SHELF INFORMATION MEMORANDUM
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UTI BANK LIMITED

(Incorporated on 3rd December, 1993 under The Companies Act, 1956)

Registered Office: "Trishul", Third Floor, Opp. Samartheshwar Temple, Law Garden, Ellisbridge, Ahmedabad – 380 006 [The Registered Office of the company was changed form 'Sakar - I', Ground Floor, Off Ashram Road, Ahmedabad 380 009 to the present address w.e.f. May 25, 2004], Tel No. 079-26409322 / Fax No. 079-26409321, website: www.utibank.com

Central Office: Maker Tower 'F', 13th Floor, Cuffe Parade, Colaba, Mumbai - 400 005, Tel No. (022) 22189106/7/8/9, Fax No. (022) 22186944/22181429; Contact Person: Mr. P.J Oza;
Email address: poza@utibank.co.in

Private Placement of Unsecured Subordinated Debentures aggregating Rs. 350 crore for inclusion as Tier II Capital, Rs. 652.40 crores for inclusion as Upper Tier II Capital and Rs. 214.30 crore for inclusion as Tier I Capital to be issued in one or more tranches.

General Risk

Investment in debt instruments involves a degree of risk and investors should invest any funds in the issue only after reading the risk factors on page no. 9 to page no.16 in the Information Memorandum carefully. For taking investment decision, investors must rely on their own examination of the Issuer and the issue including the risk involved. The Securities have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document.

Issuer's Absolute Responsibility

The issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this offer document contains all information with regard to the issuer and the issue, which is material in the context of the issue, that the information contained in the Information Memorandum 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 make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

Listing

The Unsecured Subordinated Debentures for inclusion as Tier II Capital, Upper Tier II Capital and Tier I Capital are proposed to be issued in one or more tranches and proposed to be listed on The National Stock Exchange of India Limited (NSE) and The Bombay Stock Exchange Limited (BSE).

Credit Rating

Tier II Debentures

ICRA has assigned rating "LAA+" (pronounced L double A plus) with Positive outlook to these Debentures. The rating indicates high-credit-quality rating assigned by ICRA. The rated instrument carries low credit risk.

FITCH has assigned rating "AA+ (ind)" (Double A plus ind) rating to the Subordinated Debt Programme. The Outlook on the rating is "Stable". The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers or issues.

Upper Tier II Debentures

ICRA has assigned rating "LAA" (pronounced L double A) with Positive outlook to these Debentures. The rating indicates high-credit-quality rating assigned by ICRA. The rated instrument carries low credit risk.

FITCH has assigned rating "AA (ind)" (Double A ind) rating to the Subordinated Debt Programme. The Outlook on the rating is "Stable". The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers or issues.

Tier I Perpetual Debentures

ICRA has assigned rating "LAA" (pronounced L double A) with Positive outlook to these Debentures. The rating indicates high-credit-quality rating assigned by ICRA. The rated instrument carries low credit risk.

FITCH has assigned rating "AA (ind)" (Double A ind) rating to the Subordinated Debt Programme. The Outlook on the rating is "Stable". The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers or issues.

DEBENTURE TRUSTEES **The Western India Trustee & Executor Co. Limited** 161/C, 16th Floor, Mittal Court, Nariman Point, Mumbai 400021 Tel No.: 022-22812883 / 22880988 Fax No. 022-22816477 E-mail: witco@vsnl.net	KARVY **REGISTRAR TO THE ISSUE** **Karvy Computershare Pvt. Ltd.** Karvy House, 46, Avenue 4, Street no.1, Banjara Hills, Hyderabad – 500 034 Tel. No. 040 23312454 / 23320751 Fax no. 040 23311968 E-mail: jayaramanvk@karvy.com

ISSUE SCHEDULE

This is a Shelf Information Memorandum and the issue schedule for each tranche would be provided separately which would form a part of this Information Memorandum.

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SECTION I

DEFINITIONS/ABBREVIATIONS USED

Act	The Companies Act, 1956
ALCO	Asset Liability Management Committee
ATM	Automated Teller Machine
BR Act	The Banking Regulation Act, 1949
BSE	Bombay Stock Exchange Ltd.
Bps	Basis Points
CAR	Capital Adequacy Ratio
CRR	Cash Reserve Ratio
CMD	Chairman and Managing Director
CDSL	Central Depository Services Limited
COD	Committee of Directors
DRT	Debt Recovery Tribunal
DDA	Deemed Date of Allotment
ED	Executive Director
FI	Financial Institution
FII	Foreign Institutional Investors
F&O	Futures & Options
FY/F.Y.	Financial Year
GDR	Global Depository Receipt
GIC	General Insurance Corporation of India
G-Sec	Government Securities
GOI/GoI	Government of India
ICRA	ICRA Limited
INBMK	Indian Benchmark
LIC of India	Life Insurance Corporation of India
MCX	Multi Commodity Exchange of India Ltd.
MF/MFs	Mutual Fund(s)
NAV	Net Asset Value
NDTL	Net Demand and Time Liabilities
NI Act	Negotiable Instruments Act
NCDEX.	National Commodity & Derivatives Exchange Limited
NIAC	The New India Assurance Company Ltd.
NIC	National Insurance Company Ltd.
NPAs	Non Performing Assets
NRI(s)	Non Resident Individuals
NSDL	National Securities Depository Limited
NSE	National Stock Exchange.
PLR	Prime Lending Rate
SARFAESI	The Securitisation and Reconstruction of Financial Assets and Enforcement of Act Security Interest Act, 2002.
OIC	The Oriental Insurance Company Limited.
OTCEI	Over The Counter Exchange of India
OCB	Overseas Corporate Body
RBI	Reserve Bank of India
SEBI	Securities and Exchange Board of India
SUUTI	Specified Undertaking of Unit Trust of India
UIIC	United India Insurance Company Limited
UTI	Unit Trust of India

DEFINITIONS

Act	The Act shall mean the Companies Act, 1956 as amended from time to time till date.
Application Form	The Application Form means the form in terms of which, the investors shall apply for the Debentures issued in terms of this Shelf Information Memorandum and Addendum forming part of this Information Memorandum.
Articles	Articles mean the Articles of Association of the Bank.
The Bank/ The Issuer Company/ the Issuer/UTI Bank / We / Us / Our	The Bank / the Issuer Company / the Issuer / UTI Bank / We / Us / Our shall mean UTI Bank Limited, a Banking Company incorporated under the Companies Act, 1956 and also governed by the Banking Regulation Act, 1949, and having its Registered Office at, "Trishul", Third Floor, Opp. Samartheshwar Temple, Law Garden, Ellisbridge, Ahmedabad – 380 006
Board	The Board means the Board of Directors of the Bank or a Committee thereof.
Debentures	Means: Tier II Debentures- Unsecured redeemable Debentures aggregating to Rs. **350 crore** qualifying for inclusion in Tier II Capital ("**Tier II Debentures**"): Upper Tier II Debentures– Unsecured redeemable Debentures aggregating to Rs. **652.40 crores** qualifying for inclusion in Upper Tier II Capital ("**Upper Tier II Debentures**") Tier I Debentures–Unsecured perpetual debt instrument in the nature of Debentures aggregating to Rs. **214.30 crores** qualifying for inclusion in Tier I Capital ("**Perpetual Debentures**" or "**Innovative Perpetual Debentures**"); offered on Private Placement through this Shelf Information Memorandum and any Addendum / Term Sheet thereto from time to time.
Debentureholder(s)	Debentureholder(s) shall mean the Holder(s) of the Debentures(s) in dematerialised form
Beneficial Owner(s)	Debentureholder(s) holding Debenture(s) in dematerialized form (Beneficial Owner of the Debenture(s) as defined in clause (a) of sub-section of Section 2 of the Depositories Act, 1996)
Information Memorandum / Offer Document / Disclosure Document	Shelf Information Memorandum dated 14.09.2006 for Issue of Tier II Debentures aggregating to Rs. 350 crores, Upper Tier II Debentures aggregating to Rs. 652.40 crores and Tier I Debentures aggregating to Rs. 214.30 crores offered through this Shelf Information Memorandum. In one or more tranches.

Memorandum	Memorandum of Association of the bank
Tier I Capital	Includes Permanent Shareholder Equity; Perpetual Non Cumulative Preference Shares; Disclosed Reserves; Innovative Capital Instruments
Tier II Capital	Undisclosed Reserves; Revaluation Reserves; General Provisions/General Loan/Loss Reserves; Hybrid Debt Instruments (range of instrument which combine characteristics of equity and debt); Subordinate Term Debt.
The Stock Exchange, Mumbai / BSE	Bombay Stock Exchange Limited
The National Exchange / NSE	National Stock Exchange of India Limited
Registrars to the Issue / Registrar/ Registrar and Transfer Agents	Karvy Computershare Private Limited
Trustees / Trustee to Debentureholder(s)	The Western India Trustee & Executor Co. Limited

DISCLAIMER

This Shelf Information Memorandum for private placement is neither a prospectus nor a statement in lieu of prospectus. This is only an information memorandum intended for private use and should not be construed to be an invitation for subscription to Debentures. This document is for the exclusive use of the Person(s)/Institution(s) to whom it is delivered and it should not be circulated or distributed to third party(ies). No Prospectus in relation to the Issuer or the Debentures relating to this Offer has been delivered for neither registration nor such a document is required to be registered under the applicable laws. It is the responsibility of potential investors to also ensure that they will sell these Debentures strictly in accordance with this Shelf Information Memorandum and other applicable laws, so that the sale does not constitute an offer to the public, within the meaning of the Companies Act, 1956. The potential investors should consult their own tax advisors on the tax implication relating to acquisition, ownership, sale or redemption of Debentures and in respect of income arising thereon. Investors are also required to make their own assessment regarding their eligibility for making investment(s) in the Debentures of the Company. The company or any of its directors, employees, advisors, affiliates, subsidiaries or representatives do not accept any responsibility and or liability for any loss or damage however arising and of whatever nature and extent in connection with the said information.

This Shelf Memorandum of Information for issue of of Debentures on private placement basis has been prepared in conformity with the extant SEBI circular no. SEBI/MRD/SE/AT/36/2003/30/09 dated September 30, 2003 and SEBI circular no. SEBI/MRD/SE/AT/46/2003 dated December 22, 2003. Therefore, as per the applicable provisions, copy of this Shelf Memorandum of Information has not been filed or submitted to SEBI.

This Shelf Information Memorandum is not intended to provide the sole basis of any credit decision or other evaluation and should not be considered as a recommendation that any recipients of this Shelf Information Memorandum should invest in the Debentures proposed to be issued by Issuer. Each potential investor should make its own independent assessment of the investment merit of the Debentures and the Issuer.

The information relating to the company contained in the Memorandum is believed by the company to be accurate in all respects as of the date hereof.

The distribution of this Shelf Information Memorandum and the offering of the Debentures in certain jurisdictions may be restricted by law. Persons into whose possession this Shelf Information Memorandum comes are required by the Issuer to inform themselves about, and observe any such restrictions.

FORWARD-LOOKING STATEMENTS

In this Shelf Information Memorandum, the terms “we”, “us”, “our”, the “Company”, “our Company”, “UTI Bank Limited” unless the context otherwise indicates or implies, refers to UTI Bank Limited. Further terms such as Bonds and or Debentures unless the context otherwise indicates or implies, refers to Debentures. “Bonds” or “Debentures” unless the context otherwise indicate or imply shall collectively refer to Tier II Debentures, Upper Tier II Debentures and Perpetual Debentures.

This Information Memorandum may contain certain “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as we “believe”, “expect”, “estimate”, “anticipate”, “intend”, “plan” or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. Important factors that could cause actual results to differ materially from our expectations include, among others:

a) General economic and business conditions in India;
b) Our ability to successfully implement our strategy, our growth and expansion plans and technological changes;
c) Changes in the value of the Indian rupee and other currency changes;
d) Changes in the Indian and International interest rates;
e) Changes in laws and regulations that apply to the Indian Banking Industry;
f) Increasing competition in, and the conditions of, the Indian Banking Industry;
g) Changes in political conditions in India; and
h) Changes in the foreign exchange control regulations in India.

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. In accordance with SEBI requirements, our bank will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges(s).

SECTION II

RISK FACTORS

Investors should carefully consider the following investment considerations as well as the other information contained in this Offering Circular prior to making an investment in the Debentures. In making an investment decision, each investor must rely on its own examination of the Bank and the terms of the offering of the Debentures. The risks described below are not the only ones that may affect the Debentures. Additional risks not currently known to the Bank or that the Bank currently deems immaterial may also impair the Bank's business operations.

Risks Relating to the Business of the Bank

(1) Our business is vulnerable to interest rate risk.

Net interest income constituted 59.64% of the Bank's operating revenue for the financial year ended 31 March 2006. An increase in interest rates applicable to the Bank's liabilities, without a corresponding increase in interest rates applicable to its assets, will result in a decline in net interest income. Furthermore, in the event of rising interest rates, the Bank's borrowers may not be willing to pay correspondingly higher interest rates on their borrowings and may choose to repay their loans with the Bank if they are able to switch to more competitively priced loans offered by other banks. Any inability of the Bank to retain customers as a result of rising interest rates may adversely impact the Bank's earnings in future periods. Under RBI regulations, the Bank's liabilities are subject to a statutory liquidity ratio (**SLR**) requirement which requires that a minimum specified percentage, currently 25%, of a bank's net demand and time liabilities, be invested in Government securities and other approved securities. These securities generally carry fixed coupons and, in an environment of rising interest rates, the value of Government securities and other fixed income securities depreciate. The volatility in interest rates is reflected in the movement of the annual yield on the ten-year Government bond, which was 5.16% on 31 March 2004, 6.25% on 30 September 2004, 6.72% on 31 March 2005, 7.12% on 30 September 2005 and 7.52% on 31 March 2006. A decline in the valuation of the Bank's trading book as a result of rising interest rates may adversely impact the Bank's future financial performance.

(2) Our debenture and bond portfolio is exposed to market risk.

The Bank had a debenture and bond portfolio of Rs. 8205 crores as of 31 March 2006. 90.61% of these bonds in the portfolio are fixed rate bonds. In the event of a rise in interest rates, the portfolio will be exposed to an adverse impact on the valuation of such bonds. Any rise in interest rates or fall in the market value of such debentures or of such bonds may adversely affect the Bank's future performance.

(3) We face substantial income volatility from our treasury operations.

From 30 June 2001 to 30 April 2004, financial markets in India witnessed a downward movement in interest rates. During this period, the interest rate on the 10-year Government bond fell from 9.57% to 5.13%. Since then, the market has seen a rise in interest rates as mentioned above. In fiscal years 2003 and 2004, the Bank's treasury operations generated substantial trading income as a result of this fall in interest rates. The profits on sale of investments and derivative transactions during fiscal 2003 and fiscal 2004 were Rs. 246 crores and Rs. 321 crores, respectively. However, with interest rates rising from July 2004, the income from trading opportunities in treasury operations declined and in fiscal year 2005, the Bank recorded a loss of Rs. 11 crores from such operations. However, in fiscal year 2006, the Bank recorded a profit of Rs. 130 crores from such operations. The Bank has thus experienced increased volatility in its income from treasury operations. Any significant or sustained decline in income generated from treasury operations may adversely impact the Bank's financial performance.

(4) We are exposed to fluctuation in foreign exchange rates.

As a financial intermediary, the Bank is exposed to exchange rate risk. The Bank complies with regulatory limits on its unhedged foreign currency exposure. However, the Bank is exposed to fluctuation in foreign currency rates for its unhedged exposure. Adverse movements in foreign exchange rates may also impact the Bank's borrowers negatively, which may in turn impact the quality of the Bank's exposure to these borrowers. Volatility in foreign exchange rates could adversely affect the Bank's future financial performance.

(5) Our failure to manage growth effectively may adversely impact our business.

In the past, we have witnessed rapid growth both in our infrastructure and our business. The number of our branches and extension counters has grown from 192 as of 31 March 2003 to 450 as of 31 March 2006. Over the same period, the Bank's retail relationships have grown from 0.15 crores to 0.40 crores, the number of employees has grown from 2,338 to 6,553 and the Bank's total assets have grown from Rs. 19,613 crores to Rs. 49,731 crores. Such growth puts pressure on the Bank's ability to effectively manage and control historical and newly emerging risks. The Bank's ability to sustain growth depends primarily upon its ability to manage key issues such as selecting and retaining skilled manpower, maintaining an effective technology platform that can be continually upgraded, developing a knowledge base to face emerging challenges, and ensuring a high standard of customer service. The inability of the Bank to effectively manage any of these issues may adversely affect the Bank's business growth and as a result, impact future financial performance.

(6) Our retail assets portfolio is growing rapidly. If we are unable to address credit risk in its retail asset portfolio or if its channel partners, whose services are also used by the Bank in asset acquisitions, engage in fraud or adopt incorrect selection criteria, the Bank's financial performance may be adversely affected.

The Bank's retail assets portfolio has grown from Rs. 1100 crores as of 31 March 2003 to Rs. 6500 crores as of 31 March 2006. As part of the Bank's business and growth strategy, it will continue to focus on further growth in its retail banking business. Comprehensive credit history reports for the majority of retail borrowers are currently not available in India. As a result, the Bank is exposed to higher credit risk in the retail business compared to banks in developed markets. If the Bank's screening process proves to be inadequate, it may experience an increase in impaired loans and it may be required to increase its provision for defaulted loans. The Bank is a relatively recent entrant into the retail loan market and it is likely that there will be an increase in the Bank's NPAs as it continues to expand its retail loan operations. This may impact the Bank's future financial performance.

In the course of its retail banking business, the Bank also acquires assets through its channel partners. There can be no assurance that the Bank's future financial performance will not be adversely affected should the Bank's channel partners fail to perform their obligations due to their own failures, omissions or fraud.

(7) In order to grow its business, the Bank is required to maintain its capital adequacy ratio at the minimum level required by RBI for domestic banks. There is no guarantee that the Bank will be able to access capital as and when it needs it for growth.

RBI requires Indian banks to maintain a minimum risk weighted capital adequacy ratio of 9%. The Bank's capital adequacy ratio as of 31 March 2006 was 11.08%. The Bank is exposed to the risk of RBI increasing the applicable risk weight for different asset classes from time to time. Furthermore, when RBI issues guidelines on the implementation of the Basel II Accord, there may be changes in capital adequacy requirements. Unless the Bank is able to access the necessary amount of additional capital, any incremental capital requirement may adversely impact the Bank's ability to grow its business and may even require the Bank to withdraw from or curtail some of its current business operations. There can also be no assurance that the Bank will be able to raise adequate additional capital in future at all or on terms favourable to it.

(8) Any increase in the Bank's portfolio of NPAs may adversely affect its business.

As of 31 March 2006, the Bank's gross NPAs represented 1.28% of gross customer assets and the Bank's NPAs, net of provisions represented 0.75% of net customer assets. As of 31 March 2006, the Bank provided for 41.84% of its total NPAs pursuant to applicable regulatory guidelines and the quality of security available to the Bank. If there is any deterioration in the quality of the Bank's security or further aging of the assets after being classified as non-performing, an increase in provisions will be required. This increase in provisions may adversely impact the Bank's financial performance.

The Bank's gross restructured assets as a proportion of gross customer assets as of 31 March 2006 was 1.12%. The Bank restructures assets based upon a borrower's potential to restore its financial health. However, certain assets classified as restructured may subsequently be classified as delinquent or non-performing in the event a borrower fails to restore its financial viability and honour its loan servicing commitments to the Bank. There can be no assurance that the debt restructuring criteria approved by the Bank will be adequate or successful and that borrowers will be able to meet their obligations under restructured loans. Any resulting increase in delinquency levels may adversely impact the Bank's financial performance.

(9) The Bank's inability to foreclose on collateral in the event of a default may result in failure to recover the expected value of the collateral.

The Bank's loans to corporate customers for working capital credit facilities are typically secured by charges on inventories, receivables and other current assets. In certain cases, the Bank obtains security by way of a first or second charge on fixed assets, a pledge of marketable securities, corporate guarantees and personal guarantees. In addition, project loans or long-term loans to corporate customers are secured by a charge on fixed assets and other collateral security. Loans to retail customers are either unsecured or secured by the assets financed, largely property and vehicles.

In India, foreclosure on collateral generally requires a written petition to a court or tribunal. An application may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the **SERFAESI Act**), has strengthened the ability of lenders to recover NPAs by granting them greater rights to enforce security and recover amounts owed from secured borrowers. However, there can be no assurance that this recently enacted legislation will have a favourable impact on the Bank's efforts to recover NPAs as the full effect of such legislation has yet to be determined in practice. Any failure to recover the expected value of the collateral would expose the Bank to potential loss. In addition, pursuant to RBI corporate debt restructuring guidelines, the Bank may not be allowed to initiate recovery proceedings against a corporate borrower where the borrower's aggregate total debt is Rs. 20 crore or more and lenders holding 75% or more of the borrower's debt decide to restructure their loans. In such a situation, the Bank is restricted to a restructuring process only as approved by the majority lenders.

(10) The Bank is exposed to large loan concentrations with a few borrowers and default by any one of them would adversely affect the Bank's business.

As of 31 March 2006, aggregate borrowings of the Bank's ten largest borrowers (fund based) amounted to Rs. 4290 crores, representing approximately 100% of the Bank's total capital, which comprises Rs. 2802 crores Tier I and Rs. 1476 crores Tier II capital. The Bank's single largest borrower (fund based) on such date had an outstanding balance of Rs. 566 crores, representing 13% of the Bank's capital. Any deterioration in the credit quality of these assets could have a significant adverse effect on the Bank's future financial performance.

(11) The Bank is exposed to various industry sectors. A deterioration in the performance of any of these industry sectors where we have significant exposure may adversely impact the Bank's business.

The Bank's credit exposure to corporate borrowers is dispersed throughout various industry sectors, the most significant of which are housing financial intermediaries (**HFCs**), non-banking financial intermediaries (**NBFCs**), chemicals and chemical products, real estate developers, and textiles which represented 4.89%, 4.44%, 3.62%, 3.85% and 3.17% respectively, of the Bank's outstanding loans as of 31 March 2006. Any significant deterioration in the performance of a particular sector, driven by events not within the Bank's control, such as regulatory action or policy announcements by Government or State government authorities, would adversely impact the ability of borrowers in that industry to service their debt obligations to the Bank. As a result, the Bank would experience increased delinquency risk which may adversely impact the Bank's financial performance.

(12) A substantial portion of the Bank's loans have a tenor exceeding one year exposing the Bank to risks associated with economic cycles.

As of 31 March 2006, loans with a tenor exceeding one year constituted 79% of the Bank's total loans. The long tenor of these loans may expose the Bank to risks arising out of economic cycles. In addition, some of these loans are project finance loans. There can be no assurance that these projects will perform as anticipated or that such projects will be able to generate cash flows to service commitments under the loans. 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 future financial performance.

(14) Regulations in India requiring the Bank to extend a minimum level of loans to the agricultural sector in India may subject the Bank to higher delinquency rates.

In accordance with regulatory requirements in India, at least 18% of the Bank's net credit must be extended to the agricultural sector. 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. Furthermore, due to there being fewer branches in rural areas, the Bank also relies on several third-party providers, such as sugar refiners and tractor dealers, for the purpose of sourcing, monitoring and collecting agricultural loans and payments. Any failure by these third parties to perform their obligations may adversely impact the Bank's agricultural asset portfolio and lead to an increase in delinquency rates that may adversely impact the Bank's financial performance.

(15) The Bank faces greater credit risks than banks in more developed countries.

Currently, India does not have a fully operational credit bureau. Adequate information regarding loan servicing histories, particularly in respect of individuals and small businesses, is limited. As a result, the Bank's credit risk exposure is higher compared to banks operating in advanced markets. Because the Bank's lending operations to the aforesaid categories are limited to India, the Bank may be exposed to a greater potential for loss compared to banks with lending operations in more developed countries. The Bank is subject to credit risk that the borrowers may not pay the Bank in a timely fashion or at all.

(16) The Bank operates in a very competitive environment and the Bank's ability to grow depends on its ability to compete effectively.

The Indian banking industry is very competitive. Many of the Bank's competitors are much larger than the Bank. The Bank competes directly with large public sector banks, which generally have much larger customer and deposit bases, larger branch networks and more capital. As large public sector banks improve their customer service networks and technology platforms, they will become even stronger competitors to the Bank. The Bank also faces competition from private sector banks in India, some of which have larger customer bases and greater financial resources than the Bank. The Bank also faces competition from foreign banks that have established branches in India and have aggressively pursued a share of business in the market. Increased competitive pressure may have an adverse impact on the Bank's earnings, its future financial performance.

(17) The Bank's business depends on the continuation of its management team, skilled personnel and the Bank's ability to retain and attract talented personnel.

The Bank is highly dependent on the services of its management team, including its Chairman and Managing Director and other key personnel. The Bank's ability to meet future business challenges depends, among other things, on their continued employment and the Bank's ability to attract and recruit talented and skilled personnel. There can be no assurance that the Bank will be able to retain such key personnel. Competition for skilled and professional personnel in the banking industry is intense. The loss of key personnel or an inability to manage attrition levels across the Bank may have a material adverse impact on the Bank's business, its ability to grow and its control over various business functions.

(18) It is uncertain whether certain significant shareholders of the Bank will continue to maintain their current shareholdings.

As of 31 March 2006, the Government, through the Administrator of the Specified Undertaking of Unit Trust of India (UTI-I), held 27.72% of the Bank's outstanding equity shares. Other Government-controlled entities such as Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC) and certain linked entities collectively hold 15.99% of the Bank's equity shares. Under the Bank's Memorandum and Articles of Association (the Articles), UTI-I has the right to nominate the CMD and three Directors, whereas LIC and GIC have no such rights. In practice, however, since the inception of the Bank, UTI-I has nominated the CMD and two Directors and LIC has nominated one Director. Presently there is no GIC nominated Director on the Board. The Government is reported to be evaluating proposals for the sale of investments held by UTI-I. Any such disposal of the Bank's equity held by UTI-I could have a material impact on the Bank's ownership and management, which could adversely affect the market price of the Debentures. Furthermore, such divestment may be required by RBI guidelines.

(19) Actions of the Government, as the Bank's controlling shareholder through UTI-I and other Government-related entities, could conflict with the interests of other shareholders.

Through its direct and indirect holdings, the Government holds a majority of the Bank's issued equity shares. As of 31 March 2006, the Government directly or indirectly held approximately 43.71% (UTI-I — 27.72%, LIC — 10.49% & GIC & Four PSU Insurance Companies — 5.50%) of the Bank's equity shares. For as long as the Government continues to hold a majority of the Bank's voting shares, the Government may influence the material policies of the Bank in a manner that could conflict with the interests of other shareholders.

(20) Recent RBI guidelines relating to ownership of private sector banks require the Bank's significant shareholders to sell their equity shares, which may have an adverse impact on the Bank's business and the market price of the Debt instruments.

RBI guidelines prescribe a policy framework for the ownership and governance of private sector banks. The objective of RBI is to ensure that no single entity or group of entities has a shareholding or control, directly or indirectly, in any bank in excess of 10%, with acquisitions of over 5% requiring prior RBI acknowledgment. The recent RBI guidelines also provide that any existing shareholding of any individual entity/group of related entities in excess of 10% be reduced to 10% in a phased manner in consultation with RBI. Each of the Bank's two major shareholders, UTI-I and LIC has a shareholding in excess of 10% and any directive by RBI to UTI-I and LIC to comply with the RBI guidelines will materially alter the ownership of the Bank..

(21) If ownership restrictions on private sector banks are relaxed, a single investor may acquire a controlling stake in the Bank.

If the current restrictions are further liberalised to allow not only increased investment by Indian entities but also greater foreign ownership, a single entity or group of investors acting in unison may acquire equity shares of the Bank to the extent that would allow it to control or strongly influence the Bank. Such an entity would, subject to restrictions in the Bank's Articles, be able to determine, or would have a disproportionate influence compared to other shareholders in, the election of the Board of Directors, management policies and the outcome of corporate transactions submitted to shareholders for approval. There can be no assurance that any future controlling shareholder will have the same interests as any minority shareholder or will pursue the same strategies as the current management.

(22) Major fraud, lapses of control, system failures or calamities could adversely impact the Bank's business.

The Bank is vulnerable to risk arising from the failure of employees to adhere to approved procedures, system controls, fraud, system failures, information system disruptions, communication systems failure and data interception during transmission through external communication channels and networks. There can be no assurance that the Bank's use of encrypted password-based protections and firewalls are adequate to prevent fraud or the invasion or breach of the network by an intruder. Failure to protect against fraud or breaches in security may adversely affect the Bank's operations and future financial performance. The Bank's reputation could be adversely affected by significant fraud committed by its employees, agents, customers or third parties.

