2008, July 14, 2008, March 28, 2009, April 17, 2009, and November 10, 2009, for payment of the demand of the abovementioned amount. Our Bank is presently in the process of filing our reply. The proceedings are presently pending.

Applications under the Right to Information Act, 2005 ("RTI Act")

Applications for information from any public authority in India can be submitted under the RTI Act, to the Public Information Officer ("**PIO**") of such public authority with a nominal application fee. The PIO is expected to reply within 30 days, else the application is deemed refused. The applicant can ordinarily submit an appeal within 30 days from the receipt of the public authority's response, before a designated officer senior in rank to the PIO in such public authority (the First Appellate Authority, or "**FAA**"). An appeal may be filed on grounds including non-receipt of sufficient information or rejection of the application. A further appeal against the directions of the FAA may be submitted before the Central Information Commission ("**CIC**", in case of central government authorities). As on date of filing of this DRHP, there are 50 RTI applications being processed by our Bank's PIO filed at our Head Office and various Zonal Offices, and there are 30 appellate proceedings pending under the RTI Act before the FAA of our Bank. As on August 13, 2010, we have not received any notice of any proceedings pending before the CIC.

Complaints before the Banking Ombudsman

There is one complaint pending against our Bank before the Banking Ombudsman as on August 13, 2010. The aggregate claim quantified against us is approximately Rs. 2.50 crore. Brief particulars of such claim are set forth hereunder.

Our Bank had sanctioned a term loan of Rs. 25.00 crore through Board resolution dated September 29, 1999 to Rajasthan Industrial and Investment Corporation ("**RIICO**"). The loan was guaranteed by the Government of Rajasthan. The Bharatpur branch of our Bank issued a bank guarantee of Rs. 2.50 crore in favour of RIICO on behalf of Cimmco Birla Limited ("**CIMMCO**"). A breach of agreement occurred between Cimco and RIICO after which RIICO had invoked the abovementioned bank guarantee and issued a notice to our Bank for payment of the Rs. 2.50 crore. Our Bank did not release the bank guarantee and thus, RIICO filed a complaint against our Bank before the Banking Ombudsman, RBI Jaipur. The Banking Ombudsman through order dated December 31, 2001 wherein it authorized RIICO to reduce the bank guarantee amount sanctioned by our Bank by Rs. 2.27 crore. Our Bank filed a civil writ petition dated August 6, 2004 before the High Court, Jaipur praying for setting aside the order dated December 31, 2001. The proceedings are presently pending.

Civil Suits

There are 55 civil suits filed by various persons against our Bank as on August 13, 2010. The aggregate claim quantified against us, to the extent that such amount is ascertainable, is approximately Rs. 6.15 crore, excluding arrears of rent and interest, where the aggregate amount claimed against us is not quantified. Brief particulars of the civil suits are set forth hereunder:

1. Satish Kumar filed a civil suit (no. 34 of 2005) against our Bank before the District Court, New Delhi praying for eviction of our Bank from the premises at Flat 103, Rajender Place, being the registered office and payment of rent arrears amounting to Rs. 43,292 along with interest. The District Court, New Delhi passed an order dated November 3, 2009 directing our Bank to pay enhancement of rent from November 15, 2000 at the rate of 15% per annum. As per the order of the District Court, New Delhi our Bank has already paid an amount of Rs. 58,916. The proceedings are presently pending.

2. O.P. Kapoor filed a civil suit in 1994 against our Bank before the District Court, New Delhi claiming rent arrears for the premises situated at B-45/47, South Connaught Place, New Delhi. The District Court, New Delhi passed an order dismissing the suit. Against the order of the District Court, New Delhi O.P. Kapoor filed an appeal (no. 404 of 2002) before the High Court of Delhi at New Delhi praying for eviction of our Bank from the abovementioned premises and payment of enhanced rent arrears. The High Court of Delhi at New Delhi passed an order dated May 30, 2006 directing our Bank to vacate the premises and pay an amount at the rate of Rs. 35 per square feet along with interest on the premises admeasuring 2,192 square feet from October 1994 till the vacation of the premises, aggregating to Rs. 0.39 crore which was duly deposited in the District Court, New Delhi by our Bank. Further, O.P. Kapoor has filed an application (no. 1985 of 2006) before the District Court, New Delhi claiming Rs. 0.52 crore. The proceedings are presently pending.

3. Vikas Theatres filed a civil suit (no. 474 of 2003) against our Bank before the District Court, New Delhi claiming an amount of Rs. 0.09 crore alleging that the bank had mistakenly charged an excessive amount while adjusting their loan amount. Further, Vikas Theatres also claimed an enhanced rent on the premises situated at H-11, Connaught Place New Delhi, to which our Bank was a tenant. The proceedings are presently pending.

4. Ganesh Builders Private Limited filed a civil suit (no. 819 of 2004) against our Bank before the High Court of Delhi at New Delhi praying for enhancement of rent amounting to Rs. 0.36 crore and eviction of our Bank from the premises situated at C-9, Janakpuri, New Delhi. The proceedings are presently pending.

5. Badri Nath Builders Private Limited filed a civil suit (no. 418 of 2006) against our Bank before the High Court of Delhi at New Delhi praying for enhancement of rent amounting to Rs. 0.63 crore from the period from February, 2003 to January, 2006 and eviction of our Bank from the premises situated at C-8, Janakpuri, New Delhi. The proceedings are presently pending.

6. Chennai Boarding House filed a civil suit (no. 203 of 2002) against our Bank before the District Court, New Delhi claiming vacant possession of the premises situated at E-6, Connaught Place, New Delhi and claimed rent arrears amounting to Rs. 0.08 crore. The District Court, New Delhi passed an order dated July 1, 2005 directing our Bank to vacate the premises. Our Bank filed an appeal before the High Court of Delhi at New Delhi and prayed for grant of time to vacate the premises by December 31, 2006. The High Court of Delhi at New Delhi passed an order dated July 6, 2006 upholding the appeal and thereupon

our Bank surrendered the premises on December 20, 2006. Further, V.P. Puri, the principal landlord had filed another civil suit (no. 237 of 2003) against Chennai Boarding House and our Bank before the District Court, New Delhi praying for possession of the premises and claiming enhanced rent. The District Court, New Delhi passed an order dated April 18, 2007 dismissing the suit. V.P. Puri filed an appeal before the High Court of Delhi at New Delhi praying for setting side the order of the District Court, New Delhi. The proceedings are presently pending.

7. Vikas Theatres filed a civil suit (no. 75 of 2003) against our Bank before the District Court, New Delhi claiming an amount of Rs.0.11 crore on account of damage caused by our Bank to the property situated at H-11, Connaught Place New Delhi, owned by them upon surrender. The District Court, New Delhi passed an order dismissing the claim filed by Vikas Theatre. Vikas Theatres filed an appeal (no. 176 of 2004) before the High Court of Delhi at New Delhi. The proceedings are presently pending.

8. Dr. V.K. Saini had filed a civil suit (no. 1664 of 2007) against our Bank before the High Court of Delhi at New Delhi praying for a decree for possession of the premises situated at M Block, Connaught Place, New Delhi and claiming an amount of Rs. 0.08 crore on account of enhanced rent. The lease of our Bank is valid upto March 31, 2014. The proceedings are presently pending.

9. Atma Ram Properties had filed an eviction petition before the High Court of Delhi at New Delhi against P.S. Jain & Co and our Bank praying for vacant possession of the premises situated at IBD, Scindia House, Connaught Place, New Delhi. The High Court of Delhi at New Delhi passed an order dated October 30, 1995 directing our Bank to deposit the monthly rent in the High Court of Delhi at New Delhi. The High Court of Delhi at New Delhi transferred the case to the District Court, New Delhi. During the pendency of the petition, amicable settlement on a total monthly rent of Rs. 0.02 crore between our Bank and Atma Ram Properties took place and the matter was disposed of. Further, P.S. Jain & Co had filed another suit (no. M32.07 of 2008) before the High Court of Delhi at New Delhi against our Bank and Atma Ram Properties alleging that our Bank had failed to deposit the monthly rent, amounting to Rs. 39,442, on a regular basis. The proceedings are presently pending.

10. Yogeshwar Dayal filed a civil suit (no. 235 of 2007) against our Bank before the District Court, New Delhi for recovery of arrears of rent amounting to Rs. 0.09 crore for the premises situated at no. 1944-1951, Chandni Chowk, Delhi. The proceedings are presently pending.

11. Sun Chandra & Co. had filed a civil suit (no. 236 of 2007) against our Bank before the District Court, New Delhi for recovery of arrears of rent amounting to Rs. 0.20 crore for the premises situated at no. 1944-1951, Chandni Chowk, Delhi. The matter is currently pending.

12. Harish Miglani had filed a civil suit (no. E-152 of 2008) against our Bank before the District Court, New Delhi for recovery of rent arrears amounting to Rs. 17,424 for the premises situated at shop 29, Tilak Nagar, New Delhi. The District Court, New Delhi passed an order dated July 27, 2009 directing our Bank to deposit the abovementioned sum in the District Court, New Delhi. The proceedings are presently pending.

13. Mandeep Singh Anand filed a civil suit (no. 179 of 1996) dated March 11, 1996 against our Bank before the High Court of Delhi at New Delhi for recovery of rent arrears amounting to Rs. 0.21 crore for the premises situated at Asif Ali Road, Dariyaganj. The proceedings are presently pending

14. Ruby Soni had filed a civil suit (no. 13 of 2008) dated June 6, 2008 against Sunil Malthotra, our Bank and others before the District Court, New Delhi for recovery of rent arrears amounting to Rs. 0.04 crore for the premises situated at Rajouri Garden, New Delhi. The Bank has already surrendered the premises. The proceedings are presently pending.

15. Universal Industries Limited filed a civil suit (no. 75 of 2009) against our Bank before the District Court, New Delhi praying for the vacant possession of the premises situated at Main Lothian Road, Kashmiri Gate and recovery of enhanced rent amounting to Rs. 0.08 crore. The proceedings are presently pending.

16. Balbir Singh Kohli filed a civil suit (no. 646 of 2008) dated October 25, 2008 against our Bank before the District Court, New Delhi for recovery of Rs. 0.20 crore as corporation tax and damages for the premises situated at Gujrawala Town, New Delhi. The Bank has deposited an amount of Rs. 0.06 crore as

corporation tax and has appropriated the amount from the rent payable to Balbir Singh Kohli. The proceedings are presently pending.

17. Bansal Trust filed a civil suit (12 of 2005) dated May 10, 2005 against our Bank before the District Judge, Agra praying for a decree for vacant possession of the premises situated at 11/187 Ghatia Azam Khan, Agra and claiming an amount of Rs. 0.03 crore towards rent, house tax. The proceedings are presently pending.

18. Harleen Kaur filed a civil suit dated October 18, 2005 against our Bank before the Civil Judge, Firozpur praying for a decree of vacant possession of the premises situated at no. 65, Jhoke Road, Firozpur Cantonment and damages. The proceedings are presently pending.

19. Amrik Singh filed a civil suit dated February 25, 2009 against our Bank before the Divisional Judicial Magistrate, Khanna, Ludhiana praying for recovery of rent amounting to Rs. 24,000 per month from the date of filing of the suit and vacant possession of the premises situated at Isru, Ludhiana. The proceedings are presently pending.

20. Surender Singh and others filed a civil suit dated February 24, 2009 against our Bank before the Civil Judge, Ludhiana praying for eviction from the premises situated at Dehlon, Ludhiana and claiming an enhanced rent at the rate of Rs. 25 per square feet amounting to Rs. 37,350 per month. The proceedings are presently pending.

21. Kailash Chander and others filed a civil suit dated November 7, 2006 against our Bank before the Rent Controller, Phagwara praying for vacant possession of the premises and for recovery of rent arrears. The proceedings are presently pending.

22. Manjit Singh filed a civil suit dated July 29, 2008 against our Bank and others before the Additional Civil Judge, Jalandhar praying for recovery of Rs. 0.08 crore on account of rent for the temporary use and occupation of the premises situated at G.T Road, Jalandhar by our Bank. The proceedings are presently pending.

23. Ram Krishna Joshi filed a civil suit in February, 2001 against our Bank before the District Court, Sangrur praying for vacant possession of the premises situated at Sangrur, Punjab. The District Court, Sangrur passed an order dated May 24, 2001 dismissing the said suit. Ram Krishna Joshi filed a restoration application dated July 16, 2001 before the District Court, Sangrur. The District Court, Sangrur passed an order dated December 1, 2007 dismissing the application. Ram Krishna Joshi filed an appeal dated December 18, 2007 against the order dated December 1, 2007 before the District Judge, Sangrur. The District Judge, Sangrur passed an order dated August 3, 2009, setting aside the order of the District Court, Sangrur and allowed the appeal and directed our Bank to vacate the premises within two months. Our Bank filed an appeal against the order dated August 3, 2009 before the High Court of Punjab and Haryana at Chandigarh. The High Court of Punjab and Haryana at Chandigarh passed an order dated December 24, 2009 upholding the order of the District Judge, Sangrur and directed our Bank to vacate the premises by June 30, 2011. The proceedings are presently pending.

24. Brij Mohan Singh filed a civil suit dated December 9, 2007 against our Bank before the Rent Controller, Nawanshaher praying for vacant possession of the premises situated at Nawanshaher, Hoshirpur. The proceedings are presently pending.

25. S.M. Mahajan filed a civil suit (no. 41523 of 2007) against our Bank before the Civil Judge-cum-Rent Controller, Chandigarh praying for vacant possession of the premises situated at Sector-15 D, Chandigarh. The proceedings are presently pending.

26. International Properties Private Limited had filed a civil suit dated November 13, 2006 against our Bank before the Rent Controller, Chandigarh praying for vacant possession of the premises situated at Sector-34, Chandigarh. The proceedings are presently pending.

27. Jagdish Chander Sharma had filed a civil suit dated July 22, 1999 against our Bank before the Rent Controller, Hissar praying for vacant possession of the premises situate at Hissar and recovery of rent arrears. The Rent Controller, Hissar passed an order dated March 29, 2003 upholding the suit and fixing the rent at Rs. 3,827 per month. Further, Jagdish Chander Sharma filed another civil suit dated June 13,

1998 before the Rent Controller, Hissar praying for vacant possession of the abovementioned premises and enhancement of rent. The Rent Controller, Hissar passed an order dated October 8, 2004 directing our Bank to vacate the premises. Our Bank filed an appeal dated October 27, 2004 against the order dated October 8, 2004 before the Appellate Authority, Hissar. The Appellate Authority, Hissar passed an order dated May 3, 2005 setting aside the order of the Rent Controller, Hissar dated October 8, 2004 and upholding the appeal. Jagdish Chander Sharma filed a revision petition (no. 4729 of 2005) dated November 18, 2005 before the High Court of Punjab and Haryana at Chandigarh against the order dated May 3, 2005. The High Court of Punjab and Haryana at Chandigarh rejected the revision petition due to delay in filing. Further, Jagdish Chander Sharma filed another civil revision petition (no. 1376 of 2007) dated February 13, 2007. The proceedings are presently pending.

28. Music World had filed a civil suit (no. 1188 of 2001) dated June 14, 2001against our Bank before the Small Causes Court, Chennai praying for fixing monthly rent. The Small Causes Court, Chennai passed an order dated August 20, 2004 fixing the monthly rent at Rs. 86,460 per month from the date of filing of the petition. Our Bank filed an appeal (no. 1301 of 2004) against the order dated August 20, 2004. Further, Music World has also filed an appeal (no. 608 of 2005) against the order dated August 20, 2004 praying for fixing of higher rent. The proceedings are presently pending.

29. S.K. Seth, the principal land lord, filed a civil suit (no. 422 of 2000) dated March 14, 2000 against Krishna and Sunita, tenants of S.K. Seth, and our Bank, sub-tenant of Krishna and Sunita, before the District Court, Kolkata praying for damages amounting to Rs. 2,000 per day and vacant possession of the premises situated at Kalakar Street, Bada Bazaar, Kolkata, sub-leased to our Bank. Further S.K. Seth has also prayed for an injunction to be passed restraining the accused persons from collecting any rent from our Bank. The District Court, Kolkata, passed an order dated July 11, 2001 restraining Krishna and Sunita from collecting any rent from our Bank and directed our Bank to pay rent and damages. Krishna and Sunita filed an appeal (no. 422 of 2001) against the order dated July 11, 2001before the Division Bench, High Court, Kolkata, which passed an order granting a stay on the order of the District Court, Kolkata. S.K. Seth filed an application before the Civil Court, Kolkata, registered as miscellaneous case (no. 2468 of 2002). The Civil Court, Kolkata passed an order dated April 11, 2008 directing our Bank to pay an amount of Rs. 13,133 *i.e.* 50% of the monthly rent to the accused persons and deposit the remaining balance in the Civil Court, Kolkata. The proceedings are presently pending.

30. R.K. Sinha had filed a civil suit (no. 37 of 1986) against our Bank before the Civil Judge, Howrah praying for vacant possession of the premises situated at 22, G.T. Road Howrah and enhancement of rent. The proceedings are presently pending.

31. The Bank had rented the premises situated at Village Peeragarhi, New Delhi from the Gram Panchayat, New Delhi, in December 1976, for a rent of Rs. 500 per month. In 1987, the Gram Sabha was dissolved and our Bank stopped the payment of rent and acquired the ownership of the premises by adverse possession. Further, our Bank started construction on the premises which was disputed by the villagers and Umed Singh and others filed a complaint (no. 238 of 1995) dated December 22, 1995 against our Bank before the Sub-Divisional Magistrate, Punjabi Bagh, New Delhi alleging that the construction on the premises was unauthorized and praying for restraining our Bank from doing any further construction on the premise. The Sub-Divisional Magistrate passed an order dated March 25, 1996 directing our Bank to stop construction and maintain status quo. The proceedings are presently pending.

32. Kalpana Rani Roy filed a civil suit (no. 1723 of 2007) against our Bank before the Assistant District Judge, Alipur praying for vacant possession of the premises situated at 73, Ashutosh Mukherjee Road, Bhawanipur, Kolkata and claiming a monthly rent of Rs. 0.02 crore per month from September 2007 till the vacant possession of the premises. The proceedings are presently pending.

33. Dhan Kumar Agarwal filed a civil suit (no. 452 of 2005) against our Bank before the Civil Judge, Medinipur, Kolkata praying for the vacant possession of the premises situated at Post Office, Kharagpur, Medinipur, Kolkata and claiming an amount of Rs. 9,000 per month from June 2005 till the vacant possession of the premises. The Bank has filed a written statement dated September 26, 2008. The proceedings are presently pending.

34. Anantnath Maharaj Jain Temple filed a civil suit (no. 320/336 of 2001) dated April 30, 2001 against our Bank before the Small Causes Court, Mumbai praying for vacant possession of the premises situated at 107, LBS Marg, Bhandup, Mumbai and claiming an enhanced rent of Rs. 0.10 crore per month from

January 2001 till the vacant possession of the premises. The Small Causes Court, Mumbai passed an order dated June 7, 2006 directing our Bank to vacate the premises. Our Bank has filed an appeal against the order, dated June 7, 2006, before the Small Causes Court, Mumbai. The Small Causes Court, Mumbai passed an order dismissing the appeal and upheld the order for eviction of the premises. The proceedings are presently pending.

35. Preneet Co-operative Housing Society filed a civil suit (no. 68/75 of 2003) against our Bank before the Small Causes Court, Mumbai praying for vacant possession of the premises and an enhanced rent amounting to Rs. 0.06 crore per month from March 1, 2002 till the vacant possession of the premises, *i.e.* December 31, 2006. The proceedings are presently pending

36. Labh Singh filed a civil suit (no. 131/163 of 2005) against our Bank before the Small Causes Court, Mumbai praying for vacant possession of the premises situated at Pedder Road, Mumbai and a monthly enhanced rent amounting to Rs. 0.06 crore per month from April 1, 2003 till the vacant possession of the premises, by January 31, 2007. The proceedings are presently pending.

37. Dilwara Co-operative Housing Society filed a civil suit (no. 125/154 of 2008) against our Bank before the Small Causes Court, Mumbai praying for vacant possession of the premises situated at 8, M.K. Road, Nariman Point, Mumbai and a monthly enhanced rent amounting to Rs. 0.12 crore per month from January 1, 2000 till the vacant possession of the premises. The proceedings are presently pending

38. Arvind Bhai Rasik Bhai Chotal, the new landlord filed a civil suit dated March 16, 2007 against our Bank before the Small Causes Court, Rajkot praying for releasing of the monthly rent to him. Originally, the rent was being paid to Chandra Kant Modi. The proceedings are presently pending.

39. Rajat Joshi and Parmanand Joshi filed a civil suit (no. 1104 of 2008) against our Bank before the Small Causes Court, Ahmedabad, Gujarat praying for vacant possession of the premises situated at Gandhi Road, Mahalaxmi Bhawan, Ahmedabad and an enhanced rent of Rs. 4,500 per month from May 1, 2008 till the vacant possession of the premises. The proceedings are presently pending.

40. Shobha Rajeev Surana filed a civil suit (no. 26/31 of 2009) against our Bank before the Small Causes Court, Mumbai praying for vacant possession of the premises situated at Kalba Devi Road, Mumbai and an amount of Rs. 0.58 crore for property tax and repair cess. Our Bank has filed its written statement dated May 1, 2009. The proceedings are presently pending.

41. Kishor Kumar Garg filed a civil suit (no. 9 of 2008) against our Bank before the Additional District Judge, Morena praying for vacant possession of the premises situated at Lohia Bazar, Morena and claimed an enhancement of rent from Rs. 2,874 to Rs. 3,306 from the date of filing of the suit. The Additional District Judge, Morena dismissed the suit by order dated March 27, 2008. Kishor Kumar Garg filed an application for restoration of the suit which was granted by order dated April 8, 2009. The Bank has filed a written statement. The proceedings are presently pending.

42. Vishnu Kumar Jaiswal filed a civil suit (no. 242 of 2008) against our Bank before the Civil Judge, Itarsi praying for vacant possession of the premises situated at Itarsi, Hosanga. The proceedings are presently pending.

43. Tajinder Pal Singh filed a civil suit (no. 219 of 2009) against our Bank before the Civil Judge, Amritsar praying for vacant possession of the premises situated at Tarntaran Road, Amritsar. The proceedings are presently pending.

44. Chief Khalsa Diwan filed a civil suit (no. 14 of 2010) against our Bank before the Rent Controller, Amritsar praying for vacant possession of the premises situated at Railway Road, Amritsar. Our Bank is in the process of filing a written statement. The proceedings are presently pending.

45. M.L. Muniyal filed a civil suit (no. 12 of 2007) against our Bank before the Additional District Judge, Dehradun praying for vacant possession of the premises situated at Majra, Dehradun and claimed an amount of Rs. 30,000 per month as enhanced rent from May 2007 till the vacation of the premises. The proceedings are presently pending.

46. Nand Lal Madnani filed a civil suit (no. 92 of 2000) dated April 11, 2000 against our Bank before the District Court, Sultanpur claiming an amount of Rs. 0.05 crore as damages alleging that the premises situated at Jagdishpur, Sultanpur were surrendered within five years. The proceedings are presently pending.

47. Manorama Agencies had filed a civil suit (no. 47 of 1985) against our Bank before the Rent Controller and Eviction Officer, Allahabad praying for fixation of monthly rent. The Rent Controller and Eviction Officer, Allahabad passed an order dated October 4, 1989 fixing the monthly rent from Rs. 5,150 to Rs. 20,000. Manorama Agencies filed an appeal (no. 368 of 1989) against the order dated October 4, 1989 before the Additional District Judge, Allahabad. Further, our Bank filed an appeal (no. 388 of 1989) against the order of the Rent Controller and Eviction Officer, Allahabad before the Additional District Judge, Allahabad. The Additional District Judge, Allahabad passed an order dated September 30, 1996 disposing both the appeals and reducing the rent from Rs. 20,000 to Rs. 15,000 per month. Manorama Agencies filed a writ petition (no. 40333 of 1996) against the order of the Additional District Judge, before the High Court, Allahabad. Further, our Bank also filed a writ petition (no. 404 of 1997) before the High Court, Allahabad. Both the proceedings are presently pending. Further, Manorama agencies also filed another suit (no. 9 of 1996) against our Bank before the District Judge, Allahabad praying for enhancement of rent and vacant possession of the premise. The Additional District Judge, Allahabad passed an order dated May 31, 1999 decreeing the suit for vacant possession and directed the parties that the enhancement of rent shall be subject to the decision pending before the High Court, Allahabad. Thereafter, Manorama Agencies filed a review application before the Additional District Judge, Allahabad. The Additional District Judge, Allahabad passed an order dated December 20, 2000 directing our Bank to pay a sum of Rs. 4,000 per day from May 30, 1996 till the vacation of the premises. Our Bank filed a civil revision petition (no. 63 of 2001) against the order dated December 20, 2000 before the High Court, Allahabad praying for stay on the impugned order dated December 20, 2000. Our Bank also filed another civil revision petition (no. 305 of 1999) before the High Court, Allahabad challenging the order directing the vacant possession of the premises. The High Court, Allahabad passed an order staying the eviction proceedings and directing our Bank to pay monthly rent. The High Court, Allahabad passed another order dated April 9, 2008 dismissing the revision petition filed by our Bank and upholding the eviction from the premises. Our Bank filed a special leave petition (no. 27182 of 2008) before the Supreme Court of India which was dismissed by order dated December 1, 2008. The proceedings are presently pending.

48. Lalit Mohan Madan, owner of the premises situated at Safdarjung Enclave, New Delhi had purchased the premises from the Delhi Development Authority. Further, our Bank purchased the abovementioned premises from Madan & Co. in the year 1977 and paid the full consideration amount. Despite numerous requests from our Bank, the sale deed was not executed by Lalit Mohan Madam in favour of our Bank alleging that no permission of the sale of the abovementioned property was given by Delhi Development Authority. Thereafter, Lalit Mohan Madan filed a civil suit (no. 2074 of 1998) against our Bank before the High Court of Delhi at New Delhi alleging that since the Delhi Development Authority did not grant the permission to sell the premises and prayed for the cancellation of the agreement to sell with our Bank. The proceedings are presently pending.

49. Bharat Chamber of Commerce filed a civil suit (no. 2 of 2003) against our Bank before the City Civil Court, Kolkata praying for the vacant possession of the premises situated at 8, Old Court House Street, Kolkata and claiming an amount of Rs. 5,000 per day from August 2003 till the vacant possession of the premises. Further, Bharat Chamber of Commerce sold the property to Frontline Corporation Limited in 2005. The proceedings are presently pending.

50. Techonoshop Private Limited had filed a civil suit (no. 1899 of 2008) against our Bank before the High Court, Kolkata praying vacant possession of the premises situated at 12/1, Lindsey Street, Kolkata and claimed an amount of Rs. 0.12 crore on account of arrears in rent. The proceedings are presently pending.

51. The Bank had filed a civil suit (no. 346 of 1998) dated June 8, 1998 against Satpal before the Civil Judge, Rampuraphul for a recovery of Rs. 0.02 crore on account of damages for delay and non-delivery of the premises situated at Rampuraphul, Bhatinda. Satpal filed a counter-claim for damages amounting to Rs. 0.08 crore. The Civil Judge passed an order dated June 9, 2005 directing our Bank to pay Satpal an amount of Rs. 8,125 per month until the removal of goods owned by our Bank from the abovementioned premises. Our Bank filed an appeal (no. 2806 of 2007) before the High Court of Punjab and Haryana at Chandigarh. Further, Satpal also filed an appeal against the order dated June 9, 2005 before the High

Court of Punjab and Haryana at Chandigarh. The High Court of Punjab and Haryana at Chandigarh passed an order dated March 24, 2007 directing our Bank to pay Satpal an amount of Rs. 8,125 per month from March 4, 1999 till August 2, 2000 along with interest. Further, our Bank paid the amount as directed by the High Court of Punjab and Haryana at Chandigarh to Satpal. The civil proceedings initiated by our Bank are presently pending.

52. Gurmukh Singh filed a civil suit (no. 124 of 1989) dated May 9, 1989 against our Bank before the District Judge, New Delhi praying for recovery of Rs. 75,000 along with interest on account of rent arrears on the premises situated at 126, Sunder Nagar, New Delhi rented to our Bank. The District Judge, New Delhi passed an order dated February 27, 1999 directing our Bank to pay an amount of Rs. 57,143 along with interest till realization. Our Bank filed an appeal (no. 322 of 1999) before the High Court of Delhi at New Delhi against the order dated February 27, 1999. Further, our Bank deposited an amount of Rs. 0.01 crore in the High Court of Delhi at New Delhi and the appeal was admitted. The proceedings are presently pending.

53. Sawant Singh had filed a civil suit (no. 375 of 1990) against our Bank before the High Court of Delhi at New Delhi praying for recovery of Rs. 0.04 crore on account of damage to the premises situated at 124, Sunder Nagar, New Delhi. The District Court, New Delhi passed an order dated November 11, 2003 directing our Bank to pay the abovementioned amount. Our Bank filed an appeal (no. 887 of 2003) before the High Court of Delhi at New Delhi against the order dated November 11, 2003 and deposited the abovementioned amount. The proceedings are presently pending.

54. In connection with the O.A. (no. 109 of 1997) mentioned hereunder, Sitaram Sree Gopal Private Limited filed a suit (no. 21 of 1996) before the High Court of Kolkata seeking a declaration to the effect that Sitaram Sree Gopal Private Limited has no obligation to pay our Bank any amount, and further seeking damages of Rs. 2.61 crore. The proceedings are presently pending. ***"Litigation by our Bank-Debt Recovery Litigation"***.

55. In connection with the O.A. (no. 1033 of 1995) mentioned hereunder, Vinod Jain, one of the guarantors of Orient Enterprises has filed a suit (no. 106 of 1980) before the High Court of Delhi at New Delhi, seeking permanent injunction restraining our Bank from making any payment under the letter of credit facilities granted to Orient Enterprises. The proceedings are presently pending. For further details, see ***"Litigation by our Bank-Debt Recovery Litigation".***

Consumer Complaints

There are 30 consumer proceedings pending against our Bank filed before the National and various District Consumer Dispute Redressal Forums. These proceedings primarily relate to delay in disbursement of loans, payment of interest on deposits, excess interest charged on loans, non payment of interest on subsidy under riot affected schemes and dishonour of cheques. The aggregate amount claimed in such proceedings against our Bank as on August 13, 2010 is approximately Rs. 1.37 crore.

Industrial Disputes/Labour Related Cases

There are 235 cases filed against our Bank by various former or current employees or employees on probation or temporarily employed to carry out works by our Bank before various tribunals including the High Courts and the Supreme Court of India. These proceedings primarily relate to claims for termination of service, reinstatement along with back wages, promotions, transfers, claims pertaining to terminal benefits and disciplinary actions taken against them. The financial implication in these cases is not quantifiable as no liquidated amount has been claimed. The details of the significant proceedings which are pending before the Supreme Court of India are set forth below.

1. The All India Regional Rural Bank Officers Federation and others filed a civil writ petition (no. 486 of 2008) against the Union of India, NABARD and 26 Banks before the High Court of Delhi at New Delhi praying for parity in wages and pension of officers and other employees of the sponsored banks. Further, NABARD filed a transfer petition (no. 273 of 2009) before the Supreme Court of India for transferring all the writ petitions pending before various High Courts in India to the Supreme Court of India. The proceedings are presently pending.

2. Chand Singh filed a civil writ petition (no. 2102 of 1985) against our Bank before the High Court of Punjab and Haryana at Chandigarh praying for directions to our Bank for the promotion of Chand Singh from Scale-I to Scale-II. The High Court of Punjab and Haryana at Chandigarh passed an order dated September 26, 2007 directing our Bank to consider Chand Singh for promotion against the back-log of vacancies of middle management grade, falling within Scale-II, as it existed on September 1, 1980. Our Bank filed a special leave petition (no. 2866 of 2008) before the Supreme Court of India praying for a stay on the order of the High Court of Punjab and Haryana at Chandigarh. The proceedings are presently pending.

3. Daljinder Singh, a clerk at the branch office, Dhariwal was dismissed by order dated July 21, 1997 of our Bank on account of irregularities committed by him in loan portfolios. Daljinder Singh filed a civil suit (no. 287 of 1997) against our Bank before the Additional Civil Judge, Gurdaspur. The Additional Civil Judge, Gurdaspur passed an order dated February 22, 2002 dismissing the suit. Daljinder Singh filed an appeal (no. 713 of 2005) before the Appellate Court, Gurdaspur praying to set aside the order dated February 22, 2002. The Appellate Court, Gurdaspur passed an order dated October 7, 2004 reversing the order dated February 22, 2002. Our Bank filed an appeal before the High Court of Punjab and Haryana against the order dated October 7, 2004, Chandigarh. The High Court of Punjab and Haryana, Chandigarh passed an order dated March 10, 2005 dismissing the appeal and directing our Bank to reinstate Daljinder Singh. Our Bank filed a special leave petition (no. 12740 of 2005) before the Supreme Court of India against the order dated March 10, 2005. The Supreme Court of India passed an order dated July 16, 2007 granting a stay on the order of the High Court of Punjab and Haryana at Chandigarh. The proceedings are presently pending.

II. Litigation by our Bank

Except as disclosed hereunder, there are no pending legal or regulatory proceedings or investigations filed by our Bank.

Civil Suits

There are seven pending civil suits filed by our Bank as on August 13, 2010 before various courts and authorities in India. The aggregate claimed amount pending against us is not quantified in such pending civil suits. Brief particulars of such civil suits are set forth hereunder.

1. The Bank had purchased the premises situated at Music World, Chennai in 1980 under an agreement and made a payment of Rs. 0.52 crore thereto. Despite numerous requests from our Bank, Music World did not execute the sale deed pursuant to the said agreement. Thereafter, our Bank filed a civil suit (no. 668 of 2004) against Music World before the High Court of Madras at Chennai praying for specific performance of the agreement through execution of the sale deed. The proceedings are presently pending.

2. Inder Kaur, owner of the premises situated at Ashok Nagar, Bhubaneswar had served our Bank a notice for eviction from the said premises on the grounds that such premises were constructed on government-encroached land. Our Bank filed a civil suit (no. 140 of 2008) against Ms. Inder Kaur before the Civil Judge, Bhubaneswar. The proceedings are presently pending.

3. Our Bank filed a civil suit dated February 18, 2008 against Hotel Rajdoot and the Recovery Officer, DRT, Jabalpur, challenging the eviction order of the DRT, Jabalpur before the Civil Judge, Bhopal seeking declaration to the effect that our Bank is the lawful tenant of Hotel Rajdoot and restraining the Recovery Officer, DRT, Jabalpur and the Civil Judge, Bhopal from dispossessing our Bank from the premises situated at M.P. Nagar, Bhopal. Hotel Rajdoot had mortgaged the premises against loan facilty granted by certain lenders, and pursuant to the order of the DRT, Jabalpur, the premises were auctioned for realization of the loan amount. The above suit has been filed on account of the dues of our Bank not being considered in the said auction of the premises. The proceedings are presently pending.

4. Our Bank had filed two civil suits (no. 1 of 2000 and no. 2 of 2000) against Bandbox, the tenant before the State Officer, New Delhi seeking eviction of Bandbox from certain premises and claiming damages at the rate of Rs. 80 per square feet. The State Officer, New Delhi passed an order dated September 23, 2008 directing Bandbox to vacate the premises and passing a decree for damages at the abovementioned rate from the date of filing of the suit. Bandbox filed an appeal (no. 8 of 2008) before the District Judge, New Delhi against the order dated September 23, 2008. The proceedings are presently pending.

5. In connection with the suit (no. 2074 of 1998) abovementioned, our Bank has filed a civil suit (78 of 1988) against Lalit Mohan Madan before the District Court, New Delhi praying for execution of sale deed in favour of our Bank, for which our Bank had paid full consideration amount. The proceedings are presently pending. For further details, see ***"Litigation Against Our Bank-Civil Suits"***.

6. The Bank filed a civil suit against Goyel Industries before the Additional Rent Controller, New Delhi praying for eviction of Goyel Industries from the premises situated at 5/1, Pahadganj, New Delhi on the grounds that Goyel Industries were using the residential premises for commercial purposes. The Rent Controller passed an order dated March 14, 2005 allowing the petition of our Bank and directed the Delhi Development Authority to initiate an inquiry. Goyel Industries filed an appeal (no. 231 of 2005) against the order dated March 14, 2005 before the Additional Rent Control Tribunal, New Delhi. The proceedings are presently pending.

7. Our Bank filed a civil suit against General Transport Company before the Additional Rent Controller, New Delhi praying for eviction of General Transport Company from the premises situated at 5/1, Pahadganj, New Delhi on the grounds that General Transport Company were using the residential premises for commercial purposes and non payment of rent. The Additional Rent Controller, New Delhi passed an order dated August 25, 2007 allowing the petition of our Bank and directed the Delhi Development Authority to initiate an inquiry. General Transport Company filed an appeal (no. 163 of 2007) against the order dated August 25, 2007 before the Additional District Judge, New Delhi. The Additional District Judge passed an order dated January 15, 2008 dismissing the appeal. General Transport Company filed an appeal (no. 01 of 2008) against the order dated January 15, 2008 before the High Court of Delhi at New Delhi. The proceedings are presently pending.

Debt Recovery Litigation

In the ordinary course of the banking business, we have to initiate numerous legal proceedings, particularly for recovery of debts. As on August 13, 2010, there are a total of 8,040 proceedings for recovery of debts filed by our Bank, and the aggregate claim quantified against us is approximately Rs. 1,077.16 crore. Our Bank has filed 144 proceedings for recovery of debts, which involve an amount of Rs. 1.00 crore or more. Such proceedings are at various stages of adjudication, and partial recovery has been effectuated in certain proceedings. Further, interest has been sought by our Bank on the claimed amount in a significant number of proceedings. The actual financial implication in such proceedings as on August 13, 2010 is therefore not ascertainable. Brief particulars of such proceedings for recovery of debts, which involve an amount of Rs. 1.00 crore or more are set forth hereunder.

1. Our Bank had filed a suit (no. 499 of 1989) before the High Court of Delhi at New Delhi, which was transferred to the Debt Recovery Tribunal ("**DRT**")-I, New Delhi and renumbered as original application ("**O.A.**") (no. 128 of 1995) against Diamond Calendar Manufacturing Company and Punjabi Press, a partnership firm, and its partners and guarantors, for recovery of Rs. 1.35 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities, towards such dues. Our Bank had further commenced proceedings under the SARFAESI Act through issuance of demand notice dated August 18, 2004, and corrigendum dated April 12, 2008 to the said notice dated August 18, 2004 under Section 13(2) of the SARFAESI Act, pursuant to which proclamation of sale notice dated September 24, 2008 was issued, though no sale was finalized. Our Bank filed application (no. 206/2) before the Additional Chief Metropolitan Magistrate, Tis Hazari Court, New Delhi, for taking possession of the assets secured for such facilities and appointment of a receiver under the SARFAESI Act, which was allowed by order dated February 3, 2010, against which Diamond Calendar Manufacturing Company filed securitization appeal ("**S.A.**") (no. 16 of 2010), seeking orders restraining our Bank from taking further proceedings under SARFAESI Act during the pendency of the O.A. (no. 128 of 1995). The DRT-I, New Delhi passed order dated March 4, 2010, staying the proceedings subject to deposit of Rs. 1 crore by Diamond Calendar Manufacturing Company and Punjabi Press. The said amount has been paid. The O.A. (no. 128 of 1995) is pending before the DRT-I, New Delhi.

2. Our Bank filed an O.A. (no. 283 of 1999) before the DRT, New Delhi against Karishma Floriculture Limited, its directors and guarantors, for recovery of Rs. 1.90 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Karishma Floriculture

Limited and others from alienating, transferring or disposing of the assets secured for such facilities. Our Bank had further initiated proceedings under the SARFAESI Act by issuing demand notices under section 13(2) of the SARFAESI Act. Further, our Bank filed an application (no. 1214 of 2007) before the Chief Metropolitan Magistrate, New Delhi under the SARFAESI Act for taking possession of the assets secured for such facilities and appointment of receiver, which was allowed by order dated January 29, 2008. Karishma Floriculture Limited and others filed S.A. (no. 90 of 2008, no. 108 of 2008 and no. 109 of 2008) for restoration of possession of the properties taken into possession by our Bank through receiver, which were upheld by orders dated March 7, 2008 and two orders dated March 20, 2008 respectively, of the DRT-III, New Delhi. Our Bank filed appeals (no. 68 of 2008, no. 69 of 2008 and no. 40 of 2008) before the Debt Recovery Appellate Tribunal ("**DRAT**"), New Delhi against such orders dated March 7, 2008 and March 20, 2008. The DRAT, New Delhi referred such applications back to the DRT-I, New Delhi by three orders dated December 3, 2008, renumbered as S.A. (no. 4 of 2008, no. 5 of 2008 and no. 6 of 2008). The O.A. (no. 283 of 1999) and the S.A. (no. 4 of 2008, 5 of 2008 and 6 of 2008) is pending before the DRT, New Delhi

3. Our Bank filed an O.A. (no. 41 of 2004) before the DRT, New Delhi against Welcome India Impex, a partnership firm, its partners and guarantors, seeking recovery of Rs. 1.35 crore, as dues payable to our Bank towards facilities sanctioned by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Welcome India Impex and others from alienating, transferring or disposing of the assets secured for such facilities. The O.A. (no. 41 of 2004) is presently pending.

4. Our Bank filed a suit (no. 2947 of 1988) before the High Court of Delhi at New Delhi, which was transferred before the DRT-II, New Delhi and renumbered as O.A. (no. 1132 of 1995) against Skipper Builders Private Limited, its directors (including one Tejwant Singh) and guarantors, for recovery of Rs. 1.38 crore, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. The O.A. (no. 1132 of 1995) is presently pending before the DRT-II, New Delhi.

5. Our Bank filed a suit (no. 2945 of 1988) before the High Court of Delhi at New Delhi, transferred to the DRT, New Delhi and renumbered as O.A. (no. 333/1995) against Anand Constructions, Tejwant Singh and others, seeking recovery of Rs. 1.20 crore as dues payable to our bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Anand Constructions and others from alienating, transferring or disposing of the security. The O.A. (no. 333/1995) was decided in favour of our Bank by order dated August 23, 2006, and recovery certificate for Rs. 1.21 crore was issued accordingly. Recovery case (no. 1076 of 2006) is pending before the Recovery Officer, DRT, New Delhi.

6. Our Bank filed a suit (no. 1179 of 1987) before the High Court of Delhi at New Delhi, which was transferred to the DRT, New Delhi and renumbered as O.A. (no. 1250 of 1995), against Jain Exports Private Limited, its directors, their legal representatives and guarantors, seeking a decree for recovery of Rs. 17.27 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities, and restraining order against Jain Exports Private Limited and others from alienating, transferring or disposing of the security. By order dated July 23, 1997, the DRT, New Delhi passed order in favour of our Bank against Jain Exports Limited and recovery certificate was issued accordingly. Recovery case is pending before the Recovery Officer, DRT, New Delhi.

7. Our Bank filed a suit (no. 2147 of 1986) before the High Court of Delhi at New Delhi, which was transferred before the DRT, New Delhi and renumbered as Transferred Application ("**T.A.**"). (no. 341 of 1995) against Jain Shudh Vanaspati Limited and others, seeking recovery of Rs. 4.51 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities, and restraining order against Jain Shudh Vanaspati Limited and others from alienating, transferring or disposing of the security. It is alleged that these dues arise towards letter of credit facility, towards which payment had been made by our Bank on behalf of Jain Shudh Vanaspati as per decree of the High Court at London dated March 8, 1983. By order dated July 20, 1987 of the High Court of Delhi at New Delhi, the recovery proceedings were stayed in the light of the orders dated June 4, 1991 and July 10, 2006 of the BIFR, New Delhi recommending winding-up of Jain Shudh Vanaspati Limited and appointment of official liquidator in reference (no. 176 of 1988) before the BIFR, New Delhi. The proceedings are presently pending.

8. Our Bank filed an O.A. (no. 1033 of 1995) against Orient Enterprises and others before the DRT, New Delhi, seeking recovery of Rs. 2.00 crore as dues payable to our Bank towards letter of credit facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Orient Enterprises and others from alienating, transferring or disposing of the security. By order dated September 11, 2000 of the DRT, New Delhi, this case has been adjourned sine die, during the pendency of suit (no. 106/80) filed by Vinod Jain, guarantor of Orient Enterprises against our Bank before the High Court of Delhi at New Delhi. The proceedings are presently pending.

9. Our Bank filed an O.A. (no. 47 of 2003) before the DRT-III, New Delhi against Allied Beverages Company Private Limited and others seeking recovery of Rs. 1.47 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Allied Beverages Company Private Limited and others from alienating, transferring or disposing of the security. Restraining order against Allied Beverages Company Private Limited was issued by order dated July 30, 2003, and by order dated June 9, 2005, decision was passed in favour of our Bank for Rs. 1.45 crore (after deducting penal interest) along with interest, amounting to Rs. 2.10 crore, and recovery certificate was issued accordingly. The recovery case (no. 40 of 2005) is pending before the Recovery Officer, DRT-II, New Delhi. An appeal (no. 76 of 2005) was filed by Allied Beverages Company Private Limited against such order dated June 9, 2005 before the DRAT, New Delhi, which was dismissed by order dated March 29, 2007. A writ petition (no. 6069 of 2007) was filed against such order dated March 29, 2007 before the High Court of Delhi at New Delhi by Allied Beverages Company Private Limited, which was disposed by order dated August 24, 2007 reducing interest rate to 14% per annum, against which a special leave petition (no. 24745 of 2007) before the Supreme Court of India was filed by Allied Beverages Company Private Limited. Thereafter, our Bank filed an application (no. 47 of 2008) for auction of secured property in the recovery case (no. 40 of 2005) which was decided in favour of our by order dated April 21, 2009 and such secured property was attached. The proceedings are presently pending.

10. Our Bank filed an O.A. (no. 186 of 1998) before the DRT, New Delhi against Arnica International along with its proprietors and guarantors, for Rs. 5.85 crore due to our Bank as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Arnica International and others from alienating, transferring or disposing of the security. Our Bank had further issued notices under section 13(2) of the SARFAESI Act dated May 3, 2005. Arnica International and others filed S.A. (no. 446 of 2005) before the DRT, New Delhi for stay of proceedings under the SARFAESI Act during the pendency of recovery proceedings before the DRT, New Delhi, pursuant to which stay was granted by order dated July 4, 2005. Our Bank filed application (no. 818 of 2006) for vacation of stay, which was allowed by order dated May 11, 2007, following which our Bank issued fresh notices under Section 13(2) of the SARFAESI Act, on July 10, 2007. Pursuant to such proceedings, auction proceedings were conducted on April 17, 2008 (where full amount was not deposited) and September 8, 2008, of assets secured for such facilities, and recovery of Rs. 0.81 crore (by forfeiture of amount deposited in auction conducted on April 17, 2008) and September 8, 2008 for recovery of Rs. 2.11 crore, and property was handed over to him. The proceedings before DRT, New Delhi are presently pending.

11. Our Bank filed an O.A. (no. 136 of 1997) before the DRT, New Delhi against Chandigarh Packaging Products Limited and others for recovery of Rs. 1.03 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Chandigarh Packaging Products Limited and others from alienating, transferring or disposing of the security. Final order was passed in favour of our Bank dated May 31, 1999 by the DRT, New Delhi, and recovery certificate was issued accordingly. Recovery case (no. 10 of 2001) was initiated before the Recovery Officer, DRT, New Delhi. Our Bank has attempted to serve notice on Chandigarh Packaging Products Limited and others, but has not succeeded. Liquidation proceedings against Chandigarh Packaging Products Limited had commenced in company petition (no. 98 of 1994), and by order dated May 18, 1995, official liquidator was appointed. Our Bank has filed application before the DRT, New Delhi, seeking property seized by the official liquidator to be transferred before the Recovery Officer, DRT, New Delhi. The proceedings are presently pending.

12. Our Bank filed a suit (no. 979 of 1995) before the High Court of Delhi at New Delhi for recovery of Rs. 1.04 crore which was transferred to DRT-II, New Delhi and renumbered as T.A. (no. 171 of 2000) with revised amount of Rs. 1.01 crore against Duggal and Bajaj as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Duggal and Bajaj and others from alienating, transferring or disposing of the security. Final order dated December 11, 2009 was passed in favour of our Bank by the DRT-II, New Delhi for Rs. 1.03 crore and recovery certificate was issued accordingly. Recovery case (no. 163 of 2009) is pending before the Recovery Officer, DRT-II, New Delhi.

13. Our Bank filed an O.A. (no. 217 of 2000) against La Medical Devices Limited before the DRT, New Delhi seeking recovery of Rs. 1.24 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against La Medical Devices Limited and others from alienating, transferring or disposing of the security. An order dated June 15, 2000 was passed by the DRT, New Delhi appointing local commissioner to inventory the hypothecated assets, and report was filed by local commissioner on August 21, 2008. Earlier, liquidation proceedings in company petition (no. 42/1999) before the High Court of Delhi in New Delhi, were initiated against La Medical Devices Limited. The former Managing Director of La Medical Devices Limited filed applications (no. 695-696 of 2008) therein for release of payment towards dues to our Bank from the property seized by the official liquidator. By order dated December 22, 2008, the High Court of Punjab and Haryana directed the release of such amount to our Bank subject to filing of undertaking. Pradeshiya Industrial and Investment Corporation of Uttar Pradesh, another creditor of La Medical Devices Limited having first charge over the security filed two appeals (no. 1 and 2 of 2009) against such order seeking full amount held with the official liquidator being payable to them, as they had received only part payment within the stipulated time in settlement between them and La Medical Devices Limited. Orders were passed on May 14, 2010 by the High Court of Punjab and Haryana at Chandigarh for the official liquidator to release payment of Rs. 0.76 crore along with interest in favour of our Bank, of which Rs. 0.93 crore was credited to our Bank on June 18, 2010. The proceedings before the DRT, New Delhi are presently pending.

14. Our Bank filed an O.A. (no. 530 of 1997) against Univest Leasing and Finance Private Limited for recovery of Rs. 1.31 crore as dues payable to our Bank towards facilities granted by our Bank, with interest. It is alleged that the properties secured towards such facilities were not owned by Univest Leasing and Finance Private Limited, and that documents prepared for the same were fraudulent. By order dated January 28, 1999, the O.A. (no. 530 of 1997) was decreed in our Bank's favour and recovery certificate was issued accordingly. Recovery case (148 of 2002) was initiated before the Recovery Officer, DRT-II, New Delhi. The directors of Univest Leasing and Finance Private Limited are absconding and our Bank has filed criminal complaint dated April 9, 2003 with the Sub-Inspector, Police Station, Connaught Place, and criminal enquiry report dated April 15, 2008 was filed before the Metropolitan Magistrate, Patiala House, New Delhi. The proceedings are presently pending.

15. Our Bank filed a suit (no. 894 of 1992) before the High Court of Delhi at New Delhi, which was transferred and renumbered as O.A. (no. 266/1996) against Omni (India) Limited, Manik Chand Duggar and others before the DRT, New Delhi for recovery of Rs. 1.33 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Omni (India) Limited and others from alienating, transferring or disposing of the security. Final order was passed in favour of our Bank on November 9, 2004 and recovery certificate was issued accordingly. Recovery case (no. 179 of 2004) was initiated through before the Recovery Officer, DRT, New Delhi. The Recovery Officer, DRT, New Delhi issued notice to the legal representatives of the late Manik Chand Duggar on October 20, 2005 and again on December 16, 2005 for appearance. Thereafter, on April 22, 2010, the Recovery Officer, DRT-I passed order directing that the liability of legal representatives would be limited only to the extent of the property inherited by them. The recovery proceedings are presently pending.

16. Our Bank filed an O.A. (no. 181/2002) before the DRTI-I, New Delhi against Asian Alloys Limited and others for recovery of Rs. 6.53 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Asian Alloys Limited and others from

alienating, transferring or disposing of the security. Final order dated January 12, 2005 was passed in favour of our Bank with issuance of recovery certificate. Recovery case (no. 25 of 2005) was initiated before the Recovery Officer, DRT-I, New Delhi. Asian Alloys Limited filed reference (no. 32/2006) before the BIFR, New Delhi for declaration as a sick company, which was dismissed by order dated February 20, 2007. Appeal (no. 110/2007) was filed before the AAIFR, New Delhi, which dismissed such appeal (no. 110/200) by order dated July 31, 2008. Fresh reference (no. 38 of 2008) filed before BIFR, New Delhi by Asian Alloys Limited, but was dismissed on August 13, 2009, stating that it is a fit case for deregistration and all creditors were free to proceed against the case. Such order dated August 13, 2009 was filed by our Bank before the Recovery Officer, DRT-I, New Delhi on February 16, 2010. The recovery proceedings are presently pending. Further, against the order of the BIFR, New Delhi dated August 13, 2009, another appeal (no. 235 of 2009) has been filed, which is also presently pending.

17. Our Bank filed an O.A. (no. 247 of 1999) before the DRT, New Delhi against K.M.F. Limited and others for recovery of Rs. 1.37 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against K.M.F. Limited and others from alienating, transferring or disposing of the security. Final order dated September 14, 2005 was passed for Rs. 1.36 crore, and recovery certificate dated September 16, 2005 was passed for Rs. 1.38 crore, including interest. Recovery case (no. 69 of 2005) was initiated before the Recovery Officer, DRT, New Delhi, wherein sale proclamation order/notice of the assets secured for such facilities dated September 26, 2007 was issued. The recovery proceedings are presently pending.

18. Our Bank filed an O.A. (no. 244 of 2000) before the DRT, New Delhi against D.C.M. Financial Services for Rs. 12.18 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against D.C.M. Financial Services and others from alienating, transferring or disposing of the security. Thereafter, a settlement at Rs. 9.52 crore was entered into by our Bank, through Board resolution dated October 12, 2000, under which Rs. 0.50 crore was deposited by D.C.M. Financial Services, but thereafter was withdrawn by our Bank, on account of default by D.C.M. Financial Services. A subsequent settlement proposal for Rs. 9.02 crore was passed by Board Resolution dated September 27, 2005, under which Rs. 0.90 crore was deposited, but thereafter, default occurred, on account of liquidation proceedings pending against D.C.M. Financial Services before the High Court of Delhi at New Delhi in company petition (no. 296 of 2004). The recovery proceedings are presently pending.

19. Our Bank filed an O.A. (no. 155 of 2002) before the DRT, New Delhi for recovery of Rs. 1.70 crore against Information Technology (India) Limited as dues payable to our Bank towards facilities granted by our Bank, on account of pledged shares being devalued leading to insufficiency of assets secured for such facilities. Our Bank has further sought interest and orders for adjustment of sale proceeds with respect to the security for such facilities towards such dues, and restraining order against Information Technology (India) Limited and others from alienating, transferring or disposing of their assets during the pendency of the O.A. (no. 155 of 2002). The proceedings before the DRT, New Delhi are presently pending.

20. Our Bank filed an O.A. (no. 50 of 2003) before the DRT, New Delhi against BISCO Limited for recovery of Rs. 10.61 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against BISCO Limited and others from alienating, transferring or disposing of the security. The DRT, New Delhi passed an order dated July 7, 2003 was passed appointing local commissioner for inventorying the assets of BISCO Limited. Our Bank further initiated proceedings under the SARFAESI Act through notice under section 13(2) of the SARFAESI Act dated September 24, 2002, pursuant to which it was discovered that certain properties mortgaged as assets secured for such facilities were non-existent. Criminal complaint (no. 25 of 2004) was lodged with the Central Bureau of Investigation, New Delhi against BISCO Limited. BISCO Limited filed reference (no. 330 of 2003) before BIFR, New Delhi and was declared a sick company by order dated August 20, 2006. Our Bank was allowed to proceed against BISCO Limited by order dated February 27, 2009, against which BISCO Limited filed an appeal (no. 124 of 2009) before the AAIFR, New Delhi. The recovery proceedings and proceedings under the SARFAESI Act are presently pending.

21. Our Bank filed an O.A. (no. 25 of 1995) before the DRT, New Delhi against M.M. Exports Private Limited seeking recovery Rs. 2.89 crore as dues payable to our Bank towards letter of credit facility

granted by our Bank, which on account of non-payment by Banco Nationale de Angola, Luanda on account of political turmoil was paid by our Bank on behalf of M.M. Exports Private Limited. Our Bank has further sought interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against M.M. Exports Private Limited and others from alienating, transferring or disposing of the security. Our Bank had further initiated proceedings under the SARFAESI Act through issuance of notice under Section 13(2) of the SARFAESI Act dated August 18, 2004. Order was passed dated June 2, 2005, was passed by the DRT, New Delhi directing the parties to maintain status quo during pendency of proceedings before DRT as per application (no. 395 of 2005) filed by M.M. Exports Private Limited, which was challenged by our Bank in application (no. 651 of 2006), which was allowed by order dated January 23, 2008. The Bank does not however intend to proceed under the SARFAESI Act on account of such proceedings not being cost-effective for the Bank. The proceedings under the O.A. (no. 25 of 1995) are presently pending.

22. Our Bank filed a suit (no. 157 of 1982) before the High Court of Delhi at New Delhi, which was transferred before the DRT-I, New Delhi and renumbered as O.A. (no. 779 of 1995) against Juneja Exports, Gurcharan Singh (partner of Juneja Exports) and others for recovery of Rs. 1.33 crore with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Juneja Exports and others from alienating, transferring or disposing of the security. Gurcharan Singh is presently absconding. The suit (no. 157 of 1982) is presently pending.

23. Our Bank filed an O.A. (no. 150 of 1999) before the DRT, New Delhi against Savitri India and others, seeking order for recovery of Rs. 9.14 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Savitri India and others from alienating, transferring or disposing of the security. Our Bank also commenced proceedings under the SARFAESI Act through issuance of notices under Section 13(2) of the SARFAESI Act on June 10, 2008 and publication of such notice in newspapers on June 9, 2009. The proceedings under the SARFAESI Act and the proceedings before the DRT, New Delhi are presently pending.

24. Our Bank filed an O.A. (no. 536 of 1999) before the DRT, New Delhi against S.N.F Alloys Private Limited seeking recovery of Rs. 1.74 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against S.N.F. Alloys Private Limited and others from alienating, transferring or disposing of the security. Our Bank also initiated proceedings under the SARFAESI Act by issuance of notice under Section 13(2) of the SARFAESI Act on September 14, 2005. S.A. (no. 20291 of 2004) of the SARFAESI Act was filed by S.N.F. Alloys Private Limited for restraining our Bank from proceeding under the SARFAESI Act during the pendency of proceedings under O.A. (no. 536 of 1999) before the DRT, New Delhi, which stay was granted by order dated May 29, 2006 of the DRT, New Delhi. Our Bank filed application (no. 770 of 2005) for vacation of stay, which was allowed by order dated September 14, 2007. Our Bank had further filed application (no. 409 of 2001) for decree based on admission of dues to the Bank in the balance sheet of S.N.F. Alloys Private Limited, which as dismissed by order dated July 30, 2003, against which, our Bank filed an appeal (no. 144 of 2005) before the DRAT, New Delhi, which was dismissed by order dated November 7, 2005. Further, S.N.F. Alloys Private Limited filed a suit (no. 2837 of 2001) before the High Court of Mumbai against the Export Credit Guarantee Corporation of India Limited ("**ECGC**") and our Bank, claiming damages for losses caused by defamation of Rs. 5.00 crore by news of blacklisting of SNF Alloys Private Limited by ECGC. The proceedings are presently pending.

25. Our Bank filed an O.A. (no. 104 of 2003) against Montari Industries Limited before the DRT-II, New Delhi seeking recovery of Rs. 14.11 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Montari Industries Limited and others from alienating, transferring or disposing of the security. Reference (no. 35 of 1997) was filed before the BIFR, New Delhi for declaration of Montari Industries Limited as a sick industrial company, which was dismissed by order dated February 14, 2007, against which, Montari Industries Limited filed an appeal (no. 73 of 2007) before the AAIFR, New Delhi, which remanded the reference (no. 35 of 1997) back to BIFR, New Delhi by order dated September 8, 2009. The BIFR, New Delhi passed an order dated September 8, 2009 of prima facie opinion to wind-up Montari Industries Limited, against which, Montari Industries Limited filed an appeal (no. 263 of 2009) before the AAIFR, New Delhi. By order dated

March 2, 2010, the DRT, New Delhi has stayed proceedings during the pendency of the proceedings before the AIIFR, New Delhi, pursuant to application (no. 961 of 2009) filed by Montari Industries Limited. The AAIFR, New Delhi passed an order directing winding-up of Montari Industries. The winding-up proceedings and the proceedings before the DRT-II, New Delhi are presently pending.

26. Our Bank filed before the DRT, New Delhi an O.A. (no. 73 of 2004) against Anchor Impex Inc. seeking recovery of Rs. 10.36 crore, and O.A. (no. 104 of 2004) against Rangs Technologies India Limited seeking recovery of Rs. 6.77 crore. In both such proceedings, the respective amounts are claimed as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. Final order dated June 23, 2009 was passed by the DRT, New Delhi in favour of our Bank directing recovery of Rs. 10.36 crore and Rs. 6.77 crore respectively, with 11% simple interest. Our Bank filed two appeals (no. 215 and 216 of 2009) before the DRAT, New Delhi seeking 15.5% compound interest. The DRAT, New Delhi passed an order dated January 27, 2010 granting 12% simple interest, against which order, application (no. 429 of 2010) was filed before DRAT, New Delhi by our Bank for review of the order dated January 27, 2010. The review petition is presently pending before the DRAT, New Delhi

27. Our Bank filed an O.A. (no. 330 of 1997) before the DRT, New Delhi against Himanshu Jewellers, Jagdish Kumar, Raja Vijay Karan and Gaurav Karan seeking recovery of Rs. 1.40 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Himanshu Jewellers and others from alienating, transferring or disposing of the security. The DRT, New Delhi passed final order in favour of our Bank on December 11, 1998 for Rs. 1.40 crore, and recovery certificate was issued accordingly against Himanshu Jewellers and Jagdish Kumar. Recovery case (no. 18 of 2005) was commenced before the Recovery Officer, DRT, New Delhi. Thereafter, Raja Vijay Karan and Gaurav Karan filed interim applications (no. 60 and 61 of 2005) for dismissal of the O.A. (no. 330 of 1997) against them, which was allowed by order dated May 8, 2006. Our Bank has filed appeal (no. 226 of 2006) against such order dated May 8, 2006 before the DRAT, New Delhi.

28. Our Bank filed an O.A. (no. 191 of 1997) before the DRT, New Delhi against Uniplas (India) Limited and others seeking recovery of Rs. 20.05 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. Subsequently, company petition (no. 324 of 2000) was filed before the High Court of Delhi at New Delhi for liquidation of Uniplas (India) Limited, pursuant to order dated January 9, 2002 of the BIFR, New Delhi recommending winding-up of Uniplas (India) Limited and appointment of official liquidator. By order dated February 9, 2002 of the High Court of Delhi, New Delhi, official liquidator was appointed, and such official liquidator took possession of four properties mortgaged, which were auctioned by order dated December 8, 20005. An application (no. 1729 of 2005) was filed by our Bank to set aside such auction in the light of charge of our Bank over such properties, which was allowed by order of the High Court of Delhi, New Delhi dated December 19, 2005 to permit our Bank to take possession of three of these properties, with one property being alienated on account of complete payment having been made. Our Bank has also filed application (no. 1329 of 2008) before the High Court of Delhi at New Delhi for adjustment of proceeds of sale of plant and machinery or any other secured asset against the dues to our Bank. The proceedings before the DRT, New Delhi are presently pending.

29. Our Bank filed an O.A. (no. 41 of 2000) before the DRT, New Delhi against B.V. Leasing Limited, Ram Phal and others seeking recovery of Rs. 1.10 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against B.V. Leasing Limited and others from alienating, transferring or disposing of the security. Final order dated March 21, 2001 was passed in favour of our Bank for Rs. 1.10 crore and recovery certificate was issued accordingly. Recovery case (no. 125 of 2002) was initiated before the Recovery Officer, DRT, New Delhi, where order dated May 1, 2007 was passed for attachment of immovable property belonging to one of the guarantors, Ram Phal. Ram Phal filed an application (no. 71 of 2007) before the Recovery Officer, DRT, New Delhi seeking setting aside of the order dated May 1, 2007, pursuant to which the attached property was released by order dated June 6, 2008. Our Bank has filed appeal (diary no. 995 of 2008) before Recovery Officer, DRT-III, New Delhi against such order dated June 6,2008. The recovery proceedings and the appeal (diary no. 995 of 2008) are presently pending before the DRT-III, New Delhi

30. Our Bank filed an O.A. (no. 156 of 2008) before the DRT-II, New Delhi against Green Petals Capfin Private Limited seeking recovery of Rs. 4.78 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Green Petals Capfin Private Limited and others from alienating, transferring or disposing of the security. The DRT-II, New Delhi issued an order dated May 28, 2010 in favour of our Bank and issued recovery certificate accordingly. Recovery proceedings are yet to be initiated. Our Bank also commenced proceedings under the SARFAESI Act through issuance of notice under section 13(2) of the SARFAESI Act on October 31, 2006 against which, S.A. (no. 46 of 2007) was filed by Green Petals Capfin Private Limited, seeking stay of the proceedings under the SARFAESI Act during the pendency of the proceedings before the DRT-II, New Delhi. The DRT-II, New Delhi passed an order dated November 22, 2007 staying the proceedings under the SARFAESI Act against which application (no. 563 of 2007) was filed by our Bank for vacation of stay, which was allowed by order dated September 22, 2008. Thereafter, application (no. 1255 of 2007) was filed by our Bank under section 14(2) of the SARFAESI Act for appointment of receiver, which was upheld by order dated October 31, 2007, and notice of sale was issued on September 15, 2009, pursuant to which confirmation of sale certificate was issued on October 8, 2009 for sale of property for Rs. 0.85 crore. On May 22, 2010, Green Petals Capfin Private Limited proposed a settlement of Rs. 4.25 crore, which was sanctioned by our Bank pursuant to sanction letter (E.D. Sanction No. 01/2010-2011). The recovery proceedings before the Recovery Officer, DRT-II, New Delhi are presently pending.

31. Our Bank filed an O.A. (no. 677 of 2000) before the DRT, New Delhi against Delhi Automobiles Limited seeking recovery of Rs. 32.64 crore, and O.A. (88 of 2004) before the DRT-II, New Delhi seeking recovery of Rs. 0.53 crore, both amounts as dues payable to our Bank towards certain facilities granted by our Bank, with interest. The proceedings are presently pending. The Management Committee of our Board passed a resolution dated September 6, 2001 approving settlement of Rs. 22.22 crore with Delhi Automobiles Limited. Such settlement was not honoured by Delhi Automobiles Limited. The proceedings before the DRT, New Delhi are presently pending.

32. Our Bank filed an O.A. (no. 32 of 2006) against Shamken Spinners Limited before the DRT, New Delhi seeking recovery of Rs. 5.88 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Shamken Spinners Limited and others from alienating, transferring or disposing of the security. Subsequently, Shamken Spinners Limited filed reference (no. 114 of 2006) before the BIFR, New Delhi for declaration as a sick company, which was dismissed by order dated May 30, 2007, against which appeal (no. 114 of 2006) before the AAIFR, New Delhi was filed, which by order dated November 29, 2007, remanded the case back to BIFR, New Delhi. Our Bank has given consent on September 15, 2009 to certain other creditors with first charge over the assets secured for such facilities to proceed under SARFAESI Act for distribution of proceeds on pro-rata basis to our Bank. The proceedings are presently pending.

33. Our Bank filed an O.A. (no. 123 of 2004) before the DRT, New Delhi against Krazy Clothex and others seeking recovery of Rs. 1.37 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Krazy Clothex and others from alienating, transferring or disposing of the security. Our Bank also initiated proceedings under the SARFAESI Act by issuance of notice under Section 13(2) of the SARFAESI Act on September 6, 2005, and filing an application (no. 274 of 2004) for appointment of receiver which was allowed by order dated November 16, 2004, and through which possession of mortgaged property was taken on December 23, 2004. S.A. (no.46 of 2005) was filed by Krazy Clothex before the DRT, New Delhi, pursuant to which, order was passed by the DRT, New Delhi on September 6, 2005 directing our Bank and Krazy Clothex to maintain status quo with respect to the proceedings under the SARFAESI Act during the pendency of the O.A. (no. 123 of 2004). By interim applications (408 and 409 of 2009), it has been alleged that our Bank had committed forgery/perjury by forging certain security documents purported to not have been executed. The proceedings are presently pending before the DRT, New Delhi.

34. Our Bank filed O.A. (no. 165 of 1999) against Carda India Limited before the DRT-I, New Delhi for recovery of Rs. 4.74 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Carda India Limited and others from alienating, transferring or disposing of the security. Final order dated May 30, 2001 was passed in favour of our

Bank and recovery certificate was issued accordingly, and recovery case (no. 192 of 2001) was initiated before the Recovery Officer, DRT-I, New Delhi for Rs. 7.35 crore. The recovery proceedings are presently pending.

35. The Bank filed an O.A. (no. 181 of 2000) before the DRT, New Delhi against Pragya Overseas Private Limited and others, seeking recovery of Rs. 1.72 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Pragya Overseas Limited and others from alienating, transferring or disposing of the security and appointment of a local commissioner to formulate an inventory of hypothecated assets. The proceedings before the DRT, New Delhi are presently pending.

36. The Bank filed an O.A. (no. 182 of 2000) before the DRT, New Delhi against Morgan Tectronics Limited and others, seeking recovery of Rs.6.19 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Morgan Tectronics Limited and others from alienating, transferring or disposing of the security, appointment of receiver to take possession of assets secured for such facilities assets secured for such facilities and appointment of a local commissioner to prepare an inventory of hypothecated assets. The proceedings before the DRT, New Delhi are presently pending.

37. The Bank filed an O.A. (no. 40 of 2003) before the DRT, New Delhi against Consumer Service Corporation and others, seeking recovery of Rs. 3.37 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Consumer Service Corporation and others from alienating, transferring or disposing of the security, and appointment of receiver with respect to such property. The Bank had further issued notice under the SARFAESI Act on December 4, 2002, against which S.A. (no. Nil of 2008) had stayed the proceedings under the SARFAESI Act subject to deposit of Rs. 1.87 crore along with interest on such amount, and payment of interest on the reducing balance from January 1, 2005 onwards. Our Bank filed an appeal ((no. 191 of 2008) before the DRAT, New Delhi seeking payment of interest with effect from June 1, 1999, which was dismissed. A sum of Rs. 2.10 crore has been received towards the deposit as on date. The proceedings before the DRT, New Delhi are presently pending.

38. The Bank filed an O.A. (no. 74 of 2005) before the DRT, New Delhi against W.B.M. Systems Private Limited and others for recovery of Rs. 2.55 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against W.B.M. Systems Private Limited and others from alienating, transferring or disposing of the security, and for appointment of a local commissioner to prepare an inventory of hypothecated assets. The proceedings before the DRT, New Delhi are presently pending.

39. The Bank filed a suit (no. 4657 of 1992) before the High Court of Delhi at New Delhi against J.R. International and others for recovery of Rs. 3.64 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. By joint application (no. 7639 of 1994), the parties had filed for compromise on terms of settlement reached between them. Thereafter, by decision dated August 3, 1994, the suit was decreed in favour of our Bank, and execution petition (61 of 1995) was filed before the High Court of Delhi at New Delhi. J.R. International and others thereafter filed appeal (no. 8 of 1995) before the High Court of Delhi at New Delhi against By order dated October 21, 1995, the High Court of Delhi at New Delhi had stayed the execution of the order dated August 3, 1994 during the pendency of the application (no. 7639 of 1994) for compromise. The execution proceedings and the compromise application are presently pending before the High Court of Delhi at New Delhi.