(23) Litigations involving our Bank

There are certain litigations involving our bank including cases filed by our Bank or against our Bank. For more details please refer to the section titled "Outstanding Litigations And Defaults" on page no.148 of the Shelf Information Memorandum

(24) The Bank maintains a disaster recovery centre at Bangalore in the event that the Bank's main computer centre at Mumbai shuts down for any reason. The system in Bangalore is configured to come into operation if the Mumbai system is no longer operational. However, if for any reason the switch over to the backup system does not take place or if a calamity occurs in both Mumbai and Bangalore such that the Bank's business is compromised in both centres, the Bank's operations would be adversely affected.

External Risk

(1) A slowdown in economic growth in India could caused the Bank's business to suffer.

The Indian economy has shown sustained growth over the last several years with real GDP growing at 7.5 per cent. in fiscal year 2005, 8.5 per cent. in fiscal year 2004, 3.8 per cent. in fiscal year 2003, 5.8 per cent. in fiscal year 2002 and 4.4 per cent. in fiscal year 2001. The index of Industrial Production grew at 7.0 per cent. in fiscal year 2005 and at 8.0 per cent. in fiscal year 2004 compared to 5.7 per cent. in fiscal year 2003 and 2.7 per cent. in fiscal year 2002. However, any slowdown in the Indian economy or future volatility of global commodity prices, in particular oil and steel prices, could adversely affect the Bank's borrowers and contractual counterparties. With the importance of retail loans to the Bank's business, any slowdown in the growth or negative growth of sectors like housing and automobiles could adversely impact the Bank's performance. Any such slowdown could adversely affect the Bank's business, including its ability to grow, the quality of its assets, its financial performance and the trading price of the Debentures.

(2) A significant change in the Government's economic liberalization and deregulation policies could disrupt the Bank's business.

The Bank's assets and customers are predominantly located in India. The Government has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies has had and could continue to have a significant effect on public sector entities, including the Bank, and on market conditions and prices of Indian securities, including securities issued by the Bank. The most recent parliamentary elections were completed in May 2004. A coalition government led by the Congress Party has been formed with Dr. Manmohan Singh as the prime minister of India. Although there has been no significant change in the Government's policies since May 2004, a significant change therein could adversely affect business and economic conditions in India and could also adversely affect the Bank's business, its future financial performance.

(3) Financial instability in other countries, particularly emerging market countries, could disrupt the Bank's business and cause the trading price of the Debentures to decrease.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Financial turmoil in Asia, Latin America, Russia and elsewhere in the world in past years has had limited impact on the Indian economy and India was relatively unaffected by financial and liquidity crises experienced elsewhere. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India. Any significant financial disruption could have an adverse effect on the Bank's business, future financial performance.

(4) If regional hostilities, terrorist attacks or social unrest in India increases, the Bank's business could be adversely affected and the trading price of the Debentures could decrease.

India has from time to time experienced social and civil unrest and hostilities with neighbouring countries. India has also experienced terrorist attacks in some parts of the country. These hostilities and tensions could lead to political or economic instability in India and possible adverse effect on the Bank's business, its future financial performance and the trading price of the Debentures. Further, India has also experienced social unrest in some parts of the country. If such tensions occur in other parts of the country, leading to overall political and economic instability, it could have an adverse effect on the Bank's business, future financial performance.

(5) Trade deficits could have a negative affect on the Bank's business and the trading price of the Debentures.

India's trade relationships with other countries can influence Indian economic conditions. In fiscal year 2005, India experienced a trade deficit of Rs.1,19,130 crores, an increase of 81.2 per cent., or Rs.53,390 crores, from fiscal year 2004. If India's trade deficits increase or become unmanageable, the Indian economy, and therefore the Bank's business, future financial performance.

(6) Natural calamities could have a negative impact on the Indian economy and could cause the Bank's business to suffer and the trading price of the Debentures to decrease.

India has experienced natural calamities such as earthquakes, floods and drought in the recent past. The extent and severity of these natural disasters determine their impact on the Indian economy. In fiscal year 2005, many parts of India received significantly less than normal rainfall. As a result, the agricultural sector recorded a growth of only 1.1 per cent. Prolonged spells of below normal rainfall in the country or other natural calamities could have a negative impact on the Indian economy, affecting the Bank's business and potentially causing the trading price of the Debentures to decrease.

(7) Continuing high prices of crude oil could adversely affect the Indian economy, which could adversely affect the Bank's business.

India imports approximately 75 per cent. of its crude oil requirements. The sharp increase in global crude oil prices during fiscal year 2001 adversely affect the Indian economy in terms of volatile interest and exchange rates. This adversely affected the overall state of liquidity in the banking system leading to intervention by the RBI. During fiscal years 2004 and 2005 crude oil prices have been extremely volatile due to increased global demand, continued tension in the Middle-East where most of the world's oil production facilities are located and certain negative events in other major oil producing countries. Continuing or further tensions or hostilities could lead to further increases in oil prices or greater volatility in oil prices. Continued high oil prices or further increases in oil prices could affect the Indian economy and the Indian banking and financial system. This could adversely affect the Bank's business, including its ability to grow, the quality of its assets, its financial performance and the trading price of the Debentures.

HIGHLIGHTS OF THE BANK

- The Bank is one of the first private sector banks established under guidelines issued in 1993 by RBI in line with the Government's policy to reform India's financial sector professionally managed with a track record of profitability

- The Bank has a large network of branches spread throughout the country. The Bank has 468 Branches and extension counters and 2000 ATMs as on August 30, 2006

- Capital Adequacy Ratio of 11.08% as on 31.03.2006 and 10.28% as on 30.06.2006, which is above minimum of 9% prescribed by RBI.

- IFR Asia has awarded the "INDIA BOND HOUSE" award for the year 2005 to UTI Bank Ltd.

- Moody's Investors Services (MIS) have assigned Ba2/NP/D+ rating to UTI Bank Ltd.

- Net Profit of Rs. 485.08 crores and diluted EPS of Rs. 17.45 per shares for year ended 31st March 2006 and Net Profit of Rs. 120.55 crores and diluted EPS of Rs. 4.22 per shares for the quarter ended 30th June 2006.

- The total deposits of the Bank have grown 26.49% yoy to Rs. 40,113 crores as at end of March 2006 from Rs. 31,712 crores as at end of March 2005. Further, the total deposits of the Bank have grown 36% yoy from Rs. 31,020 crores as at end June 2005 to Rs. 42,094 crores as at end June 2006.

- Net advances of the Bank have grown 43.01% yoy to Rs. 22,314 crores as at March 2006 from Rs. 15,603 crores as at end of March 2005. Further, the Net Advances of the Bank grew to Rs. 25,836 crores as at end June 2006 from Rs. 15,666 crores as at end June 2005, a growth of 65% yoy.

- Bank's balance sheet size has grown by 31.8% yoy to Rs. 49731 crores as at end March 2006 from Rs. 37,744 crores as at end March 2005. Bank's balance sheet size has grown by 39% yoy to Rs.53,002 crores as at end June 2006 from Rs. 38,014 crores as at end June 2005

- The Net Worth of the Bank was Rs. 2,872.19 crores as at end March 2006 as compared to Rs. 2408.19 crores a year earlier, a growth of 19.26%.

- The Bank has been the first Indian Bank to successfully issue Foreign Currency Hybrid Capital in the International Market". The Bank has raised USD 150 million of 15-Years subordinated Upper Tier II Bonds/Notes in the International market.

SECTION III

1. OVERVIEW OF THE ISSUER

The Bank is a leading private sector bank and financial services company in India offering a wide range of products and services to corporate and retail customers through a variety of delivery channels. The Bank commenced operations in April 1994 and as of 30 August 2006 had a network of 468 branches and extension counters and 2000 ATMs spread over 258 cities and towns in India. Since commencing operations in April 1994 we have grown both in terms of its physical network of branches, extension counters and ATMs, as well as in terms of the size of asset base. As of 31 March 2006, the total assets of the Bank were Rs. 49731 crores, an increase from Rs. 37743 crores as of 31 March 2005. In fiscal year 2006 the Bank posted a 45% increase in net profit of Rs. 485 crores (Rs. 335 crores, fiscal year 2005). The Bank's net interest margin has increased from 2.09% in fiscal year 2003 to 2.85% in fiscal year 2006.

The Banks principal business activities are divided into two segments, Banking Operations and Treasury, with a variety of products and services being offered to corporate and retail customers, including both resident and non-resident Indians (NRIs)

Banking Operations include products and services in the areas of Corporate Banking, including Capital Markets and Retail Banking. Under Corporate Banking, the Bank offers various loans and fee-based products and services to large corporations, small and medium enterprises ("SMEs") and to the agriculture sector. These products and services include cash credit facilities, demand and short-term loans, project finance, export credit, factoring, channel financing, structured products, discounting of bills, documentary credits, guarantees, foreign exchange and derivative products, cash management services, cross-border trade and correspondent banking services and tax collections on behalf of the Government and various State governments in India. Liability products including current accounts, certificate of deposits and time deposits are also offered to the Bank's corporate clientele. The Bank also offers various Capital Markets related services such as loan syndication and placement, advisory services, issue management, clearing and settlement services to stock and commodity exchange and debenture trusteeship service.

Retail Banking offers a variety of liability and asset products and services to retail customers. Liability products include savings accounts, time deposits and customized products for certain target groups such as high net worth individuals, senior citizen, defence personnel, students and salaried employees. Retail assets products include home loans, personal loans, auto loans, customer loans, education loans as well as security-backed loans of various types. The Bank also offers other products and services such as debit and travel currency cards, financial advisory services and bill payment services. The Bank also markets third party products such as mutual funds and Government Saving Bonds. A wide range of liability and assets products and services are also offered to NRIs.

The Treasury department manages the funding portion of the Bank and also manages and maintains its regulatory reserve requirements. The Treasury Department also invests in commercial paper, mutual funds and floating rate instruments as a part of short-term management of liquidity surplus. A wide range of treasury products and services are also offered to corporate customers in the form of derivative instruments such as forward contracts, interest rate swaps, currency swaps and foreign currency options.

Pursuant to approval received from the Monetary Authority of Singapore, we have established an office under a Merchant Bank license with ACU capabilities, in Singapore on 6 March, 2006

A wholly owned subsidiary namely "UBL Sales Limited" has been incorporated to undertake sales and services related activities of our Bank's products. In July 2006, we have launched our credit cards.

Key financial information of Our Bank is as under:

(Rs in Crores)

As on 31 March	**2004**	**2005**	**2006**
Equity Capital	231.58	273.79	278.69
Reserves and Surplus	904.84	2134.38	2593.49
Net Worth	1136.42	2408.17	2872.18
Net Profit	278.31	334.57	485.08
Earning per share (Rs)			
Basic -	12.06	14.32	17.45
Diluted -	11.92	14.06	17.08
Dividend (%)	25	28	35
Book value per share (Rs)	49.07	87.06	103.06

2. OFFERING DETAILS IN BRIEF

The Board of Directors of the Bank at its meeting held on 13 January 2006 has approved the issue of Unsecured Subordinated Redeemable Non-Convertible Debentures aggregating to Rs. 1000 crores in one or more tranches. Further, the Board of Directors at its meeting held on 29 July, 2006 has inter-alia approved the issue of Upper Tier II Capital and Tier I Capital aggregating to Rs. 652.40 crores and 214.30 crores respectively in Indian Rupees in one or more tranches.

The Shelf Memorandum of Information does not, however, constitute an offer to sell or an invitation to subscribe to securities 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 Shelf Memorandum of Information comes is required to inform himself about and to observe any such restrictions

Tier II Debentures

The Debentures are to be issued in the form of Unsecured Redeemable Subordinated Debentures. The Debentureswill constitute direct, unsecured and subordinated obligations, ranking *pari passu* with our existing/ future subordinated debt and subordinated to the claims of all our other creditors and depositors as regards repayment of principal and interest by us. The Debentures shall be free of any restrictive clauses and shall not be redeemable at the initiative of the holder or without the consent of the Reserve Bank of India (RBI).

Issue Size	To be finalized for each tranche
Instrument	Unsecured Redeemable Subordinated Debentures.
Instrument Form	Only in Demat Mode
Face Value	Rs.10,00,000 per instrument
Other Issue details, Terms & Conditions will be finalized for each trance.	

Upper Tier II Debentures

The Debentures are to be issued in the form of Unsecured Redeemable Subordinated Debentures. The claims of the investors in these Bonds shall be subordinate to the claims of all creditors including Tier II Debentures. In compliance with the Guidelines of RBI, these Debentures shall not be redeemable at the initiative of the investor and all redemptions shall be made only with the prior approval of RBI and in accordance with the prevailing guidelines. Also, these Debentures are subject to lock-in provisions and we shall not be liable to pay either interest or principal, even at maturity, if our capital to risk assets ratio (CRAR) is below the minimum regulatory requirement prescribed by RBI OR the impact of such payment results in our capital to risk assets ratio (CRAR) falling below or remaining below the minimum regulatory requirement prescribed by RBI.

Issue Size	To be finalized for each tranche
Instrument	Unsecured Redeemable Subordinated Debentures.
Instrument Form	Only in Demat Mode
Face Value	Rs.10,00,000 per instrument
Other Issue details, Terms & Conditions will be finalized for each trance.	

Perpetual Debenture (Innovative Perpetual Debt instrument)

The Debentures are to be issued in the form of Unsecured Subordinated Debentures. The claims of the investors in these Debentures shall be subordinate to the claims of all creditors including all claims, liabilities and investments forming a part of our Tier II capital, from time to time. In compliance with the Guidelines of RBI, these Debentures shall be perpetual in nature. Also, these Debentures are subject to lock-in provisions and we shall not be liable to pay interest if our capital to risk assets ratio (CRAR) is below the minimum regulatory requirement prescribed by RBI OR the impact of such payment results in our capital to risk assets ratio (CRAR) falling below or remaining below the minimum regulatory requirement prescribed by RBI. We shall not be liable to pay any interest on the Debentures when the impact of such interest payment may result in net loss or increase the net loss to us. However, we may pay such interest only after prior approval of RBI and provided our CRAR remains above the regulatory requirement for the same.

Issue Size	To be finalized for each tranche
Instrument	Unsecured Subordinated Debentures .
Instrument Form	Only in Demat Mode
Face Value	Rs.10,00,000 per instrument
Other Issue details, Terms & Conditions will be finalized for each trance.	

Issue Opening Date	To be finalised for each trance
Issue Closing Date	To be finalised for each trance
Deemed Date /Date of Allotment	To be finalised
i) The Bank reserves the right to vary (pre-pone/postpone) any of the Issue Schedule date(s) at its sole and absolute discretion, without giving any reasons or prior notice. In such a case, the Bank will intimate investors about the revised time schedule. ii) The Bank reserves the right to close the Issue any day before the scheduled Closing Date at its sole and absolute discretion, without giving any reasons or prior notice. No intimation of the same will be given to the investors.	

For terms of issue of each type of Debentures, please refer to the section titled "Offering Information" on page no. 161 of the Shelf IM.

The specific terms of each tranche will be finalized closer to the actual date of issuance and would be submitted to the stock exchange at that point of time and shall form part of this Shelf IM.

3. GENERAL INFORMATION

Private Placement of Unsecured Subordinated Debentures aggregating Rs. 350 crore for inclusion as Tier II Capital, Rs.652.40 crore for inclusion as Upper Tier II Capital and Rs. 214.30 crore for inclusion as Tier I Capital to be issued in one or more tranches with a right to retain over subscription.

UTI BANK LIMITED
(Incorporated on December 3, 1993 under The Companies Act, 1956)

Registration Number: 04-20769 (1993-94)

Registered Office:
"Trishul", Third Floor, Opp. Samartheshwar Temple, Law Garden, Ellisbridge,
Ahmedabad – 380 006
Tel No. 079-26409322 / Fax No. 079-26409321, website: www.utibank.com
Email address : rajendra.swaminarayan@utibank.co.in

Central Office:
Maker Tower 'F', 13th Floor, Cuffe Parade, Colaba, Mumbai: 400 005
Tel No. (022) 22189106/7/8/9, Fax No. (022) 22186944/22181429

Address of Registrar of Companies where the Bank is registered:
The Registrar of Companies, Gujarat
ROC Bhavan, Opp. Rupal Park
Near Ankur Char Rasta
Naranpura, Ahmedabad – 380 013

Board of Directors

Sr. No.	Name of Director	Particulars
1	Dr. P. J. Nayak	Chairman and Managing Director
2	Mr. Surendra Singh	Director
3	Mr N. C. Singhal	Director
4	Mr A. T. Pannir Selvam	Director
5	Mr Jayanth R. Varma	Director
6	Dr. R. H. Patil	Director
7	Ms. Rama Bijapurkar	Director
8	Mr R. B. L. Vaish	Director
9	Mr S. Chatterjee	Executive Director (Whole Time Director)
10	Mr S. B. Mathur	Director
11	Mr M. V. Subbiah	Director
12	Mr Ramesh Ramanathan	Director

Brief details of Chairman, Managing Director, Whole Time Directors etc.

Dr. P. J. Nayak – Chairman and Managing Director

Dr. P. J. Nayak has a Ph.D. in Economics from the University of Cambridge, UK. He has completed 59 years of age. He was employed from May, 1996 to December, 1999 as Executive Trustee, Unit Trust of India. Before this, from 1971 to 1996, he was employed as a member of the Indian Administrative Service. From July, 1990 to July, 1995 he was employed as Joint Secretary by the Government of India in the Department of Economic Affairs in the Ministry of Finance. He has also served as a Government Director on the Boards of Banks, including Bank of Baroda and Canara Bank. Dr. P. J. Nayak is not a Director of any other Company.

Dr. Nayak was appointed as a Director of the Bank from 9 October 1999 and was appointed as the Chairman and Managing Director from 1 January 2000 to 31 December 2004 and has been reappointed as the Chairman and Managing Director for a further period from 1 January 2005 to 31 July 2007.

Mr. S. Chatterjee – Executive Director

Mr S. Chatterjee has an Honours degree in Arts. He is 59 years of age. He has over 34 years of experience in commercial and investment banking. He joined the Bank in 1994. In his earlier assignment with SBI, he had extensive exposure in the areas of international banking in the UK and the USA. He was the Bank's Resident Representative in Washington D.C. for five years.

Mr Chatterjee has been appointed as a full-time Executive Director of the Bank from 17 January 2005 until 31 December 2006. He is currently a director at UBL Sales Limited (a wholly-owned subsidiary of UTI Bank Limited.)

Company Secretary & Compliance Officer:

Mr. P. J. Oza
Company Secretary, UTI Bank Ltd.,
Maker Tower 'F', 13th Floor,
Cuffe Parade, Colaba, Mumbai – 400005.
Tel No. (022) 22189106/7/8/9, Fax No. (022) 22186944/22181429
E-mail Id: poza@utibank.co.in

Names and Addresses of Auditors, Registrars, Debenture Trustees

Auditors S. R. Batliboi & Co. Chartered Accountants 6th Floor, Express Towers, Nariman Point, Mumbai 400 021 Tel No. 022- 22876485/86 Fax No. 022-22876401	**Registrars to the issue** Karvy Computershare Pvt. Ltd. Karvy House, 46, Avenue 4, Street no.1, Banjara Hills, Hyderabad – 500 034. Tel No. +91(40) – 23312454, 23320751 Fax No. +91(40) –23311968
Trustees to the Debentureholders The Western India Trustee & Executor Co.Ltd 161/C, 16th Floor, Mittal Court, Nariman Point, Mumbai 400021 Tel No.: 022-22812883 / 22880988 Fax No. 022-22816477 E-mail : witco@vsnl.net	

Credit Rating

a) For Debentures proposed to be issued under this Shelf Information Memorandum

Nature	Amount (Rs. in crs)	Rating
Tier II Debentures	1000.00*	ICRA has assigned rating "LAA+" (pronounced L double A plus) with Positive outlook to these Debentures. The rating indicates high-credit-quality rating assigned by ICRA. The rated instrument carries low credit risk.
	1000.00*	FITCH has assigned rating "AA+ (ind)" (Double A plus ind) rating to the Subordinated Debt Programme. The Outlook on the rating is "Stable". The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers or issues.
Upper Tier II Debentures	655.00	ICRA has assigned rating "LAA" (pronounced L double A) with Positive outlook to these Debentures. The rating indicates high-credit-quality rating assigned by ICRA. The rated instrument carries low credit risk.
	653.00	FITCH has assigned rating "AA (ind)" (Double A ind) rating to the Subordinated Debt Programme. The Outlook on the rating is "Stable". The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers or issues.
Tier I Perpetual Debentures	215.00	ICRA has assigned rating "LAA" (pronounced L double A) with Positive outlook to these Debentures. The rating indicates high-credit-quality rating assigned by ICRA. The rated instrument carries low credit risk.
	215.00	FITCH has assigned rating "AA (ind)" (Double A ind) rating to the Subordinated Debt Programme. The Outlook on the rating is "Stable". The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers or issues.

* Debentures aggregating Rs. 638.40 crores were raised under Series XI in two tranches and outstanding available rating is Rs. 361.60 crores.

Prospective Investors may please note that the rating is not a recommendation to buy, sell or hold securities and investors should take their own decision. The ratings may be subject to revision or withdrawal or suspension at any time in the future by the assigning rating agency on the basis of new information, etc. Each rating should be evaluated independently of any other rating.

b) Credit ratings obtained during the previous three years before filing of the Information Memorandum for any of its listed debt securities at the time of accessing the market through a rated debt security:

Tier II Debentures:

Rating Agency	Date of Rating Letter	Rating	Amount (Rs. Crs.)
ICRA	July 11, 2003	LAA	150.00
ICRA	July 11, 2003	LAA	488.60
ICRA	February 21, 2005	LAA+	500.00
ICRA FITCH	January 20, 2006 February 13, 2006	LAA+ AA+(ind)	1000.00

Upper Tier Debentures:

Rating Agency	Date of Rating Letter	Rating	Amount (Rs. Crs.)
ICRA FITCH	August 18, 2006 August 17, 2006	LAA AA(ind)	655.00 653.00

Tier I Debentures:

Rating Agency	Date of Rating Letter	Rating	Amount (Rs. Crs.)
ICRA FITCH	August 18, 2006 August 17, 2006	LAA AA(ind)	215.00 215.00

International Ratings:

Rating Agency	Date of Rating Letter	Type of Debt	Rating	Amount (Rs. Crs.)
Moody's Investors Services	July 12, 2005	Foreign Currency Senior & Subordinated Debt	Baa2	Euro 1 Billion for MTN programme
	July 12, 2005	Foreign Currency Junior Subordinated Debt*	Baa3	

* USD 150 million raised in August 2006

Underwriting

The details of the issue if underwritten, will be informed for each tranch separately.

4. CAPITAL STRUCTURE

Equity Shares Capital as on 31st March 2006 **(Part of Tier I Capital)**

A. Authorised Capital	(Rs. in Crores)
30,00,00,000 Equity Shares of Rs. 10 each	300.00
B. Issued Subscribed and Paid-up Capital	
27,86,90,727 Equity Shares of Rs. 10 each	278.69
C. Paid Up Capital after the present issue	
27,86,90,727 Equity Shares of Rs. 10 each	278.69
D. Share Premium Account (As on March 31, 2006)	1355.45

Unsecured Debentures as on 30 June 2006 **(Subordinated Debt)** - **(Part of Tier II Capital)**

Sr No	Date of Allotment	Number of Debentures	Rate of Interest	Date of Redemption	Outstanding Amount (Rs. Crs.)
1	29.03.2000	2000	11.75%	28.04.2007	100.00
2	03.12.2001	2240	9.80%	03.06.2007	112.00
3	27.03.2002	670	9.30%	27.06.2007	33.50
4	20.09.2002	Opt-I-660	8.80%	20.06.2008	33.00
		Opt-II-100	9.05%	20.06.2010	5.00
		Opt-III-1240	9.30%	20.06.2012	62.00
5	21.12.2002	Opt-I-662	8.40%	21.09.2008	33.10
		Opt-II-0	8.70%	21.09.2010	0
		Opt-III-1200	8.95%	21.09.2012	60.00
6	26.07.2003	Opt-I-600	6.50%	26.04.2009	30.00
		Opt-II-100	6.70%	26.04.2011	5.00
		Opt-III-1300	7.00%	26.04.2013	65.00
7	15.01.2004	Opt-I-0	6.00%	15.10.2009	0
		Opt-II-0	6.25%	15.10.2011	0
		Opt-III-500	6.50%	15.10.2013	50.00
8	04.06.2004	1500	Floating	04.16.2010	150.00
9	25.07.2005	5000	Floating	25.07.2012	500.00
10	22.03. 2006	Opt-I-1250	8.50%	22.06. 2013	125.00
		Opt-IA-50	8.32%	22.06. 2013	5.00
		Opt-II-3600	8.75%	22.03. 2016	360.00
		Opt-IIA-100	8.56%	22.03. 2016	10.00
11	28.06.2006	Opt-I-335	8.95%	28.09.2013	33.50
		Opt-II-1049	9.10%	28.06.2016	104.90
					1877.00

The Bank has been the first Indian Bank to successfully issue Foreign Currency Hybrid Capital in the International Market". The Bank has raised USD 150 million of 15-Years subordinated Upper Tier II Bonds/Notes in the International market. The allotment or the settlement date of the Bonds/ Notes is be August 11, 2006 and the maturity date will be August 12, 2021. These Bonds/ Notes were issued at coupon rate of 7.25% and are listed on the Singapore Exchange.

Share Capital History as on 29 August 2006

Date of Issue	Number of shares	Face Value	Issue Price	Nature of allotment	Cumulative Capital (Rs. in crs)
08.12.1993	70	10	10/-	MOA-AOA ORIGINAL	0.00007
02.04.1994	100000000	10	10/-	PREF ISSUE	100.00
28.09.1994	6000000	10	10/-	PREF ISSUE	106.00
28.09.1994	1500000	10	10/-	PREF ISSUE	107.50
28.09.1994	1500000	10	10/-	PREF ISSUE	109.00
28.09.1994	1500000	10	10/-	PREF ISSUE	110.50
26.10.1994	1400000	10	10/-	PREF ISSUE	111.90
26.10.1994	100000	10	10/-	PREF ISSUE	112.00
26.10.1994	1500000	10	10/-	PREF ISSUE	113.50
26.10.1994	1500000	10	10/-	PREF ISSUE	115.00
23.10.1998	16903100	10	21/-	PUBLIC ISSUE	131.90
31.12.2001	28550000	10	34/-	PREF ISSUE	160.45
31.12.2001	17800000	10	34/-	PREF ISSUE	178.25
28.03.2002	3655000	10	39.04	PREF ISSUE	181.91
28.03.2002	5942820	10	39.04	PREF ISSUE	187.85
28.03.2002	1980940	10	39.04	PREF ISSUE	189.83
30.03.2002	1980940	10	39.04	PREF ISSUE	191.81
28.03.2003	18400000	10	42.75	PREF ISSUE	210.21
28.03.2003	8830540	10	42.75	PREF ISSUE	219.04
28.03.2003	8830540	10	42.75	PREF ISSUE	227.88
28.03.2003	2301754	10	42.75	PREF ISSUE	230.18
ON VARIOUS DATES	1009535	10	38.63	ESOP-GRANT I	As on 01.03.2005, the total paid up capital was Rs. 232.89 crs. Dividend into 23,28,91,947 equity shares.
ON VARIOUS DATES	993158	10	29.68	ESOP-GRANT II	
ON VARIOUS DATES	713550	10	39.77	ESOP-GRANT III	
21.03.2005	40490300	10	256.65	GDR	273.38
21.03.2005	8380	10	38.63	ESOP-GRANT I	On 21.03.2005, 414197 equity shares were allotted under ESOP and the paid up capital after allotment was Rs. 273.80/-
	395417	10	29.68	ESOP-GRANT II	
	10400	10	39.77	ESOP-GRANT III	

20.04.2005	1357	10	38.63	ESOP-GRANT I	On 20.04.2005, 50,527 equity shares were allotted under ESOP and the paid up capital after allotment was Rs. 273.85 crs.
	45600	10	29.68	ESOP-GRANT II	
	3570	10	39.77	ESOP-GRANT III	
25.04.2005	3000700	10	256.65	GDR - Green Shoe option	276.85
14.05.2005	7542	10	38.63	ESOP-GRANT I	On 14.05.2005, 11,01,995 equity shares were allotted under ESOP and the paid up capital after allotment was Rs. 277.95 crs.
	106660	10	29.68	ESOP-GRANT II	
	470405	10	39.77	ESOP-GRANT III	
	517388	10	97.62	ESOP-GRANT IV	
ON VARIOUS DATES	7005	10	38.63	ESOP-GRANT I	Last allotment under ESOP has been made on 12.01.2006
ON VARIOUS DATES	96000	10	29.68	ESOP-GRANT II	
ON VARIOUS DATES	252815	10	39.77	ESOP-GRANT III	
ON VARIOUS DATES	318660	10	97.62	ESOP-GRANT IV	
ON VARIOUS DATES	1202	10	38.63	ESOP-GRANT I	Last allotment under ESOP has been made on 29.08.2006
ON VARIOUS DATES	15380	10	29.68	ESOP-GRANT II	
ON VARIOUS DATES	812965	10	39.77	ESOP-GRANT III	
ON VARIOUS DATES	742516	10	97.62	ESOP-GRANT IV	
ON VARIOUS DATES	182319	10	232.10	ESOP-GRANT V	

This being the issue of Debentures on Private placement basis the provisions for lock-in of equity shares offered is not applicable

There is no buy-back and stand by and similar arrangements for purchase of securities by Promoters or Directors.