40. The Bank filed an O.A.(no. 443 of 1998) before the DRT, New Delhi against Conarc Waters Private Limited and others for recovery of Rs.1.33 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Conarc Waters Private Limited and others from alienating, transferring or disposing of the security. The proceedings before the DRT, New Delhi are presently pending.

41. The Bank filed an O.A. (no. 442 of 1998) before the DRT, New Delhi against Grover Sons and others, for recovery of Rs. 1.07 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Grover Sons and others from alienating, transferring or disposing of the security. By order dated December 15, 2000, the DRT, New Delhi passed final order in favour of our Bank and issued recovery certificate. Recovery case (no. 196 of 2001) is presently pending before the Recovery Officer, DRT, New Delhi.

42. The Bank filed an O.A. (no. 82 of 2000) before the DRT, New Delhi against K.K. Products Limited for recovery of Rs. 2.45 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against K.K. Products Limited and others from alienating, transferring or disposing of the security. Our Bank further initiated proceedings under the SARFAESI Act through the issuance of notice dated under Section 13(2) of the SARFAESI Act dated July 3, 2008, and further, took symbolic possession of the assets secured for such facilities under Section 13(4) of the SARFAESI Act on July 7, 2009. Reference (no. 264 of 2000) was filed before the BIFR, New Delhi by K.K. Products Limited for declaration of K.K. Products Limited as a sick company. The proceedings before the BIFR, New Delhi were abated by order dated October 13, 2009 of the BIFR, New Delhi. The proceedings before the DRT, New Delhi are presently pending.

43. The Bank filed an O.A. (no. 91 of 2002) before the DRT, New Delhi against Ess & Ess Industrial Corporation and others for recovery of Rs.3.38 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Ess & Ess Industrial Corporation and others from alienating, transferring or disposing of the security. Thereafter, pursuant to sanction of the General Manager (Law Recovery) of our Bank dated September 29, 2009 of a compromise between the parties, interlocutory application (no. 315 of 2010) was filed in terms of joint compromise between our Bank and Ess & Ess before the DRT, New Delhi was filed for recovery of amount of Rs. 3.35 crore (after excluding penal interest levied), which was decreed by order of the DRT-II, New Delhi on May 19, 2010. The compromise proceedings are presently pending.

44. The Bank filed an O.A. (no. 100 of 2002) before the DRT-II, New Delhi against K.N.R. Trading Company and others for recovery of Rs. 1.16 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against K.N.R. Trading Company and others from alienating, transferring or disposing of the security. The proceedings before the DRT-II, New Delhi are presently pending.

45. The Bank filed an O.A. (no. 86 of 2005) before the DRT-III, New Delhi against Richie Fashions and others for recovery of Rs. 1.25 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Richie Fashions and others from alienating, transferring or disposing of the security. The proceedings before the DRT-III, New Delhi are presently pending.

46. The Bank filed an O.A. (no. 56 of 2004) before the DRT, New Delhi, against Madan Lal Kuldeep Kumar, Bhagwan Das and others for the recovery of Rs. 3.38 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Madan Lal Kuldeep Kumar and others from alienating, transferring or disposing of the security. The Bank had initiated proceedings under the SARFAESI Act, through notice dated August 17, 2002 directing Madan Lal Kuldeep Kumar to repay Rs. 2.43 crore. Upon failure of Madan Lal Kuldeep Kumar to make such payment of Rs. 2.43 crore, possession of certain secured properties was taken by our Bank. Bhagwan Das filed an application (dated June 17, 2005) for stay on proceedings under the SARFAESI Act during the pendency of the proceedings under O.A. (no. 56 of 2004). Stay on the proceedings under the SARFAESI Act was granted by order dated June 17, 2005 of the DRT-III, New Delhi. The Bank has moved an application (diary no. 17 dated January 2, 2007) for vacation of stay before the DRT, New Delhi. The proceedings before the DRT, New Delhi are presently pending.

47. Our Bank filed a civil suit (no. 26-A of 1989) before the District Judge, Morena against Sterling Malt and Foods Private Limited seeking recovery of Rs. 3.84 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Sterling Malt and Foods Private Limited and others from alienating, transferring or disposing of the security. During the pendency of the suit, the parties had reached a compromise which was decreed through order dated October 15, 1991 of the District Judge, Morena. As the terms of the compromise were not met, our Bank filed an execution petition before the District Judge, Morena for execution of the decree dated October 15, 1991. Thereafter, our Bank initiated proceedings for debt recovery through O.A. (no. 225 of 1996) against Hardyal Singh, director of Sterling Malt and Foods Private Limited, before the DRT, New Delhi, which was withdrawn on terms of settlement between our Bank and Mohini, wife of Hardyal Singh, pursuant to which Mohini filed an application (no. 65 of 2003) with the DRT-II, New Delhi, praying for return of original title deeds mortgaged as security with our Bank. The execution petition was transferred to the Recovery Officer, DRT, Jabalpur as transferred execution case (no. 154 of 1998). The DRT, Jabalpur passed an order dated September 20, 2004 for auction of mortgaged house property and factory premises, against which Mohini filed an application before the Recovery Officer, DRT, Jabalpur, which was dismissed by order of the Recovery Officer, Jabalpur on October 10, 2006. Mohini filed appeal (no. 31 of 2006) before the DRT, Jabalpur against such order dated October 10, 2006, which was dismissed by order dated November 13, 2006, against which Mohini filed a civil writ petition (no. 17150 of 2006) before the High Court, Jabalpur for stay of the auction of the house property. The High Court, Jabalpur passed order dated November 22, 2006 permitting the auction but subjecting sale finalization to leave of the High Court, Jabalpur, and the said house was auctioned on November 22, 2006 for Rs. 10.01 crore. Thereafter, by order dated January 15, 2005, the High Court, Jabalpur directed the parties to approach the DRAT, Allahabad, which appeal was filed by Mohini (no. R-758 of 2007) for stay of sale of house, which was dismissed by order dated February 27, 2007, and sale was confirmed by learned recovery officer on March 1, 2007. Mohini filed appeal (no. 3512 of 2007) before the High Court, Jabalpur against the order dated February 27, 2007. The appeal (no. 3512 of 2007) was dismissed by order dated March 12, 2007, against which Mohini filed writ appeal (no. 433 of 2007) before the Division Bench of High Court of Jabalpur, which stayed the auction proceedings against house property by order dated March 15, 2007, and then remanded such case to the DRAT, Allahabad by order dated March 22, 2007 for determination. The DRAT, Allahabad dismissed the appeal (no. 3512 of 2007) renumbered as (R-758 of 2007) again, by order dated April 19, 2007. Thereafter, Mohini filed civil writ petition (no. 5489 of 2007) before the High Court, Jabalpur, but was permitted to withdraw it by order of the High Court, Jabalpur dated May 2, 2007. Such order dated May 2, 2007 also directed the DRT, Jabalpur to pass final order in appeal (no. 31 of 2006). The DRT, Jabalpur passed order dated May 29, 2007 in favour of Mohini by order dated May 29, 2007. Our Bank and the purchaser of house property filed appeals (no. R-839 and R-840 of 2007) before the DRAT, Allahabad against such order dated May 29, 2007. The DRAT, Allahabad passed order dated February 1, 2008 allowing such appeals. Mohini filed writ petition (no. 2199 of 2008) before the High Court, Jabalpur against such order dated February 1, 2008, which was set aside by order dated May 15, 2009 along with the order dated May 29, 2007 of the DRT, Jabalpur, and remanded to the DRT, Jabalpur for inquiry. Mohini has filed special leave petition (no. 14782 of 2009) before the Supreme Court of India against such order dated May 15, 2009. The proceedings under the special leave petition (no. 14782 of 2009) are presently pending.

48. Our Bank filed an O.A. (no. 178 of 2001) before the DRT, New Delhi against Genex Chemicals Private Limited, its directors, guarantors and others seeking a decree for the sum of Rs. 1.66 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Genex Chemicals Private Limited and others from alienating, transferring or disposing of the security. The proceedings before the DRT, New Delhi are presently pending.

49. Our Bank filed an O.A. (no. 119 of 2002) before the DRT-II, New Delhi against Gillsons International and others seeking recovery of Rs. 1.29 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Gillsons International and others from alienating, transferring or disposing of the security. By order dated July 22, 2002 of the DRT-II, New Delhi, local commissioner was appointed, and local commissioner report filed on September 16, 2002. By resolution dated June 25, 2009, the Management Committee of the Board of Directors of our Bank, settlement for Rs. 0.93 crore has been sanctioned. The proceedings before the DRT-II, New Delhi are presently pending.

50. Our Bank filed an O.A. (no. 105 of 2009) before the DRT-II, New Delhi against Whitefields International Private Limited seeking recovery of sum of Rs. 21.70 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Whitefields Private Limited and others from alienating, transferring or disposing of the security. Our Bank had filed an application (no. 409/2009) before the DRT-II, New Delhi who passed an order dated May 13, 2009 for appointment of local commissioner. The proceedings before the DRT-II, New Delhi are presently pending.

51. Our Bank filed an O.A. (no. 331 of 1998) before the DRT, New Delhi against Swarnima Oil Industries Limited, its directors and guarantors for recovery of Rs. 2.42 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Swarnima Oil Industries Limited and others from alienating, transferring or disposing of the security. Final order dated November 27, 2000 was passed in favour of our Bank, and recovery certificate was issued accordingly. Recovery case (no. 168 of 2001) was initiated before the Recovery Officer, DRT-II, New Delhi. Notices for auction of properties were issued on September 27, 2006 by the Recovery Officer, DRT-II, New Delhi in recovery case (no. 168 of 2001), against which the guarantors for Swarnima Oil Industries Limited filed appeal (no. 34 of 2006) seeking stay of the auction notices dated September 27, 2006, during the pendency of proceedings in reference (no. 82 of 1998) before the BIFR, New Delhi. By order dated January 11, 2000 of AAIFR, New Delhi remanding the reference (no. 82 of 1998) in appeal (no. 9/1999) arising out of reference (no. 82/1998), against the order of the BIFR, New Delhi dated September 30, 1998. A one-time settlement was sanctioned by the management committee of our Bank pursuant to its meeting dated March 11, 2010 for Rs. 5.85 crore, with recovery of Rs. 2.89 crore being effectuated as on August 13, 2010. The proceedings before the DRT, New Delhi and the proceedings before the BIFR, New Delhi are presently pending.

52. Our Bank filed an O.A. (no. 15/2000) before the DRT, Chandigarh against Century Sheet Metals (India) Limited seeking recovery of Rs. 1.65 crore, as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to assets secured for such facilities against the dues to our Bank. Our Bank has further sought interim orders restraining Century Sheet Metals (India) Limited from alienating, disposing of or transferring the assets secured for such facilities. Century Sheet Metals (India) Limited had also filed reference (no. 46 of 2000) before the BIFR, New Delhi. The BIFR, New Delhi had passed order dated July 14, 2000 declaring Century Sheet Metals (India) Limited as a sick company. Thereafter, by order dated May 30, 2003, Century Sheet Metals (India) Limited was directed to be wound up, pursuant to which company petition (no. 176 of 2003) was initiated before the High Court of Punjab and Haryana at Chandigarh for the winding-up of Century Sheet Metals (India) Limited. The proceedings before the DRT, Chandigarh and the proceedings for winding-up of Century Sheet Metals (India) Limited are presently pending.

53. Our Bank filed an O.A. (no. 73/2005) before the DRT, Chandigarh against Global Knitfab Limited seeking recovery of Rs. 5.45 crore, as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to assets of Global Knitfab Limited against the dues to our Bank. Our Bank has further sought interim orders restraining Global Knitfab Limited from alienating, disposing of or transferring the assets of Global Knitfab Limited. Global Knitfab Limited had filed reference (no. 470 of 2002) before the BIFR, which was dismissed as time-barred by order dated March 31, 2002. By order of the AAIFR, New Delhi dated November 9, 2005, the reference (no. 470 of 2002) was remanded to the BIFR, New Delhi. The BIFR, New Delhi passed an order dated January 7, 2010, ordering a change of management of Global Knitfab Limited. The proceedings before the DRT, Chandigarh are presently pending.

54. Our Bank filed an O.A. (no. 824 of 1998) before the DRT, Chennai against Dawn Garments seeking recovery of Rs. 1.18 crore, as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to assets secured for such facilities against the dues to our Bank. Our Bank has further sought interim orders restraining Dawn Garments and others from alienating, disposing of or transferring the assets secured for such facilities of Dawn Garments and others. The DRT, Chennai passed an order dated August 31, 1999 in favour of our Bank, for Rs. 1.18 crore with interest. Recovery case (no. 100 of 2001) is presently pending before the Recovery Officer, DRT-I, Chennai.

55. Our Bank filed an O.A. (no.109 of 1997) before the DRT, Kolkata against Sitaram Sree Gopal Private Limited seeking recovery of Rs. 2.48 crore, as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for attachment assets of Sitaram Sree Gopal Private Limited against the dues to our Bank. Our Bank has further sought interim orders restraining Sitaram Sree Gopal Private Limited from alienating, disposing of or transferring the assets of Sitaram Sree Gopal Private Limited. The proceedings are presently pending.

56. Our Bank filed an O.A. (no. 51 of 2003) before the DRT, Allahabad against Mankameshwar Sheetgrah seeking Rs. 2.31 crore as dues payable to our Bank towards certain facilities granted by our Bank, with interest and directions for adjustment of dues from the proceeds of sale of assets secured towards such facilities. Mankameshwar Sheetgrah filed an application seeking stay of proceedings under the SARFAESI Act commenced by our Bank through issuance of notice under Section 13(2) of the SARFAESI Act on January 10, 2004, which was allowed by order dated February 2, 2006 of the DRT, Allahabad, which also dismissed the application filed by our Bank before the DRT, Allahabad seeking orders for sale of assets secured for such facilities and adjust the proceeds thereof towards dues. The proceedings before the DRT, Allahabad under the O.A. (no. 51 of 2003) are presently pending.

57. Our Bank filed a suit (no. 1051 of 1993) before the Subordinate Judge, Thiruvananthapuram, which was transferred before the DRT, Ernakulam and renumbered as T.A. (no. 1217 of 1997) against R. Manickam Pillai and others seeking recovery of Rs. 2.34 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for sale of assets secured for such facilities (and other assets of R. Manickam Pillai) against the dues to our Bank. Our Bank has further sought interim orders restraining R. Manickam Pillai from alienating, disposing of or transferring the assets of R. Manickam Pillai. The DRT, Ernakulam passed order dated March 14, 2001 in favour of our Bank for Rs. 2.34 crore with interest, and issued recovery certificate accordingly. Recovery case (no. 680/PSB/TVM) is presently pending before the Recovery Officer, DRT, Ernakulam.

58. Our Bank filed an O.A. (no. 49 of 2006) before the DRT-I, Kolkata against Emkay International Limited and others seeking recovery of Rs. 1.03 crore, as dues payable to our Bank towards facilities granted by our Bank, with interest. Our Bank has further sought interim orders restraining Emkay International and others from alienating, disposing of or transferring the assets secured for such facilities. Our Bank further moved an application (no. 627 of 2006) before the DRT-I, Kolkata under section 14 of the SARFAESI Act for appointment of receiver to take possession of the assets secured for such facilities of Emkay International Limited and others. The DRT, Kolkata passed an order dated January 23, 2007 appointing receiver with respect to the assets of Emkay International Limited, against which Emkay International Limited and others have filed a miscellaneous application before the DRT-I, Kolkata. Settlement of Rs. 1.03 crore has been sanctioned pursuant to letter dated July 26, 2010 by our Bank, and recovery is yet to be effectuated. The proceedings under the O.A. (no. 49 of 2006) and under application (no.627 of 2006) before the DRT-I, Kolkata are presently pending.

59. Our Bank filed an O.A. (no. 64 of 1994) before the DRT, Kolkata against Eureka Wires Limited and others seeking recovery of Rs. 2.21 crore, as dues payable to our Bank towards facilities granted by our Bank, with interest, declaration of specified assets as assets secured for such facilities and attachment and sale thereof, and adjustment of sale proceeds against such dues. Our Bank has further sought interim orders restraining Eureka Wires Limited and others from alienating, disposing of or transferring the assets secured for such facilities. Eureka Wires Limited had filed a writ petition (no. 2904 of 1994) before the High Court of Kolkata, challenging the constitutionality of the RDDBFI Act, 1993 and the Debt Tribunal Procedure Rules, 1993 and seeking a writ of prohibition against the proceedings before the DRT, Kolkata. The proceedings before the DRT, Kolkata are presently pending.

60. Our Bank, along with 14 other banks filed an O.A. (no. 118 of 2005) before the DRT, Kolkata against Nicco UCO Alliance Credit Limited and others seeking recovery of Rs. 119.23 crore, of which our Bank seeks Rs. 5.99 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds from the assets secured for such facilities towards such dues. Our Bank has further sought interim orders restraining Nicco UCO Alliance Credit Limited and others from alienating, disposing of or transferring the assets secured for such facilities. Order dated December 1, 2005 was passed by the DRT, Kolkata restraining Nicco UCO Alliance Credit Limited from alienating, disposing of or transferring the assets secured for such facilities assets secured for such facilities, appointment of receiver and directing deposit of the amount involved. Nicco UCO Alliance Credit

Limited has thereafter filed application before the DRT, Kolkata seeking dismissal of the application (no. 118 of 2005). The proceedings before the DRT, Kolkata are presently pending.

61. Our Bank filed an O.A. (no. 37 of 2008) before the DRT, Kolkata against Dinmay Exim Avenue Private Limited and others seeking recovery of Rs. 2.82 crore as dues payable to our Bank towards facilities granted by our Bank, with interest. Our Bank has further sought interim orders restraining Dinmay Exim Avenue Private Limited and others from alienating, disposing of or transferring the assets secured for such facilities. Our Bank further commenced proceedings under the SARFAESI Act through issuance of notices under Section 13(2) and Section 13(4) of the SARFAESI Act dated May 30, 2007 and August 3, 2007 respectively, against which S.A. (no. 44 of 2008) was filed by Dinmay Exim Avenue Private Limited before the DRT, Kolkata. The proceedings before the DRT, Kolkata are presently pending.

62. Our Bank filed an O.A. (no. 312 of 2004) before the DRT-II, Mumbai against Apple Electronics Industries and others, seeking recovery of Rs. 1.12 crore towards dues to our Bank pertaining to certain facilities sanctioned by our Bank to Apple Electronics Industries, with interest, directions for attachment and sale of assets secured for such facilities and interim injunction restraining Apple Electronics Industries and others from alienating, disposing of or creating third party interest in the secured properties. Final order dated December 26, 2008 was passed in favour of our Bank for Rs. 1.08 crore with interest, and directing adjustment of proceeds from sale of assets secured for such facilities towards dues if payment was not made within one month from date of order. Recovery case (no. 85 of 2009) is presently pending before the Recovery Officer, DRT-II, Mumbai. The proceedings before the Recovery Officer, DRT-II, Mumbai are presently pending.

63. Our Bank filed suit (no. 3921 of 1999) before the High Court of Mumbai which was transferred to the DRT-II, Mumbai and renumbered as O.A. (no. 1747 of 1999) against Digital World (India) Limited and others, seeking decree for recovery of sums of Rs. 0.04 crore, Rs. 0.41 crore and Rs. 4.91 crore towards dues to our Bank pertaining to certain facilities sanctioned by our Bank to Digital World (India) Limited, with interest, directions for attachment and sale of assets secured for such facilities and interim injunction against Digital World (India) Limited and others from alienating, disposing of or creating third party interest in the secured properties. Final order dated August 25, 2003 of the DRT-II, Mumbai was passed and recovery certificate was issued in favour of our Bank for recovery of Rs. 4.61 crore and Rs. 0.04 crore with interest. Recovery case (no. 340 of 2003) is presently pending before the Recovery Officer, DRT-II, Mumbai.

64. Our Bank filed suit (no. 1741 of 1992) before the High Court of Mumbai, which was transferred to the DRT-II, Mumbai and renumbered as O.A. (no. 200 of 2001) against Hi-Rel Exports Private Limited and others, seeking recovery of Rs. 1.22 crore (including interest) towards dues to our Bank pertaining to certain facilities sanctioned by our Bank to Hi-Rel Exports Private Limited and others, directions for attachment and sale of assets secured for such facilities and interim injunction against Hi-Rel Exports Private Limited and others from alienating, disposing of or creating third party interest in the secured properties. Final order dated October 18, 2001was passed for recovery of Rs. 1.22 crore and accordingly, recovery certificate was issued. Recovery case (no. 202 of 2001) is presently pending before the Recovery Officer, DRT-II, Mumbai.

65. Our Bank filed an O.A. (no. 46 of 2003) before the DRT-II, Mumbai against India Steel Works Limited and others, seeking decree for recovery of Rs. 20.48 crore, towards dues to our Bank, pertaining to certain facilities sanctioned by our Bank to India Steel works Limited and others, with interest, directions for attachment and sale of assets secured for such facilities and adjustment of proceeds of sale towards the dues to our Bank and interim injunction against India Steel Works Limited and others from alienating, disposing of or creating third party interest in the secured properties. Final order dated March 23, 2010 was passed by the DRT-II, Mumbai, directing settlement as per terms of consent on the part of India Steel Works Limited for recovery of Rs. 20.48 crore. The recovery proceedings are presently pending before the Recovery Officer, DRT-II, Mumbai.

66. Our Bank filed a suit (no. 3460 of 1999) before the High Court of Mumbai, which was transferred to the DRT-II, Mumbai as O.A. (no. 2015 of 1999) against Kapasi Offshore Private Limited and others, seeking decree for recovery of Rs. 2.90 crore with interest, attachment and sale of assets secured for such facilities and adjustment of proceeds towards the dues to our Bank and interim injunction against Kapasi Offshore Private Limited and others from alienating, disposing of or creating third party interest in the assets secured for such facilities. Final order was passed on May 7, 2003 by the DRT-II, Mumbai, in

favour of our Bank for an amount of Rs. 2.10 crore and recovery certificate was issued accordingly. The Recovery Case (no. 142 of 2003) is presently pending before the Recovery Officer, DRT-II, Mumbai.

67. Our Bank filed a suit (no. 4348 of 1998) before the High Court of Mumbai, transferred to the DRT-II, Mumbai as O.A. (no. 645 of 2001) against Jayanti Business Machines Limited seeking recovery of Rs. 2.79 crore towards dues to our Bank, pertaining to certain facilities sanctioned by our Bank to Jayanti Business Machines Limited and others, with interest, directions for attachment and sale of assets secured for such facilities and adjustment of proceeds of sale towards the dues to our Bank. The DRT-II, Mumbai passed order in favour of our Bank on February 19, 2004 for Rs. 2.71 crore. Recovery case (no. 269/2004) is presently pending before the Recovery Officer, DRT-II, Mumbai.

68. Our Bank filed an O.A. (no. 1248 of 2000) before the DRT, Mumbai against Kinjal Metals and others, seeking recovery of Rs. 1.66 crore along with interest, sale of the assets secured for such facilities and interim injunction, which was decreed in favour of our Bank by final order dated October 21, 2002 for a sum of Rs. 1.56 crore, and recovery certificate was issued accordingly. One-time settlement for Rs. 0.9 crore was sanctioned pursuant letter (MC Sanction No. 04/2009) dated September 29, 2009 of the management committee of the Board of Directors of our Bank. Recovery case (no. 483/2002) is presently pending before the Recovery Officer, DRT-II, Mumbai.

69. Our Bank filed a suit (no. 3908 of 1999) before the High Court of Mumbai against Peeveelan Impex and others, transferred to the DRT-I, Mumbai as O.A. (no. 2011 of 1999), seeking recovery of Rs. 1.72 crore, along with interest. The DRT-I, Mumbai passed final order dated January 24, 2003 in favour of our Bank for a sum of Rs. 1.72 crore (including interest), and recovery certificate was issued accordingly. Recovery Case (no. 115/2003) is presently pending before the Recovery Officer, DRT-I, Mumbai.

70. Our Bank filed an O.A. (no. 19 of 2005) before the DRT, Mumbai against Soundcraft Industries Limited and others, seeking recovery of Rs. 5.99 crore with interest, payable towards dues to our Bank pertaining to certain facilities sanctioned by our Bank in favour of Soundcraft Industries Limited, which was decreed in favour of our Bank on October 20, 2006 for a sum of Rs. 5.87 crore, and recovery certificate was issued accordingly. Recovery Case (no. 356/2006) is presently pending before the Recovery Officer, DRT, Mumbai.

71. Our Bank filed an O.A. (no. 77 of 2001) before the DRT-I, Mumbai against Subbulk Containers Limited and others, seeking recovery of Rs. 1.45 crore towards dues payable to our Bank pertaining to certain facilities sanctioned in favour of Subbulk Containers Limited, with interest, which was decreed in favour of our Bank by order dated May 27, 2002 for an amount of Rs. 1.41 crore, and recovery certificate was issued accordingly. Recovery case (no. 284 of 2002) is presently pending before the Recovery Officer, DRT-I, Mumbai.

72. Our Bank filed a suit (no. 4475 of 1998) before the High Court of Mumbai, which was transferred to the DRT-II, Mumbai as O.A. (no. 1659 of 2000) against Unicorn Mercantile Private Limited seeking recovery of Rs. 2.93 crore towards dues payable to our Bank pertaining to certain facilities sanctioned in favour of Unicorn Mercantile Private Limited, with interest, which was decreed in favour of our Bank by order dated January 28, 2003 of the DRT-II, Mumbai for Rs. 2.77 crore, and recovery certificate was issued accordingly. Recovery case (no. 24 of 2003) is presently pending before the Recovery Officer, DRT-II, Mumbai.

73. Our Bank filed a suit (no. 1298 of 1999) before the High Court at Mumbai, which was transferred to the DRT-II, Mumbai as O.A. (no. 1884 of 1999) against Western India Industries Limited, seeking recovery of Rs. 2.45 crore towards dues payable to our Bank pertaining to certain facilities sanctioned in favour of Western India Industries Limited, with interest, which was decreed in favour of our Bank by order dated July 23, 2004 for Rs. 2.41 crore, and recovery certificate was issued accordingly. Recovery case (no. 558 of 2004) is presently pending before the Recovery Officer, DRT-II, Mumbai.

74. Our Bank filed an O.A. (no. 297 of 2006) before the DRT, Jaipur against Progressive Paper and Board Mills Private Limited and others seeking recovery of Rs. 1.37 crore, towards dues payable to our Bank pertaining to certain facilities sanctioned in favour of Progressive Paper and Board Mills Private Limited, with interest, against which Progressive Paper and Board Mills Private Limited filed a counter-claim for Rs. 12.34 crore. Our Bank had commenced proceedings under the SARFAESI Act through issuance of notice under Section 13(2) of the SARFAESI Act, demanding payment from Progressive Paper and

Board Mills Private Limited, against which Progressive Paper and Board Mills Private Limited filed an S.A. (no. 115 of 2007) before the DRT, Chandigarh seeking stay upon proceedings under the SARFAESI Act, and further filed S.A. (no. 79 of 2007) before the DRT-II, Chandigarh, pursuant to which interim stay upon attachment of property under the SARFAESI Act was directed by order dated August 3, 2007. Against such order dated August 3, 2007, our Bank filed an application (no. 116 of 2007) for vacation of stay and dismissal of appeal. The vacation of stay proceedings are presently pending, along with the proceedings before the DRT, Jaipur are presently pending.

75. Our Bank filed an O.A. (no. 718 of 2001) before the DRT-II, Mumbai against Century Consultants Limited and others, seeking recovery of Rs. 1.83 crore towards dues payable to our Bank pertaining to certain facilities sanctioned in favour of Century Consultants Limited and others, with interest, which was decreed in favour of our Bank by order dated August 6, 2003 for Rs. 1.83 crore, along with issuance of recovery certificate. Recovery cases (no. 584 of 2004 and 312 of 2003) are pending before the Recovery Officer, DRT-II, Mumbai.

76. Our Bank filed a suit (no. 84 of 2006) against Navdeep Theatres (Private) Limited for the recovery of Rs. 1.14 crore and suit. (no. 271) dated August 20, 1996 against Sandeep Theaters (Private) Limited and others seeking a decree of recovery of Rs. 1.15 crore before the Sub-Judge, Amritsar, towards dues payable to our Bank pertaining to sanctioning of certain facilities in favour of Navdeep Theatres (Private) Limited and Sandeep Theaters (Private) Limited, with interest, both of which suits were transferred to the DRT, Chandigarh as O.A. (no. 84 of 2006) and O.A. (no. 88 of 2006) respectively. Thereafter, Navdeep Theatres (Private) Limited filed a civil writ petition (no. 15237 of 2005), and Sandeep Theatres (Private) Limited filed a civil writ petition (no. 15835 of 2005) before the High Court of Punjab and Haryana at Chandigarh against refusal of our Bank to accept OTS proposal for repayment of dues. The High Court of Punjab and Haryana at Chandigarh passed order dated September 23, 2005 ordering Sandeep Theaters (Private) Limited and Navdeep Theatres (Private) Limited to deposit a sum of Rs. 2.25 crore against the dues with our Bank, which was undertaken, and further, final common order in writ petition (no. 15237 of 2005) and writ petition (no. 15835 of 2005) was passed dated January 31, 2008, directing our Bank to consider the settlement proposals under the scheme passed by the RBI dated September 3, 2005 for settlement of NPAs, despite which, OTS was refused by our Bank. Accordingly, Sandeep Theaters (Private) Limited and Navdeep Theatres (Private) Limited filed another writ petition (no. 5159 of 2009) before the High Court of Punjab and Haryana at Chandigarh. The proceedings are currently pending at the High Court of Punjab and Haryana at Chandigarh, as well as at the DRT, Chandigarh. The proceedings are presently pending.

77. Our Bank filed an O.A. (no. 157 of 2008) before the DRT, Bangalore against E.R. Textiles Limited and others seeking recovery certificate for Rs. 13.23 crore, along with interest towards dues payable to our Bank pertaining to certain facilities sanctioned by our Bank in favour of E.R. Textiles Limited. E.R. Textiles Limited subsequently filed an application before the DRT, Bangalore seeking adjournment of the proceedings during pendency of reference (no. 43 of 2008) filed by E.R. Textiles Limited for being declared a sick company before the BIFR, Bangalore, pursuant to which, interim stay was granted by the DRT, Bangalore through its order dated April 28, 2008. E.R. Textiles Limited was declared a sick company by order of the BIFR, Bangalore, dated March 9, 2010. The proceedings before the DRT, Bangalore are presently pending.

78. Our Bank filed O.A. (no. 9 of 2000) before the DRT, Chandigarh against G.S. Atwal and Company for Rs. 14.67 crore as dues payable to our Bank towards facilities granted by our Bank, along with interest and costs. The DRT, Chandigarh passed an order dated December 8, 2000 in favour of our Bank, pursuant to which recovery case (no. 53 of 2003) was initiated before the Recovery Officer, DRT, Chandigarh. The recovery proceedings are presently pending.

79. Our Bank filed an O.A. (no. 10 of 2003) before the DRT-II, Kolkata against G.S. Atwal and Company (GUA) seeking recovery of Rs. 4.40 crore as dues payable to our Bank towards facilities granted by our Bank, along with interest and directions for attachment of assets secured for such facilities and appointment of receiver with respect to such properties. The proceedings before the DRT-II, Kolkata are presently pending.

80. Our Bank filed an O.A. (no. 637 of 2006) before the DRT-III, Chandigarh against Arihant Industries Limited seeking recovery of Rs. 2.82 crore, with interest, towards dues payable to our Bank towards certain facilities sanctioned in favour of Arihant Industries Limited, which was decreed in favour of our

Bank by order passed and recovery certificate issued on April 9, 2009. In the interim, Arihant Industries Limited filed a reference (no. 98 of 2006) before the BIFR, which was dismissed by order of the BIFR dated January 22, 2008, and Arihant Industries Limited has filed an appeal (no. 53 of 2008) before the AAIFR, New Delhi. Our Bank has consented to another lender, having first charge over the assets secured towards the facilities granted by our Bank, initiating proceedings under the SARFAESI Act for recovery, with our Bank receiving share of the proceeds thereof on pro-rata basis. The recovery proceedings are presently pending.

81. Our Bank filed an O.A. (no. 49 of 2006) before the DRT, Jabalpur against Sunil Dandir, Sadhna Shivhare and others, seeking recovery certificate for Rs. 1.73 crore towards dues payable to our Bank pertaining to certain facilities sanctioned to Sunil Dandir. Thereafter, appeals were filed against proceedings initiated by our Bank under the SARFAESI Act with respect to notices under Section 13(2) and Section 13(4) of the SARFAESI Act dated February 15, 2007, February 16, 2007 and March 5, 2007, which appeals were struck down by the same order dated August 24, 2007, against which Sadhna Shivhare and others filed appeals (no. R-852 and R-853 of 2007) before the DRAT, Allahabad. One-time settlement was sanctioned by the Board of Directors of our Bank pursuant to its meeting dated July 30, 2010 for Rs. 1.27 crore. The proceedings before the DRT, Jabalpur are presently pending.

82. Our Bank filed an O.A. (no. 27 of 2006) before the DRT, Jabalpur against Santosh Jaiswal and others, seeking recovery of Rs. 3.91 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Santosh Jaiswal and others from alienating, transferring or disposing of the security and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. Our Bank had further initiated proceedings under the SARFAESI Act through issuance of notice under Section 13(2) of the SARFAESI Act on February 25, 2005, against which S.A. (no. 76 of 2006) has been filed before the DRT, Jabalpur by the guarantors of Santosh Jaiswal. The proceedings before the DRT, Jabalpur are presently pending.

83. Our Bank filed an O.A. (no. 168 of 2003) which was renumbered as O.A. (no. 606 of 2006) before the DRT, Chandigarh against Sardar Associates Limited and others, seeking recovery of Rs. 4.17 crore, with interest, towards dues payable to our Bank pertaining to grant of facilities to Sardar Associates Limited, which was decreed in favour of our Bank by order dated November 23, 2006 for Rs. 4.17 crore. Sardar Associates Limited had thereafter approached our Bank for settlement of Rs. 3.45 crore, which was not accepted by our Bank. Such rejection was challenged by Sardar Associates Limited and others in appeal (no. 26 of 2007) before the DRAT, Chandigarh. The DRAT, Chandigarh passed an order dated April 13, 2007, directing our Bank to settle the case as per the guidelines issued by the RBI in respect of NPAs, and set aside the judgment dated November 23, 2006. Our Bank filed civil writ petition (no. 8267 of 2007) before the High Court of Punjab and Haryana at Chandigarh, against such order dated April 13, 2007, which was dismissed by order dated November 21, 2007, against which our Bank filed review petition (no. 7 of 2008) before the Division Bench of the High Court of Punjab and Haryana at Chandigarh, which dismissed the order dated November 21, 2007 on February 1, 2008. Sardar Associates Limited filed a civil appeal (no. 4970-4971 of 2009) before the Supreme Court of India, pursuant to leave granted in special leave petition (no. 5249-5250 of 2008) by our Bank, which was allowed by order of the Supreme Court of India dated July 31, 2009. Our Bank filed a review petition (no. 2118-2119 of 2010) before the Supreme Court of India against such order dated July 31, 2009, which was dismissed by order dated December 1, 2009, against which curative petition (dated March 23, 2010) has been filed before the Supreme Court of India. The proceedings before the DRT, Chandigarh are presently pending.

84. Our Bank filed a claim petition (no. 22 of 2001) before the DRT, Chandigarh against Core Organics Limited seeking recovery of Rs. 1.02 crore towards dues payable to our Bank pertaining to facilities sanctioned by our Bank in favour of Core Organics Limited, along with orders directing adjustment of proceeds from sale of assets secured for such facilities against dues to our Bank. Liquidation proceedings had been initiated against Core Organics Limited in company petition (no. 120 of 1996) before the High Court of Delhi at New Delhi, and our Bank has filed a claim (no. Core/TC-II/707) with the official liquidator appointed. The proceedings before the DRT, Chandigarh and the claim (no. Core/TC-II/707) with the official liquidator are presently pending.

85. Our Bank filed a civil suit (no. 3 of 1993) before the High Court of Madras at Chennai, which was transferred and renumbered as T.A. (no. 177 of 1997) before the DRT, Chennai, against South East Footwear Limited seeking recovery of Rs. 1.48 crore as dues payable to our Bank towards facilities sanctioned by our bank, and interest, which was decreed on August 23, 2002 in favour of our Bank for

Rs. 1.48 crore, and recovery certificate was issued accordingly. Recovery case (no. 210 of 2002) was initiated before the Recovery Officer, DRT-I, Chennai. Previously, order of the BIFR, Chennai dated October 6, 1995 reference (no. 9 of 1989) had been passed declaring South East Footwear Limited as a sick industrial company, pursuant to which, order dated November 5, 1997 was passed for winding-up and appointment of official liquidator, against which South East Footwear Limited had filed an appeal (no. 142 of 1998) before the AAIFR, Chennai, which was dismissed by order dated May 24, 1999. The official liquidator had filed application (no. 1283 of 2006) before the High Court of Madras at Chennai for sale of properties of South East Footwear Limited and adjustment of proceeds of sale towards dues, which was allowed by order dated August 8, 2006. Subsequently, company applications (no. 700-703 of 2006) were filed with the High Court of Madras at Chennai for scheme of arrangement between South East Footwear Limited and the creditors. The proceedings before the High Court of Madras at Chennai and DRT-I, Chennai are presently pending.

86. Our Bank filed a suit (no. 1767 of 1986) before the High Court of Delhi at New Delhi against Universal Industries Limited and another seeking recovery of Rs. 1.48 crore as dues payable to our Bank towards certain facilities granted by our Bank, along with orders for adjustment of sale proceeds with respect to the assets secured for such facilities being adjusted against such dues. Our Bank had further filed an application (no. 3361 of 1991) for recovery to the extent of admission made by Universal Industries Limited of dues to our Bank of Rs. 0.83 crore, which was allowed by partial decree of the High Court of Delhi at New Delhi, dated February 7, 1995. The suit (no. 1767 of 1986) was subsequently transferred to the DRT, New Delhi and renumbered as T.A. (no. 21 of 1998). Our Bank thereafter filed application, dated June 7, 1999 for recovery certificate for Rs. 0.83 crore to be issued, and recovery proceedings to be initiated. The recovery proceedings before the Recovery Officer, DRT, New Delhi are presently pending.

87. Our Bank filed an O.A. (no. 70 of 2001) before the DRT, Chandigarh against Punwire Mobile Communications Limited seeking recovery of Rs. 6.15 crore against cash credit hypothecation facility and bank guarantee amount of Rs. 7.95 crore as dues payable to our Bank towards facilities sanctioned by our bank, and orders for adjustment of sale proceeds with respect to the assets secured for such facilities being adjusted against such dues, which was decreed in our favour for Rs. 14.10 crore including bank guarantee amount of Rs. 7.95 crore on September 10, 2002, and recovery certificate was issued accordingly, and recovery proceedings (no. 8 of 2003) were commenced before the Recovery Officer, DRT, Chandigarh. Winding-up proceedings had been initiated against Punwire Mobile Communications Limited pursuant to order dated July 6, 2000 of the High Court of Punjab and Haryana at Chandigarh in company petition (no. 47 of 2000) and official liquidator had been appointed. The Recovery Officer, DRT, Chandigarh had passed order dated November 22, 2006 directing our Bank to ascertain the position of the proceeds in the liquidation account. The official liquidator had filed application (no. 895 of 2007) before the High Court of Punjab and Haryana at Chandigarh seeking payment of outstanding bills and dues from the sale proceeds lying in liquidation account. The proceedings are presently pending before the Recovery Officer, DRT, Chandigarh and the High Court of Punjab and Haryana at Chandigarh.

88. Our Bank filed an O.A. (no. 84 of 1999) renumbered as O.A. (no. 1875 of 1999) before the DRT, Hyderabad against Hindustan Magnetic Limited seeking recovery of Rs. 5.15 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities being adjusted against such dues. The proceedings before the DRT, Hyderabad are presently pending.

89. Our Bank filed an O.A. (no. 368 of 1996) renumbered as O.A. (no. 121 of 2001) before the DRT, Chandigarh against Atma Plastic Private Limited, which pursuant to which, the DRT, Chandigarh passed an ex-parte order dated October 4, 2001 directing recovery in favour of our Bank for Rs. 3.73 crore as dues payable to our Bank towards certain facilities granted by our Bank, along with interest, and, in the event of failure of Atma Plastic Private Limited, directions for sale of assets secured by Atma Plastic Private Limited. Atma Plastic Private Limited filed application (no. 623 of 2003) before the DRT, Chandigarh seeking setting aside of such ex-parte order dated October 4, 2001. The proceedings before the DRT, Chandigarh are presently pending.

90. Our Bank filed an O.A. (no. 126 of 2009) before the DRT-I, Chandigarh against A.M.V. Polymers Private Limited seeking recovery of Rs. 1.67 crore as dues payable to our Bank along with interest, adjustment of sale proceeds with respect to assets secured for such facilities against dues to our Bank. Our Bank had further initiated proceedings under the SARFAESI Act and issued notice under Section 13(2) of the SARFAESI Act dated August 29, 2007, against which S.A. (no. 50 of 2008) had been filed

by A.M.V. Polymers Private Limited and another before the DRT-I, Chandigarh, where application (no. 50 of 2008) was filed by A.M.V. Polymers Private Limited seeking OTS. By order dated September 8, 2009 had been passed by the DRT-I, Chandigarh directing stay of the proceedings under the SARFAESI Act subject to deposit of Rs. 0.25 crore. The proceedings before the DRT-I, Chandigarh are presently pending.

91. Our Bank filed an O.A. (no. 1122 of 2001) before the DRT, Chandigarh against Punjab Breeders Limited and others seeking recovery of Rs. 1.97 crore as dues payable to our Bank towards certain facilities sanctioned by our Bank, along with interest and orders for adjustment of sale proceeds with respect to assets secured for such facilities against the said dues. Our Bank has further prayed for interim injunction restraining Punjab Breeders Limited from disposing of, alienating or transferring the assets secured for such facilities during the pendency of the application, and for appointment of receiver for the assets secured for such facilities. Our Bank had further initiated proceedings under the SARFAESI Act through issuance of notice dated June 15, 2004 under Section 13(2) of the SARFAESI Act. Punjab Breeders Limited has accordingly filed application (dated January 6, 2005) before the DRT, Chandigarh seeking stay of the proceedings under the SARFAESI Act during the pendency of the O.A. (no. 1122 of 2001). Stay was granted by the DRT, Chandigarh by order dated January 17, 2005, against which our Bank filed an application (no. 86 of 2006) before the DRT, Chandigarh. The proceedings before the DRT, Chandigarh are presently pending.

92. Our Bank filed an O.A. (no. 1192 of 2001) before the DRT, Chandigarh against Royal Biscuits Private Limited seeking recovery of Rs. 1.19 crore as dues payable to our Bank towards certain facilities granted by our Bank, with interest, along with orders for adjustment of sale proceeds with respect to assets secured for such facilities against the said dues. Our Bank has further prayed for interim injunction restraining Royal Biscuits Private Limited from disposing of, alienating or transferring the assets secured for such facilities during the pendency of the application, and for appointment of receiver for the assets secured for such facilities. The proceedings before the DRT, Chandigarh are presently pending.

93. Our Bank filed an O.A. before the DRT-II, Chandigarh against Adarsh Kumari Modern Huller and Atta Chakki and others, seeking recovery of Rs. 1.35 crore as dues payable to our Bank towards certain facilities granted by our Bank, with interest, along with orders for adjustment of sale proceeds with respect to assets secured for such facilities against the said dues. Our Bank has further prayed for interim injunction restraining Adarsh Kumari Modern Huller and Atta Chakki and others from disposing of, alienating or transferring the assets secured for such facilities during the pendency of the application, and for appointment of receiver for the assets secured for such facilities. The proceedings before the DRT-II, Chandigarh are presently pending.

94. Our Bank filed an O.A. in 2004 before the DRT-II, Chandigarh against Ess Kay Dee Rice Mills and others, seeking recovery of Rs. 1.22 crore as dues payable to our Bank towards certain facilities granted by our Bank, with interest, along with orders for adjustment of sale proceeds with respect to assets secured for such facilities against the said dues. Our Bank has further prayed for interim injunction restraining Ess Kay Dee Rice Mills and others from disposing of, alienating or transferring the assets secured for such facilities during the pendency of the application, and for appointment of receiver for the assets secured for such facilities. The proceedings before the DRT-II, Chandigarh are presently pending.

95. Our Bank filed an O.A. (no. 18 of 2006) before the DRT, Chandigarh against Ramo Modern Hullar and others, seeking recovery of Rs. 1.38 crore as dues payable to our Bank towards certain facilities granted by our Bank, with interest, along with orders for adjustment of sale proceeds with respect to assets secured for such facilities against the said dues. Our Bank has further prayed for interim injunction restraining Ramo Modern Hullars and others from disposing of, alienating or transferring the assets secured for such facilities during the pendency of the application, and for appointment of receiver for the assets secured for such facilities. The proceedings before the DRT, Chandigarh are presently pending.

96. Our Bank filed an O.A. (no. 142 of 2007) before the DRT, Lucknow against Dr. Sunder Lal Diagnostics and others, seeking recovery of Rs. 1.69 crore as dues payable to our Bank towards certain facilities granted by our Bank, with interest, along with orders for adjustment of sale proceeds with respect to assets secured for such facilities against the said dues. By order dated November 11, 2008, the application was decreed in favour of our Bank for Rs. 1.69 crore and recovery certificate was issued accordingly. Recovery case (no. 81 of 2009) has been initiated before the Recovery Officer, DRT, Lucknow. Recovery proceedings before the DRT, Lucknow are presently pending.

97. Our Bank filed an O.A. (no. 123 of 2000) before the DRT, Jabalpur, which was transferred to the DRT, Lucknow and renumbered as T.A. (no. 4 of 2002) against Prime Petro Products Limited and others, seeking recovery of Rs. 4.65 crore as dues payable to our Bank towards certain facilities granted by our Bank, with interest, along with orders for adjustment of sale proceeds with respect to assets secured for such facilities against the said dues. By ex-parte order dated November 9, 2005, the application was decreed in favour of our Bank for Rs. 4.65 crore and recovery certificate was issued accordingly. Recovery case (no. 59 of 2005) was initiated before the DRT, Lucknow. Prime Petro Products Limited and others filed an application (no. 21 of 2008) before the DRT, Lucknow, seeking recall of such order dated November 9, 2005 and stay upon recovery proceedings, on account of the written statement of Prime Petro Products Limited and others not being considered in such order dated November 9, 2005. Accordingly, the application was decreed in favour of our Bank by order dated July 10, 2008. The proceedings before the DRT, Lucknow are presently pending.

98. Our Bank filed an O.A. (no. of 2009) before the DRT, Allahabad against Mirzapur Associates and others, seeking recovery of Rs. 2.08 crore as dues payable to our Bank towards certain facilities granted by our Bank, with interest, along with orders for adjustment of sale proceeds with respect to assets secured for such facilities against the said dues, and order restraining Mirzapur Associates and others from alienating, disposing of, or transferring the assets secured for such facilities. The proceedings before the DRT, Allahabad are presently pending.

99. Our Bank filed an O.A. (no. 69 of 2007) before the DRT-II, Chandigarh against Rajah Hosiery Mills and others, seeking recovery of Rs. 1.50 crore as dues payable to our Bank towards certain facilities granted by our Bank, with interest, along with orders for adjustment of sale proceeds with respect to assets secured for such facilities against the said dues. Our Bank had further initiated proceedings under the SARFAESI Act and has recovered Rs. 0.36 crore from Rajah Hosiery Mills and others through sale of assets secured for such facilities. One-time settlement for Rs. 1.11 crore has been sanctioned by the management committee of the Board of Directors of our Bank pursuant to is meeting dated July 19, 2010, of which recovery of Rs. 0.10 crore has been effectuated as on August 13, 2010. The proceedings are presently pending before the DRT-II, Chandigarh.

100. Our Bank filed an O.A. (no. 15 of 2007) before the DRT, Chandigarh against Sunny Exports and others, seeking recovery of Rs. 4.24 crore as dues payable to our Bank towards certain facilities granted by our Bank, with interest, along with orders for adjustment of sale proceeds with respect to assets secured for such facilities against the said dues and order restraining Sunny Exports and others from alienating, disposing of, or transferring the assets secured for such facilities. The proceedings are presently pending.

101. Our Bank filed an O.A. (no. 35 of 2004) before the DRT, Lucknow against Eggro Paper Moulds Limited and others, seeking recovery of Rs. 7.94 crore as dues payable to our Bank towards certain facilities granted by our Bank, with interest, along with orders for adjustment of sale proceeds with respect to assets secured for such facilities against the said dues. Our Bank filed two applications dated December 22, 2005 and February 20, 2006 before the DRT, Lucknow seeking an order restraining Eggro Paper Moulds Limited and others from alienating, disposing of, or transferring the assets secured for such facilities and seeking declaration of assets of Eggro Paper Moulds Limited and others, which were upheld by order dated March 27, 2006. Subsequently, Eggro Paper Moulds Limited had filed application (no. 17 of 2006) before the DRT, Lucknow seeking stay of the proceedings before the DRT, Lucknow on account of pendency of the reference (no. 365 of 2003) before the BIFR, New Delhi for declaration of Eggro Paper Moulds Limited as a sick company. By order dated October 4, 2006, such application (no. 740 of 2006) was dismissed and stay not granted, against which Eggro Paper Moulds Limited filed an appeal (no. 740 of 2006) before the DRAT, Allahabad. The proceedings before the DRAT, Allahabad are presently pending.

102. Our Bank filed an O.A. (no. 292 of 2004) before the DRT-I, Chandigarh against City Clinic Private Limited and others, seeking recovery of Rs. 9.44 crore as dues payable to our Bank towards certain facilities granted by our Bank, with interest, along with orders for adjustment of sale proceeds with respect to assets secured for such facilities against the said dues. On May 30, 2008 a compromise deed was executed between our Bank and City Clinic Private Limited before the DRT-I, Chandigarh, which was accepted and the O.A. (no. 292 of 2004) adjourned sine die by order dated May 30, 2008 pursuant to which Rs. 7.50 crore has been recovered. The proceedings are presently pending.

103. Our Bank filed an O.A. (no. 64 of 2005) before the DRT, Chandigarh against Electronic Systems Punjab Limited and others, seeking recovery of Rs. 18.28 crore as dues payable to our Bank towards certain facilities granted by our Bank, with interest, along with orders for adjustment of sale proceeds with respect to assets secured for such facilities against the said dues, and order restraining Electronic Systems Punjab Limited from alienating, disposing of, or transferring the assets secured for such facilities. Reference (no. 605 of 1999) had been filed by Electronic Systems Private Limited before the BIFR, New Delhi for declaration as a sick industrial company. By order dated May 24, 2004, Electronic Systems Private Limited was directed to be wound up, against which appeal (no. 159 of 2004) was filed before the AAIFR, New Delhi. The AAIFR, New Delhi, by order dated September 7, 2009 confirmed the winding-up order dated May 24, 2004. The proceedings before the DRT, Chandigarh are presently pending.

104. Our Bank filed a suit (no. 1008 of 1996) before the Additional District Judge, Gwalior, which was transferred to the DRT, Jabalpur and renumbered as T.A. (no. 3 of 2000) against Jiyajeerao Cotton Mills and others seeking recovery of Rs. 1.36 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Jiyajeerao Cotton Mills and others from alienating, transferring or disposing of the security. Final order dated August 3, 2001 was passed in favour of our Bank for Rs. 1.36 crore, and recovery certificate was issued accordingly. Recovery case (no. DAEX 84/ 2001) is presently pending before the DRT, Jabalpur.

105. Our Bank filed an O.A. (no. 77 of 2009) before the DRT, Chandigarh against Shubham Hospital and others, seeking recovery of Rs. 1.05 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order Shubham Hospital and others from alienating, transferring or disposing of the security. The proceedings before the DRT, Chandigarh are presently pending.

106. Our Bank, along with eight other banks, filed an O.A. (no. 735 of 1999) before the DRT-I, Chennai against Synergy Financial Exchange Limited, seeking recovery of Rs. 31.81 crore, out of which the share of our Bank is Rs. 6.29 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Synergy Financial Exchange Limited and others from alienating, transferring or disposing of the security. Final order dated August 16, 2005 was passed in favour of our Bank and others, for Rs. 31.81 crore, and recovery certificate was issued accordingly. Recovery case (no. 111 of 2006) is presently pending before the DRT-I, Chennai.

107. Our Bank filed an O.A. (no. 441 of 1998) renumbered as (no.394 of 2000) before the DRT, Chandigarh against Mahavir Rice Mills and others, seeking recovery of Rs. 2.14 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Mahavir Rice Mills and others from alienating, transferring or disposing of the security. Final order dated February 26, 2001 was passed in favour of our Bank for Rs. 2.14 crore, and recovery certificate was issued accordingly. Recovery case (no. 388 of 2001) is presently pending before the Recovery Officer, DRT, Chandigarh.

108. Our Bank filed an O.A. (no. 659 of 2006) before the DRT-II, Chandigarh against Bindra Ispat Limited and others, seeking recovery of Rs. 1.60 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Bindra Ispat Limited and others from alienating, transferring or disposing of the security. The proceedings before the DRT-II, Chandigarh are presently pending.

109. Our Bank filed O.A. (no. 274 of 2000), renumbered as O.A. (no. 891 of 2001) before the DRT, Chandigarh against Domino Leathers Limited seeking recovery of Rs. 7.58 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Domino Leather Limited and others from alienating, transferring or disposing of the security, which was passed in favour of our Bank by final order dated May 29, 2001 and recovery certificate was issued accordingly. Recovery case (no. 159 of 2001) is presently pending before the Recovery Officer, DRT-I, Chandigarh.

110. Our Bank filed an O.A. (no. 157 of 2002) before the DRT-I, Kolkata against Uniworth Textiles Limited seeking recovery of Rs. 6.09 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Uniworth Textiles Limited and others from alienating, transferring or disposing of the security. The proceedings before the DRT-I, Kolkata are presently pending.

111. Our Bank has filed an O.A. (no. 158 of 2002) before the DRT-I, Kolkata against Uniworth International Limited, seeking recovery of Rs. 6.96 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for appointment of receiver and attachment of the assets secured for such facilities towards such dues, and restraining order against Uniworth International Limited and others from alienating, transferring or disposing of the security. The proceedings before the DRT-I, Kolkata are presently pending.

112. Our Bank filed a suit (no. 729 of 1992) before the High Court of Madras at Chennai, which was transferred and renumbered as O.A. (no. 129 of 1997) before the DRT, Chennai, against New Great Shoe Company seeking recovery of Rs.3.70 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against New Great Shoe Company and others from alienating, transferring or disposing of the security. The O.A. (no. 129 of 1997) was decided by final order dated November 23, 1998 in favour of our Bank, and recovery certificate was issued accordingly. Recovery case (no. 9 of 1999) is presently pending before the Recovery Officer, DRT, Chennai.

113. Our Bank filed an O.A. (no. 177 of 2009) before the DRT, Chennai against Panchsheel Alloys and Constructions Private Limited and others, seeking recovery of Rs. 5.28 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Panchsheel Alloys and Constructions Private Limited and others from alienating, transferring or disposing of the security. The proceedings before the DRT, Chennai are presently pending.

114. Our Bank filed an O.A. (no. 1050 of 1999) before the DRT, Chennai against Nova Electro Magnetics Limited seeking recovery of Rs. 3.76 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Nova Electro Magnetics Limited and others from alienating, transferring or disposing of the security. The proceedings before the DRT, Chennai are presently pending.

115. Our Bank filed an O.A. (no. 129 of 2003) before the DRT, Chennai against Supreme Chemiplast Pipings Private Limited and others seeking recovery of Rs. 4.65 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Supreme Chemiplast Pipings Private Limited and others from alienating, transferring or disposing of the security. The proceedings before the DRT, Chennai are presently pending.

116. Our Bank filed an O.A. (no. 323 of 2000) before the DRT-I, Chennai, which was transferred to the DRT-II, Chennai and renumbered as T.A. (no. 453 of 2002) against 21st Century Fashions Private Limited and others seeking recovery of Rs. 2.15 crore (inclusive of interest) as dues payable to our Bank towards facilities granted by our Bank, and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against 21st Century Fashions Private Limited and others from alienating, transferring or disposing of the security. During the pendency of the proceedings, 21st Century Fashions Private Limited made a payment of Rs. 0.18 crore to our Bank. Thereafter, final order dated October 9, 2007 was passed in favour of our Bank for the balance of the dues, equal to Rs. 1.97 crore. Recovery case (no. 210 of 2008) is presently pending before the Recovery Officer, DRT, Coimbatore.

117. Our Bank filed an O.A. (no. 749 of 2006) before the DRT, Chandigarh against Abhinav Cotspin Limited and others seeking recovery of Rs. 10.17 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Abhinav Cotspin Limited and others from

alienating, transferring or disposing of the security. Further, reference (no. 27 of 2004) had been filed before the BIFR, New Delhi for declaration of Abhinav Cotspin Limited as a sick company, which was declared by order dated June 21, 2006. By order dated February 22, 2010 of the DRT, Chandigarh, Abhinav Cotspin Limited was directed to pay deposit amount towards settlement of dues towards our Bank by order dated December 17, 2009 of the BIFR, New Delhi. The proceedings before the DRT, Chandigarh are presently pending.

118. Our Bank filed a suit (dated December 30, 2004) before the Principal District Judge, Srinagar against T.S.B. Feeds and others seeking recovery of Rs.2.24 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. The proceedings before the Principal District Judge, Srinagar are presently pending. By resolution dated March 11, 2010, one-time-settlement for Rs. 1.85 crore has been approved by the Management Committee of our Board with T.S.B. Feeds.

119. Our Bank filed an O.A. (no. 250 of 2000) before the DRT, Jabalpur against Shri Ishar Agro Limited seeking recovery of Rs. 7.27 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and restraining order against Shri Ishar Agro Limited and others from alienating, transferring or disposing of the security. Reference (no. 340 of 1998) had been filed before the BIFR, New Delhi, pursuant to which order dated May 12, 1999 was passed declaring Shri Ishar Agro Limited as a sick company, and further, by order dated May 31, 2002, Shri Ishar Agro Limited was directed to be wound-up. Appeal (no. 271 of 2002) was filed before the AAIFR, New Delhi, which was dismissed by order dated January 5, 2005. The proceedings are presently pending.

120. Our Bank filed an O.A. (no. 343 of 2004) before the DRT, Chandigarh against Bawa Shoes Leather Guild Private Limited seeking recovery of Rs. 7.23 crore, as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Bawa Shoes Leather Guild Private Limited and others from alienating, transferring or disposing of the assets secured for such facilities. Bawa Shoes Leather Guild Private Limited filed a writ petition in 2004 against our Company before the High Court of Punjab and Haryana at Chandigarh seeking directions to our Bank to accept payment from Bawa Shoes Leather Guild Private Limited and not proceed under the SARFAESI Act. Our Bank has filed a writ petition (no. 7730 of 2007) before the High Court of Punjab and Haryana against order dated January 9, 2007 of the DRAT, New Delhi in application (no. 134 of 2006) before the DRAT, New Delhi, filed by Sunita Kalra for deleting her name from the list of defendants, which was allowed by such order dated January 9, 2007. The proceedings before the DRT, Chandigarh, High Court of Punjab and Haryana at Chandigarh and DRAT, New Delhi are presently pending.

121. Our Bank filed an O.A. (459 of 1998) which was renumbered as O.A. (no. 197 of 2001) before the DRT, Chandigarh against Packex Limited seeking recovery of Rs. 1.69 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Packex Limited and others from alienating, transferring or disposing of the assets secured for such facilities and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. Final order dated January 14, 2005 of the DRT, Chandigarh was passed in favour of our Bank, but not against certain of the guarantors of Packex Limited, and recovery certificate was issued accordingly. Our Bank has filed appeal (no. 341 of 2005) before the DRAT, New Delhi. The proceedings before the DRAT, New Delhi are presently pending.

122. Our Bank filed an O.A. (no. 342 of 2004) before the DRT, Chandigarh against Bawa Shoes Private Limited seeking recovery of Rs. 10.68 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Bawa Shoes Private Limited and others from alienating, transferring or disposing of the assets secured for such facilities and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. The proceedings before the DRT, Chandigarh are presently pending.

123. Our Bank filed an O.A. (no. 1 of 2005) before the DRT, Chandigarh against Arihant Metals seeking recovery of Rs. 1.15 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Arihant Metals and others from alienating, transferring or disposing of the assets secured for such facilities. Final order dated March 20, 2008 was passed in favour of our Bank and recovery certificate was issued accordingly. Recovery case is presently pending before the Recovery Officer.

124. Our Bank filed an O.A. (no. 484 of 2006) before the DRT, Chandigarh against B.S. International and others seeking recovery of Rs. 3.98 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against B.S. International and others from alienating, transferring or disposing of the assets secured for such facilities. Our Bank also initiated proceedings under the SARFAESI Act by issuance of notice on March 10, 2007, against which S.A. (no. 22 of 2007) before the DRT, Chandigarh has been filed by B.S. International. The proceedings before the DRT, Chandigarh are presently pending.

125. Our Bank filed an O.A. (no. 9 of 2005) before the DRT, Chandigarh against Bash Tools Private Limited and others seeking recovery of Rs. 2.96 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Bash Tools Private Limited and others from alienating, transferring or disposing of the assets secured for such facilities. The proceedings before the DRT, Chandigarh are presently pending.

126. Our Bank filed O.A. (no. 10 of 2005) before the DRT, Chandigarh against Bash International seeking Rs. 1.22 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Bash International and others from alienating, transferring or disposing of the assets secured for such facilities. The proceedings before the DRT, Chandigarh are presently pending.

127. Our Bank filed a suit (no. 1496 of 1993) which was transferred and renumbered as O.A. (no. 343 of 1995) before the DRT, New Delhi, against Bhasin Associates Limited seeking recovery of Rs. 32.79 crore as dues payable to our Bank towards facilities granted by our Bank. Our Bank had also made reference (no. JS&LA/RLK/1/Arb/2002) before the sole arbitrator against ECGC seeking payment of Rs. 38.56 crore as the payment required to be made on behalf of Bhasin Associates Limited as per bank guarantee, which was disallowed against our Bank by award dated June 23, 2008, against which our Bank has filed an appeal before the Law Secretary, Department of Legal Affairs, Ministry of Law and Justice. Our Bank further filed an O.A. (no. 119 of 1999) before the DRT, New Delhi against Bhasin Associates Limited seeking recovery of Rs. 5.32 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Bhasin Associates Limited and others from alienating, transferring or disposing of the assets secured for such facilities. Our Bank filed an O.A. (no. 249 of 2000) before the DRT-II, New Delhi against Bhasin Associates Limited seeking recovery of Rs. 3.62 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Bhasin Associates Limited and others from alienating, transferring or disposing of the assets secured for such facilities. Our Bank filed an O.A. (no. 134 of 1996) before the DRT, New Delhi seeking recovery of Rs. 27.13 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Bash Tools Private Limited and others from alienating, transferring or disposing of the assets secured for such facilities. The proceedings before the DRT, New Delhi and the arbitration proceedings are presently pending.

128. Our Bank , in consortium with five other banks, led by Allahabad Bank filed an O.A. (no. 118 of 2002) before the DRT-II, New Delhi against J.C.T. Electronics Limited for recovery of a consolidated amount of Rs. 198.79 crore, with our share being Rs. 32.78 crore. A reference (no. 316 of 2002) was filed before the BIFR, New Delhi pursuant to which order dated March 12, 2007 was passed sanctioning a scheme of rehabilitation. One-time settlement for Rs. 20.77 crore was sanctioned by the Board of Directors of our Bank pursuant to its meeting dated November 21, 2007, of which recovery of Rs. 4.63 crore has been effectuated as on August 13, 2010. Our Bank is proposing to file a joint compromise application with J.C.T. Electronics Limited.

129. Our bank has filed an O.A. (no. 188 of 1997) before the DRT, New Delhi against Contemporary Enterprises Limited, H.S. Jalan and others seeking recovery of Rs. 1.39 crore as dues payable to our Bank towards facilities granted by our Bank, along with interest, order against assets secured for such facilities including plant and machinery of Contemporary Enterprises Limited and others, and interim injunction restraining Contemporary Enterprises Limited and others from alienating, transferring or disposing of the assets secured for such facilities. Pursuant to an application dated October 9, 2007 filed by our Bank for impleading the legal representatives of the then expired H.S. Jalan, the DRT, New Delhi passed an order dated August 21, 2007 impleading the legal representatives of H.S. Jalan. A one-time settlement proposal has been accepted by the Bank pursuant to sanction letter (no. MC 14/2010-2011) dated August 11, 2010 for Rs. 0.70 crore along with interest. The proceedings are presently pending before the DRT, New Delhi.

130. Our Bank filed an O.A. (no. 167 of 2000) before the DRT-II, Mumbai against Poise Securities and Exchange Limited seeking recovery of Rs. 2.18 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Poise Securities & Exchange Limited and others from alienating, transferring or disposing of the assets secured for such facilities. Final order dated September 22, 2006 was passed in favour of our Bank for Rs. 1.44 crore and recovery certificate was issued accordingly. Our Bank, filed an appeal (no. 329 of 2007) against such order dated September 22, 2006 before the DRAT, Mumbai seeking recovery of the full amount sought in O.A. (no. 167 of 2000). The proceedings before the DRT-II, Mumbai and the DRAT, Mumbai are presently pending.

131. Our Bank filed an O.A. (no. 459 of 2001) before the DRT, Chennai against Fidelity Industries seeking Rs. 4.94 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Fidelity Industries and others from alienating, transferring or disposing of the assets secured for such facilities and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. Final order dated June 19, 2009 was passed in favour of our Bank and recovery certificate was issued accordingly. Recovery case (no. 115 of 2009) was initiated before the DRT-I, Chennai. Liquidation proceedings have been initiated in company petition (no. 526 of 2000) before the High Court of Madras at Chennai, and our Bank has filed a claim (no. 115 of 2009) before the official liquidator. The proceedings before the DRT-I, Chennai and the High Court of Madras at Chennai are presently pending.

132. Our Bank has filed an O.A. (no. 726 of 2000) before the DRT, Chandigarh against Organic Chemoils Limited seeking recovery of Rs. 1.93 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Organic Chemoils Limited and others from alienating, transferring or disposing of the assets secured for such facilities and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. Reference (no. 285 of 1998) was filed before the BIFR, New Delhi, where, by order dated January 2, 2008, Organic Chemoils Limited was directed to be wound up, against which Organic Chemoils Limited filed an appeal (no. 67 of 2008) before the AAIFR, New Delhi. Our Bank has further agreed with the other creditors of Organic Chemoils Limited in joint meeting held on July 3, 2009 to propose settlement of Rs. 8.35 crore in aggregate, out of which the share of our Bank is Rs. 1.10 crore, before the AAIFR, New Delhi. The proceedings before the DRT, New Delhi are presently pending, and the creditors are proposing to settle the dispute before the AAIFR, New Delhi.

133. Our Bank has filed an O.A. (no. 140 of 2001) before the DRT, Chandigarh against Swastika Wool Traders Private Limited seeking recovery of Rs. 3.24 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Swastika Wool Traders Private Limited and others from alienating, transferring or disposing of the assets secured for such facilities and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. The Management Committee of our Board has approved a one-time-settlement with Swastika Wool Traders Limited for Rs. 1.09 crore pursuant to resolution dated March 30, 2010, of which complete recovery has been effectuated. The proceedings before the DRT, Chandigarh are presently pending and our Bank is proposing to withdraw the proceedings.

134. Our Bank has filed an O.A. (no. 8 of 2005) before the DRT, Chandigarh against Laxmi Steel Forgings and others seeking recovery of Rs. 2.27 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Fidelity Industries and others from alienating, transferring or disposing of the security and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. The proceedings before the DRT, Chandigarh are presently pending.

135. Our Bank has filed an O.A. (no. 414 of 2009) before the DRT-II, Chandigarh against Chadha Exporters and others, seeking recovery of Rs. 1.97 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Chadha Exporters and others from alienating, transferring or disposing of the security and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. The proceedings before the DRT-II, Chandigarh are presently pending.

136. Our Bank filed an O.A. (no. 362 of 2010) before the DRT, Chandigarh against Sahib India and others seeking recovery of Rs. 3.51 crore as dues payable to our Bank towards facilities granted by our Bank,

with interest and restraining order against Sahib India and others from alienating, transferring or disposing of the assets secured for such facilities and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. Our Bank had further issued notice under Section 13(2) of the SARFAESI Act on March 1, 2007 against which Sahib India and others filed S.A. (no. 21 of 2007). Our Bank and Sahib India had further filed a memorandum of settlement on December 6, 2007 for release of title deeds of mortgaged assets with our Bank only, so as to enable Sahib India to sell such properties and repay dues to our Bank. The proceedings before the DRT, Chandigarh are presently pending.

137. Our Bank filed an O.A. (no. 150 of 2004) before the DRT, Chandigarh against Navrattan Steel Strips Limited and others seeking recovery of Rs. 3.07 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Navrattan Steel Strips Limited and others from alienating, transferring or disposing of the assets secured for such facilities and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. The proceedings before the DRT, Chandigarh are presently pending.

138. Our Bank filed an O.A. (no. 11 of 2005) before the DRT, Chandigarh against Jaina International and others seeking recovery of Rs. 1.09 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Jaina International and others from alienating, transferring or disposing of the security and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. Our Bank had further issued notice under Section 13(2) of the SARFAESI Act which was sought to be quashed in S.A. (no. 61 of 2007) before the DRT, Chandigarh by the guarantors of Jaina International. The DRT, Chandigarh stayed the proceedings under the SARFAESI Act during the pendency of the O.A. (no. 11 of 2005). Subsequently, our Bank filed an application before the DRT-II, Chandigarh seeking vacation of stay. The proceedings before the DRT-II, Chandigarh are presently pending.

139. Our bank has filed an O.A. (no. 187 of 1998) before the DRT, New Delhi against Arco Exports Private Limited and others seeking recovery of Rs. 2.08 crore as dues payable to our bank towards facilities granted by our Bank, along with interest, orders for sale of the assets secured for such facilities and interim injunction restraining Arco Exports Private Limited and others from alienating, transferring or disposing of the assets secured for such facilities. The guarantors and directors of Arco Exports Private Limited are identical to those in Arnica International mentioned hereinabove. The proceedings are presently pending.

140. Our Bank filed an O.A. (no. 143 of 2005) before the DRT, Kolkata against Shree Venkata Industries Private Limited seeking recovery of Rs. 1.78 crore, as dues payable to our Bank towards facilities granted by our Bank, along with interest. Our Bank had further initiated proceedings under the SARFAESI Act through issuance of notice dated January 31, 2007. The DRT, Kolkata has stayed the proceedings under the SARFAESI Act by passing a status quo order dated November 27, 2007, during the pendency of the O.A. (no. 143 of 2005). The proceedings are presently pending.

141. Our Bank filed a suit (no. 64-A of 1984) before the District Judge, Raipur against Bhilai Motors and others seeking recovery of Rs. 1.14 crore as dues payable to our Bank towards facilities granted by our Bank, along with interest and orders for sale of assets secured for such facilities granted. The District Judge, Raipur passed decision in favour of our Bank by decree dated November 21, 1986. Thereafter, the execution proceedings were transferred before the DRT, Jabalpur and renumbered as transferred execution petition (no. 71 of 2001). The proceedings before the Recovery Officer, DRT, Jabalpur are presently pending.