Details regarding Shareholders:-

Top Ten Shareholders of the Bank as on 25 August 2006

Sr. No	Name of the Shareholder	Shares Held (Number)	% Stake In Total
1.	Administrator of the Specified Undertaking of the Unit Trust Of India	77245070	27.57
2.	Life Insurance Corporation of India	29222936	10.43
3.	The Bank of New York -GDRs Issue	14500845	5.18
4.	HSBC Financial Services (Middle East) Limited A/C HSBC IRIS Investments (Mauritius) Limited	13920000	4.97
5.	Barclays Capital Mauritius Limited	13870047	4.95
6.	Crown Capital Limited	13866287	4.95
7.	Citigroup Global Markets Mauritius Private Limited	10193843	3.64
8.	General Insurance Corporation of India	6782177	2.42
9.	Emerging Markets Management, L.L.C. A/C EMSAF-MAU	5659700	2.01
10.	Wasatch Advisors, INC.A/C Wasatch Core Growth Fund	5238391	1.87

Top Ten Shareholders of the Bank as on 24 August 2004

Sr. No	Name of the Shareholder	Shares Held (Number)	% Stake In Total
1.	Administrator of the specified undertaking of the Unit Trust of India	77245070	33.23
2.	HSBC Asia Pacific Holding (UK) Limited	33950000	14.60
3.	Life Insurance Corporation of India	31162260	13.40
4.	Smallcap World Fund Inc	9930000	4.27
5.	CBC Bahrain - FII Equity Account	8830540	3.80
6.	General Insurance Corporation of India	7090490	3.05
7.	The New India Assurance Company Limited	3530872	1.52
8.	National Insurance Company Ltd	3391740	1.46
9.	American Funds Insurance Series A/C Americanfunds Insurance Series - Global Small Capitalisation Fund	2830000	1.22
10.	Wasatch Advisors, Inc. A/C Wasatch Core Growth Fund	2355925	1.01

Top Ten Shareholders of the Bank as on as on 14 August 2006

Sr. No	Name of the Shareholder	Shares Held (Number)	% Stake In Total
1	Administrator of the specified undertaking of the Unit Trust of India	77245070	27.57
2	Life Insurance Corporation of India	29222936	10.43
3	The Bank of New York - GDRs Issue	14527053	5.18
4	HSBC Financial Services(Middle East) HSBC IRIS Investments (Mauritius) Limited	13920000	4.97
5	Barclays Capital Mauritius Limited	13870047	4.95
6	Crown Capital Limited	13866287	4.95
7	CitiGroup Global Markets Mauritius Pvt. Ltd.	9274689	3.31
8	General Insurance Corporation of India	6909035	2.47
9	EMERGING MARKETS MANAGEMENT, L.L.C. A/C. EMSAF-MAURITIUS-FII	5493176	1.96
10	Wasatch Advisors, Inc. A/C Wasatch Core Growth Fund	5238391	1.87

Shareholding of Promoter and Promoter Group of the Bank as on 25 August 2006

Sr No	Name of the Shareholder	Shares Held (Number)	% Stake In Total
1.	Administrator of the Specified Undertaking of the Unit Trust of India	77245070	27.57
2.	Life Insurance Corporation of India	29222936	10.43
3.	General Insurance Corporation of India	6782177	2.42
4.	The New India Assurance Company Limited	3030872	1.08
5.	National Insurance Company Ltd	2871740	1.02
6.	United India Insurance Company Limited	1290560	0.46
7.	The Oriental Insurance Company Limited	124017	0.44
	Total	**121677372**	**43.42**

Shareholding Pattern as on 25 August 2006

Category	Sub Category	No. of Securities Held	% Holding
Promoter's Holding	Indian Promoters	121677372	43.42
	Foreign Promoters	-	-
	Persons Acting in Concert	-	-
	Sub Total	**121677372**	**43.42**
Institutional Investors	Mutual Funds and UTI	19839997	7.08
	Banks, Fis, Insurance Co.s, Central / State Govt. / Non-Govt. Institutions	459921	0.16
	FIIs	103290000	36.86
	Sub Total	**123589918**	**44.10**
Others	Private Corporate Bodies	3917883	1.40
	Indian Public	16121470	5.75
	NRI / OCBs	406429	0.15
	Any Other (GDR)	14500845	5.18
	Sub Total	**34946627**	**12.48**
	GRAND TOTAL	**280213917**	**100**

Details of options granted or shares issued under scheme of employees stock options or employees stock purchase

The Bank has instituted an Employee Stock Option Scheme to enable its employees, including Whole Time Directors, to participate in the future growth and financial success of the Bank. Under the Scheme 2,78,00,000 options can be granted to employees. The employee stock option scheme is in accordance with the Securities and Exchange Board of India (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999. The eligibility and number of options to be granted to an employee is determined on the basis of the employee's work performance and is approved by the Board of Directors.

The Bank's shareholders approved plans in February 2001, June 2004 and June, 2006 for the issuance of stock options to employees. Under the first two plans and upto the grant made on 29th April 2004, the option conversion price was set at the average daily high-low price of the Bank's equity shares traded during the 52 weeks preceding the date of grant at the Stock Exchange which has had the maximum trading volume of the Bank's equity shares during that period (presently the NSE). With effect from the grant made by the Bank on 10th June 2005, the pricing formula has been changed to the closing price of the previous day of the grant date. The Remuneration and Nomination Committee granted options under these plans on six occasions, of options of 11,18,925, 17,79,700, 27,74,450, 38,09,830, 57,08,240 and 4695860 during 2000-01, 2001-02, 2003-04, 2004-05, 2005-06 and 2006-07 respectively. The options granted, which are non-transferable, vest at the rate of 30%, 30% and 40% on each of three successive anniversaries following the granting, subject to standard vesting conditions, and must be exercised within three years of the date of vesting. As on 31st March 2006, 50,24,023 options had been exercised and 88,38,245 options were in force.

5. OBJECT OF THE OFFERING

The present Issue of Debentures is being made to –

- Augment the long-term resources of the Bank
- Augment the capital base of the Bank to meet its future capital adequacy requirements

The Bank expects substantial growth in its business activities and operations in the coming years. To meet the enhanced demand for financial assistance, Bank needs to augument its resources.

The present issue of Debentures is being made pursuant to applicable regulations and inter alia for augmenting our Tier I and Tier II capital, for strengthening our capital adequacy ratio and for enhancing our long-term resources in compliance with the Guidelines. The resources raised through this Issue, including over subscription retained, if any, would be utilised for our business operations and to meet the demand for financing. The expenses of the present issue would also be met from the proceeds of this Issue. The main object clause of our Memorandum of Association. enables us to undertake the activities for which the funds are being raised through the present Issue and also the activities, which we have been carrying on till date.

Capital Adequacy position of the bank

The Capital Adequacy Ratio ("CAR") of the bank as on March 31, 2006 was 11.08% as against the RBI stipulation of 9.00%. Details of capital vis-à-vis risk weighted assets are as under:

(Rs. in crores)

As on	31 March 2004	31 March 2005	31 March 2006
Capital Adequacy			
Tier I	912.03	2110.96	2802.18
Tier II	675.17	902.19	1476.08
Total Capital	**1587.20**	**3013.15**	**4278.26**
Total Risk weighted assets and contingents	14164.50	23799.52	38598.25
Capital Ratios			
Tier I	6.44%	8.87%	7.26%
Tier II	4.77%	3.79%	3.82%
Total Capital	**11.21%**	**12.66%**	**11.08%**

Tax Benefits

(i) **To the Bank**
There is no additional benefit arising to the Bank under the Income Tax Act 1961 by issue of these Debentures.

(ii) **To the Debentureholders**
The Debentureholders are advised to consider in his own case the tax implications in respect of subscription to the Debentures after consulting their tax advisor, as alternate views are possible.

(iii) No Wealth Tax is payable in respect of investments in Debentures/securities of the Bank.

SECTION IV

1. INDUSTRY OVERVIEW

INDIAN BANKING SECTOR

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the GoI and its various ministries and RBI, and has not been prepared or independently verified by us or any of our advisors.

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

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

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

Commercial Banks
Commercial banks in India have traditionally focused only on meeting the short-term financial needs of industry, trade and agriculture. In December 2005, there were 259 scheduled commercial banks in the country, with a network of 68,363 branches serving approximately Rs. 19.24 trillion in deposit accounts. Scheduled commercial banks are banks that are listed in the schedule to the Reserve Bank of India Act, 1934, and are further categorized as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 69.3% of bank branches located in rural or semi-urban areas of the country. A large number of these branches belong to the public sector banks.

Public Sector Banks
Public sector banks make up the largest category of banks in the Indian banking system. There are 28 public sector banks in India. They include the SBI and its associate banks and nationalised banks. Nationalised banks are governed by the Banking Companies (Acquisition and Transfer of

Undertakings) Act 1970 and 1980. The banks nationalised under the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970 and 1980 are referred to as 'corresponding new banks'. At the end of 31st March, 2006, public sector banks had 47,288 branches and accounted for 78.20% of the aggregate deposits, 73.20% of the outstanding gross bank credit, and 78.40% of investments of the scheduled commercial banks.

Regional Rural Banks
Regional rural banks were established from 1976 to 1987 by the central government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural labourers. The National Bank for Agriculture and Rural Development is responsible for regulating and supervising the functions of the regional rural banks. In December 2005, there were 173 regional rural banks with 14,391 branches, accounting for 3.3% of aggregate deposits and 2.7% of gross bank credit outstanding of scheduled commercial banks.

Private Sector Banks
After the first phase of bank nationalization was completed in 1969, public sector banks made up the largest portion of Indian banking. The focus on public sector banks was maintained throughout the 1970s and 1980s. In addition, existing private sector banks which showed signs of an eventual default were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the Reserve Bank of India permitted entry of the private sector into the banking system. This resulted in the introduction of private sector banks, including us. These banks are collectively known as the ''new'' private sector banks. At the end of June 2005, there were nine "new" private sector banks. A merger between two of these banks, Centurion Bank and Bank of Punjab, has come into effect from October 1, 2005. In addition, 21 private sector banks existing prior to July 1993 were operating in December 2005.
For the nine month period ended December 31, 2005, private sector banks accounted for approximately 18.3% of aggregate deposits and 19.4% of gross bank credit outstanding of the scheduled commercial banks. Their network of 6,276 branches accounted for 9.2% of the total branch network of scheduled commercial banks in the country. At year-end fiscal 2006, we accounted for approximately 7.4% of aggregate deposits and 10.7% of non-food credit outstanding of the scheduled commercial banks.

Foreign Banks
At the end of September 30, 2005 there were around 31 foreign banks with 245 branches operating in India, accounting for 4.65% of aggregate deposits and 6.72% of outstanding gross bank credit of scheduled commercial banks. The Government of India permits foreign banks to operate through (i) branches; (ii) a wholly owned subsidiary; or (iii) a subsidiary with aggregate foreign investment of up to [74%] in a private bank. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made consumer financing a significant part of their portfolios. These banks offer products such as automobile finance, home loans, credit cards and household consumer finance. The GoI in 2003 announced that wholly-owned subsidiaries of foreign banks would be permitted to incorporate wholly-owned subsidiaries in India. Subsidiaries of foreign banks will have to adhere to all banking regulations, including priority sector lending norms, applicable to domestic banks. In March 2004, the Ministry of Commerce and Industry, GoI announced that the foreign direct investment limit in private sector banks has been raised to 74% from the existing 49% under the automatic route including investment by FIIs. The announcement also stated that the aggregate of foreign investment in a private bank from all sources would be allowed up to a maximum of 74% of the paid up capital of the bank.

The RBI in July 2004 issued a Draft Policy on Investment and Governance in Private Sector Banks, which set out certain broad principles underlying the framework relating to ownership of private sector banks.

Cooperative Banks
Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In light of the liquidity and insolvency problems experienced by some cooperative banks in fiscal 2001, RBI undertook several interim measures to address the issues, pending formal legislative changes, including measures related to lending against shares, borrowings in the call market and term deposits placed with other urban cooperative banks. RBI is currently responsible for the supervision and regulation of urban co-operative societies, the National Bank for Agriculture and Rural Development, state co-operative banks and district central co-operative banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 (which came into effect as of September 24, 2004), specifies that all co-operative banks are under the supervision and regulation of RBI.

Term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provide fund-based and non-fund based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions include Industrial Development Bank of India (converted into a banking company with effect from October 2004),
IFCI Limited, Infrastructure Development Finance Company Limited and Industrial Investment Bank of India.
The term lending institutions were expected to play a critical role in industrial growth in India and, accordingly, had access to concessional government funding. However, in recent years, the operating environment of the term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for government funding to industry, the reform process required them to expand the scope of their business activities.

Their new activities include:

- Fee-based activities like investment banking and advisory services; and
- Short-term lending activity including corporate loans and working capital loans.

Pursuant to the recommendations of the Committee on Banking Sector Reforms (Narasimham Committee II), S.H. Khan Working Group, a working group created in 1999 to harmonise the role and operations of term lending institutions and banks, RBI, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks in India. In April 2001, RBI issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a term lending institution into a universal bank.

Industrial Development Bank of India was converted into a banking company with the name of Industrial Development Bank of India Limited within the meaning of the Bank Regulation Act and the Companies Act with effect from October 2004. It is currently able to carry on banking operations in addition to the business being transacted by it as a term lending institution.

Non-Banking Finance Companies
There are over 10,000 non-bank finance companies in India, mostly in the private sector. All non-bank finance companies are required to register with the Reserve Bank of India. The non-bank finance companies may be categorized into entities which take public deposits and those which do not. The companies which take public deposits are subject to strict supervision and capital adequacy requirements of the Reserve Bank of India. The primary activities of the non-bank finance

companies are consumer credit, including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bill discounting for small and medium-sized companies, and fee-based services such as investment banking and underwriting. In 2003, Kotak Mahindra Finance Limited, a large non-bank finance company was granted a banking license by the Reserve Bank of India and converted itself into Kotak Mahindra Bank. Over the past few years, certain non-bank finance companies have defaulted to investors and depositors, and consequently actions (including bankruptcy proceedings) have been initiated against them, many of which are currently pending.

Housing Finance Companies

Housing finance companies form a distinct sub-group of the non-bank finance companies and are regulated by National Housing Bank (NHB). As a result of the various incentives given by the Government for investing in the housing sector in recent years, the scope of their business has grown substantially. Until recently, Housing Development Finance Corporation Limited was the premier institution providing housing finance in India. In recent years, several other players including banks have entered the housing finance industry. The National Housing Bank and the Housing and Urban Development Corporation Limited are the two Government-controlled financial institutions created to improve the availability of housing finance in India. The National Housing Bank Act provides for refinancing and securitization of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme. RBI has directed commercial banks to lend at least 3.0% of their incremental deposits in the form of housing loans.

Other Financial Institutions

Specialized Financial Institutions

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

State Level Financial Institutions

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

Insurance Companies

Currently, there are 31 insurance companies in India, of which 15 are life insurance companies, 15 are general insurance companies and one is a re-insurance company. Of the 15 life insurance companies, 14 are in the private sector and one is in the public sector. Among the general insurance companies, nine are in the private sector and six are in the public sector including Export Credit Guarantee Corporation of India Limited and Agriculture Insurance Company of India Limited. The re-insurance company, General Insurance Corporation of India,
is in the public sector. Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector.

During fiscal 2005, the gross premiums underwritten by all general insurance companies and the total new premiums of all life insurance companies amounted to Rs. 18,100 crore and Rs. 25340 crore respectively. First year premium underwritten in the life insurance sector recorded a growth of 40.6% to reach Rs. 35,900 crore in fiscal 2006 with the private sector's retail market share (on weighted premium basis) increasing from 25.4% in fiscal 2005 to 34.2% in fiscal 2006. Gross premium in the non-life insurance sector (excluding Export Credit Guarantee Corporation of India Limited) grew by 16.2% to Rs. 20,380 crore in fiscal 2006 with the private sector's market share increasing from 20.3% in fiscal 2005 to 26.6% in fiscal 2006

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority. In December 1999, the Indian Parliament passed the Insurance Regulatory and Development Authority Act, 1999. This Act opened up the Indian insurance sector for foreign and private investors. This Act allows foreign equity participation in new insurance companies of up to 26.0%. The new company should have a minimum paid up equity capital of Rs. 100 crore to carry on the business of life insurance or general insurance or Rs. 200 crore to carry on exclusively the business of reinsurance.

Mutual Funds

As of the end of March 2005, there were 29 mutual funds in India with total net assets of Rs.149554 crores. From 1963 to 1987, Unit Trust of India was the only mutual fund operating in India. It was set up in 1963 at the initiative of the Government and RBI. From 1987 onwards,several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the SEBI (Mutual Fund) Regulation 1996.

Impact of Liberalization on the Indian Financial Sector

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

The focus of the commercial banks was primarily to mobilize household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, the commercial banks provided a range of banking services to individuals and business entities. However, since 1991, there have been comprehensive changes in the Indian financial system. Various financial sector reforms, implemented since 1991, have transformed the operating environment of the banks and longterm lending institutions. In particular, the deregulation of interest rates, emergence of a liberalized domestic capital market, and entry of new private sector banks, along with the broadening of long-term lending institutions' product portfolios, have progressively intensified the competition between banks and long-term lending institutions. The Reserve Bank of India 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 channeled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing government securities or statutory liquidity ratio bonds to fulfill statutory liquidity requirements. As a result, bank profitability was low, non-performing 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 (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 organisational issues, accounting practices and operating procedures, were implemented by the Government of India. The major recommendations that were implemented included the following:

- With fiscal stabilisation and the Government increasingly resorting to market borrowing to raise resources, the statutory liquidity ratio, or the proportion of a bank's net demand and time liabilities that were required to be invested in government securities, was reduced from 38.5%, in the prereform period, to 25.0% in October 1997. This meant that the significance of the statutory liquidity ratio shifted from being a major instrument for financing the public sector in the pre-reform era to becoming a prudential requirement;
- Similarly, the cash reserve ratio or the proportion of the bank's net demand and time liabilities that were required to be deposited with RBI, was reduced from 15.0%, in the pre-reform period, to 5.0% currently;
- Special tribunals were created to resolve bad debt problems;
- Most of the restrictions on interest rates for deposits were removed and commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits; and
- Substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. The stronger public sector banks were given permission to issue equity to 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. The Reserve Bank of India accepted and began implementing many of these recommendations in October 1998.

The successes of the reforms were aided to a large extent by the relative macroeconomic stability during the period. Another distinguishing feature of the reforms was the successful sequencing and gradual introduction of the reforms.

Banks have implemented new prudential accounting norms for the classification of assets, income recognition and loan loss provisioning. Following the Bank for International Settlements (BIS) guidelines, capital adequacy norms have also been prescribed. To meet additional capital requirements, public sector banks have been allowed to access the market for funds. Interest rates have been deregulated, while the rigour of directed lending has been progressively reduced.

A number of measures have been taken to reduce the level of non-performing assets, such as the establishment of DRTs, Lok Adalats and the system of one-time settlement of dues through mutual negotiation. A system of corporate debt restructuring, based on the "London Approach" has been put in place as a voluntary process of corporate restructuring.

Proposed Amendments to the Banking Regulation Act

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

- permit banking companies to issue preference shares that will not carry any voting rights;
- make prior approval of the Reserve Bank of India mandatory for the acquisition of more than 5.0% of a banking company's paid up capital or voting rights by any individual or firm or group;

- remove the minimum statutory liquidity ratio requirement of 25.0%, giving the Reserve Bank of India discretion.
- to reduce the statutory liquidity ratio to less than 25.0%.
- remove the limit of 10.0% on the maximum voting power exercisable by a shareholder in a banking company.

Legislative Framework for Recovery of Debts Due to Banks

In fiscal 2003, the Parliament passed the Securitisation Act. The Securitisation Act provides the powers of "seize and desist" to banks. The Act provides that a "secured creditor" may, in respect of loans classified as non-performing in accordance with RBI guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. This Act also provides for the establishment of asset reconstruction companies regulated by RBI to acquire assets from banks and financial institutions. The constitutionality of the Securitisation Act was challenged in *Mardia Chemicals Limited v. Union of India*, AIR 2004 SC 2371, a petition filed before the Supreme Court. The Supreme Court upheld the validity of the Act, except Section 17(2), wherein they found that the requirement of making a deposit of 75% of the amount claimed at the time of making a petition or an appeal to the DRT under Section 17 in order to challenge the measures taken by the creditor in pursuance of Section 13(4) was unreasonable and therefore, struck down. RBI has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by RBI, and operations.

Earlier, following the recommendations of the Narasimham Committee I, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for the speedy resolution of litigation and the recovery of debts owed to banks or financial institutions. The legislation creates tribunals before which the banks or the financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. While presenting its budget for fiscal 2002, the Government of India announced measures for establishing more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. While the Parliament has repealed this Act, the notification to make the repeal effective has not yet been issued.

Corporate Debt Restructuring ("CDR")

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

The system put in place by RBI contemplates a three tier structure with the CDR Standing Forum at the helm, which is the general body of all member institutions, out of which is carved out the core group, a niche body of select institutions that decides policy matters. Decisions on restructuring are taken by the CDR Empowered Group, which has all the member banks/FIs as its members. To assist the CDR Forum in secretarial matters and for analysis of the restructuring packages, a CDR Cell has been formed.

Universal Banking Guidelines

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

Credit Policy Measures

As part of its effort to continue bank reform, the Reserve Bank of India has announced a series of measures in its monetary and credit policy statements aimed at deregulating and strengthening the financial system.

Annual Policy Statement for Fiscal 2005

In its annual policy statement for fiscal 2005 announced in May 2004, the Reserve Bank of India kept the bank rate and reverse repo rate (the annualized interest earned by the lender in a repurchase transaction between a bank and the Reserve Bank of India) unchanged at 6.0% and 4.5% respectively and introduced the following key measures:

- banks were permitted to raise long-term bonds with a minimum maturity of five years to the extent of their exposure of residual maturity of more than five years to the infrastructure sector;
- the scope of definition of infrastructure lending was expanded to include construction relating to projects involving agro-processing and supply of inputs to agriculture, construction of preservation and storage facilities for processed agro-products and construction of educational institutions and hospitals;
- measures were announced to facilitate the flow of credit to agricultural and related sectors by including loans for storage facilities and securitized agricultural loans as priority sector advances;
- resident individuals were permitted to remit freely up to US$ 25,000 per calendar year, for any current or capital account transaction or a combination of these. Indian corporates and partnership firms are allowed to invest up to 100.0% of their net worth overseas;
- banks were permitted, under exceptional circumstances, with the approval of their Boards, to consider enhancement of the exposure to the borrower up to a maximum of 5.0% of capital funds, subject to the borrower consenting to the bank making appropriate disclosures in its annual report; and
- a graded higher provisioning requirement according to the age of non-performing assets, which are included under "doubtful for more than three years' category, was introduced with effect from March 31, 2005.

Mid-term Review of the Annual Policy Statement for Fiscal 2005

In the mid-term review of the annual policy statement announced in October 2004, the Reserve Bank of India raised the reverse repo rate by 25 basis points to 4.75% with effect from October 27, 2004. The bank rate, however, was kept unchanged at 6.0%. The following measures were also introduced:

- ceiling on non resident external deposit rates were raised to LIBOR/SWAP rates of US Dollar of corresponding maturities plus 50 basis points from the existing level of USD LIBOR/SWAP rates; and

- as a temporary counter-cyclical measure, the risk weight was increased from 50.0% to 75.0% in the case of housing loans and from 100.0% to 125.0% in the case of consumer credit including personal loans and credit cards.

Annual Policy Statement for Fiscal 2006

In its annual policy statement for fiscal 2006 announced in April 2005, the Reserve Bank of India:

- raised the reverse repo rate by 25 basis points to 5.0% and reduced the spread between the reverse repo and the repo rate to 100 basis points from 125 basis points;
- proposed to issue guidelines for voluntary mergers between private sector banks and non-banking finance companies and propopsed that in consultation with banks, primary dealers and the Government, the permitted structures of primary dealer business would be expanded to include banks which fulfil certain minimum criteria; and
- urged banks to refocus on deposit mobilization and to empower depositors. It also proposed to set up an independent Banking Codes and Standards Board of India in order to (i) ensure a comprehensive code of conduct for fair treatment of customers; (ii) issue guidelines prescribing card issuing banks to ensure transparency and disclosure of information; and (iii) widen the authority of the Banking Ombudsman to cover individual grievances relating to non-adherence to the fair practices code evolved by Indian Banks Association.

Mid-Term Review of the Annual Policy Statement for Fiscal 2006

In its mid-term review announced in October 2005, the Reserve Bank of India has raised the reverse repo rate by 25 basis points to 5.25% with effect from October 26, 2005. The bank rate remained unchanged at 6.0%. The following measures were also proposed:

- aggregate capital market exposure of a bank would be limited to 40.0% of its net worth on a standalone and consolidated basis and the consolidated direct capital market exposure would be limited to 20.0% of the consolidated net worth; and
- the requirement of general provisioning on standard advances would be increased from 0.25% to 0.40%, except on direct advances to the agriculture and small and medium enterprise sectors.

Third Quarter Review of Annual Policy Statement for Fiscal 2006

In its third quarter review of the annual policy statement announced in January 2006, the Reserve Bank of India has raised the reverse repo rate by 25 basis points to 5.50% with effect from 24th January 2006. The bank rate remained unchanged at 6.0%.

Annual Policy Statement for Fiscal 2007

In its annual policy statement for fiscal 2007 announced in April 2006, the Reserve Bank of India:

- raised the requirement of general provisioning on standard advances to specific sectors like residential housing loans beyond Rs 0.20 crore and commercial real estate loans from 0.40% to 1.0%, except on direct advances to the agriculture and small and medium enterprise sectors;
- Increased the risk weight on commercial real estate exposure from 125.0% to 150.0%;
- Proposed to include banks' total exposure to venture capital funds as a part of capital market exposure with a risk weight of 150.0%; and
- ceiling on non resident external deposit rates were raised to LIBOR/SWAP rates of US Dollar of corresponding maturities plus 100 basis points from the existing level of 75 basis points above LIBOR/SWAP rates.

In a notification dated June 08, 2006 the Reserve Bank of India raised the reverse repo rate by 25 basis points to 5.75% with immediate effect. The bank rate remained unchanged at 6.0%. The overall macroeconomic and monetary conditions were cited as the reason behind the rise.

Reforms of the Non-Banking Finance Companies

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

New Initiatives in the Banking Sector

Risk Management and Basel II

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

In preparation for the adoption of the Basel II accord, banks have already been required by RBI to take active measures in terms of risk management systems, evaluate capital charges including for operational risk and bring about more transparency in financial reporting as part of market discipline. RBI has also moved towards adoption of Risk Based Supervision (RBS) of banks under which the risk profile of the banks will decide their supervisory cycles - a bank with higher risk rating will undergo more frequent supervisory reviews than those with lower risk rating. RBI has also indicated that it will adopt a phased approach to the implementation of the Basel II.
Implementation of market risk will be completed within two years from the year ended March 31, 2005 and the credit risk and operational risk with effect from 31 March 2007. In order to maintain consistency and harmony with international standards, Banks have been advised to adopt Standardised Approach for Credit risk and Basic Indicator Approach for Operational risk with effect from March 31, 2007. The RBI may consider allowing some banks to migrate to Internal Rating Based (IRB) Approach after developing adequate skills in Banks.

RTGS Implementation in India

With the commencement of operations of the Real Time Gross Settlement ("RTGS") system from March 26, 2004, India crossed a major milestone in the development of systemically important payment systems 64 and complied with the core principles framed by the Bank for International Settlements. As of June 30, 2006 RTGS connectivity was available in 21916 bank branches in 93 Banks.. The salient features are as follows:
Payments are settled transaction by transaction for high value and retail payments;

- Settlement of funds is final and irrevocable;
- Settlement is done on a real time basis and the funds settled can be further used immediately;
- It is a fully secure system which uses digital signatures and public key Infrastructure based inscription for safe and secure message transmission;
- There is a provision for intra-day collaterised liquidity support for member banks to smoothen the temporary mismatch of fund flows; and
- RTGS provides for transfer of funds relating to inter bank settlements as also for customer related fund transfers.
- More than 75% of the value of inter bank transfers, which was earlier being settled through the deferred net settlement systems (“DNSS”) based inter-bank clearing, is now being settled under RTGS.

Corporate Governance

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

Technology

Technology is emerging as a key-driver of business in the banking and financial services industry. Banks are developing alternative channels of delivery like ATMs, telebanking, remote access and Internet banking etc. Indian banks have been making significant investments in technology.

Besides computerization of front-office operations, the banks have moved towards back-office centralization. Banks are also implementing "Core Banking" or "Centralised Banking", which provides connectivity between branches and helps offer a large number of value-added products, benefiting a larger number of customers. RBI Annual Report for the fiscal 2004 states that the use of ATMs has been growing rapidly and this has helped in optimising the investments made by banks in infrastructure. Banks have joined together in small clusters to share their ATM networks during the year. There are five such ATM network clusters functioning in India.

Consolidation

Indian banks are increasingly recognizing the importance of size. These efforts have received encouragement from the views publicly expressed by the current Government favouring consolidation in the Indian banking sector. Although there have been instances of mergers, these have usually involved financially distressed banks. Mergers and acquisitions are seen by banks as a means of achieving inorganic growth in size and attaining economies of scale and scope. Notwithstanding the government ownership of public sector banks, the government has indicated that it would not stand in the way of mergers of public sector banks, provided the bank boards come up with a proposal of merger, based on synergies and potential for improved operational efficiency. The Government has also provided tax breaks aimed at promoting mergers and acquisitions (Section 72 (A) of the I.T. Act enables the acquiring entity (which could be a company, a corresponding new bank, a banking company or a specified bank) the benefit of "carry forward and set-off of accumulated losses and unabsorbed depreciation" of the acquired entity, subject to specified conditions being fulfilled). Further, the Finance Bill, 2005 has proposed insertion of a new Section 72AA to the I.T. Act. Pursuant to this Section, during the amalgamation of a banking company with any other banking institution under a scheme sanctioned and brought into force by the Central Government under Section 45 (7) of the Banking Regulation Act, the accumulated loss and the unabsorbed depreciation of such banking company shall be deemed to be the loss or, as the case may be, allowance for depreciation of such banking institution for the previous year in which the scheme of amalgamation was brought into force and other provisions of the I.T. Act relating to the set-off and carry forward of loss, and allowance, for depreciation shall apply accordingly. It is envisaged that the consolidation process in the public sector bank group is imminent, particularly as banks will be required to attain higher capital standards under Basel II and meet the pressures of competition by adoption of the extended universal banking model.

2. BUSINESS OVERVIEW

Brief history

UTI Bank the first private sector bank was set up under new guidelines issued in 1993 by the Government of India, consequent to the announcement of a policy of reform of India's financial sector. The Bank obtained its certificate of incorporation on December 3, 1993 and began its operation on April 2, 1994. Its first branch was opened at Ahmedabad in April 1994. The Bank provides a wide range of products and services to corporate and retail customers through a variety of delivery channels.

The Banks principal business activities are divided into two segments, Banking Operations and Treasury, with a variety of products and services being offered to corporate and retail customers, including both resident and non-resident Indians (NRIs)

The Bank's entire initial equity capital of Rs.100 crores was contributed by UTI-I (previously Unit Trust of India). Subsequently, LIC contributed Rs.7.50 crores and GIC together with four Government-owned general insurance companies, contributed Rs.7.50 crores.

The Bank's equity capital was subsequently increased from Rs.115 cores to Rs.132 crores through and initial public offering in September, 1998. The Bank issued 1.50 crores equity shares and UTI-I made a simultaneous offer for sale of 2 cores equity shares. The Bank's equity shares are listed on the NSE, the BSE and the ASE. In March 2005, the Bank successfully raised US$ 23.93 crores of capital by placing 4.05 crores GDRs, each GDR representing one underlying share, at the price of US$ 5.91 per GDR. Further, in April 2005, the Green Show option to the extend of 0.30 crores GDRs each GDR representing one underlying share, was exercised at the price of US $5.91. The total size after Green Shoe option stood at 4.35 crores GDRs The GDRs are listed on London Stock Exchange.

During the financial year 2005-06 bank raised subordinated redeemable nonconvertible Debentures as a part of Tier II Capital aggregating Rs. 638.40 crores in two tranches. In August 2006, Bank successfully raised US$15 crores in international market through issue of Medium Term Notes

- The Bank has a large network of branches spread throughout the country. The Bank has 468 Branches and extension counters and 2000 ATMs as on August 30, 2006

As of August 30, 2006, the Bank has a large network of branches spread throughout the country. The Bank had 468 Branches and extension counters and 2000 ATMs and 8 currency chests, spread over 258 locations in metropolitan, urban, semi-urban and rural areas through India.

BUSINESS OF THE BANK & ITS PRODUCTS AND SERVICES

Corporate Banking

Products and Services

The Bank offers a wide spectrum of financial services to the corporate sector. The Bank serves the large corporate sector, the growing SME sector and the agricultural sector. A broad classification of products and services offered by the Bank is set out below.

- Fund-based products. Loans and advances for working capital, corporate finance and Project finance.

- Non-fund-based products. Non-funded advances such as documentary credits, stand-by letters of credit and guarantees.
- Fee-based services. Including fund transfers, cash management services, collection of Government taxes, trade services and loan syndication.

Other products and services offered include time deposits and current accounts (checking accounts). These products and services are delivered to customers through a network of branches, correspondent banking networks, phone banking and the Internet.

Fund-Based Products

Fund-based limits are generally granted by way of overdrafts, cash credit, demand loans, term loans and bills discounted. Generally, the purpose, the security offered, size of advance, repayment terms and requirements of the customer determine the type of facility to be granted.

The following table sets forth a breakdown of the Bank's corporate loans as of the dates indicated.

Rs. in crores

	31st March 2004	**31st March 2005**	**31st March 2006**
Working Capital Finance	*1702*	*2132*	*4147*
Project and Corporate Finance	*5609*	*9287*	*11677*
Total	**7311**	**11419**	**15824**

Working Capital Finance

Cash credit, working capital demand loans and overdraft facilities, which are the most common forms of working capital financing, are funded facilities usually secured by current assets such as inventories and receivables. These facilities are generally extended for a period of one year. In almost all cases, facilities are subject to an annual review and are generally repayable on demand. Interest is collected on a monthly basis, based on daily outstanding amounts.

Bill discounting involves discounting negotiable instruments, which are generally issued for trade receivables. These can also be re-discounted with other banks if required.

As of 31 March 2006, the Bank's outstanding net working capital loans amounted to Rs. 4147 crores, constituting approximately 18.58% of its net loan portfolio and as of 31 March 2005 these amounted to Rs. 2132 million, constituting 13.67% of the Bank's net loan portfolio.

Project and Corporate Finance

The Bank provides project finance to companies in the manufacturing, service and infrastructure sectors typically by way of medium and long-term loans. Corporate finance is offered to customers based on the Bank's appraisal of the quality of management, industry, prospects, business model and financial strength of the firm. This financing is generally provided by way of term loans of various tenors in Indian rupees, and in foreign currencies to a limited extent. The Bank offers asset-based lending such as receivable financing and also offers customised corporate finance products to meet specific customer needs. As of 31 March 2006, the Bank's outstanding net loans for project and corporate finance amounted to Rs. 11677 crores, constituting approximately 52.33% of its net loan portfolio and as of 31 March 2005 these amounted to Rs. 9287 crores, constituting 59.52% of the Bank's net loan portfolio.

Non-fund-Based Products

Documentary Credits

The Bank provides documentary credits to customers to meet their working capital requirements as well as for capital equipment purchases. Documentary credits are approved together with a working capital assessment or a project finance assessment. Typically, a working capital line can be drawn down on a revolving basis over the term of the facility. Customers pay fees for draw downs of the documentary credit and the Bank may require additional collateral by way of a cash margin which depends on the risk perception of the transaction. As of 31 March 2006, the Bank's documentary credit portfolio amounted to Rs. 4186 crores and as of 31 March 2005 it amounted to Rs. 3063 crores.

Guarantees

Guarantees, which also include "Stand-by Letters of Credit", can be drawn down in a revolving manner over the life of the facility. Guarantees are also assessed during the course of working capital requirements. Guarantees are issued for various purposes such as bid bonds, performance guarantees on behalf of borrowers for execution of contracts, deferral or exemption from payment of statutory duties against performance obligations, advance payments, release of retention monies and other purposes.

The term of guarantees is generally 36 months or less, although certain guarantees with a longer term may be approved. As with documentary credits, the Bank sometimes obtains additional collateral by way of cash margin which, in the case of certain types of guarantees, may be as much as 100%. As of 31 March 2006, the Bank's outstanding guarantees amounted to Rs. 2945 crores and as of 31 March 2005 these amounted to Rs. 1409 crores.

Fee-Based Services

Fee income from corporate banking services (which includes fees from Credit, Business Banking and Capital Markets) constitutes one of the significant revenue streams of the Bank, accounting for 18% of total operating revenue for the year ended 31 March 2006. The Bank offers a variety of fee-based services, including cash management services, collection of commercial taxes, trade services, remittances, collections and loan syndication. In addition to these traditional fee-generating products and services, the Bank also offers tailor-made products on fee-basis to address specific corporate customer needs through a Structured Products group.

Lending to SMEs

The Bank's SME business comprises Small Scale Industries (SSI), Small Scale Service and Business Enterprises (SSSBE) and Medium Enterprises (ME). The SME segment is a key segment of Corporate Banking and the Bank is seeking to continue expansion in this growth sector. The growth of the SME business is important to the Bank as SME advances generate higher yields and help to disperse risk. At the same time, the Bank carefully monitors and mitigates the credit risk that is typically associated with advances to this sector by applying stringent credit selection and assessment criteria. As of 31 March 2006, the Bank's lending position to SMEs was Rs. 4761 crores, an increase from Rs. 2705 crores as of 31 March 2005.

Lending to SMEs takes two forms, namely product-based schematic lending and non-schematic lending. Under schematic lending, specific loan-based products are given to target requirements of specific SME segments and the loan is made on the basis of pre-determined features, parameters and levels. Loans not falling under any of these product-based schematic lending schemes are treated as non-schematic lending.

SMEs in India are characterised by sparse public information and less stringent accounting norms than entities in the large corporate sector. Thus, the Bank's selection strategy with respect to SME customers focuses on the following:

- enterprises having close linkages with reputed large customers
- enterprises located within a similar product area or geographical cluster. For example, the financing of SME units that have a homogeneous profile such as textile and hosiery units or ancillary auto units located in a cluster;

- enterprises having adequate marketable collateral assets — providing scope for schematic products; and
- creating alliances and building relationships with institutions such as Small Industries evelopment Bank of India (SIDBI) to increase SME lending opportunities

The Bank focuses on product-based and cluster-based approaches in order to target and capture specific SME business sectors and to meet their financing needs in a specialised and coordinated manner.

Priority Sector Lending

Commercial banks in India are required by RBI to lend 40% of their net bank credit to specified sectors known as "priority sectors", subject to certain exemptions permitted by RBI from time to time. Priority sector advances include loans to agriculture, small-scale industry and services, loans to sectors deemed "weaker" by RBI, housing and education finance up to certain ceilings, lending for specific infrastructure projects and investments in instruments issued by specified institutions. The Bank is required to comply with the priority sector lending requirements as of the last reporting Friday of March of every fiscal year. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with Government sponsored Indian developmental banks such as the National Bank for Agriculture and Rural Development (NABARD) and SIDBI. These deposits have a maturity of up to seven years and carry interest rates lower than market rates.

A summary of the Bank's priority sector lending position as of the last reporting Friday in March over the last three years is as follows:

Rs. in crores

	As of last reporting Friday on March		
	2004	**2005**	**2006**
Agricultural Advances	*1,111*	*1,605*	*2,913*
Small Scale industry and services	*263*	*662*	*124*
Other priority sector lending	*2214*	*3686*	*4744*
Total	**3588**	**5,953**	**7,781**

Agricultural Financing

RBI requires the Bank to lend 18% of net bank credit to the agricultural sector. In light of future business prospects in the Indian agricultural and related sectors, we have identified agricultural lending as an area of potential growth.

The Bank has a diverse range of schematic products such as tractor loans, the Kisan Credit Card (credit facilities to farmers for various requirements), loans against pledges of gold ornaments and contract farming to cater to the varied requirements of the agricultural sector. The Bank is in the process of introducing additional schematic products such as advances to commission agents, warehouse receipt financing and cattle loans. The Bank has opened eleven rural branches, which are expected to facilitate the Bank's growth in agricultural lending. In order to provide a strategic focus to agricultural lending, there was a significant reorganisation project, undertaken by adopting a cluster-centric approach for agricultural lending in areas, which exhibited potential for such activities. Nine agricultural clusters have since been formed as a result of such initiative. In addition, the Bank has established relationships with various companies and co-operatives in the plantation, poultry and seed sectors and meets their project financing and working capital requirements.

The Bank's strategy in agricultural lending is based on a comprehensive view of the agricultural value chain, a focus on diversification and partnerships with other companies in the agricultural sector, micro finance and other rural institutions and non-governmental organisations that have close links to the agricultural sector. The Bank has also devised a separate risk evaluation model for agricultural loans with an objective to measure and mitigate the risk involved in financing this sector.
There has been considerable improvement in the rural infrastructure in select geographies in India in recent years. The Bank's agricultural financing initiatives are largely focused on regions where the need for credit has consequently increased. The Bank intends to develop its agricultural finance business by:

There has been considerable improvement in the rural infrastructure in select geographies in India in recent years. The Bank's agricultural financing initiatives are largely focused on regions where the need for credit has consequently increased. The Bank intends to develop its agricultural finance business by:

- offering a comprehensive range of products to individual farmers in select geographies covered by an adequate number of rural branches;
- offering suitable credit and other banking products to farmers supplying inputs to large corporations in agri-business (contract farming);
- offering suitable products to various members in the supply chain in the agriculture business (such as warehouses and cold storage units); and
- leveraging upon the Bank's technology platform to distribute the Bank's offerings in rural areas in a convenient and cost effective manner.

As of the last reporting Friday of fiscal year 2006, the Bank's outstanding portfolio in the agricultural sector amounted to Rs. 2913 crores compared to Rs. 1605 crores on the last reporting Friday of fiscal year 2005.

Housing Finance

RBI requires banks in India to lend up to 3% of their incremental deposits in the previous fiscal year for housing finance. This can be in the form of home loans to individuals (up to a certain ceiling) or investments in debentures and bonds of the National Housing Bank and housing development institutions recognised by the Government. A portion of housing finance lending qualifies as priority sector lending. As of 31 March 2006, the Bank's housing finance related lending amounted to Rs. 2650 crores and as of 31 March 2005 it amounted to Rs. 1131 crores.

Export Credit

RBI requires banks to lend to exporters, as part of its directed lending requirements, at concessional rates of interest. Pre-shipment and post-shipment export credit requirements applicable to exporter borrowers are provided both in Indian rupees and foreign currencies. RBI requires banks to lend, in the form of export credit, 12% of their net bank credit for each fiscal year-end. This is in addition to the priority sector-lending requirement. However, credits extended to exporters that are small-scale industries or small businesses may also meet part of the priority sector lending requirement. RBI provides export refinancing for an eligible portion of total outstanding export loans at the bank rate prevailing from time to time. Banks also earn fees and commissions from these exporter customers, in addition to the interest income earned on export credits, from fee-based products and services provided to them. As of the last reporting Friday of fiscal year 2006, the Bank's outstanding export credit amounted to Rs. 744 crores, constituting 3.39% of the Bank's net bank credit, and as of the last reporting Friday of fiscal year 2005 the Bank's outstanding export credit amounted to Rs. 728 crores, constituting 5.01% of net bank credit.

A summary of the Bank's advances for the last three years is presented below

(Rs. in crores)

As on 31 March	2004	2005	2006
Advances	9362.94	15602.92	22314.23
Out of which			
- Retail Assets	2051.79	4183.68	6489.93
- Corporate Assets	7311.15	11419.24	15824.30
	9362.94	**15602.92**	**22314.23**
- Priority Sector	2456.22	4403.59	7729.93
- Public Sector	14.50	38.34	63.60
- Banks	0.25	1.98	25.17
- Others	6891.99	11159.02	14495.50

Top Sector exposure of the Bank as on 31 March 2006 is presented below:

Rank	Sectors	% of Total Corporate Credit
1	Financial Intermediaries- HFCs	6.35
2.	Financial Intermediaries- NBFCs	5.76
3.	Textiles	5.44
4.	4 Real Estate Developers	4.99
5.	Chemicals & Chemical products	4.70
6.	Drugs & Pharmaceuticals	3.25
7.	Entertainment	2.78
8.	Infrastructure constructions	2.62

Credit Selection Strategy

The Bank's criteria for acceptability of corporate credit include:

- an acceptable internal credit rating (BBB and above for large corporates and SME4 (moderate safety) and above for borrowers in SME segment);
- significant probability of credit rating enhancement in the medium term;
- strong cash flows;
- satisfactory quality of management in terms of past track record of performance and
- reputation of competence, integrity and respectable corporate governance practices;
- sustainability of the borrower's business model in the long term, especially in a post-WTO and trade liberalisation regime characterised by lower import duties;
- market leadership within the segment;

- likely future leader in emerging businesses;
- acceptable security and credit enhancement measures; and
- reasonable pricing.

The Trend of Gross and Net NPA for the last three years is presented below

	31 March 2004		31 March 2005		31 March 2006	
	Gross NPA Ratio	**Net NPA Ratio**	**Gross NPA Ratio**	**Net NPA Ratio**	**Gross NPA Ratio**	**Net NPA Ratio**
Indian Operations	2.40	1.53	1.07	1.03	1.28	0.75
Non-Indian Operations	-	-	-	-	-	-
Total Ratio	2.40	1.53	1.07	1.03	1.28	0.75

Movement in provision for Non Performing Assets (NPA) is set out below:

Rs. in crores

	31 March 2004	31 March 2005	31 March 2006
Opening Balance at the beginning of the year	68.29	165.55	98.69
Additions during the year	260.02	4.44	89.53
Recoveries/write-offs/write back during the year	(162.76)	(71.3)	(30.1)
Closing Balance during the year	165.55	98.69	158.12

Pricing Policy

The Bank prices its loans with reference to a benchmark prime lending rate (the BPLR). The BPLR is based on cost of funds, business operations costs, provisions and yield curve expectations. The BPLR of the Bank is currently 13% per annum.

The Bank prices its credit products based on its assessment of risk of borrowers, largely based on:

- internal credit rating of customers;
- tenor of the loan;
- the specific structure of the product (such as embedded options);
- available collateral; and
- market conditions.

Business Current Accounts

The Bank offers a range of current account products to meet the needs of various customer segments such as SMEs, traders, exporters, large corporations and other institutions. These products offer flexibility to customers to choose from five options with varying minimum average quarterly balance commitments and charge structures. In addition to conventional banking facilities, these accounts offer a multi-city, AT PAR payable cheque-book facility and an "Anywhere Banking" facility across all of the Bank's branches. In addition to the Bank's branches and ATMs, customers can access and conduct transactions in their accounts online through Corporate I-Connect, the Bank's internet banking platform, or can access account information through a tele-banking facility and mobile banking facility.

Customers are subject to transaction charges including charges for non-maintenance of minimum balances. The Bank had 237,709 business current account relationships as of 31 March 2006. The average balance of the Bank's business current accounts during fiscal 2006 was Rs. 4428 crores with an outstanding balance of Rs.7864 crores as of 31 March 2006.

Business Assets

To meet the growing credit requirements of the Small Business Enterprises, in fiscal year 2006 the Bank launched a competitive range of collateralised asset product offerings within the business banking department and achieved an asset level of Rs. 107 crores as of 31 March 2006.

Cash Management Services

Through the Bank's cash management services, the Bank's corporate and institutional clients are offered customised solutions such as collection, payment and remittance services allowing them to minimise the time gap between collections and remittances, thereby improving their cash flows. Cash management products include local and remote collections with the pooling of funds in a central account along with a customised management information system (MIS) including online viewing of transactions through the Bank's internet interface. In addition to collections, the Bank also offers local and remote payments through customer cheques and bulk demand drafts with centralised or remote printing, electronic clearing services, disbursement of dividend and interest, remittance services and internet-based payment products.

Electronic payment facilities are offered to government, corporate and institutional customers for payments to their vendors or suppliers through various modes such as electronic clearing and funds transfer facilities and direct credit facilities for common customers. These services offer a high level of convenience because no physical instruments are required and all transactions are effected electronically.

To respond to increasing customer demand, the Bank has established correspondent relationships with smaller local banks in India to offer a broader distribution network for its cash management services. As a result of these correspondent banking relationships, cash management services are provided at over 3,000 locations in India, with a capability of extending the network to other remote locations depending on need. The Bank also offers its services and network of 226 cash management service locations to other private and foreign banks as a correspondent bank.

Customers are charged a fee for these services based on the number and size of transactions, the location for cheque collection and the expected date of credit to the customer accounts. Apart from fees, the Bank also benefits from holding the funds for a period of time before they are required to be deposited in the customers' current accounts.

The total volume of cash management services processed by the Bank was Rs. 210977 crores for the year ended 31 March 2006. As of 31 March 2006, the Bank had 1,432 cash management service customers.

Government Business and Tax Collections

In July 2001, the Bank became the first Indian private sector bank to be authorised by the Government and RBI to collect taxes on behalf of the State of Andhra Pradesh on a pilot basis. In October 2003, the Bank's authorisation was extended, permitting it to offer banking services to various Central Government ministries and departments and other State governments and union territories, including collection of direct and indirect taxes on behalf of the Government and State governments.

Currently, the Bank accepts income and other direct taxes and central excise and service taxes through its authorised branches. The Bank also handles disbursement of civil service and defence pensions through its authorised branches. Additionally, the Bank is providing collection and payment services to four Central Government Ministries/Departments and seven State Governments/Union Territories. The Bank has taken up new business of stamp duty collection through franking on behalf of two State Governments, Maharashtra and Gujarat, in fiscal year 2006.

The total government business turnover handled by the Bank for the year ended 31 March 2006 was Rs. 27,888 crores. RBI pays a fee for all government businesses (collections and payments) handled as its agent and the Bank has earned fee income of Rs. 18.43 crores for the year ended 31 March 2006 for providing such services.

E-Governance Initiatives

Central and State governments have undertaken e-Governance initiatives aimed at providing better citizen services by setting up integrated citizen facilitation centres. The Bank is aggressively seeking to participate in e-Governance initiatives. The Bank is presently associated with the "eSeva" initiative of the government of Andhra Pradesh, the "Sampark" initiative of the government of Chandigarh Union Territory and the 'Bangalore One' initiative of government of Karnataka.

Additionally, the Bank is also providing e-Payment facility for payment of central excise and service tax through the Internet for its customers, as part of the e-Governance initiative of Central Board of Excise & Customs.

The Bank is also seeking to participate in the e-Governance initiatives of various government departments (such as Railways and Defence establishments) with offerings of single window payment system at which the Bank undertakes payments to suppliers, contractors and other vendors through multiple electronic channels like Electronic Fund Transfers/Non-Electronic Fund Transfers.

The Bank receives fee income on all State government revenues collected at these citizen facilitation centres and also earns income on non-interest bearing deposits made into user department accounts opened by the Bank in connection with these services.

Capital Markets

Debt Syndication

The major activities carried out in this area are:

- assessing client debt profiles and funding requirements;
- advising on suitable instruments and structure, including cost reduction measures, pricing and timing of taking the instrument to market; and
- placement and syndication in the form of bonds and debentures or loans by way of distribution among various investors and lenders.

The Bank has developed a strong relationship with other banks, financial institutions, mutual funds and provident funds, among others. In the league table of arrangers, the Bank has been ranked first by Bloomberg for the calendar year 2005 for Indian Domestic Bonds (underwriter league table).

We have been ranked as "No. 1" by Prime Database for the nine-month period ended 31 December 2005. We have also been named the "India Bond House of the Year" for the year 2005 by IFR Asia. The Bank acted as arranger for issues of bonds and non-convertible debentures (**Debentures**) totaling Rs. 20,481 crores and Rs. 34,540 crores during fiscal year 2005 and fiscal year 2006, respectively. We have also acted as arranger for rupee term loans and foreign currency loans and syndicated an amount of approximately Rs. 10,000 crores during fiscal year 2006.

Equities Issue Management

The Bank is authorised by SEBI to function as a Category one merchant bank to engage in domestic equity capital market offerings and performing certain other capital markets related services including underwriting and management of public and rights issues, open offers/takeovers and buyback programmes.

Corporate and Financial Advisory

The Bank's advisory services have been developed with a focus on infrastructure and other core sector projects. The advisory assignments handled by the Bank cover various sub-sectors such as roads, railways, power, seaports, airports and other green-field and brown-field projects through consultancy for preparation and vetting of business plans, advising on capital structuring, funding options and assisting in financial closure of the projects. The range of advisory services also includes financial restructuring and diagnostic studies for various public and private sector corporations involving re-evaluation of their capital structures to maintain financial competitiveness and enhance operating efficiencies. The Bank also assists clients in executing financial restructuring plans as well as in fund-raising to refinance high-cost capital. The Bank also advises the Government and State governments and their agencies on financing and restructuring arrangements. The Bank earned fees from debt syndication, issue management and corporate advisory services of Rs. 56.71 crores in fiscal year 2006 and Rs. 74.16 crores in fiscal year 2005.

Trusteeship and Securitisation

The Bank, as a debenture trustee, is registered with SEBI to provide trusteeship services to the holders of debentures issued by various corporations. As part of its trusteeship services, the Bank, among other things, holds the security for the debentures, monitors compliance with the various terms of the issue or indenture and keeps investors apprised.

The Bank acts as a trustee for debenture holders and held assets under trust totaling Rs. 84,000 crores as of 31 March 2006. The Bank also acts as the investors' representative or trustee for various securitisation issues.

Capital Markets Services

The Capital Markets Division of the Bank handles clearing and settlement activities for the following exchanges:

- BSE;
- NSE;
- National Commodity & Derivative Exchange Ltd. (**NCDEX**); and
- Multi Commodity Exchange (**MCX**).

The Bank is a professional clearing member in the futures and options segment of the NSE and provides the NSE and BSE stockbrokers and NCDEX and MCX commodity exchange members fund-based and non-fund-based facilities for carrying out their operations.

Depositary Participant Services

The Bank acts as a depositary participant with the National Securities Depository Limited and Central Depository Services (India) Ltd., a service for which the Bank earns fees from accountholders.

As of 31 March 2006, the Bank held 166,511 dematerialised, or demat, accounts as compared to 154,033 demat accounts as of 31 March 2005.

Retail Banking

The Indian retail banking and financial services market is growing due to higher household incomes and increasing consumer credit demand. In order to take advantage of increasing demand, we have developed a wide network of fully inter-connected retail branches, extension counters, ATMs, Retail Asset Centres, an internet banking channel, a call centre and mobile banking. The Bank's retail strategy is based on network expansion, building product differentiators, customer segmentation, sales effectiveness and providing quality customer service. Branches distribute liability accounts, debit cards, travel cards and remittance cards, have point-of-sale terminal machines and depository services and sell third party products such as mutual funds and savings bonds issued by the Government. Retail Asset Centres distribute retail credit products such as home loans, personal loans, vehicle loans and educational loans. The Bank is focused on shifting customer transactions to low cost alternative channels and cross selling between liability, asset, cards and third party products to maximise income

Retail Deposits

The Bank's retail deposit products include the following:

- *Term Deposits.* Tenure based deposits of a fixed amount over a fixed term that accrue interest at a fixed rate and may be withdrawn before maturity in accordance with applicable rates.

- *Recurring Deposits.* Tenure based periodic deposits of a fixed amount over a fixed term that accrue interest at a fixed rate and may be withdrawn before maturity in accordance with applicable rates by paying penalties.

- *Savings Bank Accounts.* Demand deposits for retail customers that accrue interest at a fixed rate set by RBI (currently 3.5% per annum) and offer withdrawal facility through cheque books and debit cards.

In addition to the Bank's conventional deposit products, it offers a variety of special value-added products and services thereby increasing product offerings and providing greater convenience for customers.

Adopting a customer-centric segmentation strategy, the Bank offers differentiated liability products to various categories of customers depending on one or more factors such as age group, gender, income and occupation. While Priority Banking services group caters to high net worth individuals, the Savings Bank Easy Account provides a low frills product. We have also launched savings bank products for senior citizens, trusts and non-government organisations (**NGOs**). The Bank's payroll account scheme, or "Salary Power", offers customised products for the employees of defence services, corporations, Government and other public sector entities.

Easy Access Savings Bank Account
The product aims at offering prompt banking services with accessibility to the account through the Bank's network of over 450 branches and extension counters and 2000 ATMs, the internet, the Bank's call centre, mobile banking and its AT PAR Cheque book product. As of 31 March 2006, this segment accounted for deposits of Rs. 3354 crores, constituting 41.59% of the Bank's total savings bank deposits, which represents an increase from Rs. 2193 crores as of 31 March 2005.

Senior Privilege Account
In order to serve the emerging population of wealthy senior citizens in India, we have launched the Senior Privilege Account. The account offers convenient banking, personalised service and other privileges such as utility bill payments, tax filing and tax advisory, thus catering to the financial and non-financial needs of senior citizens. As of 31 March 2006, this segment had deposits of Rs. 340 crores, constituting 4.22% of the total savings bank deposits of the Bank, which represents an increase from Rs. 242 crores as of 31 March 2005.