142. Our Bank filed an O.A. (no. 359 of 2000) before the DRT, Jaipur, which was transferred to the DRT, Chandigarh and renumbered as O.A. (no. 1022 of 2000) before the DRT, Chandigarh, against Surjit & Surinder Investments seeking recovery of Rs. 6.09 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Surjit & Surinder Investments Private Limited and others from alienating, transferring or disposing of the security and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. Final order dated April 30, 2002 was passed in favour of our Bank and recovery certificate was issued accordingly. Recovery case (no. 68 of 2004) is presently pending before the Recovery Officer, DRT-I, Chandigarh.

143. Our Bank filed an O.A. (no. 85 of 2006) before the DRT-I, Chennai against Kosmo Fashions and others seeking recovery of Rs. 1.09 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues. Final order dated August 8, 2007 was passed in favour of our Bank and recovery certificate (no. 274 of 2007) was issued accordingly. Further, our bank had issued notice dated May 16, 2005 under the SARFAESI Act for possession of secured property, against which S.A. (no. 225 of 2007 and no. 226 of 2007) were filed, which were dismissed by order dated June 3, 2008. Further, S.A. (no. 559 of 2007 and 560 of 2007) have been filed against such notice dated May 16, 2005, which are presently pending before the DRT-I, Chennai. Our Bank has also filed a complaint regarding impersonation against one of the guarantors through letter dated February 13, 2008 to the Commissioner of Police, Police Station Egmore, Chennai. The proceedings before the DRT-I and the complaint proceedings are presently pending.

144. Our Bank filed an O.A. (no. 269 of 2010) before the DRT-II, Mumbai against Rajat Pharmachem Limited and others seeking recovery of Rs. 16.78 crore as dues payable to our Bank towards facilities granted by our Bank, with interest and restraining order against Rajat Pharmachem Limited and others from alienating, transferring or disposing of the security and orders for adjustment of sale proceeds with respect to the assets secured for such facilities towards such dues, and further, for directions of payment of Rs. 2.73 crore to our Bank out of such dues, as the same has been acknowledged in the balance sheet of Rajat Pharmachem Limited for the year ending March 31, 2009. The proceedings before the DRT-II, Mumbai are presently pending.

C. LITIGATION INVOLVING OUR SPONSORED BANK

Except as disclosed hereunder, there are no legal or regulatory proceedings or investigations involving our Sponsored Bank.

There are 126 cases against our Sponsored Bank in relation to recovery of bank dues pending before various District Courts including Mansa, Gidderbaha, Shardulgarh, Faridkot, Malout, Budhlada and Bhatinda. The aggregate amount claimed in these cases is Rs. 2.16 crore.

D. LITIGATION INVOLVING OUR DIRECTORS

As on the date of this Draft Red Herring Prospectus, there are no legal or regulatory proceedings or investigations pending against any of our Directors. However, certain of our Directors may be impleaded in legal proceedings from time to time, in their official capacities and in the ordinary course of our business.

E. AMOUNT OWED TO SMALL SCALE UNDERTAKINGS/CREDITORS

The Bank does not owe any amount to any micro, small and medium enterprises or other creditors which is outstanding for more than 30 days except in the ordinary course of business.

F. MATERIAL DEVELOPMENTS

Except as stated in "***Management's Discussion and Analysis of Financial Condition and Results of Operation – Significant Developments after March 31, 2010"*** at page 303, there have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, any circumstances which materially and adversely affect or are likely to affect our profitability taken as a whole or the value of our consolidated assets or our ability to pay our liabilities within the next 12 months.

GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, the Bank can undertake this Issue and its current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue its business activities. Certain approvals have elapsed in their normal course and the Bank has either made an application to the appropriate authorities for renewal of such licenses and/or approvals or is in the process of making such applications.

The present Issue in terms of this Draft Red Herring Prospectus has been authorised by the Board of Directors pursuant to their resolution dated December 22, 2009.

Approvals for the Issue

1. The MoF, GoI has, through its letter (F. No. 11/10/2009-BOA) dated April 27, 2010 granted approval to the Bank for an initial public offering for raising Rs. 40 crore through book building process comprising four crore equity shares of Rs. 10 each at a premium, subject to the following:

    a) The Bank shall comply with all the applicable statutory and regulatory provisions contained in the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1980 (the "**Banking Companies Act**") and other statutes for the time being in force and regulatory guidelines issued by RBI, SEBI or any other competent authority.

    b) GoI's shareholding shall not be below 51% at any point of time in terms of section 3 (2B) (c) of Banking Companies Act.

    c) The Bank shall obtain necessary approvals from its Board of Directors, Management committee of the Board of Directors, SEBI and other regulatory and supervisory bodies.

    d) The timing of public issue shall be decided by the Bank keeping in view the conditions prevailing in the market.

    e) Reservation/ firm allotment, if any, to financial institutions, banks, mutual funds, NRIs/ Overseas Corporate Borrowers etc., should be advised to the Government/ RBI before the Issue is launched. Allotment to Non-Resident Indians, if any, will be subject to prior approval of the Foreign Exchange Department, RBI and should be within the ceiling of 20% paid-up capital or any lower ceiling that may be notified by GoI under section 3(2D) of the Banking Companies Act.

    f) The Bank should restrict its public issue expenses to the bare minimum in compliance with the statutory provisions and follow all applicable guidelines/ instructions for appointment of consultants/ issue managers/ advisors with regard to this IPO.

2. Pursuant to letter (No. F. No. 11/10/2009-BOA) dated May 7, 2010 the Central Government on recommendation of the RBI has granted exemption to the Bank from the provisions of section 13 of the Banking Regulations Act, 1949, in relation to the Issue.

3. Pursuant to letter (No. F. No. 11/10/2009-BOA) dated May 7, 2010 the Central Government in consultation with the RBI has granted exemption to the Bank from the provisions of section 15(1) of the Banking Regulations Act, 1949 for a period of five years in relation to writing off of all its Issue expenses pertaining to the Issue.

Approvals for our Business

1. Section 22 of the Banking Regulation Act, which requires a license 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 license in order to carry out banking activities.

2. RBI Letter No. DBOD.IBD 21116/23.67.002/2009-10 dated June 14, 2010 authorising the Bank for import of gold and silver under Foreign Trade Policy 2009-2014 until December 31, 2010 subject to

certain terms and conditions mentioned in the letter including compliance with exchange control regulations, foreign trade policy, customs and excise notifications and other relevant laws, rules and regulations from time to time.

3. The Bank has obtained a licence from the RBI to deal in foreign exchange.

We require prior approval from the RBI for opening a new place of business in India or abroad in accordance with the existing policy of the RBI. We have obtained the requisite 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.

Appointment and remuneration of Directors

1. Notification dated December 7, 2009 issued by the MoF, GoI in terms of section 9(3)(a) of the Banking Companies Act read with clauses 3(1) and 8(1) of the Nationalized Banks Scheme, in consultation with the RBI, appointing Mr. P.K. Anand as Executive Director of the Bank, for a period up to May 31, 2013.

2. Notification dated January 27, 2009 issued by the MoF, GoI in terms of section 9(3)(b) of the Banking Companies Act read with clauses 3(1) of the Nationalized Banks Scheme appointing Mr. A. Bhattacharya as Director of the Bank, from date of the date of the notification or until further orders.

3. Notification dated July 30, 2010 issued by the MoF, GoI in terms of section 9(3)(c) of the Banking Companies Act read with clauses 3(1) of the Nationalized Banks Scheme appointing Mr. B.P. Kanungo as RBI nominee Director of the Bank, with effect from the date of the notification or until further orders.

4. Notification dated December 31, 2008 issued by the MoF, GoI in terms of section 9(3)(g) of the Banking Companies Act read with clauses 9 (2)(b) of the Nationalized Banks Scheme, in consultation with RBI appointing Mr. A.K. Surana as part-time non official Director of the Bank, from date of the notification for a period of three years and/or until further orders, whichever is earlier.

5. Notification dated January 25, 2008 issued by the MoF, GoI in terms of section 9(3)(h) and 9(3-A) of the Banking Companies Act read with clauses 3(1) of the Nationalized Banks Scheme, appointing Mr. M.V.S. Prasad as part time non-official Director of the Bank, for a period of three years from the date of the notification or until further orders whichever is earlier.

6. Notification dated July 10, 2008 issued by the MoF, GoI in terms of section 9(3)(h) and 9(3-A) of the Banking Companies Act read with clauses 3(1) of the Nationalized Banks Scheme, appointing Mr. K.M. Gangawat as part-time non official Director of the Bank, for the period of three years from the date of the notification or until further orders, whichever is earlier.

7. Notification dated December 4, 2008 issued by the MoF, GoI in terms of section 9(3)(h) and 9(3-A) of the Banking Companies Act read with clauses 3(1) of the Nationalized Banks Scheme, appointing Mr. Hari Chand Bahadur Singh as part time non-official Director of the Bank, for a period of three years from the date of the notification or until further orders, whichever is earlier.

8. Notification dated July 12, 2010 issued by the MoF, GoI in terms of section 9(3)(h) and 9(3-A) of the Banking Companies Act read with clauses 3(1) of the Nationalized Banks Scheme, appointing Mr. Manish Gupta as part time non-official Director of the Bank, for a period of three years from the date of the notification or until further orders, whichever is earlier.

9. Notification dated July 5, 2010 issued by the MoF, GoI in terms of section 9(3)(h) and 9(3-A) of the Banking Companies Act read with clauses 3(1) of the Nationalized Banks Scheme, appointing Mr. Karanpal Singh Sekhon as part time non-official Director of the Bank, for a period of three years from the date of the notification or until further orders, whichever is earlier.

Income Tax

1. Permanent account number AAACP1206G issued by department of Income Tax Department, GoI.

Service Tax Registrations

S. No.	Particulars	Service Tax Code	Date of Issue	Date of Expiry
1.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at Hall Bazar, Amritsar, Punjab (Rural) issued by the Superintendent, Central Excise, Amritsar.	AAACP1206GST866	April 4, 2009	Not applicable
2.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at Hall Bazar, Amritsar, Punjab (Urban), issued by the Superintendent, Central Excise, Amritsar.	AAACP1206GST846	August 22, 2008	Not applicable
3.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at 148, Civil Lines, Ganga Deep Complex, Bareilly, Uttar Pradesh, issued by the Commissioner, Customs and Central Excise, Bareilly.	AAACP1206GST847	September 12, 2008	Not applicable
4.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at 100 F.T. Road, Civil Lines, Bhatinda, Punjab, issued by the Assistant Commissioner, Central Excise, Bhatinda.	AAACP1206GST752	August 5, 2008	Not applicable
5.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at 186, Zone – II , M.P. Nagar, Bhopal, Madhya Pradesh, issued by the Commissioner, Customs and Central Excise, Bhopal.	AAACP1206GST850	November 5, 2008	Not applicable
6.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at Bank Square, Sector 17B, Chandigarh issued by the Superintendent, Central Excise, Chandigarh.	AAACP1206GST725	September 22, 2008	Not applicable
7.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office-II situated at SCO No. 84-91, Bank Square, Sector 17B, Chandigarh, issued by the Superintendent, Central Excise, Chandigarh.	AAACP1206GST723	September 15, 2008	Not applicable
8.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at 770, Spencers Towers, Anna Road, Chennai, issued by the Superintendent, Service Tax, Chennai.	AAACP1206GST033	July 18, 2007	Not applicable
9.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at Punjab & Sind Bank, Zonal Office,	AAACP1206GST848	October 20, 2008	Not applicable

	First Floor, Amrit Kaur Road, Near Tehsil Dehradun, issued by the Assistant Commissioner, Customs and Central Excise, Meerut.			
10.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office-I at Siddhartha Enclave, Ashram Chowk, Harinagar Ashram, New Delhi issued by the Officer, Central Excise, New Delhi.	AAACP1206GST842	July 14, 2008	Not applicable
11.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office-II at B-38 and 39, Industrial Area Naraina, New Delhi, issued by the Assistant Commissioner, Service Tax, Central Excise, New Delhi.	AAACP1206GST841	June 30, 2008	Not applicable
12.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at First Floor, Bhandari House, Nehru Place, New Delhi, issued by the Deputy Commissioner, Service Tax, Central Excise, New Delhi.	AAACP1206GST836	June 6, 2008	Not applicable
13.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at Sadiq Chowk, Faridkot, Punjab, issued by the Assistant Commissioner, Service Tax, Central Excise, Faridkot.	AAACP1206GST074	June 18, 2008	Not applicable
14.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at 42, M.G. Road, Uzan Bazar, Guwahati, issued by the Assistant Commissioner, Service Tax, Central Excise, Guwahati.	AAACP1206GST718	July 18, 2008	Not applicable
15.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at Civil Lines, Gurdaspur, Punjab, issued by the Superintendent, Service Tax, Central Excise, Batala.	AAACP1206GST865	March 30, 2009	Not applicable
16.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office - Haryana at SCO No. 84, Bank Square, Sector 17B, Chandigarh, issued by the Superintendent, Service Tax, Central Excise, Chandigarh.	AAACP1206GST724	September 18, 2008.	Not applicable
17.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at B-9/647, Gurmukh, Towers, Tanda Bye Pass, Hoshirpur, Punjab, issued by the Superintendent, Service Tax, Central Excise, Hoshirpur.	AAACP1206GST849	October 31, 2008	Not applicable
18.	Certificate of registration under section 69 of the Finance Act, 1994	AAACP1206GST734	February 26, 2009	Not applicable

	for service tax for zonal office at PSB House, Model Town, Jalandhar, Punjab, issued by the Assistant Commissioner, Service Tax, Central Excise, Jalandhar.			
19.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at 14/15 Old Court House Street, Kolkata, West Bengal, issued by the Superintendent Service Tax, Central Excise, Kolkata.	AAACP1206GST845	August 6, 2008	Not applicable
20	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at Opposite Basant Cinema, Lalbagh, Lucknow, Uttar Pradesh, issued by the Superintendent, Service Tax, Central Excise, Lucknow.	AAACP1206GST756	March 4, 2009	Not applicable
21.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at Nobel Enclave, 5th Floor, Ferozpur Road, Ludhiana, Punjab, issued by the Superintendent, Service Tax, Central Excise, Ludhiana.	AAACP1206GST733	December 5, 2008	Not applicable
22.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at Fitwell House, L.B.S. Marg, Vikhroli (West) Tagore Nagar, Mumbai, Maharashtra, issued by the Superintendent, Service Tax, Central Excise, Mumbai.	AAACP1206GST314	August 26, 2008	Not applicable
23.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at Rajbaha Road, Near Harbanse Cinema, Patiala, issued by the Superintendent, Service Tax, Central Excise, Patiala.	AAACP1206GST671	October 6, 2008	Not applicable
24.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at Head Office – Central Establishment Cell, 5th Floor, Bank House, Rajinder Place, Patel Nagar, New Delhi, issued by the Deputy Commissioner, Service Tax, Central Excise, New Delhi.	AAACP1206GST749	September 13, 2007	Not applicable
25.	Certificate of registration under section 69 of the Finance Act, 1994 for service tax for zonal office at Head Office – Foreign Exchange, 5th Floor, Bank House, Rajinder Place, Patel Nagar, New Delhi, issued by the Deputy Commissioner, Service Tax, Central Excise, New Delhi.	AAACP1206GST844	August 18, 2008	Not applicable

Registration with SEBI

1. Certificate of Registration (Registration No. INBI00000014) vide letter dated April 6, 2010 issued by the SEBI in terms of Regulation 8 of SEBI (Bankers to the Issue) Regulations 1994, to carry on activities as bankers to the issue. The registration is valid for a period of three years commencing from November 16, 2009 and expiring on November 15, 2012.

Licenses and Approvals from IRDA

1. License 1784337 dated September 14, 2007 granted by IRDA to the Bank, to act as a corporate agent for procuring or soliciting insurance business of one life insurance under the Insurance Act, 1938 (IV of 1938). The license is effective for a period of three years starting from September 13, 2007.

Trademarks

1. The Bank has made an application (no. 1968165) dated May 9, 2010, to the Trade Mark registry for the registration of its logo "" under class 36 under the Trademark Rules, 2002.

Pending Approvals

1. The Bank pursuant to letter no. 2335 dated August 18, 2010, has applied to the Exchange Control Department, RBI for approving the issue and Allotment of Equity Shares of the Bank, through the Issue to persons resident outside India, including foreign institutional investors registered with SEBI, non resident Indians, multilateral and bilateral development financial institutions, and other non-residents eligible under all applicable laws and regulations to hold such Equity Shares on a repatriation basis, at prices determined through the book building method under the SEBI ICDR Regulations.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Corporate Approvals

- The present Issue in terms of this Draft Red Herring Prospectus has been authorised by the Board of Directors pursuant to its resolution dated December 22, 2009.

- Further, our Board has, pursuant to resolution dated August 26, 2010, authorised the Bank to take necessary action for filing of this Draft Red Herring Prospectus.

Approval from the MoF, GoI

- The MoF, GoI has, through its letter (F. No. 11/10/2009-BOA) dated April 27, 2010 granted approval to the Bank for an initial public offering for raising Rs. 40 crore through book building process comprising 4,00,00,000 Equity Shares of Rs. 10 each at a premium, subject to certain terms and conditions. For details, see "*Government and Other Approvals*" on page 346.

Approvals from the RBI

- Pursuant to letter (No. F. No. 11/10/2009-BOA) dated May 7, 2010 the central government on recommendation of the RBI has granted exemption to the Bank from the provisions of section 13 of the Banking Regulations Act, in relation to the Issue.

- Pursuant to letter (No. F. No. 11/10/2009-BOA) dated May 7, 2010 the central government in consultation with the RBI has granted exemption to the Bank from the provisions of section 15(1) of the Banking Regulations Act for a period of five years in relation to writing off of all its Issue expenses pertaining to the Issue.

- The Bank vide letter no. 2335 dated August 18, 2010, has applied to the Exchange Control Department, RBI for approving the issue and allotment of Equity Shares of the Bank, through the Issue to persons resident outside India, including foreign institutional investors registered with SEBI, non resident Indians, multilateral and bilateral development financial institutions, and other non-residents eligible under all applicable laws and regulations to hold such Equity Shares on a repatriation basis, at prices determined through the book building method under the SEBI ICDR Regulations.

Prohibition by SEBI, RBI or governmental authorities

The Bank, its Promoter and Directors, have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other authorities. None of our Directors was or also is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by the SEBI.

Our Directors are not in any manner associated with the securities market and there has been no action taken by the SEBI against the Directors or any entity our Directors are involved in as promoters or directors.

Neither the Bank, nor its Promoter, nor its Directors, have been detained as wilful defaulters by the RBI or any other government authorities. There are no violations of securities laws committed by any of them in the past or pending against them.

Eligibility for the Issue

The Bank is eligible for the Issue in accordance with Regulation 26 (1) of the SEBI ICDR Regulations as described below:

(a) The Bank has net tangible assets of at least Rs. 3.00 crore in each of the preceding three full years (of 12 months each), of which not more than 50% are held in monetary assets:

(b) The Bank has a track record of distributable profits in terms of section 205 of the Companies Act for at least three of the immediately preceding five years;
(c) The Bank has a net worth of at least Rs. 1.00 crore in each of the three preceding full years (of 12 months each);
(d) The aggregate of the proposed Issue and all previous issues made in the same financial year in terms of Issue size is not expected to exceed five times the pre-Issue net worth of the Bank as per the audited balance sheet of the preceding financial year; and
(e) The Bank has not changed its name within the last one year.

The net profit, net worth, net tangible assets and monetary assets derived from the audited financial statements, as at and for the last five financial years ended March 31, 2006, March 31, 2007, March 31, 2008, March 31, 2009 and March 31, 2010 is set forth below:

(Rs. in crore)

Particulars	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Net tangible assets	18,576.70	21,704.59	30,397.95	40,778.58	56,099.58
Monetary assets	4,588.16	4,101.10	3,177.36	4,522.36	8,098.42
Monetary assets as a percentage of the net tangible assets	24.70	18.89	10.45	11.09	14.44
Net profit	248.28	328.98	302.13	320.20	356.13
Net worth	766.75	1,156.58	1,558.61	1,625.50	2,120.62

Note: (1) *Monetary Assets means*: Cash in Hand + Balance with RBI + Balance with Other Banks + Investments (Other than SLR requirement of RBI) which were liquid in nature (means saleable within 3 days).
(2) *Net worth means*: Total Net worth of Bank including Preference Shares.

Hence, we are eligible for the Issue under Regulation 26 (1) of the SEBI ICDR Regulations.

Further, in accordance with regulation 26(4) of the SEBI ICDR Regulations, we shall ensure that the number of Allottees, *i.e.*, persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000; otherwise, the entire application money will be refunded forthwith. If such money is not repaid within eight days after the Bank becomes liable to repay it, then the Bank shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% *per annum* on application money, as prescribed by applicable law.

Disclaimer Clause of 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, BEING SBI CAPITAL MARKETS LIMITED, ENAM SECURITIES PRIVATE LIMITED AND ICICI SECURITIES LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AS IN FORCE FOR THE TIME BEING. AS 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 SECURITIES PRIVATE LIMITED AND ICICI SECURITIES LIMITED HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED AUGUST 26, 2010 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 MATERIAL DOCUMENTS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER,**

   WE CONFIRM THAT:

   A. **THE DRAFT RED HERRING PROSPECTUS FILED WITH THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

   B. **ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS ETC., FRAMED/ISSUED BY THE SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**

   C. **THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID;**

4. **WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS; - <u>NOTED FOR COMPLIANCE</u>**

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

6. **WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTER'S CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS;**

7. **WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE**

THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE - <u>NOT APPLICABLE</u>;

8. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER;**

9. **WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER APPLICABLE LAW AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION – <u>NOTED FOR COMPLIANCE</u>;**

10. **WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE – <u>NOT APPLICABLE AS UNDER APPLICABLE LAW, THE EQUITY SHARES ARE TO BE ISSUED IN DEMAT ONLY</u>;**

11. **WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BAORD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION;**

12. **WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:**

    a. **AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER; AND**

    b. **AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SEBI FROM TIME TO TIME.**

13. **WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**

14. **WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTER'S EXPERIENCE, ETC.**

15. **WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**

The filing of the Draft Red Herring Prospectus does not, however, absolve the Bank from any liabilities under applicable law 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 BRLMs and any irregularities or lapses in the Draft Red Herring Prospectus.

Caution - Disclaimer from the Bank and the BRLMs

The Bank, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the 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.psbindia.com*, or the websites of our Promoter would be doing so at his or her own risk.

The BRLMs accepts no responsibility, save to the limited extent as provided in the Issue Agreement entered into among the BRLMs and the Bank dated August 25, 2010, and the Underwriting Agreement to be entered into among the Underwriters and the Bank.

All information shall be made available by the Bank and BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres, etc.

The Bank, the BRLMs and the members of the Syndicate shall not be liable to the Bidders for any failure in uploading the Bids due to faults in any software/hardware system or otherwise.

The BRLMs and their respective associates may engage in transactions with and perform services for the Bank and our respective affiliates and associates in the ordinary course of business and have engaged or may in future engage in commercial banking and investment banking transactions with the Bank, affiliates or associates for which they have received and may in future receive compensation.

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 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, Hindu Undivided Family(ies) ("**HUF(s)**"), 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 Eligible NRIs, Foreign Institutional Investors ("**FIIs**") and other eligible foreign investors (viz. Foreign Venture Capital Investors ("**FVCIs**"), multilateral and bilateral development financial institutions). This Draft Red Herring Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus was filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

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 except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold outside the United States in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Disclaimer Clause of the NSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the NSE. The disclaimer clause as intimated by the NSE to the Bank, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing the same with the Designated Stock Exchange.

Disclaimer Clause of the BSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the BSE. The disclaimer clause as intimated by the BSE to the Bank, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing the same with the Designated Stock Exchange.

Disclaimer Clause of the RBI

Our Bank is regulated by the RBI and we are required to adhere to the various norms, rules, guidelines and regulations laid down by the RBI. It must be distinctly understood, however, that by regulating us, the RBI does not undertake any responsibility for the financial soundness of our Bank or for the correctness of any of the statements made or opinion expressed in this connection.

Filing

A copy of this Draft Red Herring Prospectus has been filed with SEBI at the Corporation Finance Department, Securities and Exchange Board of India, SEBI Bhawan, C – 4A, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051, India.

A copy of the Red Herring Prospectus, along with the other documents required to be filed under applicable law, will be delivered for registration to the Designated Stock Exchange and a copy of the Prospectus required to be filed under applicable law will be delivered for registration to the Designated Stock Exchange.

Listing

Applications will be made to the Stock Exchanges for permission for listing of our Equity Shares being offered and sold in the Issue. [●] is the Designated Stock Exchange with which the Basis of Allotment will be finalised for the Issue.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges, the Bank shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after the Bank becomes liable to repay it, then the Bank shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% *per annum* on application money, as prescribed under applicable law.

The Bank shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within 12 Working Days of the Bid/Issue Closing Date.

IMPERSONATION

Any person who makes in a fictitious name, an application in the Issue for acquiring or subscribing for, any shares therein, or otherwise induces the Bank to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable under applicable law.

Consents

Consents in writing of: (a) our Directors, the Compliance Officer, the IPO Grading Agency, the legal advisor, the Bankers to the Issue; and (b) the BRLMs, the Syndicate Members, the Registrar to the Issue to act in their respective capacities, will be obtained and will be filed along with a copy of the Red Herring Prospectus with the Designated Stock Exchange as required under applicable law and such consents will not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the Stock Exchanges.

S. Lall & Co., Chartered Accountants, Bansal Sinha & Co., Chartered Accountants, Balram Chandra & Associates, Chartered Accountants, Bhatia & Bhatia, Chartered Accountants and Alka & Sunil, Chartered Accountants, our Auditors have given their written consent to the inclusion of their Audit Report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Draft Red Herring Prospectus.

[●], the agency engaged by the Bank for the purpose of obtaining IPO grading in respect of this Issue, will give its written consent to the inclusion of its report in the form and context in which it will appear in the Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus with the Designated Stock Exchange.

Expert Opinion

Except for the report of [●] in respect of the IPO Grading of this Issue (a copy of which will be annexed to the Red Herring Prospectus as Annexure I), furnishing the rationale for its grading which will be provided to the Designated Stock Exchange and except for the audit reports and statement of tax benefits of the Auditors of the Bank on the restated financial information, included in this Draft Red Herring Prospectus, the Bank has not obtained any expert opinions.

Issue Expenses

The total expenses of the Issue are estimated to be approximately Rs. [●] crore. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees.

The details of the estimated Issue expenses are set forth below.

(Rs. in crore, unless stated otherwise)

Activity	Estimated expenses*	As a % of the total estimated Issue expenses	As a % of the total Issue size
Fees payable to the Book Running Lead Managers	[●]	[●]	[●]
Advertising and marketing expenses	[●]	[●]	[●]
Fees payable to the Registrar	[●]	[●]	[●]
Fees payable to the Bankers to the Issue	[●]	[●]	[●]
Underwriting commission, brokerage and selling commission	[●]	[●]	[●]
Fee payable to SCSB	[●]	[●]	[●]
IPO Grading expense	[●]	[●]	[●]
Others (legal fees, listing fees, printing and stationery expenses etc.)	[●]	[●]	[●]
Total estimated Issue expenses	[●]	[●]	[●]

**Will be incorporated at the time of filing of the Prospectus.*

Fees Payable to the BRLMs and Syndicate Members

The fees payable to the BRLMs and Syndicate Members (including underwriting and selling commissions), and reimbursement of their out of pocket expenses, will be as stated in the engagement letter with the BRLMs, issued by the Bank, 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 including fees for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register, etc. will be as per the Agreement signed between the Bank and the Registrar to the Issue, a copy of which is available for inspection at our Head Office.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding Public or Rights Issues during the last five years

There have been no public or rights issue by the Bank during the last five years.

Issues otherwise than for Cash

Except as disclosed in "*Capital Structure*" on page 24, we have not issued any Equity Shares for consideration otherwise than for cash.

Capital Issues by listed Promoter and Group Companies in the last three years

Since our Promoter is the President of India acting through the MoF, GoI, disclosures in relation to our group companies, promoter group and companies under the same management have not been made.

Commission and Brokerage paid on Previous Issues of our Equity Shares

Since this is the initial public issue of the Bank, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure public subscription for any of our Equity Shares since the Bank's constitution as a 'corresponding new bank' on April 15, 1980, under the Bank Nationalization Act.

Promise vs. Performance – Last Three Issues

There has not been any previous public issue of our Equity Shares.

Promise vs. Performance – Last Issue of Promoter, Group Companies or associate companies

Since our Promoter is the President of India acting through the MoF, GoI, disclosures in relation to our group companies, promoter group and companies under the same management have not been made.

Outstanding Debentures or Bonds

Except as disclosed in "*Financial Indebtedness*" on page 285, the Bank does not have any outstanding debentures or bonds.

Outstanding Preference Shares

Except as disclosed in "*Capital Structure*" on page 24, there are no outstanding preference shares issued by the Bank.

Partly Paid-Up Shares

There are no partly paid-up Equity Shares of the Bank.

Stock Market Data of our Equity Shares

The Equity Shares are not listed on any stock exchange and thus there is no stock market data for the same.

Mechanism for Redressal of Investor Grievances by the Bank

The Agreement between the Registrar to the Issue and the Bank provides for retention of records with the Registrar to the Issue for a period of at least three years from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the Bidding centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the SCSBs, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the Bid cum Application Form was submitted by the ASBA Bidders.

Registrar to the Issue shall act as a nodal agency for redressing complaints of ASBA and non-ASBA investors, including providing guidance to ASBA investors regarding approaching the SCSB concerned.

Disposal of Investor Grievances by the Bank

We estimate 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.

The Bank has appointed Mr. A.P.S. Teji, Assistant General Manager - Accounts, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems.

He can be contacted at the following address:

Mr. A.P.S. Teji
'Bank House'
21, Rajendra Place
New Delhi 110 008, India
Tel: (+91 11) 2581 2923
Fax: (+91 11) 2578 1639
Email: complianceofficer@psb.org.in

Mechanism for Redressal of Investor Grievances by Companies under the Same Management

Since our Promoter is the President of India acting through the MoF, GoI, disclosures in relation to our group companies, promoter group and companies under the same management have not been made.

Changes in Auditors

The changes in the Auditors of the Bank in the last three years are detailed below:

S. No.	Fiscal	Name of the Statutory Auditor	Fresh Induction during the year	Retired during the year	Reason
1.	2008	O.P. Tulsyan & Co., Chartered Accountants	S. Lall & Co., Chartered Accountants	Gupta Sharma & Associates, Chartered Accountants	Completion of tenure
		K.B. Chandna & Co., Chartered Accountants			

S. No.	Fiscal	Name of the Statutory Auditor	Fresh Induction during the year	Retired during the year	Reason
		Prasad Azad & Co., Chartered Accountants			
		S. Lall & Co., Chartered Accountants			
2.	2009	K.B. Chandna & Co., Chartered Accountants	Balram Chandna & Associates, Chartered Accountants	O.P. Tulsyan & Co., Chartered Accountants	Completion of tenure
		Prasad Azad & Co., Chartered Accountants	Bansal Sinha & Co., Chartered Accountants		
		S. Lall & Co., Chartered Accountants			
		Balram Chandna & Associates, Chartered Accountants			
		Bansal Sinha & Co., Chartered Accountants			
3.	2010	S. Lall & Co., Chartered Accountants	Bhatia & Bhatia, Chartered Accountants	K.B. Chandna & Co., Chartered Accountants	Completion of tenure
		Balram Chandna & Associates, Chartered Accountants	Alka & Sunil, Chartered Accountants	Prasad Azad & Co., Chartered Accountants	Completion of tenure
		Bansal Sinha & Co., Chartered Accountants			
		Bhatia & Bhatia, Chartered Accountants			
		Alka & Sunil, Chartered Accountants			

Capitalization of reserves or profits

We have not capitalised our reserves or profits at any time during last five years.

Revaluation of assets

Except as disclosed in "*Financial Statements*" on page 165, there has been no revaluation of assets of the Bank during the last five years.

SECTION VII – ISSUE RELATED INFORMATION
ISSUE STRUCTURE

The present Issue of up to 4,00,00,000 Equity Shares of Rs. 10 each, at a price of Rs. [●] for cash aggregating Rs. [●] crore is being made through the Book Building Process. The Issue shall constitute 17.93% of the post-Issue equity share capital of the Bank. The Issue comprises a Net Issue of 3,80,00,000 Equity Shares to the public and a reservation for the Eligible Employees of 20,00,000 Equity Shares.

	Eligible Employees	**QIB Bidders[1]**	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares available for allocation[2]	20,00,000 Equity Shares	Up to 1,90,00,000 Equity Shares	Not less than 57,00,000 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders	Not less than 1,33,00,000 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue size available for allocation	The Employee Reservation Portion comprises of 0.90% of the post-Issue capital of the Bank.	Up to 50% of the Net Issue shall be allocated to QIBs. However, 5% of the QIB Portion, excluding the Anchor Investor Portion, if any, shall be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the 5% reservation will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Funds portion will be available to QIBs[3]	Not less than 15% of the Issue or Net Issue size less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of the Net Issue available for allocation or the Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Proportionate.	Proportionate as follows: (a) [●] Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) [●] Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	[●] Equity Shares	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds Rs. 1,00,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds Rs. 1,00,000	[●] Equity Shares and in multiples of [●] Equity Shares so that the Bid Amount does not exceed Rs. 1,00,000
Maximum Bid	Such number of Equity Shares so that the maximum Bid by each Eligible Employee in this portion does not exceed Rs. 1,00,000[#^]	Such number of Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such number of Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such number of Equity Shares so that the Bid Amount does not exceed Rs. 1,00,000[##^]
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Bid Lot	[●] Equity Shares and in multiples of [●]	[●] Equity Shares and in multiples of [●]	[●] Equity Shares and in multiples of [●]	[●] Equity Shares and in multiples of [●] Equity

	Eligible Employees	QIB Bidders[1]	Non-Institutional Bidders	Retail Individual Bidders
	Equity Shares thereafter	Equity Shares thereafter	Equity Shares thereafter	Shares thereafter
Allotment Lot	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply[3]	Eligible Employees	Public financial institutions specified in Section 4A of the Companies Act, FIIs (and their sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual), scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, FVCIs registered with SEBI, venture capital funds registered with the SEBI, state industrial development corporations, insurance companies registered with the IRDA, provident funds with a minimum corpus of Rs. 25.00 crore, pension funds with a minimum corpus of Rs. 25.00 crore, insurance funds set up and managed by the army, navy and air force of the Union of India and the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of GoI published in the Gazette of India	Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts, and any FII sub-account registered with SEBI, which is a foreign corporate or foreign individual	Resident Indian Individuals, HUFs (in the name of the Karta) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value
Terms of Payment	The entire Bid Amount shall be payable at the time of submission of the Bid cum Application Form to the Syndicate. In case of ASBA Bidders, the SCSB shall be authorised to block such funds in the bank account that is specified in the ASBA Bid cum Application Form.			

[1] The Bank may allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Issue Price in accordance with the SEBI ICDR Regulations. At least one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price. Allocation to Anchor Investors shall be on a discretionary basis subject to minimum number of (i) two Anchor Investors, where allocation in the Anchor Investor Portion is up to Rs. 250.00 crore and (ii) five, where the allocation under the Anchor Investor Portion is more than Rs. 250.00 crore. An Anchor Investor shall make a minimum Bid of such number of Equity Shares that the Bid Amount is at least Rs. 10.00 crore.

[2] In terms of Rule 19(2)(c) of the SCRR as applicable to "public sector companies", this being an Issue for at least 10% of the post-Issue paid up equity share capital, the Issue is being made though the 100% Book Building Process, wherein up to 50% of the Net Issue shall be allocated to QIBs on a proportionate basis. Further, not less than 15% and 35% of the Net Issue will be available for Allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Issue Price.

Any unsubscribed portion in any reserved category shall be added to the Net Issue to the public. In case of under-subscription in the Net Issue to the public category, spill-over to the extent of under-subscription shall be permitted from the reserved category to the Net Issue to the public. Under subscription in any category, if any, would be allowed to be met with spill-over from other categories or combination of categories at the discretion of the Bank in consultation with the BRLMs, and the Designated Stock Exchange.

[3] *If the Bid cum Application Form is submitted in joint names, the Bidders should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.*

[4] *In case of ASBA Bidders, the SCSB shall be authorized to block such funds in the bank account that is specified in the ASBA Bid cum Application Form.*

[#] *Employee Discount will be applicable to all Eligible Employees bidding in the Employee Reservation Portion.*

[##] *Retail Discount will be applicable to all Retail Individual Bidders bidding in the Retail Portion.*

^ *A discount of Rs. [●] and Rs. [●] to the Issue Price is being offered to Retail Individual Bidders and Eligible Employees, respectively. Retail Individual Bidders and Eligible Employees Bidding at a price within the Price Band have to make payment based on their highest bid price option. Retail Individual Bidders and Eligible Employees bidding at Cut-Off Price have to ensure payment at the upper end of the Price Band. Retail Individual Bidders and Eligible Employees should note that discount is not offered on application but on allotment. The excess amount paid on application would be refunded to such Bidders after Allotment along with any other refund, if any.*

Withdrawal of the Issue

The Bank, in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment. In such an event, a public notice would be issued in the newspapers within two days, in which the pre-Issue advertisements were published, providing reasons for not proceeding with the Issue. The BRLMs, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts that are specified in the ASBA Bid cum Application Form within one Working Day from the day of receipt of such notification. The Bank shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed. Notwithstanding the foregoing, the Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchanges, which the Bank shall apply for only after Allotment.

In the event the Bank in consultation with the BRLMs, withdraws the Issue after the Bid/Issue Closing Date, a fresh offer document will be filed with the SEBI in the event we subsequently decide to proceed with the initial public offering.

Letters of Allotment or Refund Orders or Instructions to SCSBs

The Bank shall give credit of Equity Shares Allotted, if any, to the beneficiary account with Depository Participants within two Working Days from the date of Allotment. The Bank shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by under certificate of posting, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post or Direct Credit, NEFT, RTGS or National Electronic Clearing Service ("**NECS**") at the sole or First Bidder's sole risk within 12 Working Days of the Bid/Issue Closing Date. In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBAs, within 12 Working Days of the Bid/Issue Closing Date.

Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders

In accordance with applicable law, the requirements of the Stock Exchanges and SEBI ICDR Regulations, the Bank undertakes that:

- Allotment shall be made only in dematerialised form within 12 Working Days from the Bid/Issue Closing Date;
- Dispatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or NECS, shall be done within 12 Working Days from the Bid/Issue Closing Date;
- Instructions to the relevant SCSB to unblock the funds in the relevant ASBA Account for withdrawn, rejected or unsuccessful or partially successful ASBAs, within 12 Working Days of the Bid Closing Date; and
- The Bank shall pay interest at 15% per annum if Allotment letters/refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner within 12 Working Days from the Bid/Issue Closing Date.

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

For details in relation to mode of refunds, see "*Issue Procedure – Mode of Refunds*" on page 396.

Bid/Issue Period

BID/ISSUE OPENS ON	**FOR ALL BIDDERS**	**[●]**
BID/ISSUE CLOSES ON	**FOR QIB BIDDERS**	**[●]**
	FOR RETAIL AND NON-INSTITUTIONAL BIDDERS (INCLUDING ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION)	**[●]**

**The Bank may consider participation by Anchor Investors. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Issue Opening Date.*

Bids and any revision in Bids shall be accepted only between **10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form, or in case of Bids submitted through ASBA, the Designated Branches, except that on the Bid/Issue Closing Date, Bids shall be accepted only during **10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders, Non-Institutional Bidders and Eligible Employees, and (ii) until 5.00 p.m. in case of Bids by Retail Individual Bidders, where the Bid Amount is up to Rs. 1,00,000 which may be extended up to such time as deemed fit by the Stock Exchanges after taking into account the total number of applications received up to the closure of timings and reported by the BRLMs to the Stock Exchanges within half an hour of such closure. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in IPOs, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, the Bank, BRLMs and the Syndicate Member(s) shall not be responsible. Bids will be accepted only on Working Days.

On the Bid/Issue Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders, after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms as stated herein and reported by the BRLMs to the Stock Exchanges within half an hour of such closure.

The Bank, in consultation with the BRLMs, reserves the right to revise the Price Band during the Bid/Issue Period in accordance with SEBI ICDR Regulations. The Cap Price shall not be more than 120% of the Floor Price and the Floor Price shall not be less than the face value of Equity Shares. Subject to compliance with the immediately preceding sentence, the Floor Price can move up or down to the extent of 20% of the Floor Price as disclosed at least two Working Days prior to the Bid/Issue Opening Date and the Cap Price will be revised accordingly.

In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional Working Days after revision of Price Band subject to the Bid/Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the web site of the BRLMs and at the terminals of the members of the Syndicate. Further, the SCSBs shall also be notified by the BRLMs of any such revision.

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Banking Regulation Act, the Constitutional Documents, the terms of the Red Herring Prospectus and the Prospectus, Bid cum Application Form, ASBA Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note 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 as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the GoI, the Stock Exchanges, the 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 issued shall be subject to the provisions of the Constitutional Documents and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend**.** The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Bank after the date of Allotment.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per applicable law, our Constitutional Documents and the provision of the Listing Agreement.

Face Value and Issue Price

The face value of Equity Shares is Rs. 10 each and the Issue Price is [●]. The Anchor Investor Issue Price is Rs. [●]. Discount of Rs. [●] and Rs. [●] to the Issue Price is being offered to Retail Individual Bidders and Eligible Employees, respectively. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholder

Subject to applicable laws, 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 "***Regulations and Policies in India- Restrictions on Payment of Dividends***" on page 129;
- 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 "***Regulation and Policies***" on page 90;
- 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, see "***Main Provisions of Constitutional Documents***" on page 400; 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 "***Regulations and Policies in India – Comparative Table of Rights of Shareholders under the Companies Act and under Regulations applicable to Corresponding New Banks***" on page 91.

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 "***Main Provisions of Constitutional Documents***" on page 400.

Market Lot and Trading Lot

In terms of existing SEBI ICDR Regulations, the trading in the Equity Shares shall only be in dematerialized form for all investors. Since trading of our Equity Shares is in dematerialized mode, the tradable lot is one Equity Share. The Equity Shares shall be Allotted only in dematerialized form. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum Allotment of [●] Equity Shares.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship.

Nomination Facility to the Investor

In terms of Regulation 20 of the Bank Regulations, 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.

The 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 letters of probate or letters of administration or succession certificate or such other legal representation, upon such terms as to indemnity or otherwise as it may think fit.

Any such person becoming entitled to a share in consequence of death of a shareholder and any person becoming entitled to a share in consequence of the insolvency, bankruptcy or liquidation of a shareholder shall upon production of such evidence, as the Board may require, have the right:

- to be registered as a shareholder in respect of such share; and
- to make such transfer of such shares as the person from whom he derives title could have made.

Notwithstanding the above, since the Allotment of Equity Shares in the Issue will be made only in dematerialized 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.

Application by Eligible NRIs, FIIs registered with the SEBI and FVCIs registered with the SEBI

It is to be distinctly understood that there is no reservation for NRIs and FIIs registered with the SEBI or FVCIs registered with the SEBI.

Foreign investment in a corresponding new bank is regulated by the provisions of the Bank Acquisition Act as applicable to the Bank. Under section 3(2D) of the Bank Acquisition Act, foreign investment in a corresponding new bank is subject to an overall statutory limit of 20% of the paid up capital of the corresponding new bank. For corresponding new banks, the RBI monitors the ceilings on foreign investment on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceiling which is 18% for public sector banks. In addition, the provisions of the Takeover Regulations apply and must be complied with. The RBI pursuant to its letter No. [●] dated [●] has granted its approval for allotment of up to 20% of the Bank's paid-up Equity Shares to NRIs/FIIs in this Issue.

As per regulations issued by the RBI, OCBs cannot participate in the Issue.

Bid/Issue Period

Bidders may submit their Bids only during the Bid/Issue Period. The Bid/Issue Opening Date is [●] for all Bidders and the Bid/Issue Closing Date is [●] and [●] for QIB Bidders and for Retail and Non-Institutional Bidders (including Eligible Employees Bidding in the Employee Reservation Portion), respectively. Provided that Anchor Investors are required to submit their Bid on the Anchor Investor Bidding Date.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue including devolvement of the Underwriters, if any, within 60 days from the Bid/Issue Closing Date, we shall forthwith refund the entire subscription amount received, no later than 70 days from the date of Closure of the Issue. If such money is not repaid within eight days from the day the Bank becomes liable to repay, the Bank and every Director of the Bank who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest at the rate of 15% *per annum* as prescribed under applicable law.

Further, in accordance with regulation 26(4) of the SEBI ICDR Regulations, we shall ensure that the number of Allottees, *i.e.*, persons to whom the Equity Shares will be Allotted under the Issue shall be not less than 1,000.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

There are no restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting except as provided in our Constitutional Documents. See further details see "***Main Provisions of Constitutional Documents***" of the Bank on page 400.

Option to receive Equity Shares in Dematerialised Form

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 dematerialised segment of the Stock Exchanges.

ISSUE PROCEDURE

This section applies to all Bidders. All Bidders can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please note that all Bidders are required to pay the full Bid Amount or instruct the relevant SCSB to block the full Bid Amount along with the application.

Book Building Procedure

In terms of Rule 19(2)(c) of the SCRR as applicable to "public sector companies" (as defined under the SCRR), this being an Issue for at least 10% of the post-Issue paid up equity share capital, the Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue shall be allocated to QIBs on a proportionate basis. Further 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Furthermore, not less than 15% and 35% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Issue Price.

Under subscription in Employee Reservation category will be added to the Net Issue. Under-subscription, if any, in any category 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.

Any Bidder may participate in this Issue through the ASBA process by providing the details of the relevant bank accounts in which the corresponding Bid Amounts will be blocked by SCSBs.

All Bidders other than ASBA Bidders are required to submit their Bids through the Syndicate. ASBA Bidders are required to submit their Bids to the SCSBs.

Investors should note that Allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository accounts including DP ID, PAN and beneficiary account number shall be treated as incomplete and will be rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. The Equity Shares on Allotment shall be traded only on the dematerialised segment of the Stock Exchanges.

The Bidders may note that in case the DP ID, Beneficiary Account Number and PAN mentioned in the Bid cum Application Form and as entered into the electronic Bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs, as the case may be, do not match with the DP ID, Beneficiary Account Number and PAN available in the depository database, the Bid is liable to be rejected. With effect from August 16, 2010, the demat accounts of Bidders for which PAN details have not been verified shall be "suspended for credit" and no credit of Equity Shares pursuant to the Issue shall be made into accounts of such Bidders.

Bid cum Application Form

Bidders shall use only the specified Bid cum Application Form bearing the stamp of a member of the Syndicate or the relevant SCSB (except in case of electronic ASBA Bid cum Application Forms) for the purpose of making a Bid in terms of the Red Herring Prospectus. Before being issued to Bidders, the Bid cum Application Form (except in relation to ASBA Bidders) shall be serially numbered. ASBA Bidders shall submit the ASBA Bid cum Application Form either in physical or electronic form (through the internet banking facility available with the SCSBs or such other electronically enabled mechanism for Bidding) to the SCSB authorizing blocking funds that are available in the bank account specified in the ASBA Bid cum Application Form used by ASBA Bidders. For further details, see "*—Information for the Bidders*" on page 375.

The Bid cum Application Form shall contain information about the Bidder and the price and number of Equity Shares that the Bidder wishes to Bid for. Bidders 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.

On filing of the Prospectus with the Stock Exchanges, the Bid cum Application Form shall be treated as a valid application form. On completion and submission of the Bid cum Application Form to a member of the Syndicate (and in the case of an ASBA Bid cum Application Form, to the SCSB), 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 under the SEBI ICDR Regulations and other applicable laws, for filing the Prospectus with the Stock Exchanges and as would be required by SEBI and/or the Stock Exchanges 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 including ASBA Bid cum Application Form
Resident Bidders and Eligible NRIs applying on a non repatriation basis, excluding Eligible Employees Bidding in the Employee Reservation Portion	[●]
Non-Resident Bidders including Eligible NRIs, FVCIs and FIIs applying on a repatriation basis, excluding Anchor Investors	[●]
Eligible Employees Bidding in the Employee Reservation Portion	[●]
Anchor Investors*	[●]

**Bid cum Application Forms for Anchor Investors will be made available at our Head Office and the members of the Syndicate.*

Who can Bid?

- Indian nationals resident in India who are not minors in single or joint names (not more than three and in the same order in which they appear in the beneficiary account held with the Depository Participant);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
- Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non repatriation basis subject to applicable laws.
- Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to regulations issued by the RBI and the SEBI ICDR Regulations and other laws, as applicable);
- FIIs and sub-accounts registered with SEBI (other than a sub-account which is a foreign corporate or foreign individual);
- Sub-accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals only under the Non-Institutional Bidders category;
- Venture capital funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their respective constitutions to hold and invest in equity shares;
- Scientific and/or industrial research organisations authorised to invest in equity shares;
- Insurance Companies registered with IRDA;
- Provident Funds with a minimum corpus of Rs. 25.00 crore and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with a minimum corpus of Rs. 25.00 crore and who are authorised under their constitution to hold and invest in equity shares;
- National Investment Fund set up by resolution no. F. No. 2/3/2005 – DDII dated November 23, 2005, by the GoI, published in the gazette of India;
- Insurance funds set up and managed by army, navy or air force of the Union of India;
- Multilateral and Bilateral Development Financial Institutions; and
- Eligible Employees.

As per existing regulations, OCBs cannot participate in this Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that may be held by them under applicable law.

Participation by associates of the Syndicate

The BRLMs and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and the Syndicate Members are entitled to subscribe for Equity Shares in the Issue, including in the QIB Portion (excluding the Anchor Investor Portion) and Non-Institutional Portion where the allocation is on a proportionate basis. Such Bidding and subscription may be on their own account or on behalf of their clients. The Syndicate and their respective associates and affiliates will not be entitled to subscribe to the Anchor Investor Portion.

Bids by Mutual Funds

As per the SEBI ICDR Regulations, 5% of the QIB Portion (excluding the Anchor Investor Portion), has been specifically reserved for Mutual Funds on a proportionate basis. An eligible Bid by a Mutual Fund in the Mutual Fund Portion shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event demand in the Mutual Fund Portion is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by Mutual Funds shall be available for allocation proportionately, after excluding the allocation in the Mutual Fund Portion, in the QIB Portion.

One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds subject to valid Bids being received at or above the price at which allocation is being done to Anchor Investors.

No Mutual Fund scheme shall invest more than 10% of its net asset value in 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 over 10% of any company's paid-up share capital carrying voting rights.

The Bids made by asset management companies or custodians of Mutual Funds shall clearly indicate the name of the concerned scheme for which application is being made.

A separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids by Non Residents

There is no reservation for Eligible NRIs or FIIs or FVCIs registered with SEBI. Such Eligible NRIs, FIIs and FVCIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation.

Foreign investment in a corresponding new bank is regulated by the provisions of the Bank Acquisition Act as applicable to the Bank. Under section 3(2D) of the Bank Acquisition Act, foreign investment in a corresponding new bank is subject to an overall statutory limit of 20% of the paid up capital of the corresponding new bank. For corresponding new banks, the RBI monitors the ceilings on foreign investment on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceiling which is 18% for public sector banks. In addition, the provisions of the Takeover Regulations apply and must be complied with. The RBI pursuant to its letter No. [●] dated [●] has granted its approval for allotment of up to 20% of the Bank's paid-up Equity Shares to NRIs/FIIs in this Issue.

Bids by Eligible NRIs

1. Bid cum Application Forms for Eligible NRIs applying on a repatriation basis ([●] in colour) will be available at our Head Office and with the Syndicate.

2. Only such applications as are accompanied by payment in freely convertible foreign exchange shall be considered for Allotment. Eligible NRIs who intend to make payment through Non Resident Ordinary

("**NRO Account**") accounts or by debits to their Non-Resident External ("**NRE Account**") or FCNR Account accounts should use the application form meant for Resident Indians ([●] in color).

Only such applications as are accompanied by payment in freely convertible foreign exchange will be considered for Allotment.

Bids by Eligible NRIs for a Bid Amount of up to Rs. 1,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 1,00,000 would be considered under Non-Institutional Portion for the purposes of allocation.

Bids by FIIs

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (*i.e.*, 10% of 22,30,56,000 Equity Shares). In respect of an FII investing in our 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.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended (the "**SEBI FII Regulations**"), an FII, as defined in the SEBI FII Regulations, or its sub-account, may issue, deal or hold, offshore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by an FII against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, against underlying securities) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. The FII is also required to ensure that no further issue or transfer of any offshore derivative instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI ICDR Regulations. Associates and affiliates of the Underwriters, including the BRLMs and the Syndicate Members that are FIIs or their sub-accounts may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such offshore derivative instrument does not constitute any obligation of, claim on or an interest in, the Bank.

Bids by SEBI-registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, each, as amended, prescribe investment restrictions on venture capital funds and FVCIs respectively registered with the SEBI. Accordingly, the holding in any company by any individual venture capital fund or FVCI registered with the SEBI should not exceed 25% of the corpus of the venture capital fund or FVCI. However, venture capital funds or FVCIs may invest not over 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers.

Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means all or any of the following:

(a) A permanent and full time employee of the Bank as on the date of filing of the Red Herring Prospectus with the Designated Stock Exchange and based, working and present in India as on the date of submission of the Bid cum Application Form.

(b) A director of the Bank, whether a whole time director, part time director or otherwise, as on the date of filing of the Red Herring Prospectus with the Designated Stock Exchange and based and present in India as on the date of submission of the Bid cum Application Form.

An employee of our Bank who is recruited against a regular vacancy but is on probation as on the date of submission of the Bid cum Application Form/ ASBA Bid cum Application Form will also be deemed a 'permanent employee' of our Bank.

(It may be noted that all participation by Directors and employees of the Bank will be in accordance with any laws, regulations, guidelines, circulars or notifications applicable to them.)

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (*i.e.* [●] colour form).
- Only Eligible Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
- Eligible Employees, as defined above, should mention the PAN and Employee Number at the relevant place in the Bid cum Application Form.
- The sole/first Bidder shall be the Eligible Employee as defined above.
- Eligible Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- The Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid Amount does not exceed Rs. 1,00,000.
- Eligible Employees who Bid for Equity Shares in the Employee Reservation Portion can apply at Cut-off Price. The Allotment in the Employee Reservation Portion will be on a proportionate basis. However, the maximum Bid by an Eligible Employee cannot exceed Rs. 1,00,000.
- Bids by Eligible Employees can also be made in the Net Issue portion and such Bids shall not be treated as multiple Bids.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Any unsubscribed portion in any reserved category shall be added to the Net Issue to the public. Under-subscription in the Net Issue to the public category 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.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, see "—***Basis of Allotment***" on page 390.

Bids by Anchor Investors

The Bank may consider participation by Anchor Investors in the QIB Portion for up to 30% of the QIB Portion in accordance with the SEBI ICDR Regulations. Only QIBs as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations and not otherwise excluded pursuant to Schedule XI of the SEBI ICDR Regulations are eligible to invest. The QIB Portion shall be reduced in proportion to the allocation under the Anchor Investor Portion. In the event of under-subscription in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Portion. In accordance with the SEBI ICDR Regulations, the key terms for participation in the Anchor Investor Portion are provided below.

(a) Anchor Investors Bid cum Application Forms will be made available for the Anchor Investor Portion at our Head Office, and with the members of the Syndicate.

(b) The Bid must be for a minimum of such number of Equity Shares so that the Bid Amount exceeds Rs. 10.00 crore. A Bid cannot be submitted for more than 30% of the QIB Portion. In case of Mutual Funds Bidding under the Anchor Investor Portion, separate Bids by individual schemes of a Mutual Fund will be aggregated to determine the minimum application size of Rs. 10.00 crore.

(c) One-third of the Anchor Investor Portion shall be reserved for allocation to domestic Mutual Funds.

(d) The Bidding for Anchor Investors shall open one Working Day before the Bid/Issue Opening Date and shall be completed on the same day.

(e) The Bank, in consultation with the BRLMs, shall finalize allocation to the Anchor Investors on a discretionary basis, provided that the minimum number of Allottees in the Anchor Investor Portion shall not be less than:

    - two, where the allocation under Anchor Investor Portion is up to Rs. 250.00 crore; and
    - five, where the allocation under Anchor Investor Portion is over Rs. 250.00 crore.

(f) Allocation to Anchor Investors shall be completed on the Anchor Investor Bidding Date. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the BRLMs before the Bid/Issue Opening Date.

(g) Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date.

(h) In the event the Issue Price is greater than the Anchor Investor Issue Price, the additional amount being the difference between the Issue Price and the Anchor Investor Issue Price shall be paid by the Anchor Investors by the Pay-in-Date. In the event the Issue Price is lower than the Anchor Investor Issue Price, the Allotment to Anchor Investors shall be at the higher price *i.e.*, the Anchor Investor Issue Price.

(i) The Equity Shares Allotted in the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment in the public issue.

(j) None of the Syndicate and their respective associates and affiliates or our Promoter, shall participate in the Anchor Investor Portion. The parameters for selection of the Anchor Investors shall be clearly identified by the BRLMs and shall be made available as part of the records of the BRLMs for inspection by SEBI.

(k) Bids made by QIBs under both the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.

Details of Bids in the Anchor Investor Portion will not be registered on the on-line facilities of electronic facilities of the Stock Exchanges. However, Anchor Investors who use the ASBA facility will have to submit the photocopy ASBA Form and TRS to the Book Running Lead Manager(s) along with a confirmation from the SCSBs that the Bid Amount has been blocked in the relevant bank accounts in terms of the ASBA process. In the event such Bid Amount has not been blocked, the Anchor Investor's Bid shall be rejected.

Additional details, if any, regarding participation in the Issue under the Anchor Investor Portion shall be disclosed in the advertisement for the Price Band which shall be published by the Bank in an English national newspaper and a Hindi national newspaper, each with wide circulation at least two Working Days prior to the Bid/Issue Opening Date.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with minimum corpus of Rs. 25.00 crore (subject to applicable law) and pension funds with a minimum corpus of Rs. 25.00 crore a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged 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.

Certain additional documents are required to be lodged along with the Bid cum Application Form by the following entities:

(a). With respect to Bids by FVCIs, FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form.

(b). With respect to Bids by insurance companies registered with the IRDA, in addition to the above, a certified copy of the certificate of registration issued by the IRDA must be lodged with the Bid cum Application Form.

(c). With respect to Bids made by provident funds with minimum corpus of Rs. 25.00 crore (subject to applicable law) and pension funds with a minimum corpus of Rs. 25.00 crore, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund.

The Bank in their absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney and additional documents, as specified above, along with the Bid cum Application Form, subject to such terms and conditions that the Bank and the BRLMs may deem fit.

The above information is given for the benefit of the Bidders. The Bank and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any 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 Draft Red Herring Prospectus. The Bank and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated above.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. If the Bid Amount is over Rs. 1,00,000 due to revision of the Bid or revision of the Price Band or on exercise of the option to be Bid at the Cut-Off Price, the Bid would be considered for allocation under the Non-Institutional Portion. Retail Discount will be applicable to all Retail Individual Bidders Bidding under the Retail Portion. The option to Bid at the Cut-Off Price is given only to the Retail Individual Bidders and Eligible Employees (submitting Bids in the Employee Reservation Portion), indicating their agreement to Bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (Non-Institutional Bidders and QIBs excluding Anchor Investors):** The Bid must be for a minimum of such number of Equity Shares in multiples of [●] such that the Bid Amount exceeds Rs. 1,00,000. A Bid cannot be submitted for more than the Net Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws.

In case of revision in Bids, Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000 for being considered for allocation in the Non-Institutional Portion. If the Bid Amount reduces to Rs. 1,00,000 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 the Cut-Off Price. **A QIB Bidder cannot withdraw its Bid after the Bid/ Issue Closing Date.**

(c) **For Bidders in the Employee Reservation Portion:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 1,00,000. The Allotment in the Employee Reservation Portion will be on a proportionate basis. Employee Discount will be applicable to all Eligible Employees Bidding under the Employee Reservation Portion. The option to Bid at the Cut-Off Price is given only to the Retail Individual Bidders and Eligible Employees (submitting Bids in the Employee Reservation Portion), indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(d) **For Bidders in the Anchor Investor Portion:** The Bid must be for a minimum of such number of Equity Shares in multiples of [●] such that the Bid Amount is at least Rs. 10.00 crore. Anchor Investors cannot submit a Bid for more than 30% of the QIB Portion. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date.**

Information for the Bidders:

(a) The Bank and the BRLMs shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with the Designated Stock Exchange and also publish the same in widely circulated national newspapers (one each in English and Hindi (which is also the regional language newspapers).

(b) The Red Herring Prospectus will be filed by the Bank with the Designated Stock Exchange at least three Working Days before the Bid/ Issue Opening Date.

(c) Copies of the Bid cum Application Form and the Red Herring Prospectus will be available with the members of the Syndicate. 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. ASBA Bid cum Application Forms can be obtained by Bidders from the SCSBs and electronic ASBA Bid cum Application Forms shall be available on the websites of SCSBs. Copies of ASBA Bid cum Application Forms will also be available for downloading and printing, from website of the Stock Exchanges (which provide electronic interface for ASBA facility). A unique application number will be generated for every ASBA Bid cum Application Form downloaded and printed from the websites of the Stock Exchanges. Furthermore, the SCSBs shall ensure that the abridged prospectus is made available on their websites.

(d) The members of the Syndicate (in accordance with the terms of the Syndicate Agreement) and the Designated Branches shall accept Bids from the Bidder during the Bid/Issue Period in accordance with the terms of the Red Herring Prospectus, provided that the BRLMs shall accept the Bids from the Anchor Investors only on the Anchor Investor Bidding Date.

(e) Eligible Bidders who are interested in Bidding for the Equity Shares should approach any of the BRLMs or the Syndicate Members or their authorized agent(s) to register their Bids. Eligible Bidders may approach the Designated Branches to register their Bids under the ASBA process.

(f) The Bids should be submitted on the prescribed Bid cum Application Form only. Bids by ASBA Bidders shall be accepted by the SCSBs in accordance with the SEBI ICDR Regulations and any other circulars issued by SEBI in this regard. Bid cum Application Forms should bear the stamp of the members of the Syndicate or Designated Branch. Bid cum Application Forms (except electronic ASBA Bid cum Application Forms), which do not bear the stamp of a member of the Syndicate or the Designated Branch, are liable to be rejected.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bids and revisions of Bids must be:

1) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.

2) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained here, in the Bid cum Application Form or in the Revision Form. Bidders must provide details of valid and active DP ID, client ID and PAN clearly and without error. Invalid accounts, suspended accounts or where such account is classified as invalid or suspended may not be considered for Allotment. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected. Bidders should note that the members of the Syndicate and/or the SCSBs (as appropriate) will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms or Revision Forms.

3) Information provided by the Bidders will be uploaded in the online IPO system by the members of the Syndicate and the SCSBs, as the case may be, and the electronic data will be used to make allocation/Allotment. Bidders are advised to ensure that the details are correct and legible.

4) For Retail Individual Bidders (including Eligible NRIs) and Eligible Employees submitting Bids in the Employee Reservation Portion, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of Rs. 1,00,000. In case the Bid Amount is over Rs. 1,00,000 due to revision of the Bid or revision of the Price Band or on exercise of the option of Bidding at the cut-of price, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The option to Bid at cut-off price is an option given only to the Retail Individual Bidders and Eligible Employees (submitting Bids in the Employee Reservation Portion) indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

5) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of [●] such that the Bid Amount exceeds Rs. 1,00,000. Anchor Investors must ensure that their Bids must make a minimum Bid of such number of Equity Shares that the Bid Amount is at least Rs. 10.00 crore. Bids cannot be made exceeding the Net Issue size.

6) Bids by Eligible NRIs, FVCIs and FIIs on a repatriation basis shall be in the names of individuals, or in the names of such FIIs or FVCIs, respectively, but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

7) In a single name or in joint names (not more than three, and in the same order as their Depository Participant details).

8) 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.

9) If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid cum Application Form should be signed by the ASBA account holder as provided in the ASBA Bid cum Application Form.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or bank drafts for the Bid Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form shall be submitted to the Designated Branches.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate or the SCSBs as the case may be, will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

GENERAL INSTRUCTIONS

Dos:

(a) Check if you are eligible to apply as per the terms of the Red Herring Prospectus under applicable laws, rules and regulations;

(b) Ensure that you have Bid within the Price Band;

(c) Read all the instructions carefully and complete the Resident Bid cum Application Form ([●] in colour), the Non-Resident Bid cum Application Form ([●] in colour), the Anchor Investor Bid cum Application Form ([●] in colour), the Employee Bid cum application Form ([●] in colour) as the case may be (except in case of electronic ASBA Bid cum Application Forms);

(d) Ensure that the details about Depository Participant, DP ID and Beneficiary Account are correct, and the Beneficiary Account is activated, as Allotment of Equity Shares will be in the dematerialized form only;

(e) Ensure that the Bids are submitted at the Bidding centres only on forms bearing the stamp of a member of the Syndicate or the SCSB in case of ASBA Bidders (except in case of electronic ASBA Bid cum Application Forms);

(f) With respect to ASBA Bidders ensure that your Bid is submitted at a Designated Branch where the ASBA Bidder or the person whose bank account will be utilised by the ASBA Bidder for Bidding has a bank account. Further, ensure that the ASBA Bid cum Application Form is signed by the account holder if the Bidder is not the account holder;

(g) Ensure that the full Bid Amount is paid for Bids submitted to the members of the Syndicate and funds equivalent to the Bid Amount are blocked by the SCSBs in case of Bids submitted through the ASBA process;

(h) Ensure that you have funds equal to the Bid Amount in the bank account of the respective Designated Branch specified in the ASBA Bid cum Application Form;

(i) Instruct your respective banks or the banks specified in the ASBA Bid cum Application Form to not release the funds blocked in the bank account under the ASBA process;

(j) Ensure that you request for and have received a TRS for all your Bid options;

(k) Submit revised Bids to the same member of the Syndicate or Designated Branch through whom the original Bid was placed and obtain a revised TRS;

(l) Except for Bids (i) on behalf of the central or state government and the officials appointed by the courts, and (ii) (subject to SEBI circular dated April 3, 2008) from the residents of the state of Sikkim, each of the Bidders should mention their PAN allotted under the I.T. Act. Applications in which the PAN is not matching with one entered by the Syndicate or the SCSB in the Bidding terminal and PAN as available with depositories for a given DP ID and client ID is liable to be rejected;

(m) Ensure that the Demographic Details (as defined on page 381) are updated, true and correct in all respects; and

(n) 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. If 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 submit a Bid without payment of the entire Bid Amount;

(c) Do not Bid for or revise the Bid to less than the Floor Price or higher than the Cap Price;

(d) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate or the Designated Branch;

(e) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest and in relation to ABSA Bidders in any other mode other than blocked amounts in the bank accounts maintained by SCSBs;

(f) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate, their authorised agents or through an SCSB, as applicable;

(g) Do not Bid at the Cut-off Price (for QIB Bidders and Non-Institutional Bidders);

(h) Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceed the Net Issue size and/or investment limit or maximum number of Equity Shares that can be held under applicable laws or the terms of the Red Herring Prospectus;

(i) Do not submit more than five ASBA Bid cum Application Forms per bank account;

(j) Do not Bid for amount exceeding Rs. 1,00,000 in case of a Bid by Retail Individual Bidders and Eligible Employees Bidding in the Employee Reservation Portion;

(k) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground;

(l) Do not submit incorrect details of DP ID, Client ID and PAN or give details for which demat account is suspended or for which such details cannot be verified by the Registrar.

Method and Process of Bidding

(a) The Bank and the BRLMs shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with the Designated Stock Exchange and also publish the same in widely circulated national newspapers (one each in English and Hindi (which is also the regional language) newspapers), at least two Working Days prior to the Bid/Issue Opening Date.

(b) The Price Band, the Retail Discount, the Employee Discount and the minimum Bid lot size for the Issue will be decided by the Bank in consultation with the BRLMs, and advertised in an English national newspaper and a Hindi national newspaper, each with wide circulation, at least two Working Days prior to the Bid/Issue Opening Date.

(c) The Syndicate shall accept Bids from the Anchor Investors on the Anchor Investor Bidding Date, *i.e.* one Working Day prior to the Bid/Issue Opening Date. Bidders, except Anchor Investors who are interested in subscribing to the Equity Shares should approach any of the members of the Syndicate, their authorized agents or SCSBs to register their Bids, during the Bid/Issue Period. The members of the Syndicate shall accept Bids from all Bidders and shall have the right to vet the Bids, during the Bid/Issue Period in accordance with the terms of the Syndicate Agreement and the Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches to register their Bids.

(d) The Bid/Issue Period shall be for a minimum of three Working Days and not exceeding 10 Working Days (including the days for which the Issue is open in case of revision in Price Band). If the Price Band is revised, the revised Price Band and the Bid/Issue Period will be published in an English national newspaper and a Hindi national newspaper (which is also the regional newspaper), each with wide circulation, together with an indication of such change on the websites of the BRLMs and at the terminals of the Syndicate Members. Further, the SCSBs shall also be notified by the BRLMs of any such revision.

(e) Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for details see "***Bids at Different Price Levels***" below, within the Price Band and specify the demand (*i.e.*, the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(f) Except in relation to the Bids received from the Anchor Investors, the members of the Syndicate or the SCSBs 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 shall, on demand, give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(g) With respect to ASBA Bidders, on receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges. If sufficient funds are not available in the ASBA Account, the Designated Branch shall reject such Bids and shall not upload such Bids with the Stock Exchanges. If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equal to the Bid Amount mentioned in the ASBA Bid cum Application Form and will enter each Bid option into the electronic bidding system as a separate Bid.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "-***Payment Instructions***" on page 381.

Bids at Different Price Levels and Revision of Bids

(a) The Bank in consultation with the BRLMs, reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI ICDR Regulations. The Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on either side *i.e.*, the floor price can move upward or downward to the extent of 20% of the Floor Price disclosed at least two Working Days prior to the Bid/Issue Opening Date and the Cap Price will be revised accordingly.

(b) In case of revision in the Price Band, the Bid/Issue Period will be extended for at least three additional Working Days after revision of Price Band subject to a maximum of 10 Working Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release in an English national newspaper and a Hindi national newspaper, each with wide circulation and also by indicating the change on the websites of the BRLMs, SCSBs and at the terminals of the Syndicate Members.

(c) The Bank in consultation with the BRLMs can finalize the Issue Price and Anchor Investor Issue Price within the Price Band in accordance with this section, without the prior approval of or intimation to the Bidders.

(d) The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion may Bid at Cut-off Price. However, Bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(e) Retail Individual Bidders and Eligible Employees Bidding under 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 Bidding under the Employee Reservation Portion bidding at Cut-off Price will submit account payee cheques or bank drafts for the Bid Amount based on the Cap Price with the members of the Syndicate. In case of ASBA Bidders bidding at Cut-off Price, the ASBA Bidders shall instruct the SCSBs to block an equivalent amount in their ASBA Accounts. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion who Bid at Cut-off Price, the Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion who Bid at Cut-off Price shall receive the refund of the excess amounts from the Escrow Account(s).

(f) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees Bidding under 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 revised Cap Price (such that the total amount *i.e.*, original Bid Amount plus additional payment does not exceed Rs. 1,00,000 for Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion, if the Bidder wants to continue to Bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (*i.e.*, original Bid Amount plus additional payment) exceeds Rs. 1,00,000 for Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion bidding at the Cut-off Price the Bid will be considered for allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap Price prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(g) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees Bidding under 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(s).