Savings Bank Account for Trusts and NGOs
The Bank has also launched a Savings Bank product for the Trusts, Societies, and NGO segment. The product provides banking solutions by leveraging the "Anywhere Banking" platform of the Bank, the AT PAR Chequebook facility (which has no upper limit) and other value-added services. As of 31 March 2006, this segment accounted for Rs. 945 crores in deposits, constituting 11.72% of the total savings bank deposits of the Bank, which represents an increase from Rs. 581 crores as of 31 March 2005.

Payroll Account Scheme
To offer complete banking solutions to salaried employees, the Bank has introduced a comprehensive payroll product called "Salary Power" which provides centralised payroll solutions to corporations and institutions. Salary Power provides employees with a complete range of banking services on a preferred basis and allows the employer to manage salaries across various centres, with the employee benefiting from a range of value added services including retail loans, overdrafts, and concessional average balance requirements. Salary Power has been further segmented into four categories, namely Corporate, Public Sector Undertakings, Government and Defence. As of 31 March 2006, the payroll account scheme segment, which was used by a total of 16,000 corporations and other institutions accounted for savings bank deposits of Rs. 2034 crores, constituting 25.22% of the Bank's total savings bank deposits, which represents an increase from Rs. 1211 crores as of 31 March 2005.

Encash 24 Account
The Bank's Encash 24 account is a savings account linked to a time deposit product that offers the customer the liquidity of a savings account as well as higher returns of a time deposit. This product provides weekly automatic transfer of idle balances above a certain minimum amount from savings accounts to time deposits, resulting in higher yields for the customer. Whenever there is a shortfall in the customer's savings account, deposits are automatically transferred from the time deposit account to meet the shortfall.

Priority Banking
The Bank's Priority Banking initiative targets the high net worth customer segment and caters primarily to their banking and investment needs. The Priority Banking service offers customers competitive pricing on asset products and preferred rates for select services, along with personalized service.

The Bank offers facilities such as doorstep banking and an exclusive debit card with free usage at any Visa ATM to Priority Banking customers. In addition, the Bank's Priority Banking service provides customers with financial planning and investment advisory services. The services include investment advice across products such as savings bank, fixed deposits, bonds and mutual funds based on the customer's risk appetite.

The key driver of the growth of retail business has increasing customer segmentation leading to customized product offering. The strategy has proved successful, with business growing strongly across various customer segments during 2005-06 as indicated below:

Savings Bank Product	Customer Segment	Growth in Savings Bank balances (%)	Growth in number of customer account (%)
Priority Banking	High Networth	115	114
Senior Privilege	Affluent Senior Citizens	41	38
Salary Power	Salary Earning Employees	68	42
Easy Access	Base Saving Bank Account	53	52
Saving Bank for Trust	Trust, Association, Societies & NGOs	63	80

Mutual Fund Sales
The Bank has distributed mutual fund products of all major asset management companies in India. These products are sold through the Bank's branch distribution network. The Bank earns fee income in the form of up-front and/or trail commissions. Mutual funds are also distributed through alternate channels such as ATMs.

Government of India Savings Bonds

RBI has granted permission to the Bank to sell Government Savings Bonds. These Bonds are effectively sold across the Bank's branch distribution network for which it earns fee income.

Bancassurance

Pursuant to Indian regulations, the Bank may partner with only one General Insurance Company. The Bank is a corporate agent of Bajaj Allianz Insurance Company (Bajaj Allianz) and distributes products underwritten by Bajaj Allianz. Apart from standard tariff products, such as motor or fire insurance products, the Bank also sells non-tariff products such as health and home insurance products. The Bank also sells exclusive co-branded products and products that are bundled with the Bank's liability products and other corporate products. All of these products are sold through the Bank's branch network.

Retail Lending Activities

The growth of retail and consumer lending in India is a consequence of growing affluence and changing consumer behaviour. This growth is evidenced by the utilisation of credit for consumer asset acquisition. The Bank has identified this activity as one of its core growth areas. The Bank's focused marketing approach, product innovation, risk management systems and competent back-office processes contribute to the strength of the Bank's retail lending strategy. The target market identified for retail loans is salaried, self-employed professionals and other self-employed individuals.

The Bank offers a variety of retail credit products such as home mortgage loans, automobile loans, commercial vehicle loans, two wheeler loans, personal loans, consumer loans, education loans, loans against time deposits and loans against shares. The major components of the Bank's retail asset portfolio are home and mortgage finance, personal loans and automobile finance. The Bank's net retail loan portfolio as of 31 March 2006 and 31 March 2005 was Rs. 6490 crores and Rs. 4184 crores, respectively. This constituted 29.08% and 26.81% of the Bank's net loan portfolio as of 31 March 2006 and 31 March 2005, respectively. These loans are provided by the Bank directly through Retail Asset Centres in metropolitan areas and major cities of India, through Satellite Retail Asset Centres in other cities and towns and also through branches in cities where the Bank does not have a Retail Asset Centre or Satellite Retail Asset Centre. The Retail Asset Centres and Satellite Retail Asset Centres serve as the focal point for marketing, distribution and servicing of retail loan products.

Retail Loan Portfolio by Category

The Bank's retail loan portfolio consists of schematic and non-schematic loans. The portfolio mainly consists of automobile loans (39.51%), residential mortgage loans (40.83%), personal loans (12.10%), other schematic loans (consumer and education loans) (0.58%) and non-schematic loans (loans against deposits and loans against shares) (6.98%). The Bank's retail loan portfolio by product is set out below.

Rs. in crores

	As of last reporting Friday on March		
	2004	**2005**	**2006**
Consumer Durable Loans	*37*	*24*	*22*
Automobile Loans	*1235*	*2481*	*2564*
Home Loans	*363*	*1132*	*2650*
Personal Loans	*129*	*158*	*785*
Educational Loans	*12*	*14*	*15*
Total Schematic	***1776***	***3809***	***6036***
Non-Schematic	***276***	***375***	***454***
Total	**2,052**	**4,184**	**6,490**

Home loans, personal loans and automobile finance have been major contributors to the increase in the Bank's retail loan portfolio. The Bank's retail loan portfolio also includes loans acquired through portfolio buy-outs.

Home Loans

The Bank's home and mortgage finance business involves extending long-term secured housing and commercial property loans to individuals, both for acquisition purposes as well as for liquidity. Currently, these loans are being offered to individuals for the purchase, construction and extension of residential and commercial premises. As of 31 March 2006, the Bank's total home and mortgage finance portfolio totalled Rs. 2650 crores, which predominantly comprised floating rate loans, representing approximately 40.83% of the Bank's total retail asset portfolio.

Personal Loans

Personal loans are unsecured loans provided to customers for various purposes such as medical expenses, social and lifestyle obligations, and are generally repayable over four years. As of 31 March 2006, the Bank's personal loan portfolio totalled Rs. 785 crores, which represented approximately 12.10% of its total retail asset portfolio.

Automobile Finance

Automobile finance, which includes financing two wheelers, four wheelers and commercial vehicles, involves providing consumer credit for an average period of three to five years to acquire a new or used vehicle. Automobile loans are secured by a lien on the purchased asset. As of 31 March 2006, the Bank's total automobile finance portfolio of Rs. 2564 crores represented approximately 39.51% of its total retail asset portfolio. The Bank has developed relationships with several established non-banking finance companies in India, providing both direct automobile finance (to individual borrowers) as well as indirect automobile finance (portfolio buy-outs).

Credit Evaluation: Retail Loans

For retail loans to individuals for the purchase of automobiles, two wheelers and commercial vehicles, personal loans and margin loans against securities, all prospective borrowers are granted loans only if they pass the credit evaluation process. The Bank has devised a credit-scoring sheet for all types of loans. For a loan to be approved, a minimum cut-off score has to be achieved by a borrower. This credit rating mechanism is periodically updated and reviewed.

Other Products and Services

Debit Cards

The Bank is one of the largest issuers of debit cards in India and offers international debit cards to its customers in association with Visa and MasterCard. These debit cards provide customers with 24-hour access to their funds through the Bank's ATMs as well as any Visa or MasterCard enabled ATMs and merchant establishments across the world. The Visa card is on the Visa Electron Platform and is a photo signature card while the MasterCard debit card is on the un-embossed MasterCard platform. The Bank was the first in India to launch a debit card on the MasterCard un-embossed platform. Both debit cards have comprehensive insurance coverage. The debit card base of the Bank was 4 million cards as of 31 March 2006.

Travel Currency Cards

The Bank was the first Indian bank to introduce travel currency cards, a foreign currency denominated pre-paid card. The card can be used at any Visa ATM and at merchant establishments globally. The card is issued in five currencies, namely U.S. dollars, Euros, Pounds Sterling, Canadian dollars and Australian dollars on the Visa Flag platform. The card offers a safe and cost effective alternative to carrying cash and travellers cheques. The Bank markets this card through its branches as well as through a programme with selected money changers. The Bank earns an interchange fee of 1.1% of the amount of the transaction when the card is used at merchant establishments, in addition to foreign exchange income at the time of sale of the card and cross currency transactions.

Remittance Cards
The Bank was the first bank in India to launch a "Remittance Card". The card facilitates access to foreign inward remittances. The Bank earns foreign exchange revenue in addition to an issuance fee of Rs. 250 per card.

Card Acceptance Business
The Bank offers card acceptance services to merchant establishments in India and had an installed base of 21,084 point-of-sale terminals as of 31 March 2006. Both Visa and MasterCard are accepted at these terminals. The Bank earns a negotiated merchant service fee from the volumes transacted at these point-of-sale terminals and also benefits from the float in the merchant current accounts.

Retail Banking — Fee Income
Fee income is generated from ATM interchange transactions, cards, safe deposit lockers, service charges on deposit transactions, processing fees from retails loans as well as fees earned from third-party product sales. Fee income from Retail Banking activities amounted to Rs. 151.6 crores in fiscal 2006, as compared to Rs. 83.10 crores in fiscal 2005 and Rs. 35.60 crores in fiscal 2004.

Non-Resident Products and Services

The Bank offers a wide range of banking, investment and advisory services to the NRI community. Major products offered to NRIs are described below.

Foreign Currency Non-Resident Deposits
These are foreign currency deposits offered in six major currencies: the U.S. dollar, the Pound Sterling, the Euro, the Japanese yen, the Australian dollar and Canadian dollar. The principal as well as the interest on these deposits are fully repatriable outside of India. The term of these deposits ranges from a minimum of one year to a maximum of five years. Interest rates on these deposits are fixed on a monthly basis and are linked to the LIBOR rates for respective currency and corresponding maturities.

Non-Resident External Fixed Deposits
These deposits are established in India and are maintained for periods from a minimum of one year to a maximum of ten years. The principal and interest from these accounts are fully repatriable outside of India. Interest rates on these deposits are fixed on a monthly basis and are linked to the LIBOR/SWAP rates for U.S. dollar deposits of corresponding maturities. Loans against these deposits are granted for up to 90% of the deposit amount.

Non-Resident Ordinary Deposits
These products are offered primarily to NRIs who also have income derived in India. These products are offered as savings bank deposits as well as fixed deposits. The interest rates and terms are structured along the same lines as domestic deposits. While the principal is not repatriable, except in certain cases, the interest paid is repatriable, net of payment of applicable taxes in India.

Non-Resident External Savings Account
Non-Resident External Savings Accounts are maintained in Indian rupees. An international debit card, which provides access to Visa ATMs across the world, is issued with such accounts. Interest rates on these deposits are currently 3.50% per annum. An internet banking facility is also available on these accounts to facilitate account management from overseas. The balances in these accounts are fully repatriable outside of India.

The Bank's aggregate NRI deposit portfolio totalled Rs. 1684 crores, Rs. 1135 crores and Rs. 1027 crores as of 31 March 2006, 2005 and 2004, respectively.

Portfolio Investment Scheme
The Bank is authorised by RBI to maintain accounts under the Portfolio Investment Scheme with 20 of its branches and to issue approvals to NRIs requiring delivery based trading in shares and convertible debentures on Indian stock exchanges. The Bank provides these services, which include facilitating payment and receipt of funds for investment transactions, monitoring regulatory ceilings and computation and payment of taxes on capital gains.

Remittance Services
To facilitate remittances from the Middle East into India, the Bank has established alliances with Exchange Houses and commercial banks. The remittances are made in a seamless manner through technology enabled channels that are secure, fast and cost effective for the remitters. The Bank has also established a remittance channel to serve NRIs in countries such as the United Kingdom, the United States and Canada through an alliance with TimesofMoney.com using their product, Remit2India, to send NRI remittances to India. This service is available to beneficiaries maintaining accounts with the Bank or with other banks in India.

Tax Advisory Services
The Bank has retained the services of a firm of chartered accountants with expertise in NRI taxation to provide tax advisory services to the Bank's NRI customers through the Bank's internet-based facilities.

Delivery Channels

The Bank distributes its products and services through various access points ranging from traditional bank branches to ATMs, call centres, telephone and the internet. Investment in alternate distribution channels is part of the Bank's effort to migrate customers to lower cost electronic delivery channels. The Bank's channel migration effort is aimed at reducing cost while enhancing customer satisfaction levels by providing customers access to their accounts at all times. During fiscal year 2006, 93% of the total cash withdrawals of the Bank's savings bank customers were routed through the ATM channel.

Branch Network
The Bank had a network of 355 branches, 95 extension counters and 1,891 ATMs covering 258 locations as of 31 March 2006 (373 branches, 95 extension counter and 2000 ATMs as on 30 August, 2006). An extension counter is a service outlet, linked to a branch. It is ordinarily situated within the precincts of institutions such as schools, colleges and hospitals, offering banking services. Before setting up a branch, the Bank undertakes a detailed study of the demographic factors of an area to assess its business potential. Branch premises are generally leased. Back-office operations are centralised at a central processing unit in Mumbai, allowing the Bank's branch network to focus on business acquisition and expanding customer relationships. As part of its branch licensing conditions, RBI has stipulated that at least 25% of the Bank's branches must be located in semi-urban or rural areas. A semi-urban area is defined as a centre with a population of more than 10,000 but less than 100,000. A rural area is defined as a center with a population of less than 10,000.

The following table sets forth the number of the Bank's branches, classified by category, as of 30 August 2006.

	No. of Branches	% of Total
Metropolitan	*146*	35.60%
Urban	*154*	38.32%
Semi Urban	*63*	22.83%
Rural	*10*	3.26%
Total*	***373***	***100.00%***

*Includes nine service branches which conduct non customer interface support activities and which are excluded from the RBI requirement of maintaining at least 25% of branches in semi urban or rural category

ATMs

As of 30 August 2006, the Bank had installed 2000 ATMs. These ATMs are located at the offices of certain corporate clients, large residential and commercial developments, gas stations and along major roads in cities. Apart from offering services to its own cardholders, the Bank's ATMs also process Visa, Visa Electron, Master Card, Cirrus and Maestro card transactions. The Bank has entered into ATM sharing arrangements with other banks, which allow its customers to access their accounts with the Bank through the ATM networks of these banks in addition to the Bank's own network. Similarly, customers of these banks can also access their bank accounts using the Bank's ATM network.

Due to the diversity of regional languages used in various parts of India, the Bank's ATMs offer multilingual screens. Other facilities offered through ATMs include payment services for insurance premium payments and for purchasing mobile talk-time.

Internet Banking Services

The Bank offers internet banking services to its customers through its website, www.utibank.com

The provision of internet banking has been a cost effective tool in increasing the Bank's market share in retail banking. Services offered to the Bank's internet banking customers include online access to account information, placement of requests for demand drafts, cheque book, secure mail box facility for communicating with the Bank, payments of utility bills and credit card bills, transfer of funds to a customer's account or to a third party account within the Bank. As of 31 March 2006, over 18,93,000 of the Bank's accounts were registered to use internet banking facilities.

Mobile Phone Banking

The Bank's mobile phone banking services are available to its customers using any cellular telephone service operator in India. Savings bank account and current account customers can view their account details on their mobile phones. The customers are either alerted to transactions in their account or can request information about their account through the Short Messaging Service.

Online Bill Payment

The Bank has also entered into arrangements with several telecommunication companies, utility providers, an insurance company and internet shopping portals for online payment of bills by its internet banking customers. Most of these services are offered in order to migrate customers to preferred banking channels and to build the Bank's user base. The Bank generates revenue from these services either on a fee per transaction or variable fee based on the ticket size of the transaction.

Sales Channel

The Bank employs a frontline sales force to source its liability products. The sales force, which sources a basket of liability products, currently contributes 73% of new business acquisitions and is a critical resource in the Bank's aggressive customer acquisition strategy. This sales force included 963 employees as of 31 March 2006, compensated by a remuneration package which is largely performance based. Members of the sales force are based at all branches and extension counters and their performance is monitored at both the regional as well as the Bank's corporate office levels. The Bank has also recently set up a wholly-owned subsidiary for the marketing of retail assets and proposed credit cards. The advantages of such an entity stems from its ability to attract better quality sales personnel, optimise on production, minimise costs and provide greater control and monitoring of the sales efforts as compared to the current direct selling agent (**DSA**) model.

Treasury

The Treasury department manages the funding position of the Bank and also manages and maintains its regulatory reserve requirements. In addition, the Treasury department also manages the foreign exchange resources of the Bank and invests in commercial paper, mutual funds, certificates of deposit and floating rate instruments as part of the management of short-term surplus liquidity. A wide range of treasury products and services are also offered to corporate customers in the form of derivative instruments such as forward contracts, interest rate swaps, currency swaps, options, forward rate agreements and structured foreign exchange and interest rate products. The Bank's income from investing in corporate debt and equities is included under Treasury Operations for the purpose of segmented reporting. These activities of the Bank are otherwise undertaken by the Capital Markets department.

Funding and Balance Sheet Management

Deposits

The Treasury department raises term liabilities according to the Bank's requirements in view of prevailing interest rates and liquidity. Wholesale deposits are raised from corporate institutional customers, mutual funds and banks through term deposits, certificates of deposits (**CDs**) and borrowings. An appropriate mix between deposits and borrowings is sought.

The Treasury department manages short-term liquidity through short-term borrowings such as overnight inter-bank borrowings, collateralised borrowing and lending obligations (**CBLO**), Repo, rediscounting bills and through other money market operations. The Bank raises foreign currency borrowings from local banks and foreign counterparties. The Bank also raises retail foreign currency deposits from NRIs at rates regulated by RBI.

The table below describes the deposits position of the Bank as of specified dates.

Rs. in crores

As at 31 March	2004	2005	2006
Savings Bank	*2584*	*4891*	*8065*
Current Account	*5394*	*7155*	*7970*
Term Deposits	*12976*	*19666*	*24078*
Total Deposits	**20954**	**31712**	**40113**

In the Treasury department, the fund management desk conducts market operations by borrowing and lending in the domestic call money market, CBLO and through repurchase transactions with RBI and other approved banks and institutions. The Treasury department ensures day-to-day funding for branch operations and asset build-up. Since these CRR balances earn nominal interest from RBI, the funding desk also ensures that only optimal CRR balances are maintained and that additional surpluses are deployed in the form of short-term investments in commercial paper, CDs or debt schemes of mutual funds.

A maturity profile of assets and liabilities at 31 March 2006 is set out below:

(Rs. in crores)

Liabilities	1 to 14 days	15 to 28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	4,964.76	1,539.41	5,376.98	3,312.69	8,407.45	15,347.34	836.27	328.63	**40,113.53**
Borrowings	330.00	100.00	144.62	762.74	201.26	1,102.21	0.24	39.86	**2,680.93**
Assets									
Investments	4,168.81	1,178.05	3,847.60	1,313.07	2,117.87	5,480.61	1,500.19	1,921.15	**21,527.35**
Advances	1,035.85	83.62	852.63	1,129.80	1,696.36	8,268.10	4,230.72	5,017.15	**22,314.23**

Classification of assets and liabilities under the different maturity buckets are compiled by management based on the guidelines issued by the RBI and are based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI.

The Treasury department measures and monitors the spreads of the Bank. Yields on assets and cost of funds are monitored on an ongoing basis. Maturity profiles of new deposits are adjusted to ensure that the Bank reaches its targeted spreads and that its liquidity profile remains comfortable.The funding desk considers suitable hedging options for items on the balance sheet at appropriate times to protect or increase the Bank's spreads.

The table below provides details of the net interest income and net interest margin for the accounting periods ended on specified dates.

As at 31 March	2004	2005	2006
Net Interest Income (Rs. in crs)	*577*	*731*	*1078*
Net Interest Margin (%)	*3.12*	*2.90*	*2.85*

Foreign Exchange and Derivatives

The trading desk deals in several major currencies and manages the Bank's exposure through foreign exchange and money market instruments within the guidelines and limits stipulated by RBI and management. Appropriate internal limits for counterparty and currency exposure are in place. The Bank is a market maker in the spot and forward exchange markets.

Foreign exchange trading income has grown significantly over the last three years. Profits increased from Rs. 16.7 crores in fiscal year 2003 to Rs. 86.90 crores in fiscal year 2006. The Bank offers both off-the-shelf and specifically structured products to its customers to meet funding and risk management requirements in foreign currencies.

The Bank offers forward contracts to customers to hedge against exchange risk on foreign currency receivables and payables, usually up to one year. The Bank also offers interest rate and currency swaps to certain customers to hedge their medium and long-term risk, up to ten years.
Commission and exchange income is earned from such transactions. As of 31 March 2006, the Bank had Rs. 32700 crores in outstanding forward contracts and Rs. 57900 crores in outstanding derivatives contracts.

International Correspondent Banking and Trade Facilitation

The Treasury department manages the Bank's correspondent banking relationships. At present, the Bank has 30 Nostro accounts in 13 different currencies. In addition to these, the Bank has active trade relationships with a number of major banks in different locations globally. Through these relationships, the Bank has been instrumental in facilitating the trade flows of customers. The Bank arranges international guarantees and confirmation of letters of credit at competitive prices. Buyers' credit, suppliers' credit and letter of credit (**LC**) financing has also been arranged to satisfy clients' funding requirements.
59 branches of the Bank are authorised to offer foreign exchange services to customers. The Treasury department serves as a one-point contact on foreign exchange matters for these branches with RBI and other regulatory agencies.
The Bank raises foreign currency resources through credit lines from its correspondent banks at competitive rates to enable the Bank to fulfil foreign currency requirements for its exporter customers.
The Bank's foreign exchange operations seek to increase reciprocal revenue generation from the Bank's correspondents by way of rebate and miscellaneous fee income such as export LC advice, confirmations and issuing domestic guarantees against counter guarantees of foreign banks. The Bank's rebate income increased from Rs. 0.37 crores in fiscal year 2003 to Rs. 3.01 crores in fiscal year 2006.

The table below indicates the growth of merchant foreign exchange business during accounting periods ending specified dates.

For the year ended 31 March	**2004**	**2005**	**2006**
Turnover (Rs. in crs)	*16904.7*	*33381.8*	*134622.8*
Profit	*20.52*	*35.48*	*68.60*

Operations
The Operations department formulates operational procedures for the delivery of products, approvals of new products and services from the perspective of operational feasibility and convenience of delivery and ensures the implementation of regulatory policies concerning the operational aspects of banking.
An operational framework has been established to ensure that all transactions are handled with precision, regularity and efficiency.
The Corporate Banking Operations unit monitors accounts of corporate and SME customers, sets stringent service standards for various activities relating to corporate banking, and conducts special training programmes for the operating staff. All these measures assist to retain the Bank's corporate and SME customers, and improve the Bank's existing corporate relationships.

Phone Banking Centre
The Bank has a phone banking centre in Mumbai offering telephone banking services to customers in all zones across India. This facility has been extended to 168 branches as at 31 March 2006. The Bank intends to extend these services gradually to all branches. The phone banking center offers a self-service option for automated phone banking. In addition, carefully chosen and trained phone banking officers offer personalised services for customers of the retail and SME segments, providing account related information and answering queries about the Bank's products and services.

Central Processing Unit
As part of the Bank's initiative to leverage technology, redefine business processes and deliver quality products to its customers with efficiency and cost effectiveness, the Bank set up a central processing unit in Mumbai in December 2001. The central processing unit opens all liability accounts for the branches, produces welcome kits, delivers cheque books, debit cards, term deposit receipts and statements of account. Concurrent auditors verify whether the accounts are being opened after compliance with the Bank's "Know Your Customer" procedures and turn around time is strictly monitored.

Data Centre and Disaster Recovery System
While the Bank's primary data centre is located in Mumbai, it has a separate disaster recovery data centre in Bangalore which is connected to the main data centre. The disaster recovery data center has facilities to host critical banking applications in the event of a disaster at the primary site.

Operational Controls and Procedures in Branches
The Bank's branches currently handle an average of approximately 4.2 million transactions (including ATM transactions) daily. An operational framework has been established to ensure that these transactions are handled with precision, regularity and efficiency in a risk mitigating manner. Operational instruction manuals at the branches detail procedures for processing various banking transactions. Amendments to these manuals are implemented through circulars sent to all branches.

The Bank places importance on computer security and has adopted an information security policy. Most of the Bank's information technology assets, including critical servers are hosted in a centralised data centre, which are subject to appropriate physical and logical access controls. The core banking software used by the Bank is based on the "maker and checker" concept, whereby no transaction can be initiated and authorised by a single individual. The powers to authorise transactions are exercised by officials in accordance with a scheme of delegation of powers and the monetary limits are incorporated as authorisation levels in the software, which validates each payment.

Operational Controls and Procedures for Internet Banking
Internet banking services are provided only in respect of existing customer accounts for which the necessary identity documentation has been obtained prior to providing the customer with a user identity and password to access his account online.

Operational Controls and Procedures in Regional and Central Processing Centres
The Bank has centralised transaction processing on a nationwide basis for transactions such as the issue of ATM cards and personal identification number mailers, reconciliation of ATM transactions, mailing of passwords to internet banking customers, depositing postdated Cheques received from retail loan customers and processing of credit/debit card transactions routed through the Bank's channels. Centralised processing has also been extended for opening new bank accounts, issuing personalised cheque books and generating customer statements. At select centres, the handling of clearing operations and the management of ATMs have also been centralised for better control.

Anti-Money Laundering Controls
Pursuant to the Prevention of Money Laundering Act of 2002, the Bank has implemented a policy on anti-money laundering controls. The policy has been approved by the Board of Directors and is being followed by each of the Bank's branches. The Bank's "Know Your Customer" policy, which consists of customer identification procedures and customer acceptance policies, forms the basis of the Bank's anti-money laundering controls. Activities in accounts are also monitored by branches by using a system-wide list of suspicious activities. In addition, transactions crossing a threshold amount of Rs. 1 million are monitored by off-site surveillance with the help of reports generated by the Bank's data centre. A senior Bank official oversees the anti-money laundering activities and ensures compliance with the Bank's policy.

Inspection and Audit
The Internal Inspection and Audit department undertakes a comprehensive audit of all branches under a Risk Based Internal Audit model approved by the Audit Committee of Board of Directors (the **ACB**). The Risk Based Internal Audit Plan is drawn up on the basis of risk profiling of the Bank's branches. The Audit Plan for every fiscal year is approved by the ACB.

Information System Audit policies are approved by the ACB and have been introduced covering physical, environmental and administrative controls, logical controls in application software, system administration, network security and protection from external threats and special projects.

RBI requires banks to have a process of concurrent audits at branches handling large volumes to cover a minimum of 50% of business volumes. The Bank has a process of concurrent audits using external accounting firms. Concurrent audits are also carried out at the Central Processing Unit (for opening of deposit accounts), at Treasury Operations (for sovereign and corporate debt investments and Foreign Exchange operations), at Retail Asset Centres and at the centralised collection and payment hub. This has been undertaken to ensure the existence of and adherence to internal controls.

The Inspection and Audit department conducts an inspection of the Business and Revenue (income and expenditure) departments at the Bank's central office once every two years in accordance with policy approved by the ACB. The non-business and non-revenue departments and zonal offices are subjected to a management audit once every two years in accordance with policy approved by the ACB.

Risk Management

The Bank is exposed to various risks that are an integral part of any banking business, with the major risks being credit risk, market risk and operational risk. The Bank places emphasis on risk management measures to ensure that there is an appropriate balance between risk and return and has implemented comprehensive policies and procedures to identify, monitor and manage risk throughout the Bank. The risk management strategy of the Bank is based on understanding the various types of risks, disciplined risk assessment and continuous monitoring. The Risk department focuses on the key risk issues affecting the Bank and implements policies approved by the Risk Management Committee.

The responsibilities of the department include identifying, assessing and monitoring various risks as have been set out under various approved policies such as corporate credit risk management policy, market risk management policy and asset liability management policy.

The Risk Management Committee reviews various risks and risk limits periodically to ensure an appropriate level of risk management and also approves new initiatives to improve current risk management practices.

Competition

The Bank faces strong competition in all of its principal lines of business. The Bank's primary competitors are large public sector banks, other private sector banks, foreign banks and, in some product areas, development financial institutions.

Corporate Banking
The Bank's corporate banking products and services face competition from a number of banks and financial institutions. Public sector banks, which pose major competition to the Bank, have a significant history of operations. This competition has, over time, built extensive branch networks, providing them with the advantage of a low cost deposit base, and enables 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. The Bank seeks to compete with these banks through faster response to customer requirements, quality of service, a fast growing inter-connected branch network, and technology enabled delivery capabilities.

Other private sector banks also compete in the corporate banking market on the basis of efficiency, service delivery and technology. However, the Bank's management believes that its product portfolio, credit selection strategy, response time, service quality, and the strength of established relations, provide it with a competitive edge over these other private sector banks.

The Bank also faces competition from foreign banks, with foreign banks traditionally having been active in providing trade finance, fee-based services and other short-term financing products to top-tier Indian corporations. The Bank has established strong ties in trade finance, strong fee-based cash management services and competes with foreign banks using its broader branch network in the country, innovative products and competitive pricing.

Capital Markets
The Bank faces competition in its merchant banking business from large public sector banks, other private sector banks, foreign banks and investment banks.

Retail Banking
In retail banking, the Bank's principal competitors are the large public sector banks, which have much larger deposit bases and branch networks, as well as aggressive new private sector banks and foreign banks. The retail deposit share of foreign banks in India is quite small in comparison to the public sector banks, and has also declined in the last five years, which management attributes principally to competition from new private sector banks. However, some foreign banks have a significant presence among NRIs and also compete for non-branch-based products such as auto loans.
The Bank faces significant competition primarily from foreign banks in the debit card segment. In mutual fund sales and other investment related products, the Bank's principal competitors are brokers, foreign banks and new private sector banks.

Treasury
In its treasury advisory services for corporate clients, the Bank competes principally with foreign banks in foreign exchange and derivatives, as well as public sector banks in the foreign exchange and money markets business.

Employees

The Bank has built up a team of professionals comprising experts in risk management, credit analysis, treasury, merchant banking, relationship management, retail products, marketing and information technology as well as general banking professionals. As of 31 March 2006, the Bank had 6,553 employees, compared to 4,761 at 31 March 2005 and 3,447 at 31 March 2004. Of the 6,553 employees at 31 March 2006, 3,242 were professionally qualified in management, accountancy, economics, banking, engineering, information technology or law. As of 31 March 2006, 24.20% of the workforce was female.

Set forth below is a breakdown of the number of employees of the Bank between corporate headquarters, zonal office and branches.

As at 31 March	**2004**	**2005**	**2006**
Corporate Headquarter	*652*	*806*	1092
Zonal Office	*100*	*160*	295
Branches	*2695*	*3795*	5166
Total Deposits	**3447**	**4761**	**6553**

Training is an area of continuing focus for the Bank to ensure that its professionals are equipped to render quality customer service and be aware of the latest developments in their respective fields. The depth and breadth of training is continually improved and refined in consultation with the business functions. While induction training and banking programmes are conducted in-house, sales-focused training, behavioral training and specialised domain skills training is provided by outsourced experts or by sending the Bank's professionals to external training institutes. Continuous training, the opportunity to work on challenging tasks and job rotation are part of the Bank's talent retention strategy.

- **Business Strategy**

The key elements of the Bank's business strategy going forward are to:

- **Increase the Bank's market-share in India's expanding financial services industry through a continued focus on the retail financial services sector**. The Bank aims to achieve this by providing banking convenience to customers and by offering differentiated products to meet the specific needs of disparate customer segments. The Bank is sensitive to such product differentiation and management believes that such customer-specific orientation will strengthen its future profitability.

- **Improve profitability through emphasis on core income streams such as net interest income and fee-based income**. The Bank intends to achieve this by expanding its distribution network and alternate delivery channels such as internet banking aimed at the acquisition of low and/or non-interest bearing savings bank and current account deposits.

- **Sustain the focus on improvements in loan and investment portfolio quality**. The Bank aims to achieve this through rigorous credit and risk appraisal, sound treasury management, product diversification and strong internal controls.

- **Continuously upgrade the Bank's information technology systems**. The Bank aims to maintain a scalable computing infrastructure backed by a robust network architecture, which delivers service across multiple channels for customer convenience and cost reduction through operational efficiency. In order to retain a competitive edge, the Bank's information technology department ensures that the Bank's technology is continuously upgraded.

- **Build an international presence**. Globalisation of the Indian economy offers growth opportunities to the Bank in terms of financing cross-border trade and manufacturing activities in addition to remittance and business from NRIs. The Bank intends to capture a segment of this business by establishing offices overseas in Sri Lanka, Hong Kong, Singapore, China and Dubai, subject to receiving the necessary approvals from RBI and regulators in such jurisdictions.

- **Increased lending to SMEs and agricultural clients.** The Bank intends to achieve this through a network of rural and semi-urban branches supported by organizational reinforcement in the form of SME cells and agriculture clusters.

- **Strengthening of the international remittance business.** The Bank aims to achieve this through tapping the high-volume remittance business in the Persian Gulf by utilising its current strategic alliances with various banks and exchange houses in that region. The Bank intends to forge many more alliances of this nature in other geographic regions so as to enable the Bank to become a significant player in this business.

4. Properties

The Bank's registered office is located at "TRISHUL", Third Floor, Opposite Samartheshwar Temple, Nr. Law Garden, Ellisbridge, Ahmedabad 380 006, India. The Bank's corporate headquarters is located at 131, Maker Tower 'F', 13th Floor, Cuffe Parade, Colaba, Mumbai 400 005, India. The Bank owns one floor of its corporate headquarters building, part of a branch located in Pune and 29 residential apartments. Apart from these properties, all branches and other properties used by the Bank are leased.

As on 30 June 2006 the Bank has a network consisted of 463 branches and 95 extension counters and 1959 ATMs spread over 258 cities and towns. These facilities are located throughout India. A portion of the premises of one of these branches is located on a property owned by the Bank, with the remaining facilities being leased. The net book value of all the properties owned by the Bank, including administrative offices and residential premises as of 31 March 2006 was Rs. 28.20 crores.

There is no property which the Bank has purchased or acquired or proposes to purchase or acquire, which is to be paid for, wholly or partly, out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of issue of this Information Memorandum, other than:

The contracts for the purchase or acquisition whereof were entered into, or may be entered into, in the ordinary course of the Company's business, such contracts not being made in contemplation of the Issue or in consequence of the contract; or property in respect of which the amount of the purchase consideration is not material.

The Bank has not purchased any property in which any of its directors had or have any direct or indirect interest or in respect of any payment thereof except the interest of nominee Directors of the Administrator of The Specified Undertaking of the Unit Trust Of India as nominees on the Bank's Board in case of Property purchased from the SUUTI.

3. REGULATIONS & POLCIES

The main legislation governing commercial banks in India is the Banking Regulation Act. The provisions of the Banking Regulation Act are in addition to and not, save as expressly provided in the Banking Regulation Act, in derogation of the Companies Act, 1956 and any other law for the time being in force. Other important laws include the Reserve Bank of India Act, the Negotiable Instruments Act and the Banker's Books Evidence Act. Additionally, the Reserve Bank of India (**RBI**), from time to time, issues guidelines to be followed by the bank. Compliance with all regulatory requirements is evaluated with respect to financial statements under Indian GAAP.

RBI Regulations

Commercial banks in India are required under the Banking Regulation Act to obtain a license from the RBI to carry on banking business in India. Before granting the license, the RBI must be satisfied that certain conditions are complied with, including (i) that the bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) that the bank has adequate capital and earnings prospects; and (iv) that the public interest will be served if such license is granted to the bank. The RBI can cancel the license if the bank fails to meet the above conditions or if the bank ceases to carry on banking operations in India. The Bank, being licensed by the RBI, is regulated and supervised by the RBI. The RBI requires the Bank to furnish statements, information and certain details relating to its business. It has issued guidelines for commercial banks on recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for non-performing and restructured assets. The RBI has set up a Board for Financial Supervision, under the chairmanship of the Governor of the RBI. The auditors of bank are appointed by the RBI. The RBI can direct a special audit in the interest of the depositors or in the public interest.

Regulations relating to the Opening of Branches

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

Capital Adequacy Requirements

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

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

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

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

Capital requirements have also been prescribed for open foreign currency exposures and open positions in gold. In respect of banks and financial institutions, a risk weight of 2.5 per cent. to cover market risk must be assigned in respect of the entire investment portfolio effective 31 March 2001 over and above the existing risk weights for credit risk for all categories of securities. Further, in June 2004, the RBI issued guidelines requiring banks to maintain a capital charge for market risk in respect of:

- securities included in the Held for Trading category (including derivatives) by 31 March 2005.
- securities included under available for sale category by 31 March 2006.

The aggregate risk weighted assets are taken into account for determining the capital adequacy ratio.

Enhancement of banks' capital raising options for capital adequacy purposes

The Reserve Bank of India (RBI) issued a circular on "Enhancement of banks' capital raising options for capital adequacy purposes" dated January 25, 2006, with a view to provide banks in India additional options for raising capital funds, to meet both the increasing business requirements as well as the Basel II requirements within the existing framework. As per these guidelines, banks can augment their capital funds by issue of the following instruments:

a. Innovative Perpetual Debt Instruments (IPDI) eligible for inclusion as Tier I capital;
b. Debt capital instruments eligible for inclusion as upper Tier II capital;
c. Perpetual non- cumulative preference shares eligible for inclusion as Tier I capital - subject to laws in force from time to time and;
d. Redeemable cumulative preference shares eligible for inclusion as Tier II capital - subject to laws in force from time to time.

RBI has issued detailed guidelines for items (a) and (b), and has also indicated that detailed guidelines regarding items (c) and (d) will be issued separately in due course.

Loan Loss Provisions and Non-Performing Assets

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

The principal features of these RBI guidelines, which have been implemented with respect to the Bank's loans, debentures, lease assets, hire purchases and bills are set forth below.

Non-Performing Assets
An asset, including a leased asset, becomes non-performing when it ceases to generate income for the Bank.

A non-performing asset (**NPA**) is a loan or an advance 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 defined below) in respect of an Overdraft or Cash Credit (**OD/CC**);
(iii) the bill remained overdue for a period of more than 90 days in case of bills purchased and discounted;
iv) a loan granted for short duration crops will be treated as an NPA if the installments of principal or interest thereon remain overdue for one crop season; and
(v) a loan granted for long duration crops will be treated as an NPA if the installments of principal or interest thereon remain overdue for one crop season.

Banks should classify an account as a NPA only if the interest imposed during any quarter is not fully repaid within 90 days from the end of the relevant quarter.

"Out-of-Order" Status
An account should be treated as "out-of-order" if the outstanding balance remains continuously in excess of the sanctioned drawing limit. In circumstances where the outstanding balance in the principal operating account is less than the sanctioned drawing limit, but (i) there are no credits continuously for a period of 90 days as of the date the balance sheet of the Bank or (ii) the credits are not sufficient to cover the interest debited during the same period, these accounts should be treated as "out-of-order".

Asset Classification
In line with RBI master circular on income recognition, asset classification and provisioning pertaining to advances portfolio of banks, issued in August 2003 for banks, non-performing assets are classified as described below:

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

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

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

There are separate guidelines for projects under implementation which are based on the achievement of financial closure and the date of approval of the project financing. The RBI also has separate guidelines for restructured loans. A fully secured standard asset can be restructured by rescheduling 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. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal instalment or interest amount, by whatever modality, are eligible to be upgraded to the standard category only after the specified period, i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period. To put in place an institutional mechanism for the restructuring of corporate debt, the RBI has
devised a corporate debt restructuring system.

Provisioning and Write-Offs

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

Standard Assets. A general provision in the range of 0.25 per cent. to 1.00 per cent. Is required.

- *Sub-Standard Assets*. A general provision of 10.0 per cent. on the secured portion, and 20.0 per cent. on the unsecured portion, of sub-standard assets is required.
- *Doubtful Assets*. A 100.0 per cent. provision is made against the unsecured portion of the doubtful asset and charged against income. The value assigned to the collateral securing a loan is the amount reflected on the borrower's books or the realisable value determined by third party appraisers. In cases where there is a secured portion of the asset, depending upon the period for which the asset remains doubtful, a 20.0 per cent. to 100 per cent. Provision is required to be taken against the secured asset as follows:

- Up to one year: 20.0 per cent. provision
- One to three years: 30.0 per cent. provision
- More than three years: Effective the end of fiscal year 2005, a 100.0 per cent. provision is required to be made for the secured portion of assets classified as doubtful for more than three years on or after 1 April 2004. For the secured portion of assets classified as doubtful for more than three years at 31 March 2004, a provision of 60.0 per cent. will need to be made by the end of fiscal year 2005, 75.0 per cent. by the end of fiscal year 2006 and 100.0 per cent. by the end of fiscal year 2007.

- *Loss Assets*. The entire asset is required to be written off.

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

Whilst the provisions indicated above are mandatory, a higher provision in a loan amount would be required if considered necessary.

Regulations relating to Making Loans

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

- The RBI has prescribed norms for bank lending to non-bank financial companies.
- Banks are free to determine their own lending rates but each bank must declare its prime lending rate as approved by its board of directors. Each bank should also indicate the maximum spread over the prime lending rate for all credit exposures other than retail loans.

The interest charged by banks on advances up to Rs.200,000 to any one entity (other than most retail loans) must not exceed the prime lending rate. Banks are also given freedom to lend at a rate below the prime lending rate in respect of creditworthy borrowers and exposures. Interest rates for certain categories of advances are regulated by the RBI.

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

  However, the RBI may, subject to conditions as it may deem fit to impose, exempt any banking company from the restriction on lending to the subsidiary, holding company or any other company in which any of the directors of the banking company is a director, managing agent, manager, employee, guarantor or in which such person holds substantial interest.

  There are guidelines on loans against equity shares in respect of amount, margin requirement and purpose.

Regulations relating to Sale of Assets to Asset Reconstruction Companies

The SERFAESI Act provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The RBI has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangement, at least 75 per cent. by value of the total loans to the borrower are classified as non-performing and at least 75 per cent. by value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. The banks selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further, banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate 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. 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 arrangements where more than 75 per cent. by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

The RBI has issued guidelines on Securitisation of Standard Assets with effect from 1 February 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 pooling and transferring of assets to a bankruptcy remote vehicle (**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 a securitisation structure, the isolation of assets or "true sale" from the seller or originator to the SPV is an essential prerequisite. Also, arms length relationship shall be maintained between the originator and seller and the SPV.

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 an 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 Companies (**NBFC**).

Directed Lending

Priority Sector Lending
The RBI requires commercial banks to lend a certain percentage of their net bank credit to specific sectors (the priority sectors), such as agriculture, small-scale industry, small businesses and housing finance. Total priority sector advances should be 40.0 per cent. of net bank credit with agricultural advances required to be 18.0 per cent. of net bank credit and advances to weaker sections required to be 10.0 per cent. of net bank credit, and 1.0 per cent. of the previous year's net bank credit required to be lent under the Differential Rate of Interest scheme. Any shortfall in the amount required to be lent the priority sectors may be required to be deposited with the National Bank for Agriculture and the Rural Development. These deposits can be for a period of one year or five years.
The RBI requires banks to lend up to 3.0 per cent. of their incremental deposits in the previous fiscal year towards housing finance. This can be in the form of home loans to individuals or subscription to the debentures and bonds of the National Housing Bank and housing development institutions recognised by the government of India.

Export Credit
The RBI also requires commercial banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option.
Pursuant to existing guidelines, 12.0 per cent. of a bank's net bank credit is required to be in the form of export credit. The Bank provides 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 RBI are as follows:

1. Exposure ceiling for a single borrower is 15.0 per cent. of capital funds effective from 31 March 2002. The group exposure limit is 40.0 per cent. of capital funds effective from 31 March 2002. In case of financing for infrastructure projects, the single borrower exposure limit is extendable by another 5.0 per cent., i.e., up to 20.0 per cent. of capital funds and the group exposure limit is extendable by another 10.0 per cent. (i.e. up to 50.0 per cent. of capital funds). Banks may, in exceptional circumstances, with the approval of their board of directors, consider enhancement of the exposure to a borrower up to a maximum of further 5.0 per cent. of capital funds, subject to the borrower consenting to the banks making appropriate disclosures in their annual reports.

2. Capital funds is the total capital as defined under capital adequacy standards (Tier I and Tier II capital).

3. Non-fund based exposures are calculated at 100.0 per cent. and in addition, banks include forward contracts in foreign exchange and other derivative products, like currency swaps and options, at their replacement cost value in determining individual or group borrower exposure ceilings, effective from 1 April 2003.

Credit exposure is the aggregate of:
1. all types of funded and non-funded credit limits;
2. facilities extended by way of equipment leasing, hire purchase finance and factoring services; and
3. advances against shares, debentures, bonds and units of mutual funds to stock brokers and market makers.

At fiscal year-end 2005, the Bank was in compliance with these limits.

To ensure that exposures are evenly spread, the RBI requires banks to fix internal limits of exposure to specific sectors. These limits are subject to periodical review by the banks. The Bank has fixed a ceiling of 20.0 per cent. of Bank's total advances as exposure to any one industry, other than to retail, and monitors its exposures accordingly.

Regulations relating to Investments and Capital Market Exposure Limits

Pursuant to RBI guidelines, the exposure of banks to capital markets by way of investments in shares, convertible debentures, units of equity oriented mutual funds and loans to brokers, should not exceed 5.0 per cent. of outstanding domestic credit (excluding inter-bank lending and advances outside India) at 31 March of the previous fiscal year and investments in shares, convertible debentures and units of equity oriented mutual funds should not exceed 20.0 per cent. of the bank's net worth. These guidelines were revised on 11 May 2001 specifying the types of capital market exposure that could be undertaken by banks. Further, the 5.0 per cent. ceiling is now required to be computed in relation to the total advances (including commercial paper) as at 31 March of the previous fiscal year. Further, RBI pursuant to Annual Policy statement for the year 2006-07 have informed hat Bank's total exposure to venture capital funds will form a part of its capital market exposure.

In April 1999, the RBI, in its monetary and credit policy, stated that the investment by a bank in subordinated debt instruments, representing Tier II capital, issued by other banks and financial institutions should not exceed 10.0 per cent. of the investing bank's capital including Tier II capital and free reserves. Pursuant to RBI guidelines of July 2004, the said ceiling of 10 percent would henceforth be applicable to the Bank's investments in all types of instruments. i.e 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, which are issued by other banks/FIs and are eligible for capital status for the invested bank/FI. Investments in the instruments issued by other banks/FIs which are not deducted from Tier I capital of the investing bank or financial institution, will attract 100.0 per cent. risk weight for credit risk for capital adequacy purposes.
Further, banks and financial institutions cannot acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's or financial institution's holding exceeds 5.0 per cent. of the investee bank's equity capital. Banks with investments in excess of the prescribed limits were required to apply to the RBI with a roadmap for reduction of the exposure. In November 2003, the RBI issued guidelines on investments by banks in non-Statutory Liquidity Ratio securities issued by companies, banks, financial institutions, central and state government sponsored institutions and special purpose vehicles. These guidelines apply to primary market subscriptions and secondary market purchases.

Pursuant to these guidelines, banks are prohibited from investing in non-Statutory Liquidity Ratio securities with an original maturity of less than one year, other than commercial paper and certificates of deposits. Banks are also prohibited from investing in unrated securities. A bank's investment in unlisted non-Statutory Liquidity Ratio securities may not exceed 10 per cent. of its total investment in non-Statutory Liquidity Ratio securities as at the end of the preceding fiscal year. These guidelines will not apply to investments in security receipts issued by securitisation or reconstruction companies registered with the RBI and asset backed securities and mortgage backed securities with a minimum investment grade credit rating. These guidelines are effective 1 April 2004, with provision for compliance in a phased manner by 1 January 2005.

Consolidated Supervision Guidelines

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

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

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

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

Banks' Investment Classification and Valuation Norms

As per the extant RBI guidelines, a bank's investment portfolio is typically classified into:
a) SLR investments and
b) Non-SLR investments

1. SLR investments include Central Govt. dated securities, State Govt. dated securities, Treasury Bills and Other Approved securities.

2. Non-SLR investments include PSU bonds, debentures, PTCs, commercial papers/ notes, certificates of deposit, preference shares, equity shares, units of mutual funds, units of venture funds, security receipts, etc.

As per the extant RBI guidelines, investments are classified into three groups:

- The entire investment portfolio is required to be classified under three categories: (a) held to maturity, (b) held for trading and (c) available for sale. Banks should decide the category of investment at the time of acquisition.

- Held to maturity investments compulsorily include (a) recapitalisation bonds received from the Government, (b) investments in subsidiaries and joint ventures and (c) investments in bonds, debentures deemed as advance. Held to maturity investments (**HTM**) also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25.0 per cent. of the total investment excluding recapitalisation bonds and debentures.

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

- Profit on the sale of investments in the held to maturity category is appropriated to the capital reserve account after being taken in the income statement. Loss on any sale is recognised in the income statement.

- The market price of the security available from the stock exchange, the price of securities in subsidiary general ledger transactions, the RBI price list or prices declared by Primary Dealers Association of India (**PDAI**) jointly with the Fixed Income Money Market and Derivatives Association of India (**FIMMDA**) serves as the "market value" for investments in available for sale and held for trading securities.

- Investments under the held for trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available for sale category, at acquisition cost/book value/market value on the date of transfer whichever is the least.

- Profit or loss on the sale of investments in both held for trading and available for sale categories is taken in the income statement.

- Shifting of investments from or to held to maturity may be done with the approval of the board of directors once a year, normally at the beginning of the accounting year; shifting of investments from available for sale to held for trading may be done with the approval of the board of directors, the Asset Liability Management Committee or the Investment Committee; shifting from held for trading to available for sale is generally not permitted.

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

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

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

Limit on Transactions through Individual Brokers

Guidelines issued by the RBI require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. The RBI specifies that not more than 5.0 per cent. of the total transactions 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-year basis of such occurrences.

Regulations relating to Deposits

The RBI has permitted banks to independently determine rates of interest offered on term deposits. However, banks are not permitted to pay interest on current account deposits. Further, banks may only pay interest of up to 3.5 per cent. per annum on savings deposits. In respect of savings and time deposits accepted from employees, the Bank is permitted by the RBI to pay an additional interest of 1.0 per cent. over the interest payable on deposits from the public.

Domestic time deposits have a minimum maturity of 15 days (seven days in respect of deposits over Rs.1.5 million with effect from 19 April 2001) and a maximum maturity of 10 years. Time deposits from non-resident Indians denominated in foreign currency have a minimum maturity of one year and a maximum maturity of five years.

Starting April 1998, the RBI has permitted banks the flexibility to offer varying rates of interests on domestic deposits of the same maturity subject to the following conditions:

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

The RBI has, effective 18 April 2006, stipulated that the interest rate on NRE deposits should not exceed 100 basis points over the U.S. dollar LIBOR/swap rates for the corresponding maturity.

Deposit Insurance

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

Regulations relating to Knowing the Customer and Anti-Money Laundering

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

The RBI requires banks to obtain all information necessary to establish the identity/legal existence of each new customer. Customer is required to submit documents such as passport, driving licence etc. to establish identity. However where such documents are not available, verification by existing account holders or introduction by a person known to the bank may suffice.

Further guidelines have been issued by the RBI in November 2004 in view of the recommendations made by the "Financial Action Task Force and paper on Customer Due Diligence for banks by the Basel Committee on Banking Supervision".

These guidelines are required to be incorporated into the banks' policy framework before 31 December 2005. In addition to keeping customer information confidential banks must ensure that only information relevant to the perceived risk is collected and that the same is not intrusive in nature.

Apart from addressing this concern the fresh guidelines set out in detail the framework to be adopted by banks as regards their customer dealings. The concerns remain substantially the same and are directed towards prevention of financial frauds and money laundering transactions. In a bid to prevent money laundering activities, the Government enacted the Prevention of Money Laundering Act, 2002 (the **PML Act**). The PML Act seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering and for incidental matters or matters connected therewith.

The PML Act stipulates that banking companies, financial institutions and intermediaries (together, the **Institutions**) shall maintain a comprehensive record of all their transactions, including the nature and value of such transaction. Further, it mandates verification of the identity of all their clients and also requires the Institutions to maintain records of their respective clients. These details are to be provided to the authority established by the PML Act, who is empowered to order confiscation of property where the authority is of the opinion that a crime as recognised under the PML Act has been committed.

Legal Reserve Requirements

Cash Reserve Ratio

A banking company such as the Bank is required to maintain a specified percentage of its demand and time liabilities, excluding inter-bank deposits, by way of cash reserve with itself and by way of balance in current account with the RBI. The cash reserve ratio can be a minimum of 3.0 per cent and a maximum of 20.0 per cent. pursuant to section 42 of the Reserve Bank of India Act. At present, the cash reserve ratio is 5 per cent. On 11 September 2004, the RBI announced an increase in the cash reserve ratio from 4.5 per cent. to 4.75 per cent. effective 18 September 2004 and 5.0 per cent. effective 2 October 2004.

The following liabilities are excluded from the calculation of the cash reserve ratio:

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

The RBI pays no interest on the cash reserves up to 3.0 per cent. of the demand and time liabilities and pays interest at the bank rate, currently 3.5 per cent., on the balance. The cash reserve ratio must be maintained on an average basis for a fortnightly period and should not be below 70.0 per cent. of the required cash reserve ratio on any day of the fortnight.

Statutory Liquidity Ratio

In addition to the cash reserve ratio, a banking company such as the 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 securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, and it can be a minimum of 25.0 per cent. and a maximum of 40.0 per cent. pursuant to section 24 of the Banking Regulation Act. At present, the RBI requires banking companies to maintain a liquidity ratio of 25.0 per cent. The Banking Regulation (Amendment) Bill, 2005 recently introduced in the Indian Parliament proposes to amend section 24 of the Banking Regulation Act to remove the minimum Statutory Liquidity Ratio stipulation, thereby giving the RBI the freedom to fix the Statutory Liquidity Ratio below this level.

Regulations on Asset Liability Management

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

Foreign Currency Dealership

The RBI has granted the Bank a full-fledged authorised dealers' license to deal in foreign exchange through its designated branches. Under this license, the Bank has been granted permission to:

- engage in foreign exchange transactions in all currencies;
- open and maintain foreign currency accounts abroad;
- raise foreign currency and Rupee denominated deposits from non resident Indians;
- grant foreign currency loans to on-shore and off-shore corporations;
- open documentary credits;
- grant import and export loans;
- handle collection of bills, funds transfer services;
- issue guarantees; and
- enter into derivative transactions and risk management activities that are incidental to its normal functions authorised under its organisational documents.

The Bank's foreign exchange operations are subject to the guidelines specified by the RBI in the exchange control manual. As an authorised dealer, the Bank is required to enroll as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India.

Authorised dealers, like the Bank, 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, the Bank is permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, currency swaps and forward rate agreements, subject to certain conditions.

Restriction on Transfer of Shares
The RBI's acknowledgement is required for the acquisition or transfer of the Bank's shares to an individual or a group which acquires 5.0 per cent. or more of its total paid up capital. The RBI, whilst granting acknowledgement, may require such acknowledgement to be obtained for subsequent acquisition at any higher threshold as may be specified. In determining whether the acquirer or transferee is fit and proper to be a shareholder, the RBI may take into account various factors including, but not limited to the acquirer or transferee's integrity, reputation and track record in financial matters and compliance with tax laws, proceedings of a serious disciplinary or criminal nature against the acquirer or transferee and the source of funds for the investment. Whilst granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 10.0 per cent. or more of the Bank's paid-up capital, the RBI may consider additional factors, including but not limited to the ability to access financial markets as a source of continuing financial support for the Bank and the extent to which the acquirer's corporate structure is in consonance with effective supervision and regulation of its operations. Whilst granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 30.0 per cent. or more of the Bank's paid-up capital, the RBI may consider additional factors, including but not limited to whether or not the acquisition is in the public interest and shareholder agreements and their impact on the control and management of the Bank's operations.

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

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

Restrictions on Payment of Dividends
The guidelines on payment of dividends by banks issued by the RBI in 2004 shifted focus from the "quantum of dividend" to "dividend payout ratio". These guidelines have since been revised in 2005 and the banks have been given general permission to declare dividends subject to compliance with the following norms:

The bank should have:
- Capital to Risk Asset Ratio (**CRAR**) of at least 9 per cent. for the preceding two completed years and the accounting year for which it proposes to declare a dividend.
- Net NPA of less than 7 per cent.

In the event a bank does not meet the above CRAR norm, but has a CRAR of at least 9 per cent. for the accounting year for which it proposes to declare a dividend, it would be eligible to declare a dividend provided its Net NPA ratio is less than 5 per cent.

- The bank should comply with the provisions of Sections 15 and 17 of the Banking Regulation Act.
- The bank should comply with the prevailing regulations/guidelines issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to Statutory Reserves etc.
- The proposed dividend should be payable out of the current year's profit.

- The RBI should not have placed any explicit restrictions on the bank for declaration of in dividends.

However, unlike the previous norms, where a bank does not meet the above eligibility criteria no special dispensation shall be available from the RBI.