(h) The Bank in consultation with the BRLMs shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000. In the event of any revision in the Price Band, whether upward or downward, the minimum application size shall remain [•] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Bidder's Depository Account and Bank Account Details

Bidders should note that on the basis of Bidder's Permanent Account Number, Depository Participant's name, DP ID number and beneficiary account number provided by them in the Bid cum Application Form and as entered into the electronic bidding system of the Stock Exchanges by the members of the

Syndicate and the SCSBs as the case may be, the Registrar to the Issue will obtain from the Depository the demographic details including the Bidder's address, occupation and bank account details including the MICR code as appearing on a cheque leaf ("Demographic Details"). These Demographic Details would be used for giving refunds and allocation advice (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) to the Bidders. Hence, Bidders are advised to immediately update their bank account details, PAN and Demographic Details as appearing on the records of the Depository Participant and ensure that they are true and correct. Failure to do so could result in delays in dispatch/credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs or the Registrar to the Issue or the Escrow Collection Banks or the SCSBs nor the Bank shall have any responsibility and undertake any liability. Please note that in case the DP ID, Client ID and PAN mentioned in the Bid cum Application Form and entered into the electronic Bidding system of the Stock Exchanges by the members of the Syndicate, do not match with the DP ID, Client ID and PAN available in the depositories' database, such Bid cum Application Form is liable to be rejected.

IT IS MANDATORY FOR ALL THE BIDDERS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR PAN, DP ID NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE PERMANENT ACCOUNT NUMBER GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS PROVIDED IN THE DEPOSITORY ACCOUNT. IF THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

By signing the Bid cum Application Forms, Bidders would be deemed to have authorised the Depositories to provide, on request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders (where refunds are not being made electronically)/allotment advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allotment 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. Any such delay shall be at the Bidders sole risk and neither our Bank nor Escrow Collection Banks nor the BRLMs nor the Registrar to the Issue shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case of refunds through electronic modes as detailed in the Red Herring Prospectus, Bidders may note that refunds may be delayed if bank particulars obtained from the Depository Participant are incorrect.

In case no corresponding record is available with the Depositories, which matches the three parameters, namely, Bidders PAN (in case of joint Bids, PAN of first applicant), the DP ID and the beneficiary's identity, such Bids are liable to be rejected.

PAYMENT INSTRUCTIONS

Escrow Mechanism for Bidders other than ASBA Bidders

The Bank and the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of their Bids (including for revision of the Bid). Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks for and on behalf of the Bidders shall maintain the monies in the Escrow Account(s) until the Designated Date. The Escrow Collection Banks 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 Banks shall transfer the funds represented by allocation of Equity Shares (other than ASBA funds with the SCSBs) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Bankers to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders shall also be made from the Refund

Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Bank, the Syndicate, the Escrow Collection Banks and the Registrar to the Issue to facilitate collections from the Bidders.

Payment into Escrow Account(s) for Bidders other than ASBA Bidders

Each Bidder (other than ASBA Bidders) shall draw a cheque or demand draft or, for Anchor Investors, remit the funds electronically through the RTGS mechanism for the entire Bid Amount as per the following terms:

(a) The Bidders shall, with the submission of the Bid cum Application Form, draw a payment instrument for the entire Bid Amount in favour of the Escrow Account(s) and submit the same to the member of the Syndicate. Bid cum Application Forms accompanied by cash, stockinvest, money order or postal order shall not be accepted.

(b) The payment instruments for payment into the Escrow Account(s) should be drawn in favour of:

- In case of Resident QIB Bidders: "Escrow Account – Punjab & Sind Bank Public Issue – QIB -R"
- In case of Non Resident QIB Bidders: "Escrow Account – Punjab & Sind Bank Public Issue – QIB - NR "
- In case of Resident Retail and Non-Institutional Bidders: "Escrow Account - Punjab & Sind Bank Public Issue - R"
- In case of Non-Resident Retail and Non-Institutional Bidders: "Escrow Account - Punjab & Sind Bank Public Issue - NR"
- In case of Eligible Employees: "Escrow Account - Punjab & Sind Bank Public Issue - Employees"

(c) In the event of Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors shall be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price within two Working Days of the Bid/Issue Closing Date. If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor Investors shall not be refunded to them (or unblocked in their ASBA Accounts, in case of ASBA Bids)..

(d) The Bank in consultation with the BRLMs, in their absolute discretion, shall decide the list of Anchor Investors to whom the provisional CAN or CAN shall be sent, pursuant to which the details of the Equity Shares allocated to them in their respective names shall be notified to such Anchor Investors. The payment instruments for payment into the Escrow Account(s) should be drawn in favour of:

- In case of resident Anchor Investors: "Escrow Account - Punjab & Sind Bank Public Issue – Anchor Investors - R"
- In case of non-resident Anchor Investors: "Escrow Account - Punjab & Sind Bank Public Issue – Anchor Investors - NR"

(e) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or 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 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.

(f) In case of Bids by NRIs applying on non-repatriation basis, the payments may be made out of an NRO Account of a Non-Resident Bidder.

(g) In case of Bids by FIIs or FVCIs the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

(h) The monies deposited in the Escrow Account(s) will be held for the benefit of the Bidders until the Designated Date.

(i) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account(s) as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.

(j) Within 12 Working Days from the Bid/Issue Closing Date, the refund amounts payable to unsuccessful Bidders shall be dispatched and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.

(k) Payments should be made by cheque, or demand draft drawn on any bank (including a cooperative 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 or postal orders will not be accepted.

(l) Except in case of ASBA Bids, Bidders are advised to mention the number of the Bid cum Application Form on the reverse of the cheque/demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.

Payment mechanism for ASBA Bidders

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to unblock the Bid Amount. In the event of withdrawal or rejection of the ASBA Bid cum Application Form, failure of the Issue or for unsuccessful ASBA Bid cum Application Forms, the Registrar shall give instructions to the SCSB to unblock the Bid Amount in the relevant bank account within 12 Working Days from the Bid/Issue Closing Date and the SCSBs shall unblock the Bid Amount within one Working Day of receipt of such instruction. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

Other Instructions

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three and in the same order in which they appear in the Beneficiary account held with the Depository Participant). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. Bids by

Eligible Employees can be made also in the "Net Issue" and such Bids shall not be treated as multiple Bids. Bids by QIBs under the Anchor Investor Portion and QIB Portion (excluding Anchor Investor Portion) will not be treated as multiple Bids.

After Bidding on an ASBA Bid cum Application Form either in physical or electronic mode, where such ASBA Bid has been submitted to the Designated Branches of SCSBs and uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form. Submission of a second Bid cum Application Form, whether an ASBA Bid cum Application Form, to either the same or to another Designated Branch, or a Non-ASBA Bid cum Application Form, will be treated as multiple Bids and will be liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the ASBA Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in "-***Build up of the Book and Revision of Bids***".

More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that the SCSBs shall not accept a total of more than five ASBA Bid cum Application Forms from such ASBA Bidders with respect to any single ASBA Account.

The Bank reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories. A check will be carried out for the same PAN. In cases where the PAN is same, such Bids will be treated as multiple applications.

For Bids from Mutual Funds and FII sub-accounts which are submitted under the same PAN, as well as Bids on behalf of the central or state government, an official or receiver appointed by a court and residents of Sikkim for whom submission of PAN is not mandatory, the Bids will be scrutinised for DP ID and beneficiary account numbers. In case these Bids have the same DP ID and beneficiary account numbers, these will be treated as multiple Bids and will be rejected.

'PAN' or 'GIR' Number

Except for Bids on behalf of the central or state government, residents of Sikkim and officials, liquidator or otherwise appointed by the courts, the Bidders, or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. In accordance with the SEBI ICDR Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction.

Any Bid cum Application Form without the PAN is liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground. With effect from August 16, 2010, the demat accounts of Bidders for which PAN details have not been verified shall be "suspended for credit" and no credit of Equity Shares pursuant to the Issue shall be made into accounts of such Bidders.

Right to Reject Bids

In case of QIB Bidders Bidding in the QIB Portion, the Syndicate, may reject Bids provided that such rejection shall be made at the time of acceptance of the Bid and the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Bids by Eligible Employees bidding in the Employee Reservation Portion, the Bank has a right to reject Bids based only on technical grounds and/or as specified in the Red Herring Prospectus. However, the Bank in consultation with the BRLMs, reserves the right to reject any Bid received from Anchor Investors without assigning any reasons. Consequent refunds shall be made through any of the modes described in the Red Herring Prospectus and will be sent to the Bidder's address at the Bidder's risk.

With respect to ASBA Bids, the Designated Branches shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the bank account specified by the Bidder in the ASBA Bid cum Application Form, the respective Designated Branch ascertains that sufficient funds are not available in the abovementioned bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, the Bank would have a right to reject the ASBA Bids only on technical grounds and/or as specified in the Red Herring Prospectus.

The Bidders may note that in case the DP ID, Beneficiary Account Number and PAN mentioned in the Bid cum Application Form and as entered into the electronic Bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs, as the case may be, do not match with the DP ID, Beneficiary Account Number and PAN available in the depository database, the Bid is liable to be rejected.

Grounds for Technical Rejections

Bidders should note that incomplete Bid cum Application Forms and Bid cum Application Forms that are not legible will be rejected by the members of the Syndicate or SCSBs. Bidders are advised to note that Bids are liable to be rejected among other things, on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for. With respect to ASBA Bids, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;

2. Application on plain paper;

3. 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;

4. Bid by persons not competent to contract under the Indian Contract Act, 1872, as amended, including minors;

5. Age of the first Bidder not given;

6. PAN not stated (except for Bids on behalf of the central or state government, residents of Sikkim and the officials appointed by the courts);

7. Bids for lower number of Equity Shares than specified for that category of investors;

8. Bids at a price less than the Floor Price;

9. Bids at a price over the Cap Price;

10. Bids at Cut off Price by Non-Institutional Bidders and QIB Bidders;

11. Submission of more than five ASBA Bid cum Application Forms per ASBA Account;

12. Bids for number of Equity Shares which are not in multiples of [●];

13. Category not ticked;

14. Multiple Bids as described in the Red Herring Prospectus;

15. In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents not being submitted;

16. Bids accompanied by cash, stockinvest, money order or postal order;

17. Signature of sole and/or joint Bidders missing. In addition, with respect to ASBA Bids, the Bid cum Application form not being signed by the account holders, if the account holder is different from the Bidder;

18. Bid cum Application Form does not have the stamp of the BRLMs the Syndicate Members or Designated Branches (except for electronic ASBA Bids);

19. Bid cum Application Form does not have Bidder’s depository account details or the details given are incomplete or incorrect;

20. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the instructions prescribed in the Bid cum Application Form, 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;

21. In case no corresponding record is available with the Depositories that matches three parameters namely, PAN (in case of joint Bids, PAN of the first applicant), the DP ID and the beneficiary's account number;

22. With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the bank account;

23. Bids for amounts greater than the maximum permissible amounts prescribed by applicable law;

24. Bids by OCBs;

25. Bids by persons in the Employee Reservation Portion not qualifying as Eligible Employees;

26. Bids by persons in the United States;

27. Bids where clear funds are not available in the Escrow Accounts as per the final certificate from the Escrow Collection Banks;

28. Bids or revision thereof by QIB Bidders, Non-Institutional Bidders and Eligible Employees uploaded after 4.00 P.M. on the Bid/Issue Closing Date;

29. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;

30. Bids by persons who are not eligible to acquire Equity Shares in terms of all applicable laws, rules, regulations, guidelines and approvals; and

31. Bids that do not comply with the securities laws of their respective jurisdictions.

Electronic Registration of Bids

(a) The members of the Syndicate and the SCSBs will register the Bids received, except Bids received from Anchor Investors, using the online facilities of the Stock Exchanges. Details of Bids in the Anchor Investor Portion will not be registered on the online facilities of the Stock Exchanges. There will be at least one online connectivity in each city, where the Stock Exchanges are located in India and where such Bids are being accepted. The BRLMs, the Bank and the Registrar to the Issue are not responsible for any acts, mistakes or errors or omission and commissions in relation to (i) the Bids accepted by the Syndicate Members and the SCSBs, (ii) the Bids uploaded by the Syndicate Members and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate Members and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. However, the members of the Syndicate and/or the SCSBs shall be responsible for any errors in the Bid details uploaded by them. It shall be presumed that for the Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.

(b) The Stock Exchanges will offer a screen-based facility for registering such Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents and the SCSBs during the Bid/Issue Period. The Syndicate Members and the Designated Branches can also set up facilities for off-line electronic registration of Bids subject to the condition that it will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis.

(c) On the Bid/Issue Closing Date, the members of the Syndicate and the Designated Branches shall upload the Bids until such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs on a regular basis. In order to ensure that the data uploaded is accurate, the Syndicate may be permitted one Working Day after the Bid/Issue Closing Date to amend some of the data fields (currently DP ID, Client ID) entered by them in the electronic bidding system. Bidders are cautioned that a high inflow of Bids typically experienced on the last Working Day of the Bid/Issue Period may lead to some Bids received on the last Working Day not being uploaded due to lack of sufficient uploading time, and such Bids that could not uploaded will not be considered for allocation. Bids will only be accepted on Working Days, *i.e.*, Monday to Friday (excluding any public holiday).

(d) Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges a graphical representation of consolidated demand and price would be made available at the bidding centres and at the websites of each of the Stock Exchanges during the Bid/Issue Period along with category wise details.

(e) At the time of registering each Bid, the members of the Syndicate or the Designated Branches in case of ASBA Bids shall enter the following details of the Bidder in the electronic system:

- Name of the Bank.
- Application number.
- Investor Category – Individual, Corporate, non-institutional, qualified institutional buyer, Eligible NRI, FII, or Mutual Fund, financial institutions, insurance companies, Eligible Employee, etc.
- PAN.
- Depository Participant Identity ("**DP ID**").
- Beneficiary account number of the Bidder
- Numbers of Equity Shares Bid for.
- Price option.
- Cheque amount.
- Cheque number.

(f) A system generated TRS, on demand, 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, their authorised agents or the SCSBs.** The registration of the Bid by the member of the Syndicate or the Designated Branches does not guarantee that the Equity Shares shall be allocated/Allotted.

(g) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(h) In case of QIB Bidders (other than QIBs Bidding through ASBA), the members of the Syndicate have a right to accept the Bid or reject it. However, such rejection shall 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 may be rejected on technical grounds. Furthermore, the SCSBs shall have no right to reject Bids except on technical grounds.

(i) The permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Bank and/or the BRLMs are cleared or approved by the Stock Exchanges; 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 the Bank nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

(j) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/Allotment. Bids by Anchor Investors will not be uploaded on the electronic Bidding system of the Stock Exchanges. The members of the Syndicate shall be given one Working Day after the Bid/Issue Closing Date to verify the information uploaded on the online IPO system during the Bid/Issue Period after which the Registrar to the Issue shall proceed with the Allotment of Equity Shares.

(k) Details of Bids in the Anchor Investor Portion will not be registered on the on-line facilities of the electronic facilities of the Stock Exchanges.

Build up of the book and revision of Bids

(a) Bids received from various Bidders (except Anchor Investors) through the members of the Syndicate and the SCSBs shall be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs at the end of the Bid/Issue Period.

(c) During the Bid/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and such Bidder 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 and the Designated Branches will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bid/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or the Designated Branch through whom such Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. Retail Individual Bidders and Eligible Employees Bidding in the Employee Reservation portion Bidding in such categories should note that the revised amount should not exceed Rs. 1,00,000. 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 the Red Herring Prospectus. With respect to ASBA Bids, if revision of the Bids results in an incremental amount, the relevant SCSB shall block the additional funds making up the Bid amount. In case of Bids other than ASBA Bids, the members of the Syndicate shall collect such incremental payment in the form of cheque or demand draft if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions. In such cases the members of the Syndicate will revise the earlier Bid details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar will reconcile the Bid data and consider the revised Bid data for preparing the basis of Allotment.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and may receive on demand a revised TRS from the members of the Syndicate or Designated Branches, as applicable. 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.

Price Discovery and Allocation

(a) Based on the demand generated at various price levels, the Bank in consultation with the BRLMs shall finalize the Issue Price, the Retail Discount and the Employee Discount.

(b) Allocation to Anchor Investors shall be at the discretion of the Bank in consultation with the BRLMs, subject to compliance with the SEBI ICDR Regulations. In the event of under-subscription in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Portion. The number of Equity

Shares allocated to Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the BRLMs before the Bid/Issue Opening Date.

(c) Under subscription in Employee Reservation category will be added to the Net Issue. Under-subscription, if any, in the Non-Institutional Portion and Retail Portion may 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 in the Mutual Fund Portion is less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. Under subscription, in any other category, 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.

(d) The Allocation under the Employee Reservation Portion shall be on a proportionate basis, in the manner specified under the SEBI ICDR Regulations and the Red Herring Prospectus, subject to valid Bids being received at or above the Issue Price, and is approved by the Designated Stock Exchange.

(e) Allocation to Non-Residents, including Eligible NRIs, FIIs and FVCIs, applying on repatriation basis will be subject to applicable law.

(f) The BRLMs in consultation with the Bank shall notify the members of the Syndicate of the Issue Price and allocations to Anchor Investors, where the full Bid Amount has not been collected from the Anchor Investors due to the Issue Price being higher than the Anchor Investor Issue Price.

(g) The Bank in consultation with the BRLMs reserves the right to cancel the Issue any time after the Bid/Issue Opening Date, but before the Allotment without assigning any reasons whatsoever. In terms of the SEBI ICDR Regulations, QIB Bidders Bidding in the QIB Portion shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date. Further, Anchor Investors shall not be allowed to withdraw their Bid after the Anchor Investor Bidding Date.

Signing of Underwriting Agreement and filing with the Designated Stock Exchange

(a) The Bank, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on or immediately after the finalisation of the Issue Price.

(b) After signing the Underwriting Agreement, the Bank will update and file the updated Red Herring Prospectus with the Designated Stock Exchange, which then would be termed the 'Prospectus'. The Prospectus will contain details of the Issue Price, Issue size, Retail Discount, Employee Discount, underwriting arrangements and will be complete in all material respects.

Pre-Issue Advertisement

The Bank shall, after registering the Red Herring Prospectus with the Designated Stock Exchange, publish a pre-Issue advertisement, in the form prescribed by the SEBI ICDR Regulations, in an English national newspaper and a Hindi national newspaper (which is also the regional newspaper), each with wide circulation.

Advertisement regarding Issue Price and Prospectus

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, the Retail Discount and the Employee Discount. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Allotment Advice

(a) On approval of the basis of Allotment by the Designated Stock Exchange and on Allotment by the Board of Directors or any committee constituted thereof, the Registrar to the Issue shall send to the members of the Syndicate and SCSBs a list of their Bidders who have been Allotted Equity Shares in the Issue. For Anchor Investors, see "***—Notice to Anchor Investors: Allotment/Reconciliation and Revised CANs.***"

(b) The Registrar to the Issue will then dispatch an allotment advice to the Bidders who have been Allotted Equity Shares in this Issue.

(c) Bidders who have been Allotted Equity Shares shall receive the allotment advice from the Registrar to the Issue

Notice to Anchor Investors: Allotment Reconciliation and Revised CANs

After the Anchor Investor Bidding Date, a physical book will be prepared by the Registrar on the basis of the Bid cum Application Forms received in the Anchor Investor Portion. Based on the physical book and at the discretion of the Bank and the BRLMs, selected Anchor Investors may be sent a CAN, within two Working Days of the Anchor Investor Bidding Date, indicating the number of Equity Shares that may be allocated to them. This provisional CAN and the final allocation is subject to (a) the physical application being valid in all respect along with receipt of stipulated documents, (b) the Issue Price being finalised at a price not higher than the Anchor Investor Issue Price, and (c) Allotment. In the event of a technical rejection or in the event the Issue Price is higher than the Anchor Investor Issue Price, a revised CAN will be sent to Anchor Investors. The price of Equity Shares in such CAN may be different from that specified in the earlier CAN. Anchor Investors should note that they shall be required to pay any additional amount, being the difference between the Issue Price and the Anchor Investor Issue Price, as indicated in the revised CAN, if any, by the Pay-in Date specified in the revised CAN, for any increased price of Equity Shares. The Pay-in Date in the revised CAN shall not be later than two Working Days after the Bid/Issue Closing Date. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

- The Bank will ensure that (i) Allotment of Equity Shares; (ii) credit to successful Bidder's depository account will be completed within 12 Working Days from the Bid/Issue Closing Date.

- 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 so Allotted as per the provisions of the Depositories Act and other applicable law.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to this Issue.

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. Allotment to all successful Retail Individual Bidders will be made at the Issue Price less the Retail Discount.

- 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 [●] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of Allotment, see 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. 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 [●] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.

- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of Allotment see below.

C. For Employee Reservation Portion

- 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 less the Employee Discount.

- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of [●] Equity Shares either on a firm basis or as per the drawal of lots, if any, approved by the Designated Stock Exchange. For the method of proportionate basis of allocation, refer below.

- Only Eligible Employees are eligible to apply under Employee Reservation Portion.

D. For QIBs in the QIB Portion (excluding the Anchor Investor Portion)

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. Allotment to all successful 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 (excluding Anchor Investor Portion) shall be determined as follows:

    (i) In the event Mutual Fund Bids exceed 5% of the QIB Portion (excluding the Anchor Investor Portion), allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion (excluding the Anchor Investor Portion).

    (ii) In the event the aggregate demand from Mutual Funds is less than 5% of the QIB Portion (excluding Anchor Investor Portion) then all Mutual Funds will receive 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 of oversubscription in the QIB Portion (excluding the Anchor Investor 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, which 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 (excluding the Anchor Investor Portion).

(iii) Under-subscription below 5% of the QIB Portion (excluding Anchor Investor Portion), if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate Allotment to QIB Bidders shall not be less than [●] Equity Shares.

E. For Anchor Investors

- Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of the Bank, in consultation with the BRLMs, subject to compliance with the following requirements:

  - not more than 30% of the QIB Portion will be allocated to Anchor Investors;
  - one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors;
  - allocation to Anchor Investors shall be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation up to Rs. 250.00 crore and minimum number of five Anchor Investors for allocation more than Rs. 250.00 crore.

- The number of Equity Shares Allotted to Anchor Investors and the price at which the allocation is made, shall be made available in the public domain by the BRLMs before the Bid/Issue Opening Date by intimating the Stock Exchanges. The method of proportionate basis of Allotment is stated below.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

(1) **Issue Details**

Sr. No.	Particulars	Issue details
1.	Issue size	200 crore equity shares
2.	Portion available to QIBs*	100 crore equity shares
3.	Anchor Investor Portion	30 crore
4.	Portion available to QIBs* other than anchor investors [(2) – (3)]	70 crore equity shares
	Of which	
a.	Reservation to MF (5%)	3.5 crore equity shares
b.	Balance for all QIBs including MFs	66.5 crore equity shares
5.	No. of QIB applicants	10
6.	No. of shares applied for	500 crore equity shares

* Where 50% of the issue size is required to be allotted to QIBs.

(2) **Details Of QIB Bids**

S. No.	Type of QIB bidders	No. of shares bid for (in crore)
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 MFs)

(3) **Details of Allotment to QIB Bidders**

(No. of equity shares in crore)

Type of QIB bidders	Equity shares bid for	Allocation of 3.5 crore equity shares to MFs proportionately (See Note 2)	Allocation of balance 66.5 crore equity shares to QIBs proportionately (See Note 4)	Aggregate allocation to MFs
A1	50	0	6.65	0
A2	20	0	2.66	0
A3	130	0	17.29	0
A4	50	0	6.65	0
A5	50	0	6.65	0
MF1	40	0.7	5.32	6.02
MF2	40	0.7	5.32	6.02
MF3	80	1.4	10.64	12.04
MF4	20	0.35	2.66	3.01
MF5	20	0.35	2.66	3.01
	500	**3.5**	**66.5**	**30.1**

Notes:

(1) The illustration presumes compliance with the provisions of regulation 51(1) pertaining to minimum allotment.

(2) Out of 70 crore equity shares allocated to QIBs, 3.5 crore (*i.e.* 5%) will be allocated on proportionate basis among 5 mutual fund applicants who applied for 200 shares in QIB category.

(3) The balance 66.5 crore equity shares [*i.e.* 70 – 3.5 (available for MFs)] will be allocated on proportionate basis among 10 QIB applicants who applied for 500 shares (including 5 MF applicants who applied for 200 shares).

(4) The figures at Col. No. IV are arrived as under :

(a) For QIBs other than mutual funds (A1 to A5) = No. of shares bid for (*i.e.* Col II) X 66.5/ 496.5

(b) For mutual funds (MF1 to MF5) = {(No. of shares bid for (*i.e.* Col II) less shares allotted (*i.e.*, col. III)} X 66.5/ 496.5

(c) The numerator and denominator for arriving at allocation of 66.5 crore shares to the 10 QIBs are reduced by 3.5 crore shares, which has already been allotted to mutual funds at Col. No. (III).

Method of Proportionate Basis of Allotment in the Issue

Except in relation to Anchor Investors, 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.

Except in relation to Anchor Investors, 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) The number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:

    i) 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 as far as possible, equal to the number of Equity Shares calculated in accordance with (b) above; and

    ii) Each successful Bidder shall be allotted a minimum of [●] Equity Shares.

e) 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.

Subject to valid Bids being received, allocation of Equity Shares to Anchor Investors shall be at the sole discretion of the Bank, in consultation with the BRLMs.

Equity Shares in Dematerialised Form with National Securities Depository Limited ("NSDL") or Central Depository Services (India) Limited ("CDSL")

The Allotment of Equity Shares in this Issue shall be only in a dematerialised form, (*i.e.*, not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Bank, the respective Depositories and the Registrar to the Issue:

- Agreement dated December 15, 2008 between NSDL, the Bank and the Registrar to the Issue;

- Agreement dated November 27, 2008, between CDSL, the Bank and the Registrar to the Issue.

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 valid 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 PAN, 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. The Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(h) Trading in the Equity Shares would be in dematerialised form only, on 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, PAN, Bidders depository account details, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, the bank account number of the ASBA Account in which funds had been blocked.

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, refund orders etc. In case of ASBA Bids submitted with the Designated Branches, Bidders can contact the relevant SCSB.

Impersonation

Any person who makes in a fictitious name, an application in the Issue for acquiring or subscribing for, any shares therein, or otherwise induces the Bank to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable under applicable law.

Payment of Refund

Bidders other than ASBA Bidders must note that on the basis of the DP ID, beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the MICR code. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Bank, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In the case of Bids from Eligible NRIs and FIIs, refunds, dividends and other distributions, if any, will normally be payable in Indian Rupees only and net of bank charges and/or commission. Where so desired, 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. The Bank will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Mode of Refunds

For Bidders other than ASBA Bidders

The payment of refund, if any, for Bidders other than ASBA Bidders would be done through any of the following modes:

1. NECS – Payment of refund would be done through NECS for Bidders having an account at any of the centres specified by the RBI. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code from the Depositories.

2. Direct Credit – Bidders having bank accounts with the Refund Bank, as per the Demographic Details received from the Depositories shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank for the same would be borne by the Bank.

3. RTGS – Bidders having a bank account with a bank branch which is RTGS enabled as per the information available on the website of RBI and whose refund amount exceeds Rs. 0.10 crore, shall be eligible to receive refund through RTGS, provided the Demographic Details downloaded from the Depositories contain the nine digit MICR code of the Bidder's bank which can be mapped with the RBI data to obtain the corresponding Indian Financial System Code ("**IFSC**"). Charges, if any, levied by the Refund Bank for the same would be borne by our Bank. Charges, if any, levied by the Bidder's bank receiving the credit would be borne by the Bidder.

4. NEFT – Payment of refund shall be undertaken through NEFT wherever the Bidders' bank branch is NEFT enabled and has been assigned the IFSC, which can be linked to an MICR code of that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date prior to the date of payment of refund, duly mapped with an MICR code. Wherever the Bidders have registered their 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 Bidders 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 and the past experience of the Registrars to the Issue. In the event NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in this section.

5. For all other Bidders, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched 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 account payee cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Unblocking of funds for ASBA Bidders

In case of ASBA Bidders, the Registrar shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 Working Days of the Bid/Issue Closing Date to the extent of the Bid Amounts (or relevant part thereof) specified in the ASBA Bid cum Application Form.

Disposal of Bids and Bid Amounts and Interest in Case of Delay

With respect to Bidders other than ASBA Bidders, 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 after the Allotment of Equity Shares.

In case of Bidders who receive refunds through NECS, NEFT, direct credit or RTGS, the refund instructions will be given to the clearing system within 12 Working Days from the Bid/Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within 12 Working Days of the Bid/Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Bank shall use best efforts to ensure that all steps for completion of the necessary formalities for listing is completed and trading commences within 12 Working Days of the Bid/Issue Closing Date at all the Stock Exchanges where the Equity Shares are proposed to be listed.

In accordance with applicable law, the requirements of the Stock Exchanges and the SEBI ICDR Regulations, the Bank further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, within 12 Working Days of the Bid/Issue Closing Date;

- With respect to Bidders other than ASBA Bidders, 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 12 Working Days of the Bid/Issue Closing Date would be ensured. With respect to the ASBA Bidders' instructions for unblocking of the ASBA Bidder's relevant bank account shall be made within 12 Working Days from the Bid/Issue Closing Date; and

- The Bank shall pay interest at 15% per annum for any delay beyond the 12 Working 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 eight days from the day the Bank becomes liable to repay. If such money is not repaid within eight days from the day the Bank becomes liable to repay, the Bank and every Director of the Bank who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under applicable law.

Letters of Allotment or Refund Orders or instructions to the SCSBs

The Bank shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, under certificate of posting, and shall dispatch refund orders above Rs. 1,500, if any, by registered or speed post at the sole or first Bidder's sole risk within 12 Working Days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 12 Working Days of the Bid/Issue Closing Date.

In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms or the relevant part thereof for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 Working Days of the Bid/Issue Closing Date, which shall be completed within one Working Day after the receipt of such instruction from the Registrar.

Interest in case of delay in dispatch of Allotment Letters or Refund Orders/instruction to SCSB by the Registrar to the Issue

Allotment of Equity Shares in the Issue, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, shall be made not later than 12 Working Days of the Bid/Issue Closing Date. The Bank further agrees that it shall pay interest at the rate of 15% per annum if the allotment letters or refund orders have not been dispatched to the Bidders or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given in the disclosed manner within eight days from the day the Bank becomes liable to repay. If such money is not repaid within eight days from the day the Bank becomes liable to repay, the Bank and every Director of the Bank who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under applicable law.

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

Undertakings by the Bank

The Bank undertakes the following:

- That the complaints received in respect of this Issue shall be attended to by the Bank expeditiously and satisfactorily;

- 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, shall have been taken within 12 Working Days of the Bid/Issue Closing Date;

- 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 Bank;

- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 Working 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 Eligible NRIs shall be dispatched within specified time;

- That the Promoters' contribution in full has already been brought in;

- That no further issue of Equity Shares shall be made until the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.; and

- That adequate arrangements shall be made to collect all ASBA applications and to consider them similar to non-ASBA applications while finalizing the basis of allotment.

The Bank shall not have recourse to the Issue Proceeds until the final approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Withdrawal of the Issue

The Bank in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event the Bank would issue a public notice in the newspapers within two days, in which the pre-Issue advertisements were published, providing reasons for not proceeding with the Issue. The BRLMs, through the Registrar, shall notify the SCSBs to unblock the relevant bank accounts of the ASBA Bidders within one Working Day from the day of receipt of such notification. The Bank shall also promptly inform the Stock Exchanges on which the Equity Shares are proposed to be listed.

Notwithstanding the foregoing, the Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchanges, which the Bank shall apply for only after Allotment.

In the event the Bank in consultation with the BRLMs, withdraws the Issue after the Bid/Issue Closing Date, a fresh offer document will be filed with SEBI in the event we subsequently decide to proceed with the initial public offering.

Utilisation of Issue Proceeds

The Board of Directors certifies that:

- All monies received in the Issue shall be credited/transferred to a separate bank account other than the Public Issue Account.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in corresponding new banks is regulated by the provisions of the Bank Acquisition Act. Under section 3(2D) of the Bank Acquisition Act, foreign investment in corresponding new banks is subject to an overall statutory limit of 20% of the paid-up capital of the bank.

Section 3(2D) of the Bank Acquisition Act states as follows:

"(2D) The shares of every corresponding new bank not held by the Central Government shall be freely transferable:

Provided that no individual or company resident outside India or any company incorporated under any law not in force in India or any branch of such company, whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of the corresponding new bank so that such investment in aggregate exceed the percentage, not being more than twenty per cent, of the paid-up capital, as may be specified by the Central Government by notification in the Official Gazette.

Explanation— for the purposes of this clause "company" means any body corporate and includes a firm or other association of individuals."

Hence, section 3(2D) of the Bank Acquisition Act prescribes that foreign investment in the aggregate is permitted in a corresponding new bank, like our Bank only until 20% under the automatic route. For public sector banks, the RBI monitors the ceilings on FII/NRI/PIO investments on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceilings, which is 18% for public sector banks. 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, without prior approval of the RBI, the shareholding of Non Residents in the Bank cannot exceed 18% of the paid up capital of the Bank. The RBI pursuant to its letter No. [●] dated [●] has granted its approval for allotment of up to 20% of the Bank's paid-up Equity Shares to NRIs/FIIs in this Issue.

As per the existing policy of the GoI, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Accordingly, the Equity Shares are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. The Bank and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII - MAIN PROVISIONS OF CONSTITUTIONAL DOCUMENTS

We were constituted as a "corresponding new bank" in 1980 under the provisions of the Bank Acquisition Act. We are not required to have memorandum and articles of association. Since we were constituted under the Bank Acquisition Act we have provided the salient terms thereof. Further since the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980 and the Bank Regulations deal with the management of corporate affairs in the 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 section.

The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980 was made by S.O. 875 (E) dated November 4, 1980 by the central government in consultation with the Reserve Bank 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 GoI.

The Bank Acquisition Act, 1970, amended Section 34A, 36AD and Section 51 of the Banking Regulation Act 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 banks, see "***Regulations and Policies in India***" on page 90.

For more details, investors are advised to refer to the complete text of the Bank Acquisition Act, Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980 and the Punjab & Sind Bank (Shares and Meetings) Regulations, 2008 ("**Bank Regulations**").

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. For further details on the restrictions and their potential impact on shareholders of our Bank, see "***Risk Factors***" on page xii.

The salient features of the same are as below.

Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980

3. *Establishment of corresponding new banks and business thereof.*

(1) On the commencement of this Act, there shall be constituted such corresponding new banks as are specified in 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 cancelling 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. 1980 (40 of 1980) with the corresponding new bank, such reduction may be done, either prospectively or retrospectively, but not from a date earlier than the date of such amalgamation.

(2BBA) (a) A corresponding new bank may from time to time and after any paid-up capital has been raised by public issue 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, cancelling any paid-up capital which is lost, or is unrepresented by available assets; or

(iii) either with or without extinguishing or reducing liability on any of its paid-up shares, paying off any paid share capital which is in excess of the wants of the corresponding new bank.

(2BBB) Notwithstanding anything contained in sub-section (2BB) or sub-section (2BBA), the paid-up capital of a corresponding new bank shall not be reduced at any time so as to render it below twenty-five per cent of the paid-up capital of that bank as on the date of commencement of the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995."

(2C) The entire paid-up capital of a corresponding new bank, except the paid-up capital raised from public by public issue or preferential allotment or private placement 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.)

Provided that nothing in this sub-section shall apply to the shares held with the depository.

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 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, 1980 (40 of 1980);

(c) one director, possessing necessary expertise and 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;

(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 director 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-sections (3A) and (3AA), it may, after giving to such Director and the bank a reasonable opportunity of being heard, by order, remove such Director and on such removal, the Board of Directors shall co-opt any other person fulfilling the requirements of sub-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, 1980 (40 of 1980).

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.

(3) For the purpose of reckoning any proportion of the total number of directors of the corresponding new bank, any additional director appointed under this section shall not be taken into account.

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 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

(1) Where, after the commencement of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006, a dividend has been declared by a corresponding new bank but has not been paid or claimed within thirty days from the date of declaration, to, or by, any shareholder entitled to the payment of the dividend, the corresponding new bank shall, within seven days from the date of the expiry of such period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty days, to a special account to be called "Unpaid Dividend Account of ... (the name of the corresponding new bank).