Restriction on Share Capital and Voting Rights

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

Legislation recently introduced in the Indian Parliament proposes to amend the Banking Regulation Act to remove the limit of 10.0 per cent. on the maximum voting power exercisable by an shareholder in a banking company and allow banks to issue redeemable and non-redeemable preference shares.

The Banking Regulation (Amendment) Bill, 2005 introduced in the Parliament in May 2005 proposes to amend the Banking Regulation Act in order to permit banks to issue preference shares in accordance with the guidelines framed by the RBI and subject to certain restrictions on voting rights.

The Bill further proposes to remove the restriction on the exercise on voting rights in excess of 10 per cent of the total voting rights of all the shareholders of the banking company by a single shareholder.

Regulatory Reporting and Examination Procedures

The RBI is empowered under the Banking Regulation Act to inspect a bank. 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;
- the risk weighting of these exposures, the capital base and the capital adequacy ratio;
- the unaudited operating results for each quarter;
- asset quality;
- concentration of exposures;
- connected and related lending and the profile of ownership, control and management; and
- other prudential parameters.

The RBI also conducts periodical on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. The Bank has been, and at present also is, subject to the on-site inspection by the RBI at yearly intervals. The inspection report, along with the report on actions taken by the Bank, has to be placed before the board of directors. On approval by the board of directors, the Bank is required to submit the report on actions taken by it to the RBI. The RBI also discusses the report with the management team including the Managing Director and Chief Executive Officer.

The RBI also conducts on-site supervision of selected branches of the Bank with respect to their general operations and foreign exchange related transactions.

Appointment and Remuneration of the Chairman, Managing Director and Other Directors

The Board of Directors of the Bank currently consists of 12 Directors and is responsible for the management of the Bank's business.

Article 89(1)(a) of the Articles of Association of the Bank provides that the Executive Chairman acting as the Chairman and Managing Director nominated by the Unit Trust of India shall not be subject to retirement by rotation. Dr. P. J. Nayak has been appointed as the Chairman and Managing Director of the Bank with effect from 1 January 1999 and his appointment has been renewed from time to time pursuant to obtaining the appropriate approvals. Mr. S. Chatterjee has been appointed as the Executive Director of the Bank with effect from 17 January 2005. The said Chairman and Managing Director and the Executive Director are the Directors in the full-time employment of the Bank (**Whole Time Directors**).

The appointment of the Whole Time Directors is done by the Board of Directors of the Bank in accordance with the guidelines issued by the Reserve Bank of India and the said appointment of the Whole Time Directors is approved by the shareholders in general meeting. The remuneration of the Whole Time Directors is fixed by the Board of Directors and the same is also subject to the approval of shareholders in general meeting. The Board of Directors have also constituted a Remuneration and Nomination Committee which determines the remuneration package for all employees, including the Directors. The appointment and remuneration of the Whole Time Directors is approved by the Reserve Bank of India after the approval is granted by shareholders in general meeting. The composition of the Board of Directors of the Bank also includes two representatives of the Administrator of the Specified Undertaking of UTI (**UTI-I**), the Bank's promoters, and a representative from the Life Insurance Corporation of India. The other seven Directors are independent non-executive directors.

All the Directors of the Bank, save for Dr. P. J. Nayak (the Chairman and Managing Director) and Mr. S. Chatterjee (the Executive Director) are paid sitting fees for every meeting of the Board and also for every meeting of the Committees attended by them.

Penalties

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

Assets to be Maintained in India

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

Subsidiaries and other investments

The Bank has recently set up a wholly-owned subsidiary for the marketing of retail assets and proposed credit cards. The Bank is required to maintain an "arms' length" relationship in respect of its subsidiaries and in respect of mutual funds sponsored by it in regard to business parameters such as taking undue advantage in borrowing/lending funds, transferring/selling/buying of securities at rates other than market rates, giving special consideration for securities transactions, in supporting/financing the subsidiary and financing its clients through them when it itself is not able or are not permitted to do so. The Bank must observe the prudential norms stipulated by the RBI, from time to time, in respect of its underwriting commitments. Pursuant to such prudential norms, the Bank's underwriting commitment under any single obligation shall not exceed 15 per cent. of an issue. The Bank also require the prior specific approval of the RBI to participate in the equity of financial services ventures including stock exchanges and depositories notwithstanding the fact that such investments may be within the ceiling prescribed under Section 19(2) of the Banking Regulation Act. Further investment by the Bank in a subsidiary, financial services company, financial institution cannot exceed 10.0 per cent. of its paid-up capital and reserves and its aggregate investments in all such companies and financial institutions put together cannot exceed 20.0 per cent. of its paid-up capital and reserves.

Restriction on Creation of Floating Charge

Prior approval of the RBI is required for creating a floating charge on the Bank's undertaking or its property. Currently, all the Bank's borrowings including bonds are unsecured, except for collateralised borrowing and lending obligations which are secured.

Maintenance of Records

The Bank is required to maintain books, records and registers. The Banking Regulation Act specifically requires banks to maintain books and records in a particular manner and file the same with the Registrar of Companies on a periodic basis. The provisions for production of documents and availability of records for inspection by shareholders would apply to the Bank as in the case of any company.

Secrecy Obligations

The Bank's obligations relating to maintaining secrecy arise out of Section 13 of the Bank Nationalisation Act and common law principles governing its relationship with its customers. The Bank 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 the Bank needs to disclose information in its interest; and
- where disclosure is made with the express or implied consent of the customer.

The Bank is required to comply with the above in furnishing any information to any parties. The Bank is 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, a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books certified by an officer of the bank may be treated as *prima facie* evidence of the transaction in any legal proceedings.

Regulations and Guidelines of the Securities and Exchange Board of India

The Securities and Exchange Board of India was established to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market. The Bank is subject to Securities and Exchange Board of India regulations for its capital issuances, as well as its underwriting, custodial, depositary participant, investment banking, registrar and transfer agents, brokering and debenture trusteeship activities. These regulations provide for its registration with the Securities and Exchange Board of India for each of these activities, functions and responsibilities. The Bank has been adhering to the regulations and guidelines issued by SEBI for various activities.

Foreign Ownership Restriction

The Government of India regulates foreign ownership in private sector banks. The total foreign ownership in a private sector bank cannot exceed 74.0 per cent. of the paid-up capital. Shares held by foreign institutional investors under portfolio investment schemes through stock exchanges cannot exceed 49.0 per cent. of the paid-up capital.

The RBI on 28 February 2005 released a "Roadmap for Presence of Foreign Banks in India and Guidelines on Ownership and Governance in Private Sector Banks" (the **Roadmap**).

The Roadmap envisages two phases. During the first phase, between March 2005 and March 2009, foreign banks would be permitted to establish their presence in India by way of setting up a wholly owned banking subsidiary (**WOS**) or converting their existing branches into a WOS. The WOS would have a minimum capital requirements of Rs. 300 crore (i.e. Rs. 3 billion) and would have to ensure sound corporate governance.

Initially, equity participation by foreign banks would be permitted only in the private sector banks that are identified by RBI for restructuring. On an application made by a foreign bank for acquisition of 5 per cent. or more in any private bank, RBI would consider the standing and reputation of the foreign bank and shall permit such acquisition only if it is satisfied that the investment by such foreign bank is in the long term interest of all the stake holders of the investee bank.

The second phase would commence in April 2009 after a review of the experience gained in the first phase and after due consultation with all the stakeholders in the banking sector. On completion of a minimum prescribed period, foreign banks would be allowed to list and dilute their stake in their WOS so that resident Indians hold at least 26 per cent. of its paid up capital. Foreign banks may also enter into merger and acquisition transactions with any private sector bank in India subject to the overall investment limit of 74 per cent. and other regulatory approvals.
The RBI's acknowledgement is required for the acquisition or transfer of a bank's shares which will take the aggregate holding (both direct and indirect, beneficial or otherwise) of an individual or a group to equivalent of 5.0 per cent. or more of its total paid up capital. The RBI, while granting acknowledgement, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fitness and propriety tests. In determining whether the acquirer or transferee is fit and proper to be a shareholder, the RBI may take into account various factors including, but not limited to the acquirer or transferee's integrity, reputation and track record in financial matters and compliance with tax laws, proceedings of a serious disciplinary or criminal nature against the acquirer or transferee and the source of funds for the investment.

- While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 10.0 per cent. or more and up to 30.0 per cent. of a private sector bank's paid-up capital, Reserve Bank of India may consider additional factors, including but not limited to: the source and stability of funds for the acquisition and ability to access financial markets
- as a source of continuing financial support for the bank, the business record and experience of the applicant including any experience of acquisition of companies,
- the extent to which the acquirer's corporate structure is in consonance with effective supervision and regulation of its operations; and
- in case the applicant is a financial entity, whether the applicant is a widely held entity, publicly listed and a well established regulated financial entity in good standing in the financial community.

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

Guidelines for Merger and Amalgamation of Private Sector Banks
The RBI recently issued guidelines for merger and amalgamation of private sector banks. The guidelines relate to: (i) an amalgamation of two banking companies and (ii) an amalgamation of a NBFC with a banking company. In the case of an amalgamation of two banking companies, Section 44A of the Banking Regulation Act requires that a draft scheme of amalgamation be approved by the shareholders of each banking company by passing a resolution which requires a two-thirds majority. Additionally, the draft scheme must also be submitted to the RBI for sanction.

Where a NBFC is proposed to be amalgamated into a banking company, the banking company should obtain the approval of the RBI before it is submitted to the relevant high court for approval. Similar provisions apply in the rare case where a banking company is amalgamated into a NBFC. In July 2004, the RBI issued a draft policy on ownership and governance in private sector banks.

The key provisions of the policy on ownership of banks, which are yet to be made effective, are:

- No single entity or group of related entities would be permitted to directly or indirectly hold more than 10.0 per cent. of the equity capital of a private sector bank and any higher level of acquisition would require the RBI's prior approval;
- Banks with shareholders with holdings in excess of the prescribed limit would have to indicate a plan for compliance;
- In respect of corporate shareholders, the objective would be to ensure that no entity or group of related entities has a shareholding in excess of 10.0 per cent. in the corporate shareholder. In case of shareholders that are financial entities, the objective will be to ensure that it is widely held, publicly listed and well regulated; and
- Banks would be responsible for the "fit and proper" criteria for shareholders on an ongoing basis.

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 SERFAESI Act. As a bank, the Bank is entitled to certain benefits under the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 which provides for establishment of Debt Recovery Tribunals for expeditious adjudication and recovery of debts due to any bank or Public Financial Institution or to a consortium of banks and Public Financial Institutions. Under this Act, the procedures for recoveries of debt have been simplified and time frames been fixed for speedy disposal of cases. Upon establishment of the Debt Recovery Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances.

Income Tax Benefits

As a banking company, the Bank is entitled to certain tax benefits under the Indian Income-tax Act including the following:

The Bank is entitled to a tax deduction on the provisioning towards bad and doubtful debts equal to 7.5 per cent. of the Bank's total business income, computed before making any deductions prescribed under section 36(1)(viia) of the Income Tax Act, 1961, and to the extent of 10.0 per cent. of the aggregate average advances made by its rural branches computed in the manner prescribed. The Bank has the option of claiming a deduction in respect of the provision made by it for any assets classified pursuant to RBI's guidelines as doubtful or loss assets to the extent of 5.0 per cent. for the fiscal year 2004-05

4. HISTORY AND CORPORATE STRUCTURE OF THE BANK

History

The Bank began its operations on April 2, 1994 as one of the first private sector banks established under guidelines issued in 1993 by RBI in line with the Government's policy to reform India's financial sector. The Bank obtained its certificate of incorporation on December 3, 1993 and its certificate of commencement of business on December 14, 1993. The Bank's entire initial equity capital of Rs. 100 crores was contributed by UTI-I (previously Unit Trust of India). Subsequently, LIC contributed Rs. 0.75 crores and GIC, together with four Government-owned general insurance companies, contributed Rs. 0.75 crores.

The total deposits of the Bank have grown to Rs. 40,113 crores as at end of March 2006. The Net advances of the Bank stood at Rs. 22,314 crores. The Balance Sheet size has grown to Rs.30,002 crores while the networth of the Bank stood at Rs. 2408.19 crores as on 31 March, 2006

Strengths

The key features of the Bank's growth have been:

- Sustained growth in net interest and fee income, reflecting the stable nature of the Bank's core earning streams;
- Sustained push in retail banking through a widespread distribution network and through the growth of the Bank's product and customer base;
- Continued focus on improvement in asset quality through disciplined credit risk management;
- Advanced use of technology for delivery of products and services with uniform speed and
- quality across branches;
- Enhanced cost efficiency by leveraging technology that is continuously upgraded; and Attraction and retention of skilled human resources.

Main Objects

1. To carry on the business of banking, that is to say, accepting for the purpose of lending or investment deposits of money from the public, repayable on demand or otherwise, and without prejudice to the generality hereof, to carry on the business of,

(a) borrowing, raising, or taking up of money;
(b) lending or advancing of money either upon or without security;
(c) drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundis, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scripts and other instruments, and securities whether transferable or negotiable or not;
(d) granting and issuing of letter of credits, traveler's' cheques and circulars notes;
(e) buying, selling and dealing in bullions and specie; buying and selling on commission;
(f) underwriting and dealing in stocks, funds, shares, debentures, debenture stock, obligations, securities and investments of all kinds;
(g) purchasing and selling of Debentures, scrips or other forms of securities on behalf of itself, constituents or others;
(h) negotiating of loans and advances;
(i) receiving of all kinds for Debentures, scripts or valuable on deposits for safe custody or otherwise;
(j) providing of safe deposits vaults;
(k) collecting and transmitting of money and securities;
(l) issuing credit cards, meal vouchers and extending any other credits and to carry on any other business specified in clause (b) to clause (n) of sub-section (1) of section 6 of the Banking

Regulation Act, 1949 (10 of 1949) , and such other forms of business which the Central Government may by notification in the official Gazette specify as a form of business in which it would be lawful for a banking company to engage;

2. To carry on the business of merchant banking, investment banking, portfolio investment management, and corporate consultants and advisors;
3. To carry on the business of mutual fund, equipment leasing and hire purchase;
4. To carry on the business of factoring by purchasing and selling debts receivables and claims, including invoice discounting and rendering bill collection, debt collection and other factoring services;

Subsidiaries of the Bank

The Bank as on date has one subsidiary namely UBL Sales Limited, which undertake sales and services, related activities of our Bank's products. In July 2006, we have launched our credit cards.

5. MANAGEMENT

Board of Directors

Dr. P. J. Nayak	Dr. P. J. Nayak .has a Ph.D. in Economics from the University of Cambridge, UK. He has completed 59 years of age. He was employed from May, 1996 to December, 1999 as Executive Trustee, Unit Trust of India. Before this, from 1971 to 1996, he was employed as a member of the Indian Administrative Service. From July, 1990 to July, 1995 he was employed as Joint Secretary by the Government of India in the Department of Economic Affairs in the Ministry of Finance. He has also served as a Government Director on the Boards of Banks, including Bank of Baroda and Canara Bank. Dr. P. J. Nayak is not a Director of any other Company. Dr. Nayak was appointed as a Director of the Bank from 9 October 1999 and was appointed as the Chairman and Managing Director from 1 January 2000 to 31 December 2004 and has been reappointed as the Chairman and Managing Director for a further period from 1 January 2005 to 31 July 2007.
Mr. Surendra Singh	Mr Surendra Singh has a Masters degree in Science from University of Allahabad. He is 69 years of age. He was formerly Cabinet Secretary to the Government of India. He was also an Executive Director of the World Bank, representing India, Bangladesh, Sri Lanka and Bhutan. He was appointed as a Director of UTI Bank w.e.f. 27th April, 2000. He holds various board level positions in the banking industry. He is a Director of NIIT Technologies Limited, NIIT Limited, Jubilant Organsoys Limited, BAG Films Limited, CMC Limited and Andhra Pradesh Paper Mills Limited.
Mr N. C. Singhal	Mr N. C. Singhal has a Masters degree in Economics and a Masters degree in Science and a Post Graduate Diploma in Public Administration from Lucknow University. He is 70 years of age. He was the founder and Chief Executive Officer, designated as the Vice-Chairman and Managing Director of SCICI Ltd. (formerly known as the Shipping Credit and Investment Corporation of India Ltd.). He has also worked with ICICI Ltd. and ONGC for number of years. He was appointed as a Director of UTI Bank w.e.f. 2nd May, 2002. He is also a Director of Shapoorji Pallonji Finance Limited, Deepak Fertilizers & Petrochemicals Corporation Ltd., Max India Limited, The Shipping Corporation of India Limited, Max New York Life Insurance Company Limited, Birla Sun Life Asset Management Co. Ltd, Tolani Shipping Limited, Ambit Corporate Finance Pvt. Limited and Chairman of Samalpatti Power Company Pvt. Limited
Prof. J. R. Varma	Prof. J. R. Varma is a Cost Accountant and has a Post Gradute Diploma in Management from Indian Institute of Management, Ahmedabad. He is 46 years of age. He was appointed as a Director of UTI Bank w.e.f. 25th June, 2003. He is currently a professor in the Finance and Accounting department at Indian Institute of Management, Ahmedabad where he teaches courses in Capital Markets, International Financial Management and Corporate Finance. Prof. Varma was a full-time member of SEBI for a year.

	Before that, he was a part time member of SEBI for three years. Prof. Varma has carried out extensive research in the field of Indian Financial Market and Finance theory and published extensively in Indian and International Journals. He is a Director of Infosys BPO Ltd. and OnMobile Asia Pacific Pvt. Ltd.
Mr. A. T. Pannir Selvam	Mr A. T. Pannir Selvam has a Masters degree in Economics. He is 66 years of age. He was formerly Chairman and Managing Director of Union Bank of India and Executive Director of Bank of India. He was also Chairman of a Government - appointed high level committee to study the causes of NPA's and to suggest remedial measures. He was also on the boards of several public sector undertakings. He was appointed as a Director of UTI Bank w.e.f. 25th June, 2003. He is presently a Director of 2icapital (India) Pvt. Limited, Rolta India Limited, and Pegasus Asset Reconstruction Company Pvt. Ltd. and Stock Holding Corporation of India Limited.
Mr. R. H. Patil	Mr R. H. Patil has done Masters in Economics and Ph.D. in International Economics. He is 69 years of age. He was appointed as a Director of UTI Bank w.e.f. 17th January, 2005. He is presently Chairman of Clearing Corporation of India Limited and UTI Asset Management Company Pvt. Ltd. (UTI Mutual Fund).. He was the founder Managing Director and CEO of the National Stock Exchange of India. He has also worked for 7 years in RBI and more than 18 years in IDBI. He is also a Director of National Securities Depository Limited, NSE.IT Limited, National Securities Clearing Corporation India Limited, National Stock Exchange of India Limited, Clear Corp Dealing Systems (India) Ltd., SBI Capital Markets Limited, CorpBank Securities Limited, NDSL Database Mgt Ltd He is the Chairman of Clearing Corporation of India Ltd.
Mr. R. B. L. Vaish	Mr R. B. L. Vaish is a graduate in Commerce and a Chartered Accountant. He is 61 years of age. He was appointed as a Director of the Bank w.e.f. 17th January, 2005. He was the Executive Director (Finance & Accounts) of LIC of India. He has worked in various capacities with LIC for his entire career. He is not a Director of any other Company.
Ms. Rama Bijapurkar	Ms. Rama Bijapurkar has an Honours Degree in Science and a Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad. She is 49 years of age. She is an Independent Management Consultant, specialising in market strategy and is a visiting faculty member at the Indian Institute of Management, Ahmedabad. She has 28 years of experience in market research and market strategy. She was appointed as a Director of UTI Bank w.e.f. 17th January, 2005. She is also a Director of Infosys Technologies Limited, Godrej Consumer Products Limited, Credit Rating Information Services India Limited, Ambit Corporate Finance Pte. Ltd, Give Foundation (Sec. 25 Company), CRISIL Marketwire Ltd. and Entertainment Network (I) Ltd., and SAB Miller India Ltd.

Mr. S. Chatterjee	Mr S. Chatterjee has an Honours degree in Arts. He is 59 years of age. He has over 34 years of experience in commercial and investment banking. He joined the Bank in 1994. In his earlier assignment with SBI, he had extensive exposure in the areas of international banking in the UK and the USA. He was the Bank's Resident Representative in Washington D.C. for five years. Mr Chatterjee has been appointed as a full-time Executive Director of the Bank from 17 January 2005 until 31 December 2006. He is currently a director at UBL Sales Limited (a wholly-owned subsidiary of UTI Bank Limited.)
Mr S. B. Mathur	Mr S. B. Mathur is a graduate in Commerce and a Chartered Accountant as also a Cost Accountant. He is a former Chairman of Life Insurance Corporation and is presently the part-time Administrator of the Specified Undertaking of the Unit Trust of India. He is also on the Board of EID Parry (I) Ltd., Ltd. Grasim Industries Ltd., IL&FS, Munich Re India Services Pvt. Ltd., ITC Ltd, Indian Railway Catering and Tourism Corporation Ltd. and Havell's India Ltd., National Collateral Mgt Service Ltd., Housing Development Improvement India Ltd. He is also Administrator of the Specified Undertaking of the Unit Trust of India. He is also Non-Executive Chairman of National Stock Exchange of India Ltd. and Chairman and Director in UTI Technologies Services Ltd. and UTI Infrastructure & Services Ltd.
Mr M. V. Subbiah	Mr M. V. Subbiah is a Diploma holder in Industrial Administration. He is the former Chairman and present Advisor of the Murugappa Group. Mr Subbiah has been a recipient of 'JRD Tata Business Leadership' award in 2002 and the National HRD award in 1988. The Murugappa family has received the 'Distinguished Family Business' award 2001, from IMD Lausanne. Mr Subbiah having served as the member of EID Parry (I) Ltd.; one of the oldest sugar companies in India has gained a lot of exposure to the farming community as well as the Agricultural and Rural Economy. Has been a member of the "Committee on the Financial System" constituted on 25/12/1997 under the Chairmanship of Mr M.Narasimham. He is a Director in Lakshmi Machine Works Ltd., ICI India Ltd., Chennai Wellingdon Corporate Foundation, Chennai Heritage (Section 25) Company, SRF Ltd. Parry Enterprises India Ltd.,.
Mr Ramesh Ramanathan	Mr Ramesh Ramanathan has an honours postgraduate degree in Physics. He is also an MBA in Finance and a CFA (AIMR). Mr Ramanathan is a former Managing Director, CitiBank, North America, Head of North American Equity Derivatives and European Head, Corporate Derivatives. He was also the founder. He is Director in Cross Domain Solutions Pvt.Ltd., Infostrands Pvt.Ltd and Sanghmithra Rural Financial Service (Section 25) Company.

Details of Borrowing Powers of Directors

The shareholders of our Company have passed a resolution at the Twelfth Annual General Meeting of the Company held on June 2, 2006, authorising the Board of Directors of our company pursuant to Section 293(1)(d) of the Companies Act, 1956 to borrow, such sum or sums of money as they may deem requisite for the purpose of the business of the Company not withstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the bankers of the company in the ordinary course of business) shall exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set up for any specific purposes provided that the total amount together with the monies already borrowed by the Board of Directors shall not at time exceed the sum of Rs. 20,000 crores only.

Directorship in other companies and compensation of Managing Director/Whole Time Director

A. Dr. Pangal Jayendra Nayak

Name & Address	Directorship in other Companies	Nature of Interest in other Companies
Dr. Pangal Jayendra Nayak Chairman & Managing Director 162, Jolly Maker Apts. III Cuffe Parade, Colaba Mumbai- 400 005	Nil	Nil

Dr. P. J. Nayak was appointed as Chairman and Managing Director of the Bank from January 1, 2000 upto December 31, 2004 on the terms and conditions contained in the agreement executed between the Bank and the Chairman and Managing Director on December 22, 1999 and also in the supplementary agreements executed on February 19, 2002, March 3, 2003, October 17, 2003, October 27, 2004 March 30, 2005 and July 14, 2005. He was re-appointed as the Chairman and Managing Director of the Bank for the period January 1, 2005 till July 31, 2007.

The terms effective from April 1, 2006 are as under:

Particulars	Revised Terms
Salary	Rs. 91,80,000/- p.a. (Rupees Ninety One Lacs Eighty Thousand Only)
Variable Pay	As may be decided by the Remuneration and Nomination Committee/Board from time to time, subject to a maximum of 25% of salary drawn during the year
Leave Fare Concession	Rs. 5,40,000/- per annum
Personal Entertainment Allowance	Personal Entertainment allowance Rs.3,00,000 p.a.
Allowance for Upkeep of residential accommodation	Allowance for upkeep of residential accommodation provided by the Bank Rs. 1,93,500/- p.a.
Superannuation	@ 10 percent p.a. of salary as applicable to other employees of the Bank.
Employees Stock Option Plan	Stock options (ESOP) as may be decided by the Remuneration Committee / Board from time to time.
House Rent Allowance in lieu of Bank's owned / leased accommodation	Rs. 1,62,500/- p.m. (only if he stays in his own house)
Medical	Full medical facilities for self and family
Housing / Personal Loans	As given below at the same rate interest as applicable to other employees of the Bank)

Particulars	Amount of Loan (Rs.)
Housing Loan	Upto Rs.30.00 lacs
Staff Vehicle Loan	Rs.10.00 lacs
Staff Consumer Loan	Rs.5.00 lacs
Staff Personal Loan	Rs.10.00 lacs
Loan against NSC/Units of UTI and Other Mutual Funds	Rs.1.00 lac
Total Loan Eligibility	Rs. 56.00 lacs

B. Mr S. Chatterjee

Name & Address	Directorship in other Companies	Nature of Interest in other Companies
Mr S. Chatterjee Executive Director 13th Floor, Maker Towers "F" Cuffe Parade, Colaba Mumbai – 400 005	UBL Sales Limited	Director

Mr S. Chatterjee was appointed as Executive Director of the Bank w.e.f. January 17, 2005 till the date of December 31, 2006. The terms effective from April 1, 2006 are as under:

Particulars	Terms
Salary	Rs. 44,16,000/- p.a. (Rupees Forty Four lacs sixteen Thousand only)
Other allowance	RS. 18,60,000/- p.a.
Variable Pay	As may be decided by the Remuneration and Nomination Committee / Board from time to time, subject to a maximum of 25% of salary drawn during the year.
Leave Fare Concession	Rs. 3,24,000/- p.a.
Personal Entertainment Allowance	Expenditure on official entertainment would be on the Bank's account.
Allowance for Upkeep of residential accommodation	Rs. 36,000 p.a.
Superannuation	10% of Basic Pay p.a.
House Rent Allowance in lieu of Bank's owned/leased accommodation	Rs. 97,500/- p.m. (only if he stays in his own house)
Medical	Full medical facilities for self and family
Employees Stock Option Plan	As may be granted by the Board of Directors from time to time, according to the ESOP Scheme of the Bank, subject to prior approval of Reserve Bank of India
Housing/Personal Loans	As given below at the same rate interest as applicable to other employees of the Bank)

Particulars	Amount of Loan (Rs.)
Housing Loan	Upto Rs.30.00 lacs
Staff Vehicle Loan	Rs.8.00 lacs
Staff Consumer Loan	Rs.4.00 lacs
Staff education Loan	Rs.5.00 lacs
Staff Personal Loan	Rs.2.75 lacs
Loan against NSC/Units of UTI and Other Mutual Funds	Rs.0.25 lac
Total Loan Eligibility	Rs. 50.00 lacs

Corporate Governance

The Bank's policy on Corporate Governance has been

1. To enhance the long term interest of its shareholders and to provide good management, the adoption of prudent risk management techniques and compliance with the required standards of capital adequacy, thereby safeguarding the interest of its other stakeholders such as depositors, creditors, customers, supplier and employees.
2. To identify and recognize the Board of Directors and the management of the Bank as the principal instruments through which good corporate governance principles are articulated and implemented. Further, to identify and recognize accountability, transparency and equality of treatment for all stakeholders, as central tenents of good corporate governance.

The Bank complies with Corporate Governance as applicable to listed Companies and has constituted the committees such as Committee of Directors, Audit Committee, Risk Management Committee, Shareholders/Investors Grievance Committee, Remuneration and Nomination Committee, Customer Service Committee and Special Committee to monitor large value frauds.

Committee of Directors

The Committee of Directors is vested with the following functions and powers:

a) To provide approvals for loans above certain stipulation limits, discuss strategic issues in relation to credit policy, and deliberation on the quality of the credit portfolio.
b) To sanction expenditure above certain stipulated limits.
c) To approve expansion of the locations of the Bank's network of offices, extension counters, ATMs and currency chests.
d) To review investment strategy and approve investments related proposals above certain limits.
e) To issue Power of Attorney to officers of the Bank.
f) To approve proposals related to Bank's operations covering all departments and business segments.
g) To discuss issues relating to day-to-day affairs and problems and to take necessary steps for the smooth functioning of the Bank.