Explanation.--In this sub-section, the expression "dividend which remains unpaid" means any dividend the warrant in respect thereof has not been encashed or which has otherwise not been paid or claimed.

(2) Where the whole or any part of any dividend, declared by a corresponding new bank before the commencement of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006, remains unpaid at such commencement, the corresponding new bank shall, within a period of six months from such commencement, transfer such unpaid amount to the account referred to in sub-section (1).

(3) Any money transferred to the Unpaid Dividend Account of a corresponding new bank in pursuance of this section which remains Unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the corresponding new bank to the Investor Education and Protection Fund established under sub-section (1) of section 205C of the Companies Act.

(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.

16. *Indemnity*

(1) Every custodian of a corresponding new bank and every Officer of the Central Government or of the Reserve Bank and every Officer or other employee of a corresponding new bank, shall be indemnified by such bank against all losses and expenses incurred by him in or in relation to the discharge of his duties except such as have been caused by his own wilful 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 wilful act or default on the part of such Director or Member.

16A. *Arrangement with corresponding new bank on appointment of Directors to prevail*

(1) Where any arrangement entered into by a corresponding new bank with a company provides for the appointment by the corresponding new bank of one or more Directors of such Company, such appointment of Directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the Company, and any provision regarding share qualification, age limit, number of Directorship, removal from office of Directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any Director appointed by the corresponding new bank in pursuance of the arrangement as aforesaid.

(2) Any Director appointed as aforesaid shall—

(a) hold office during the pleasure of the corresponding new bank and may be removed or substituted by any person by order in writing of the corresponding new bank;

(b) not incur any obligation or liability by reason only of his being a Director or for anything done or omitted to be done in good faith in the discharge of his duties as a Director or anything in relation thereto;

(c) not be liable to retirement by rotation and shall not be taken into account for computing the number of Directors liable to such retirement.

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.

19. Power to make regulations.

(1) The Board of Directors of a corresponding new bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, by notification in the Official Gazette make regulations, not inconsistent with the provisions of this Act or any scheme made thereunder, to provide for all matters for which provision is of a expedient for the purpose of giving effect to the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, the regulations may provide for all or any of the following matters, namely: -

(a) the powers, functions and duties of local boards and restrictions, conditions or limitations, if any, subject to which they may be exercised or performed, the formation and constitution of local committees and committees of local boards (including the number of members of any such committee), the powers, functions and duties of such committees, the holding of meetings of local committees and committees of local boards and the conduct of business thereat;

(b) the manner in which the business of the local boards shall be transacted and the procedure in connection therewith;

(ba) the nature of shares of the corresponding new bank, the manner in which and the conditions subject to which shares may be held and transferred and generally all matters relating to the rights and duties of shareholders;

(bb)the maintenance of register, and the particulars to be entered in the register in addition to those specified in sub-section (2F) of section 3, the safeguards to be observed in the maintenance of register on computer floppies or diskettes, inspection and closure of the register and all other matters connected there-with;

(bc) the manner in which general meetings shall be convened, the procedure to be followed thereat and the manner in which voting rights maybe exercised;

(bd) the holding of meetings of shareholders and the business to be transacted thereat;

(be) the manner in which notices may be served on behalf of the corresponding new bank upon shareholders or other persons;

(bf) the manner in which the directors nominated under clause (h) of sub-section (3) of section 9 shall retire;

(c) the delegation of powers and functions of the Board of Directors of a corresponding new bank to the general manager, director, officer or other employee of that bank;

(d) the conditions or limitations subject to which the corresponding new bank may appoint advisers, officers or other employees and fix their remuneration and other terms and conditions of service.

(e) the duties and conduct of advisers, officers or other employees of the corresponding new bank;

(f) the establishment and maintenance of superannuation, pension, provident or other funds for the benefit of officers or other employees of the corresponding new bank or of the dependants of such officers or other employees and the granting of superannuation allowances, annuities and pensions payable out of such funds;

(g) the conduct and defence of legal proceedings by or against the corresponding new bank and the manner of signing pleading;

(h) the provision of a seal for the corresponding new bank and the manner and effect of its use;

(i) the form and manner in which contracts binding on the corresponding new bank may be executed;

(j) the conditions and the requirements subject to which loans or advances may be made or bills may be discounted or purchased by the corresponding new bank;

(k) the persons or authorities who shall administer any pension, provident or other fund constituted for the benefit of officers or other employees of the corresponding new bank or their dependants;

(l) the preparation and submission of statements of programmes of activities and financial statements of the corresponding new bank and the period for which and the time within which such statements and estimates are to be prepared and submitted; and

(m) generally for the efficient conduct of the affairs of the corresponding new bank.

(3) 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.

(4) Every regulation shall, as soon as may be after it is made under this Act by the Board of Directors of a corresponding new bank, be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no

effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.

Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980

3. *Constitution of the Board*

(2)(i) The director referred to in Clause (e) of sub-section (3) of Section 9 of the Act, shall be nominated by the Central Government from out of a panel of three such employees furnished to it by the representative union, within a date to be specified by the Central Government, which date shall not be more than six weeks from the date of communication made by the Central Government, requiring the representative union to furnish the panel of names:

Provided that where the Central Government is of the opinion that owing to the delay which is likely to occur in the verification and certification of any union or federation as a representative union, it is necessary in the interest of the Nationalised Bank so to do, it may nominate any employee of the Nationalised Bank, who is a workman, to be a director of that bank.

(ii) (a) Where there is no representative union, to represent the workman of a Nationalised Bank, or

(b) where such representative union being in existence omits or fails to furnish any panel of names within the specified date, or

(c) where all the persons specified in the panel furnished by the representative union are disqualified whether under item (iii) of this sub-clause or under Clause 10, the Central Government may, at its discretion appoint such workman of the Nationalised Bank, as it may think fit, to be a director of such bank.

(iii) A workman of a Nationalised Bank shall be disqualified for being nominated as a director unless—

(a) he is, and has been serving for a continuous period of not less than five years in the Nationalised Bank; and

(b) he is of such age that there is no likelihood of his attaining the age of superannuation during his terms 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 o, 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.

4-A. *Manner of retirement of excess elected director*

The number of excess directors shall be determined under the second proviso to clause *(i)* of sub-section (3) of Section 9 of the Act and such number of directors elected by the shareholders (other than the Central Government) equal to the number so determined shall retire, and the order in which the directors shall retire, will begin with the longest serving director:

Provided that, if two or more directors have served for the same period of time, the older among the said directors shall retire first.

5. *Chairman*

(1) The Central Government shall, after consultation with the Reserve Bank, appoint one of the Directors to be the Chairman of the Board.

(2) The Chairman shall preside over the meetings of the Board.

6. *Managing Director*

The Central Government shall, after consultation with the Reserve Bank, appoint one of the directors referred to in Clause (a) of sub-section (3) of Section 9 of the Act to be the Managing Director, who shall be the Chief Executive Officer of the Nationalised Bank and shall exercise the powers and discharge such duties as may be delegated to him by the Board.

7. *Same person may hold office as Chairman and Managing Director*

The Central Government may, after consultation with the Reserve Bank appoint the same person to hold, at the same time, both the office of the Chairman and the Managing Director.

8. *Term of office and remuneration of a whole-time Director including Managing Director*

(1) A whole time Director, including the Managing Director shall devote his whole time to the affairs of the Nationalised Bank and shall hold office for such terms not exceeding five years as the Central Government may, after consultation with the Reserve Bank, specify and shall be eligible for re-appointment.

(2) Notwithstanding anything contained in sub-clause (1), the Central Government shall have the right to terminate the term of office of a whole-time Director, including the Managing Director, at any time before the expiry of the term specified under that sub-clause by giving to him a notice of not less than three months, in writing or three months salary and allowances in lieu of notice; and the whole-time Director, including the Managing Director, shall also have the right to relinquish his office at any time before the expiry of the term specified under that sub-clause by giving to the Central Government notice of not less than three months in writing.

(3) A whole-time Director, including the Managing director shall receive from the Nationalised Bank such salary, allowance, fees and perquisites and be governed by such terms and conditions as the Central Government may determine, after consultation with the Reserve Bank.

(4) If a whole-time Director including the Managing Director is by infirmity or otherwise rendered incapable of carrying out his duties or is absent on leave or otherwise in circumstances not involving the vacation of his office, the Central Government may, after consultation with the Reserve Bank, appoint another person to act in his place during his absence.

(5) The Central Government may, if it is satisfied that it is expedient in the interests of the nationalized bank so to do, remove a whole-time Director including the Managing Director from office:

Provided that no such removal shall be made except after—
(a) consultation with the Board, and
(b) giving a reasonable opportunity to the whole-time Director including the Managing director, of showing cause against the proposed action.

9. *Term of office of other Directors*

(1) A director other than a director referred to in Clause (a) and Clause (i) of sub-section (3) of Section 9 of the Act shall hold office during the pleasure of the Central Government.

(2) Subject to the provisions of sub-clause (1), a Director referred to in 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:

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) 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 share-holders 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 the 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 predecessors.

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 (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, or any corporation established by or under any law for the time being in force in India or any cooperative society, with which or to which the Nationalised Bank has entered into or made or proposed to enter into or make, a contract, loan, arrangement or proposal, or

(ii) an officer or other employee of the nationalized bank, if he is a director referred to in Clause (e) or Clause (f) of sub-section (3) of Section 9 of the Act.

(9) A copy of the proceedings of each meeting of the Board shall be circulated as soon as possible after the meeting for other information of the directors and shall be signed by the Chairman of that or the next succeeding meeting.

(10) No act or proceeding of the Board shall be invalid on the ground merely of the existence of any vacancy in or any defect in the constitution of the Board.

13. *Management Committee*

(1) There shall be a Management Committee of the Board.

(2) The Management Committee shall consist of—

(a) The Chairman;

(b) The Managing Director;

(c) The Executive Director/s;

(d) The Directors referred to in clause (g) of sub-section (3) of Section 9 of the Act;

(e) Three Directors 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.

17. *Resolution without meeting of the Board valid*

A resolution in writing signed by the majority of the members of the Board shall be valid and effectual and shall be deemed to be the resolution passed by the Board on the date it was signed by the last signatory to the resolution:

Provided that any resolution passed as aforesaid shall be placed before the next meeting of the Board.

Provided further that if any dissenting member requires in writing that any resolution so passed shall be placed before a meeting of the Board, the resolution shall not be deemed valid and effectual as aforesaid unless the same is passed at such meeting.

19. *Increase of paid-up capital*

The paid-up capital of a Nationalised Bank may be increased from time to time as in sub-clause (a) or sub-clause (b) or sub-clause (c) below or in combination with any of them:

(a) the Board of Directors of a Nationalised Bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government transfer to its capital a specified amount from the reserve fund establishment by such bank under sub-section (6) of Section 3 of the Act;

(b) the Central Government may, in consultation with the Reserve Bank, make contribution of any specified amount to the paid-up capital of a Nationalised Bank;

(c) the Board may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, raise the paid-up capital by public issue of shares in such manner as may be prescribed; so however, that the Central Government shall at all times hold not less than fifty-one per cent of the paid-up capital of each Nationalised Bank.

Punjab & Sind Bank (Shares and Meetings) Regulations, 2008

3. Nature of shares - The shares of the Bank shall be movable property, transferable in the manner provided under these regulations.

4. Kinds of Share Capital

(i) Preference Share Capital means that part of share capital of the Bank which fulfils both the following conditions:

(A) as respects dividends, it carries a preferential right to be paid a fixed amount or an amount calculated at fixed rate, which may be either free of or subject to income tax and

(B) as respect capital, it carries or will carry, on winding up to repayment of capital, a preferential right to be repaid the amount of the capital paid –up or deemed to have been paid up, whether or not there is preferential right to the payment of either or both of the following amounts, namely:-

(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 the previous consent of the Central Government.

(ii) "Equity Share Capital" means all share capital, which is not preference share capital.

(iii) The expressions "Preference Share" and "Equity Share" shall be construed accordingly.

4A. (1) The Bank may raise capital by public issue or preferential allotment or private placement of Equity Shares or Preferential Shares.

(2) The Bank shall formulate a proposal to raise capital in accordance with the guidelines, rules or regulations of the Security and Exchange Board of India, relating to raising of such capital.

(3) For raising capital by public issue or preferential allotment or private placement or 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 such Preference Shares that may be issued by the Bank shall be determined in accordance with the guidelines framed by the Reserve Bank in pursuant to the provisions contained in the proviso to clause (c) of sub-section (2B) of section 3 of the Act.

(4) The Bank shall submit the proposal to the Reserve Bank and take into account the views of the Reserve Bank before finalizing the proposal.

(5) The final proposal shall thereafter be submitted to the Central Government for its sanction and the Central Government may grant sanction subject to such terms and conditions as it may deem fit.

(6) The Bank shall raise capital in accordance with the sanction of the Central Government.

5. Particulars to be entered in the register -

(i) A share register shall be kept, maintained and updated in accordance with Sub-Section 2 (F) of Section 3 of the Act.

(ii) In addition to the particulars specified in sub-section 2 (F) of Section 3 of the Act, such other particulars as the Board may specify shall be entered in the register.

(iii) In the case of joint holders of any share, their names and other particulars required by sub-regulation (i) shall be grouped under the name of the first of such joint holders.

(iv) Subject to the proviso of sub-section 2 (D) of sec.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 purpose 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 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 the Bank and be under the control of the Board and 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 the these regulations, all persons who are not competent to contact shall not be entitled to be registered as a shareholder and the decision of the Board in this shall be conclusive and final

(ii) In the 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 & Managing Director or any other official not below the rank of a General Manager designated in this behalf by the Chairman & Managing Director. (Hereinafter referred to as "the designated official").

(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 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 & Managing Director or the designated official and the password, if any, and the electronic security control systems shall be kept confidential under the custody of the said persons.

(ii) The access by the authorized persons shall be recorded in logs by the computer system and such logs shall be preserved with the official/ persons designated in this behalf by the Chairman & Managing Director or the designated official.

(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 & Managing Director or the designated official, incorporating the changes made in the register of shareholders. At least one of these copies shall be stored in a location other than the premises in which processing is being done. This copy shall be stored in a fireproof 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 & 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 & 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 - lf any share stands in the names of two or more persons, the person first named in the register shall as regards voting, receipt of dividends, service of notices and all or any other matters connected with the Bank except the transfer of shares, be deemed to be the sole holder thereof.

11. Inspection of register

(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 charges 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) Notwithstanding anything contained in sub-regulation (ii), any duly authorized officer of the Government shall have the right to make a copy of any entry in the register or be furnished a copy of the register or any part thereof.

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 name of the shareholder to whom it is issued and it shall be in such form as may be specified by the Board.

(ii) Every share certificate shall be issued under the common seal of the Bank in pursuance of a resolution of the Board and shall be signed by two directors and some other officer not below the rank of Scale-II or the Company Secretary appointed by the Board for the purpose.

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 Certificate 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 arid 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 along with the relative share certificate.

(ii) The instrument of transfer along with 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 purpose 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 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 of regulations made thereunder or any other law or that 'airy 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 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 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 from its opinion as to whether such registration ought or ought not to be refused on any of the grounds referred to in sub-regulations(i)-

(a) If it has formed the opinion that such registration ought not to be so refused, effect such registration; and

(b) If it has formed the opinion that such registration ought to be refused on any of the grounds mentioned in sub-regulation (i) intimate the same to the Transferor and the Transferee by notice in writing giving reasons for such refusal within 60 days from the receipt of the transfer form or within such period as may be laid down in the Listing Agreement with the concerned Stock Exchange.

20 Transmission of shares in the event of death, insolvency etc.:

(i) The executors or administrators of a deceased share holder in respect of a share, or the holder of letter of probate or letters of administration with or without the will annexed or a succession certificate issued under Part X of the Indian Succession Act, 1925, or the holder of any legal representation or a person in whose favour a valid, instrument of transfer was executed by the deceased sole holder during the latter's lifetime shall be the only person who may be recognized by-the Bank as having any title to such share.

(ii) In the case of shares registered in the name of two or more shareholders, the survivor or survivors and on the death of the last survivor, his executors or administrators or any person who is the holder of letters of probate or letters of administration with or without will annexed or a succession certificate or any other legal representation in respect of such survivor's interest in the share or a person in whose favour a valid instrument of transfer of share was executed by such person and such last survivor during the latter's lifetime, shall be the only person who may be recognized by the Bank as having any title to such share.

(iii) The 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 letters of probate or letters of administration or succession certificate or such other legal representation, upon such terms as to indemnity or otherwise as it may think fit.

(iv) Any such person becoming entitled to a share in consequence of death of a shareholder and any person becoming entitled to a share in consequence of the insolvency, bankruptcy or liquidation of a shareholder shall upon production of such evidence, as the Board may require, have the right:-

(a) To be registered as a shareholder in respect of such share.
(b) To make such transfer of such shares 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 of Directors in this regard.

Explanation - For the purposes of this regulation, a shareholder may cease to be qualified for registration, -

(a) If he is a guardian of minor, on the minor attaining the majority;
(b) If he is holding shares as a Karta, on his ceasing to be a Karta.

22. Calls on shares - The Board may, from time to time, make such calls as it thinks fit upon the shareholders in respect of all moneys remaining unpaid on the shares held by them, which are by the condition 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 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 judgment or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such shareholder or on the person (if any) entitled to the share by transmission, requiring him to pay such call or instalment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been paid or incurred by the Bank by reason of such non-payment.

31. Notice of Forfeiture - The notice of forfeiture shall name a day not being less than fourteen days from the date of the notice and the place or places on and at which such call or instalment or such part or other moneys and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment on or before the time and at the place appointed, the share in respect of which the call was made or instalment is payable will be liable to be forfeited.

32. Shares to be forfeited on default - If the requirement of any such notice as aforesaid are not complied with, any of the shares in respect of which such notice has been given may at any time thereafter for non-payment of all calls or instalments, interest and expenses or the money due in respect thereof, be forfeited by a resolution of the Board to that effect at its next meeting to be held after the expiry of the notice of forfeiture under regulation 31. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

33. Entry of forfeiture in the register - When any share has been forfeited under Regulation 32, an entry of the forfeiture with the date thereof shall be made in the register.

34. Forfeited shares to be property of the Bank and may be sold - Any share so forfeited shall be deemed to be the property of the Bank and may be sold, re-allotted or otherwise disposed of to any person upon such terms and in such manner as the Board may decide.

35. Powers to annul forfeiture - The Board may, at any time, before any share so forfeited under Regulation 32 shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it any think fit.

36. Shareholder liable, to pay money owing at the time of forfeiture and interest - Any share holder whose shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay shall and forthwith pay to the Bank all calls, instalments, interest, expenses and other moneys owing upon or in respect of such shares at the time of forfeiture with interest thereon from the time of forfeiture until payment at such rate as may be specified by the Board and the Board may enforce the payment of the whole or a portion thereof.

37. Partial payment not to preclude forfeiture - Neither a judgment nor a decree in favour of the Bank for calls or other monies due in respect of any shares nor any payment or satisfaction there under nor the receipt by the Bank of a portion of any money which shall be due from any shareholder from time to time in respect of any shares either by way of principal or interest nor any indulgence granted by the Bank in respect of payment of any money shall preclude the forfeiture of such shares Under these regulations

38. Forfeiture of share. extinguishes all claims against Bank - The -forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Bank, in respect of the share and all other rights incidental to the share, except only such of those rights as by these presents expressly waived.

39. Original shares null and void on sale, re-issue, re-allotment or disposal on being forfeited- Upon any sale, re-issue, re-allotment or other disposal under the provision of the preceding regulations, certificate(s) originally issued in respect of the relative shares shall (unless the same shall on demand by the Bank have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, the Board shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto

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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 call duly made.

41. Lien on shares -

(i) The Bank shall have a first and paramount lien -

a) On every share (not being a fully-paid share), for all moneys (whether presently payable or not) called, or payable at a fixed time, in respect of that share.

b) On all shares (not being fully-paid shares), standing registered in the name of a single person, for all moneys presently payable by him or his estate in the Bank.

c) Upon all the shares registered in the name of each person (whether solely or jointly with others) and upon the proceeds of sale thereof for his debts: liabilities, and engagements, solely or jointly with any other person to or with the Bank, whether the period for the payment, fulfillment, or discharge thereof shall have actually arrived or not and no equitable interest in any share shall be recognized by the Bank over its lien.

Provided that the Board of Directors may at any time declare any share to be wholly or in part exempt from provisions of this clause.

(ii) The Bank's lien, if any, on a share shall extend to all dividends payable thereon.

42. Enforcing Lien by Sale of Shares-

(i) The Bank may sell, in such manner as the Board thinks fit, any shares on which the company has a Lien:

a) if a sum in respect of which the lien exists is presently payable, and
b) 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, or Company Secretary or any other Officer of the Bank not below the rank of Scale II duly authorized in this behalf, that the call in respect of a share was made that the forfeiture of the share was made by a resolution of the Board to that effect, shall be conclusive evidence of the fact stated therein as against all persons entitled to such shares.

45. Title of purchaser and allottee of forfeited share - The Bank may receive the consideration, if any, given for the share on any sale, re-allotment or other disposition thereof and the person to whom such share is sold, re-allotted or disposed of may be registered as the holder of the share and shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the share and the remedy of any person aggrieved by the sale shall be in damages only and against the Bank exclusively.

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 a notice is sent by post, the service of such document or notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the document or notice:

Provided that where a shareholder has intimated to the Bank in advance that documents should be sent to him under a certificate of posting or by registered post, with or without acknowledgement due or by courier service or in an electronic made 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 effective 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 a 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 share.

(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 pre-paid 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 the Bank may be written or printed.

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 to avail of its services in respect of securities issued by the Bank.

MEETINGS OF SHAREHOLDERS

56. Notice convening an Annual General Meeting.

(i) A notice convening an annual general meeting of the shareholders signed by the Chairman and Managing Director or Executive Director or any officer not below the rank of Scale VII or company Secretary shall be published at least twenty one clear days before the meeting in not less than two daily newspapers having wide circulation in India.

(ii) Every such notice shall state the time, date and place of such meeting and also the business that shall be transacted at that meeting.

(iii) The time and date of such meeting shall be as specified by the Board. The Meeting shall be held at the place of head office of the Bank.

57. Extraordinary General Meeting

(i) The Chairman and Managing Director or in his absence the Executive director of the Bank or in his absence any one of the Directors of the Bank may convene an Extra Ordinary General Meeting of shareholders, if so directed by the Board, or on a requisition for such a meeting having been received either from the Central Government or from other shareholders holding shares carrying, in the aggregate, not less than ten percent of the total voting rights of all 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, from 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 & 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 requisitions themselves within three months from the date of the requisitionists.

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

58. Quorum of general meeting

(i) No business shall be transacted at any meeting of the shareholders unless a quorum of at least five shareholders entitled to vote at such meeting in person are present at the commencement of such business.

(ii) If within half an hour after the time appointed for the holding of a meeting, a quorum is not present in 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 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 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.

59. Chairman at general meeting

(i) The Chairman & Managing Director or in his absence the Executive Director or in his absence such one of the directors as may be generally or in relation to a particular meeting be authorized by the Chairman & Managing Director or in his absence, the Executive Director in this behalf, shall be the Chairman of the Meeting and if the Chairman & Managing Director or the Executive Director or any other Director 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.

60. Persons entitled to attend general meetings.

(i) All directors and all shareholders of the bank shall, subject to the provisions of sub regulation (ii), be entitled to attend a general meeting.

(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.

61. Voting at general meetings-

(i) At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded be decided on a show of hands.

(ii) Save as otherwise provided in the Act every matter submitted to a general meeting shall be decided by a majority of votes.

(iii) Unless a poll is demanded under sub regulation (i), a declaration by the Chairman of the meeting that a resolution on show of hands has or has not been carried either unanimously or by a particular majority and an entry to that effect in the books containing the minutes of the proceedings shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of, or against, such resolution.

(iv) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any shareholder or shareholders present in person or by proxy and holding shares in the Bank which confer a power to vote on the resolution not being less than one fifth of the total voting power in respect of the resolution.

(v) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

(vi) A poll demanded on a question of adjournment or election of chairman of the meeting shall be taken forthwith.

(vii) A poll demanded on any other question shall be taken at such time not being later than forty eight hours from the time when the demand was made, as the Chairman of the meeting may direct.

(viii) The decision of the chairman of the meeting as to the qualification of any person to vote, and also in the case of poll, as to the number of votes any person is competent to exercise shall be final.

61A. 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

(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.

61B. Manner of taking poll and result thereof:

(i) The Chairman of the meeting shall have power to regulate the manner in which 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.

62. Minutes of general meetings-

(i) The Bank shall cause the minutes of all proceedings to be maintained in the books kept for the purpose.

(ii) 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 minutes 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.

ELECTION OF DIRECTORS

63. Directors to be elected at general meeting-

(i) A director under clause (i) of sub-section (3) of Section 9 of the Act shall be elected by the shareholders on the register, other than the Central Government, from amongst themselves in the general meeting of the Bank

(ii) Where an election of a director is to be held at any general meeting, the notice thereof shall be included in the notice convening the meeting. Every such notice shall specify the number of directors to be elected and the particulars of vacancies in respect of which the election is to be held.

64. 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 purchase at least three weeks before the date fixed for the meeting at a price to be fixed by the Board or the Management Committee, on application at the Head Office.

65. Nomination of candidates for election

(i) No nomination of a candidate for election as a director shall be valid unless,

a. He is a shareholder holding not less. than 100 (one hundred) shares in the Bank.
b. He is on the last date for receipt of nomination, not disqualified to be a director under the act or under the Scheme;
c. He has paid all calls in respect of the shares of the Bank held .by him, whether alone or jointly with others, on or before the last date fixed for the payment of the call;
d. The nomination is in writing signed by at least one hundred shareholders entitled to elect directors under the Act or by their duly constituted attorney, provided that a nomination by a shareholder who is a company may be made by a resolution of the directors of the said company and where it is so made, a copy of the resolution certified to be a true copy by the Chairman of the meeting at which it was passed shall be 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 an 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 the Bank on a Working Day not less than Fourteen days before the date fixed for the meeting.

66. Scrutiny of nominations

(i) Nominations shall be 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 therefor. If there is only one valid nomination for any particular vacancy to be filled by election, the candidate so nominated shall be deemed to be elected forewith and his name and address shall be published as so elected. In such an event, there shall not be any election at the meeting convened for the purpose and if the meeting had been called solely for the purpose of the aforesaid election, it shall stand cancelled.

(ii) In the event of an election being held, if valid nominations are more than the number of directors to be elected, the candidate polling the majority of votes shall be deemed to have been elected.

(iii) A director elected to fill an existing vacancy shall be deemed to have assumed office from the date following that on which he is, or is deemed to be elected.

67. Election Disputes

(i) lf any doubt or dispute shall arise as to the qualification or disqualification of a person deemed, or declared to be elected, or as to the validity of the election of a director, any person interested, being a. candidate or shareholder entitled to vote at such election, may, within seven days of the date of the declaration of the result of such election, give intimation in writing thereof to the Chairman and Managing Director of the Bank and shall in the said intimation give full particulars of the grounds upon which he doubts or disputes the validity of the election.

(ii) On receipt of intimation under sub-regulation (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 the committee consisting of the Chairman and Managing Director or in his absence the Executive Director and any two of the directors nominated under clauses (b) & (c) of sub-section (3) of section 9 of the Act

(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.

VOTING RIGHTS OF SHAREHOLDERS

68. Determination of Voting rights:

(i) Subject to the provisions contained in Section 3 (2E) of the Act, each shareholder who has been registered as a shareholder on the date of a 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 authorized 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 hint as stated herein above in sub-regulation (i).

Explanation - for this Chapter, "Company" means any body corporate.

(iii) Shareholders of the Bank entitled to attend and vote at a general meeting shall be entitled to appoint another person (whether a shareholder or not) as his proxy to attend and vote instead of himself but a proxy so appointed shall not have any right to speak at the meeting.

69. Voting by duly authorized 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 the 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, as a duly authorized representative certified to be a true copy by the Chairman of the meeting at which it was passed shall have been deposited at the Head Office of the Bank not less than four days before the date fixed for the meeting.

70. 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 ease 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 any 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 affixed thereto and attested by the 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 the 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 the Bank.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Bank or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Bank. These contracts, copies of which will be attached to the copy of the Red Herring Prospectus to be delivered to the Designated Stock Exchange for registration, and also the documents for inspection referred to hereunder may be inspected at our Head Office at 'Bank House', 21, Rajendra Place, New Delhi 110 008, India, from 10.00 am to 4.00 pm on Working Days, from the date of this DRHP until the Bid/Issue Closing Date.

Material Contracts

1. Engagements Letters dated May 31, 2010, for appointment of SBI Capital Markets Limited, Enam Securities Private Limited and ICICI Securities Limited as BRLMs.

2. Issue Agreement dated August 25, 2010, amongst the Bank and the BRLMs.

3. Agreement dated August 25, 2010, amongst the Bank and the Registrar to the Issue.

4. Escrow Agreement dated [●] amongst the Bank, the BRLMs, the Syndicate Member(s), Escrow Collection Banks and the Registrar to the Issue.

5. Syndicate Agreement dated [●] amongst the Bank, the BRLMs and Syndicate Member(s).

6. Underwriting Agreement dated [●] amongst the Bank, the BRLMs and Syndicate Member(s).

Material Documents

1. The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980.

2. The Banking Regulation Act, 1949.

3. Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1980.

4. Punjab & Sind Bank (Shares and Meetings) Regulations, 2008.

5. Copies of the Bank's annual reports for fiscal 2010, 2009, 2008, 2007 and 2006.

6. Resolution of the Board dated December 22, 2009, authorizing the Issue.

7. Resolution dated August 25, 2010 of the Board authorizing the Bank to take necessary action for filing of this Draft Red Herring Prospectus.

8. Letter (F. No. 11/10/2009-BOA) dated April 27, 2010 from the MoF, GoI, granting approval to the Bank for an initial public offering for raising Rs. 40 crore through book building process comprising four crore equity shares of Rs. 10 each at a premium.

9. Letter (No. F. No. 11/10/2009-BOA) dated May 7, 2010 from the central government granting exemption to the Bank from the provisions of section 13 of the Banking Regulations Act, 1949, in relation to the Issue.

10. Letter (No. F. No. 11/10/2009-BOA) dated May 7, 2010 from the central government granting exemption to the Bank from the provisions of section 15(1) of the Banking Regulations Act, 1949 for a period of five years in relation to writing off of all its Issue expenses pertaining to the Issue.

11. Application (no. 2335) dated August 18, 2010, to the Exchange Control Department, RBI for approving the issue and allotment of Equity Shares of the Bank, through the Issue to persons resident outside India, including foreign institutional investors registered with SEBI, non resident Indians,

overseas corporate bodies and multilateral and bilateral development financial institutions, and other non-residents eligible under all applicable laws and regulations to hold such Equity Shares on a repatriation basis, at prices determined through the Book Building Method under the SEBI ICDR Regulations.

12. RBI approval dated [●].

13. Letter no. F. No. 12/3/97-BOA dated March 26, 1999, from the Banking Division permitting the Bank to reduce its paid-up capital by Rs. 462.47 crore from its paid-up capital as on March 31, 1999 for write down of investments for adjustment of losses.

14. Letter no. F.No.7/133/2007-BOA dated March 20, 2008, from the GoI, Ministry of Finance, Department of Financial Services in relation to immediate dematerialization of shares, requesting the Bank that the shares in respect of the President of India's shareholding in the Bank may be issued in dematerialised form and credited in the demat account opened by the GoI for the purpose.

15. Letter no. F. No. 11/8/2006 – BOA dated December 22, 2008, issued by the Ministry of Finance (Department of Financial Services), GoI, approving the restructuring of the equity capital of the Bank by converting an amount of Rs. 160.00 crore into Innovative Perpetual Debt Instrument, Rs. 200.00 crore into Perpetual Non-cumulative Preference Shares and Rs. 200.00 crore into Perpetual Cumulative Preference Shares, while retaining Rs. 183.06 crore as the equity capital of the Bank.

16. Notification dated December 7, 2009 issued by the MoF, GoI in terms of section 9(3)(a) of the Banking Companies Act read with clauses 3(1) and 8(1) of the Nationalized Banks Scheme, in consultation with the RBI, appointing Mr. P.K. Anand as Executive Director of the Bank, for a period up to May 31, 2013.

17. The audit reports dated June 9, 2010 of the Auditors, S. Lall & Co., Chartered Accountants, Bansal Sinha & Co., Chartered Accountants, Balram Chandra & Associates, Chartered Accountants, Bhatia & Bhatia, Chartered Accountants and Alka & Sunil, Chartered Accountants, on our restated financial information, included in this Draft Red Herring Prospectus.

18. Consent of the Auditors, S. Lall & Co., Chartered Accountants, Bansal Sinha & Co., Chartered Accountants, Balram Chandra & Associates, Chartered Accountants, Bhatia & Bhatia, Chartered Accountants and Alka & Sunil, Chartered Accountants, as referred to, in their capacity and for inclusion of their audit reports on our restated financial information and the 'Statement of Tax Benefits' in the form and context in which it appears in this Draft Red Herring Prospectus.

19. Consents of the Directors, BRLMs, Syndicate Member(s), Registrar to the Issue, Bankers to the Issue, the IPO Grading Agency, Legal Counsel, Compliance Officer, as referred to, in their respective capacities.

20. Master Outsourcing Agreement dated February 24, 2010, with Wipro Limited for Provision of Core Banking Solution System to 500 Branches of the Bank.

21. Corporate Agency Agreement dated September 13, 2004, with Aviva Life Insurance Company India Private Limited for Life Insurance Products and supplementary agreement dated February 6, 2009.

22. Corporate Agency Agreement dated March 22, 2003, with Bajaj Allianz General Insurance Company Limited for General Insurance Products and renewal agreements dated November 15, 2006 and January 27, 2010, respectively.

23. Distribution Agreement dated July 27, 2005, with UTI Asset Management Company Private Limited for Mutual Fund Products and letters dated October 20, 2008 and November 4, 2008, from UTI AMC and the Bank, respectively, renewing the distribution agreement.

24. Service Level Agreement dated May 27, 2008, with Financial Software and Systems Private Limited for Outsourcing of Activities Pertaining to ATM Operations.

25. Master Service Level Agreement with National Payment Corporation of India, dated May 29, 2010, for provision of intermediary network switching through the NFS infrastructure and other support services.

26. Applications dated [●] for in-principle listing approvals from BSE and NSE, respectively.

27. In-principle listing approvals from BSE and NSE dated [●] and [●], respectively.

28. Agreement among NSDL, the Bank and Link Intime India Private Limited, dated December 15, 2008.

29. Agreement among CDSL, the Bank and Link Intime India Private Limited, dated November 27, 2008.

30. Due diligence certificate to SEBI from the BRLMs, dated August 26, 2010.

31. SEBI observation letter (Ref. No. [●]) dated [●] and our in-seriatim reply dated [●].

32. IPO Grading Report by [●] dated [●].

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Bank or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Constitutional Documents and other relevant statutes.

DECLARATION

We, the Directors of the Bank, certify that all relevant provisions of the Constitutional Documents, and the guidelines issued by the GoI or the regulations issued by SEBI, applicable, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Constitutional Documents, the SEBI Act, 1992 or the rules made thereunder or regulations issued, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

Signed by all Directors

Mr. P.K. Anand *Executive Director*
Mr. A. Bhattacharya *Government Nominee Director*
Mr. B.P. Kanungo *RBI Nominated Independent Director*
Mr. A.K. Surana *Independent Director*
Mr. M.V.S. Prasad *Independent Director*
Mr. K.M. Gangawat *Independent Director*
Mr. Hari Chand Bahadur Singh *Independent Director*
Mr. Manish Gupta *Independent Director*
Mr. Karanpal Singh Sekhon *Independent Director*

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Mr. H.S. Makker, General Manager – Accounts and Audit

Date:
August 26, 2010

Place:
New Delhi