Audit Committee

The Audit Committee functions with the following objectives

a) To provide direction and to oversee the operation of the audit functions in the Bank.
b) To review the internal audit and inspection systems with special emphasis on their quality and effectiveness.

c) To review inspection and concurrent audit reports of large branches with a focus on all major areas of Housekeeping, particularly inter branch adjustment accounts, arrears in the balancing of the books and un-reconciled entries in inter-bank and Nostro accounts and frauds
d) To follow up issues raised in Long Form Audit Report and inspection reports of Reserve Bank of India
e) To review the system of appointment and remuneration of concurrent auditors and external auditors.
f) To review the unaudited quarterly financial results and the audited annual results of the Bank and to recommend their adoption to the Board.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee performs the following functions:

a) To decide the remuneration package for all employees and Directors, which includes Salary, Benefits, Bonuses, Pension and Employee Stock Options.
b) The Committee is also consulted on appointments at very senior levels of the Bank.
c) The Committee also undertakes a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria

Shareholders/ Investors Grievance Committee

The committee looks into the redressal of shareholders' and investors' grievances relating to non-receipt of dividend, refund order, shares sent for transfer, non receipt of balance sheet etc. and other similar grievances.

Risk Management Committee

The functions of the Committee inter-alia includes

a) To perform the role of Risk Management in pursuance of the Risk Management Guidelines issued periodically by RBI and the Board.
b) To monitor the business of the Bank periodically and also to suggest the ways and means to improve the working and profitability of the Bank from time to time.

Shareholding of Directors (as on August 28, 2006)

Sr. No.	Name of Director	No. of Shares held
1	Mr P J Nayak	88,640
2	Mr S Chatterjee	41,756
3	Mr R.B.L. Vaish	225

Directors of the Bank are not required to hold qualification shares.

Interest of Directors

The Directors of the Bank are interested to the extent of shares held by them and/ or by their friends and relatives or which may be subscribed by them and/ or allotted to them by the Bank.

The Directors of the Bank are interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee and reimbursement of travelling and other incidental expenses, if any, for such attendance as per the rules of the Bank.

Save as stated above, no amount or benefit has been paid or given to the Bank's Directors or Officers since its incorporation nor is intended to be paid or given to any Directors or Officers of the Bank except the normal remuneration and/or disbursement for services as Directors, Officers or Employees of the Bank.

Change in Directors of UTI Bank Limited during the Last Three Years

The following have been appointed and inducted on the Board as Directors during the last three years i.e. after 1st January, 2003

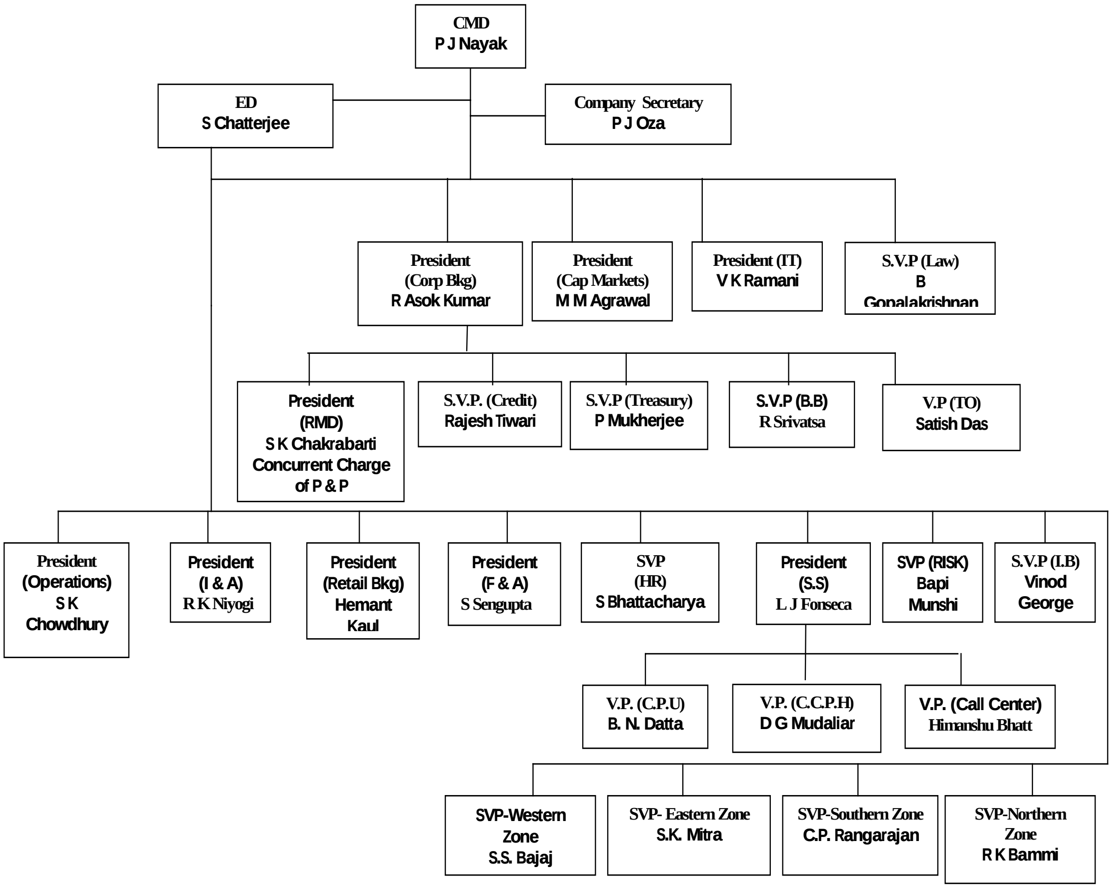
Sr.No.	Name	Date of Appointment
1	Mr. Ajeet Prasad	31st July, 2002 & January 20, 2004*
2	Dr. R. H. Patil	January 17, 2005
3	Mr R. B. L.Vaish (Nominee of LIC)	January 17, 2005
4	Smt. Rama Bijapurkar	January 17, 2005
5	Mr S. Chatterjee	January 17, 2005
6	Mr S. B. Mathur	October 14, 2005
7	Mr M. V. Subbiah	October 14, 2005
8	Mr Ramesh Ramanathan	October 14, 2005

*resigned and re-appointed

The following Persons have ceased to be Directors during the last 3 years

Sr. No.	Name of Director	Date	Reason
1	Mr. B S Pandit	November 12, 2003	Resigned
2	Mr. Paul Fletcher	June 07, 2004	Resigned
3	Mr. Donald Peck	June 07, 2004	Resigned
4	Mr. R N Bhardwaj	August 16, 2004	Resigned
5	Mr. K Narasimha Murthy	October 01, 2004	Resigned
6	Mr. Ajeet Prasad	July 26, 2005	Resigned
7	Mr. Yash Mahajan	July 29, 2005	Resigned
8	Mr. M. Raghavendra	August 5, 2005	Resigned

Organization Structure



Key Managerial Personnel

Name	Designation	Date of Joining	Qualification	Experience	Ex-Employer Name
Dr. P J Nayak	CMD	01.01.2000	M.A., Ph.D. from Cambridge University	34	Unit Trust Of India
Mr. S Chatterjee	ED	01.12.1994	Honours (B.A)	35	State Bank of India

The Chairman and Managing Director and The Executive Director are supported by a team of professionals, who head various functional areas including Credit, Capital Markets, Foreign Exchange and Treasury, Finance and Accounts, Information Technology, Policy Planning and Personnel. The branches are headed by experienced bankers at senior level of Vice President/Asst. Vice President.

Change in Key Managerial Personnel in the preceding one year:
There has been no change in the Key Managerial Personnel in the preceding one year.

6. OUR PROMOTERS

1) **Administrator of The Specified Undertaking Of The Unit Trust Of India (UTI I) or erstwhile Unit Trust of India**
2) **Life Insurance Corporation Of India**
3) **General Insurance Corporation India**
4) **PSU Insurance Cos. viz New India Assurance Company, National Insurance Company, Oriental Insurance Company and United India Insurance Company.**

- **Administrator of The Specified Undertaking Of The Unit Trust Of India (UTI I) or erstwhile Unit Trust of India***

  *Information stated below is based on information sought and received in February 2006

Brief History:
Erstwhile Unit Trust of India was set up as a body corporate under the UTI Act, 1963, with a view to encourage savings and investment. In December 2002, the UTI Act, 1963 was repealed with the passage of Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 by the Parliament, paving the way for the bifurcation of UTI into 2 entities, UTI-I and UTI-II with effect from 1st February 2003. In accordance with the Act, the Undertaking specified as UTI I has been transferred and vested in the Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI), who manages 1 assured return schemes along with 6.75% US-64 Bonds, 6.60% ARS Bonds with a Unit Capital of over Rs. 14922.26 crores.

The Government of India has currently appointed Mr S B Mathur as the Administrator of the Specified undertaking of UTI, to look after and administer the schemes under UTI – I, where Government has continuing obligations and commitments to the investors, which it will uphold. The Central Government has appointed a Board of Advisors, comprising the following, to advise and assist the Administrator in carrying on the management of the Specified Undertaking*.

1. Mr K P Krishnan, Joint Secretary, (CM & ECB), Dept. of Economic Affairs, Ministry of Finance, Government of India.
2. Mr R V Shastri, CMD (Retd.), Canara Bank.
3. Mr A N Shanbhag, Investment Consultant.
4. Ms. Rita Menon, Additional Secretary Department of Expenditure, Ministry of Finance, Government of India

* At present

The Schemes currently being managed by the Administrator of the Specified Undertaking of the Unit Trust of India are:

Sr. No.	**Schemes under UTI-I**
1.	6.75% US-64 Bonds
2.	6.60% ARS Bonds
3.	Special Unit Scheme – 99

Provisional figures of Assets under Management of SUUTI as on December 31,2005:

Rs. in Crores

Equity & Preference Share *	11536.76
Corporate Debt (Debentures)	2520.89
Government Securities	1639.43
Money Market and Deposits	9202.32
Total	**24899.40**

* Including aggregate Shareholding in UTI Bank Limited: 7,72,45,070 shares

- **Life Insurance Corporation Of India**

Brief History:
Life Insurance Corporation of India (LIC of India) is a statutory Corporation formed under the Life Insurance Corporation of India Act, 1956, under which the Government of India nationalized the business of life insurance and the newly formed LIC of India took over the assets and liabilities of all the existing insurance Companies with effect from 01.09.1956. The entire capital of LIC is held by Government of India. LIC of India has strong marketing network of more than 10 lacs agents spread over the country and has also diversified into areas like housing finance, and management of mutual funds by promoting dedicated companies.

Board of Directors*:
1. Mr. T. S. Vijayan – Chairman
2. Mr. D.K. Mehrotra – Managing Director
3. Mr. Thomas Mathew T – Managing Director
4. Mr. V P Shetty
5. Mr. Vinod Rai
6. Mr. R K Joshi
7. Mr. Amitav Kothari
8. Dr. Gautam Baurua
9. Dr. A Jaygovind
10. Ms. Pushpa Girimaji
11. Dr. Arvind Virmani
12. Mr. Sunil Kant Munjal
13. Dr. (Ms). Swati Piramal

(*as on 31 Aug 06: source website)

Financial Highlights:

Rs.in Crores

Year	2002-2003	2003-2004	2004-05
Capital	5.00	5.00	5.00
Free Reserve – General Reserve (Shareholders Funds)	116.75	120.43	132.19
Total	121.75	125.42	137.19
Life Insurance Fund	273005	321754	385639
Total Income*	80939	93089	112346
Profit after Tax	497	548	708

* Total Income has been defined as Net Premium Income plus other income.

- **General Insurance Corporation India**

Brief History:
The General Insurance Corporation of India was incorporated under the Companies Act, 1956 on November 22, 1972. In terms of the General Insurance (Business) Nationalisation Act, 1972 the undertakings of all insurance companies operating in the country were taken over by four companies, the New India Assurance Company Limited, United India Insurance Company Limited, Oriental Insurance Company Limited and National Insurance Company Limited was vested with GIC. Thus making it the holding company for the four general insurance companies operating in India. Central Government vide gazette notification S.O.329 (E) dated 21.3.2003 has notified the “Appointed Date” on which the general insurance business (Nationalisation Act, 2002)

has come into force in view of the said notification the share capital of the erstwhile four subsidiaries is now vested in the Central Government and GIC has been formally de-linked from the said subsidiary companies. GIC has diversified into area like Housing Finance and Management of Mutual Funds.

Board of Directors*:

1. Mr. R K Joshi, Chairman cum Managing Director
2. Mr. G C Chaturvedi
3. Mr. Vijayan
4. Mr. B Chakrabarti

(*as on 31 Aug 06: source website)

Financial Highlights:

Rs. in Crores

Year	2003-04	2004-05	2005-06*
Share Capital	215	215	430
Reserves (excluding revaluation reserve)	3917	4044	4329
Net Premium Income	4163	4614	4458.84
Profit after Tax	1038	200	598.52
EPS (Face value Rs. 100 each) (Rs.)	483	93.02	139.19

(*as on 31 Aug 06: source website)

- **National Insurance Company Limited**

Brief History:

National Insurance Company Limited was incorporated in 1906 with its Registered office in Kolkata. Consequent to passing of the General Insurance Business Nationalisation Act in 1972, 21 Foreign and 11 Indian Companies were amalgamated with it and *National* became a subsidiary of General Insurance Corporation of India (GIC) which is fully owned by the Government of India. After the notification of the General Insurance Business (Nationalisation) Amendment Act, on 7th August 2002, *National* has become a Government of India undertaking. ***National*** transacts general insurance business of Fire, Marine and Miscellaneous insurance. The Company offers protection against a wide range of risks to its customers

Board of Directors*:

1. Mr. V Ramaswamy- Chairman cum Managing Director
2. Mr. Lalit Kumar Chandel
3. Mr. Pawan Kumar Gupta
4. Mr. Surjit Das
5. Mr. D K Burman

(*as on 31 Aug 06: source website)

Financial Highlights:

Rs. in Crores

Year	2002-03	2003-04	2004-05
Share Capital (Paid up)	100.00	100.00	100.00
Free Reserve & Surplus	972.17	1015.20	1116.27
Total Income *	2270.33	3108.48*	3497.02
Profit after Tax	135.65	77.07	131.18

*Total Income has been defined as Income from underwriting net of other income (Invt.)

- **The New India Assurance Company Limited**

Brief History*:
The New India Assurance Company Limited ("New India") was incorporated on July 23, 1919 by Shri. Dorabji Tata. New India commenced its overseas operations in the year 1920 and was nationalized in the year 1973. New India has been De-linked from General Insurance Corporation of India by an Act of Parliament. The entire share capital of New India is held by Government of India.

New India has been rated 'A' (Excellent) by M/s A.M.Best Europe Limited for the sixth successive years.

For the financial year 2005-06 New India has achieved a profit after tax of Rs.716.38 crores on a share capital of Rs.200.00 crores (inclusive of bonus issue of 5 crore equity shares of Rs.10/- each), with an EPS of Rs.38.07 per share.
(*as on 31 Aug 06: source website)

Board of Directors*:
1. Mr. Bimalendu Chakrabarti -Chairman-cum-Managing Director
2. Mr. Girish Chandra Chaturvedi- Director
3. Mr. Ram Kishore Joshi- Director
4. Mr. Ayalur Vedom Muralidharan- Director and General Manager
5. Dr. A.K. Khandelwal

(*as on 31 Aug 06: source website)

Financial Highlights:

Rs. in Crores

Year	2002-03	2003-04	2004-05
Share Capital (Paid up)	100.00	100.00	150.00*
Free Reserve & Surplus	3304.00	3843.50	4166.41
Net Premium Income	3516.43	3634.94	3894.11
Profit after Tax	255.81	590.21	402.23
EPS Rs.	25.58	59.02	26.81
NAV (net worth) Rs.	3404.00	3943.50	4316.41

* Bonus Issue of 5 crore-equity shares of Rs.10/- each.

- **United India Insurance Company Limited**

Brief History:
The United India Insurance Company Limited (UIIC) was formed by the amalgamation of 22 general insurance companies and 5 foreign operation of the Indian Companies and is wholly owned by Government. of India. The Central Government, vide Gazette notification S.O. 329(E) dated 21st March 2003 has notified the "Appointed Date' on which the General Insurance Business (Nationalisation) Act 2002 shall come into force as 21st March 2003. With effect from this date the book value of the shares in the 4 Public Sector Insurance companies held by GIC stands transferred to the Central Government. In view of the said notification the share capital of United India Insurance Company is now vested with the central Government. & General Insurance Corporation of India has now been formally de-linked from the said four public sector insurance companies.

Board of Directors* :
1. Mr. M K Garg, Chairman cum Managing Director
2. Mr. V P Bhardwaj - Director
3. Dr. K C Chakrabarty - Director
4. Mr. V S Chopra – Director and General Manager
5. Mr. M S Pratap - Director and General Manager

(*as on 31 Aug 06: source website)

Financial Highlights:

Rs. in Crores

Year	2002-03	2003-04	2004-05
Share Capital (Paid up)	100.00	100.00	100.00
Free Reserves & Surplus	1346.03	1692.64	1929.58
Total Income*	2767.24	3093.86	3248.73
Profit after Tax	170.98	380.44	307.71
Earning Per Share (Rs.)	17.098	38.044	30.77

* Total Income has been defined as Net Premium Income plus other income

- **The Oriental Insurance Company Limited**

Brief History:

Oriental Fire & General Insurance Company Ltd (OFGICL) was incorporated on September 12, 1947 & Commenced operations in late 1949. On the Nationalisation of General Insurance business in 1973, OFGICL became one of the four subsidiaries of General Insurance Corporation of India with the subsequent merger of ten India Insurance Companies & 12 foreign Insurance Companies with OFGICL. To reflect the gamut of operations of the company, the name of the company was changed in May 1984 from Oriental Fire & General Insurance Company Ltd. to The Oriental Insurance Company limited (OICL). On 30th August 2003, the shares held by GIC were transferred to Government. of India & since then the company has ceased to be a subsidiary of GIC. It is now a wholly owned Government Company.

Board of Directors*:
1. Mr. M Ramodoss – Chairman cum Managing Director
2. Mr. K N Prithviraj - Director
3. Mr. Subash C Sharma - Director
4. Mr. R C Jain - Director

(*as on 31 Aug 06: source website)

Financial Highlights:

Rs. in Crores

Year	2002-03	2003-04	2004-05
Share Capital (Paid up)	100.00	100.00	100.00
Free Reserve & Surplus	733.65	1021.92	1318.35
Total Income	2868.15	2899.74	3090.55
Profit after Tax	63.99	316.47	330.52

Information on companies stated above is based on information sought and received till December 2005, except certain publicly available information, which has been updated.

7. FINANCIAL INFORMATION OF GROUP COMPANIES PROMOTED BY PROMOTERS

Companies promoted by Special Undertaking of Unit Trust of India (SUUTI) -Formerly know as Unit Trust of India

- UTI Technology Services Ltd.
- Unit Trust of India Investment Advisory Services
- Indian Institute Of Capital Markets (Formerly UTI Institute of Capital Markets)

Companies Promoted by LIC of India

- LIC Housing Finance Limited:
- Jeevan Bima Sahayog Asset Management Company Limited (JBS-AMC)
- LIC Mutual Fund Trustee Company Pvt. Ltd.
- LIC (Nepal) Ltd., Nepal
- LIC Lanka Limited
- LIC Mauritius (Offshore) Limited

Companies Promoted by GIC

- GIC Asset Management Company Limited (GAMCL)
- GIC Housing Finance Limited
- The India International Insurance PTE. Limited, Singapore
- Kenindia Assurance Company Limited
- Agriculture Insurance Company of India Limited (AICIL)

Companies promoted by New India Assurance Company

- The New India Assurance Company (Sierra Leone) Ltd.
- The New India Assurance Company (Trinidad and Tobago) Ltd.

Company promoted by United India Insurance Company Limited.

- Zenith Securities & Investments Limited

Company promoted by Oriental Insurance Company Limited

- The Industrial Credit Company Limited

On April 17, 2006 the entire share capital of the UTI Securities Limited, which was 100% subsidiary of SUUTI was transferred to Securities Trading Corporation Of India Ltd. Information on companies stated above is based on information sought and received till December 2005, except certain publicly available information which has been updated.

- **Companies promoted by Special Undertaking of Unit Trust of India (SUUTI) -Formerly know as Unit Trust of India**

UTI Technology Services Ltd.

Brief History:

UTI Investor Services Ltd. was incorporated on May 19, 1993 as a 100% subsidiary of Unit Trust of India primarily to render services as Registrar and Transfer Agents and Government Service Department. Consequent to the enactment of Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002, the entire share capital of the company vested into the Central Government through the Administrator of Specified Undertaking of UTI and its nominees w.e.f. 01.02.2003. The name of the company was changed to UTI Technology Services Ltd. with effect from 14th October, 2004.

Board of Directors *:

1. Mr. S B Mathur – Chairman
2. Mr. M. Parameswaran –Chief Executive Officer
3. Mr. D Prakash
4. Mr. D S R Murthy
5. Prof G Sethu

(*as on 31 Aug 06: source website)

Financial Highlights:

1	Date of Incorporation	19th May, 1993		
2	Nature of Activities	Providing R&T Services To Mutual Funds, Issue of PAN cards on behalf of Income-tax Department and IT-related services to Government of India and others.		
		2002-03	2003-2004	2004-2005
				(Rs. in crores)
3	Equity Capital (of Rs.10/- each)	10.00	30.00	30.00
4	Reserves (excluding revaluation reserves)	0.96	5.57	10.89
5	Sales	22.00	68.14	78.07
6	Profit After Tax (PAT)	0.78	8.38	10.40
7	Earning Per Share (EPS) (Rs.)	0.78	3.31	3.14
8	NAV (Rs.)	10.96	11.86	13.63

In the year 2003-04 the company allotted 2 crore equity shares of Rs. 10 each to the Specified Undertaking of Unit Trust of India towards the purchase consideration for assets taken over.

Unit Trust of India Investment Advisory Services

Brief History:
Unit Trust of India Investment Advisory Services Limited (UTIIAS) was incorporated in India as wholly owned subsidiary of erstwhile Unit Trust of India (UTI). UTIIAS initially took up the role of Investment Advisor for the Off-Shore Funds floated by UTI and also provided management services to mutual funds on an ongoing basis for management fees. Consequent to the repeal of Unit Trust of India (UTI) Act, the entire shareholding of the company was transferred to the Administrator of the Specified Undertaking of the Unit Trust of India w.e.f. February 1, 2003. UTIIAS is now providing Trusteeship services for Bonds/Debenture, Security Trusteeship Services for ECBs and Consortium Financing and Trusteeship Services for Securitisation of debts/receivables.

Board of Directors

1. Mr D S R Murthy
2. Mr M. R. Mayya
3. Mr Viraf Mehta
4. Mr M R Umarji
5. Mr K Madhava Kumar

Financial Highlights:

1	Date of Incorporation	20th June, 1988		
2	Nature of Activities	Trusteeship Services		
		2002-2003	2003-2004	2004-2005
				(Rs. in crores)
3	Equity Capital (of Rs.10/- each)	0.89	0.89	0.89
4	Reserves (excluding revaluation reserves)	4.26	5.34	5.62
5	Income	3.41	2.48	1.71
6	Profit After Tax (PAT)	0.07	1.32	0.79
7	Earning Per Share(EPS) (Rs.)	0.79	14.83	8.89
8	NAV (Rs.)	57.86	70.03	73.20

Indian Institute Of Capital Markets (Formerly UTI Institute of Capital Markets):

Brief History:
Indian Institute of Capital Markets (formerly UTI Institute of Capital Markets (UTIICM)) was established by erstwhile Unit Trust of India on June 25, 1992. It is a non-profit organisation registered as society under the Societies Registration Act 1860 also as public trust under Bombay Public Trust Act 1950. The institute is governed by a governing council.

Names of Governing Council Members*:
1. Mr S B Mathur – Chairman
2. Mr D. Basu
3. Mr Nimesh N. Kampani
4. Dr. K. R. S. Murthy
5. Dr. T. T. Ram Mohan
6. Dr. Ajit V. Karnik
7. Dr. P. P. Shastri

(*as on 31 Aug 06: source website)

Financial Highlights:

1	Date of Registration	25th June, 1992		
2	Nature of Activities	Education, Research & Consultancy		
		2002-2003	2003-2004	2004-05
				(Rs. in crores)
3	Trust Fund or Corpus	9.00	9.00	9.00
4	Income	2.83	2.43	2.43
5	Reserves	4.18	4.53	4.90
6	Profit after tax	(0.374)	0.35	0.36

- **Companies Promoted by LIC of India**

LIC Housing Finance Limited:

Brief History
LIC Housing Finance Ltd. (LICHFL) was incorporated on June 19, 1989 with its registered office at Mumbai. LICHFL, promoted by LIC of India, is engaged in business of providing long term finance for purchase / construction of houses / flats.

Board of Directors*
1. Mr. T. S. Vijayan – Chairman
2. Mr. Thomas Mathew T – Managing Director
3. Mr. G M Ramamurthy
4. Mr. Y B Desai
5. Mr. Dhananjay Mungale
6. Mr.. K Narasimha Murthy
7. Mr. S Ravi
8. Mr. B N Shukla
9. Mr. S K Mitter

(*as on 31 Aug 06: source website)

Financial Highlights

1	Date of Incorporation	June 19, 1989		
2	Nature of Activities	Long Term Finance to individuals for purchase / construction / repair and renovation of new / existing flats / houses.		
		2003-2004	2004-2005	2005-2006*
				(Rs. in crores)
3	Equity Capital (of Rs.10/- each)	74.99	84.99	84.99
4	Reserves (excluding revaluation reserves)	886.33	1110.04	1260.51
5	Income	985.37	1048.27	1268.83
6	Profit After Tax (PAT)	167.47	143.72	208.57
7	Earning Per Share (EPS) (Rs.)	22.35	17.84	24.56
8	NAV (Rs.)	128.29	140.70	158.31

(*as on 31 Aug 06: source website)

Jeevan Bima Sahayog Asset Management Company Limited (JBS-AMC)

Brief History

Jeevan Bima Sahayog Asset Management Co. Ltd. (JBS-AMC) was incorporated on April 20, 1994 and received certificate of commencement of business on April 29, 1994. The company was granted approval to act as asset management company to LIC Mutual Fund on May 10, 1994, in terms of regulation 20 of SEBI (Mutual Funds) Regulations, 1993. Accordingly, JBS-AMC signed an investment agreement with LIC Mutual Fund for taking over the investment and allied functions of LIC Mutual Fund.

Board of Directors

1. Mr. A K Shukala - Chairman
2. Mr. Mohan Raj
3. Mr. S K Mitter
4. Mr. T.S. Vishwanath
5. Mr. H N Motiwalla
6. Mr. C R Thokore
7. Mr. R M Honavar
8. Mr. D M Sukthankar
9. Mr. N N Vohra

Financial Highlights

1	Date of Incorporation	April 20, 1994		
2	Nature of Activities	Asset Management Company		
		2002-2003	2003-2004	2004-2005
				(Rs. in crores)
3	Equity Capital (of Rs.10/- each)	10.00	10.00	10.00
4	Reserves (excluding revaluation reserves)	29.51	34.99	38.09
5	Income	19.83	26.70	20.11
6	Profit After Tax (PAT)	5.19	8.30	4.80
7	Earning Per Share(EPS) (Rs.)	5194.09	8298.75	4797
8	NAV (Rs.)	39538.92	45027.93	48103.93

LIC Mutual Fund Trustee Company Pvt. Ltd.

Brief History:
LIC Mutual Fund Trustee Company Pvt. Ltd. was incorporated on April 8, 2003 to act as Trustee for Mutual funds and to device various Schemes of Mutual Funds

Board of Directors:
Mr.D K Mehrotra – Chairman
Mr. P. N. Mehta
Mr. P. N. Shah
Mr.V G Subramanian
Mr. M Raghavendra

Financial Highlights

1	Date of Incorporation	April 8, 2003	
2	Nature of Activities	Trustees for Mutual Funds	
		2003-2004	2004-05
			(Rs. in crores)
3	Capital	1.00	1.00
4	Reserves (excluding revaluation reserves)	-	-
5	Income	2.00	3.00
6	Profit	(1.02)	(1.08)
7	Earning Per Share (EPS) (Rs.)	(10.24)	10.77

LIC International E.C. – Baharain

Brief History:
Life Insurance Corporation (International) B.S.C. was formed as a Bahrain Exempt Company on July 23, 1989 to transact life insurance business. Its head office and administrative unit for servicing the policy holders is located at Bahrain. The company operates in the state of Bahrain, Kingdom of Saudi Arabia and state of Kuwait and UAE through its Chief agents for marketing it's products and in Qatar through a broker arrangement.

LIC owns 97.81% of Capital and Int. Agencies Company holds the balance 2.19%.

Board of Directors:
1. Mr.A K Shukla –Chairman
2. Mr. T.S.Vijayan – Deputy Chairman
3. Mr. Abdul Rehman Ali Alwazzan – Director
4. Mr. M. K. Santhanam – Managing Director
5. Mr.Sadiq Al Baharsa - Alternate Director

Business Highlights:

(Rs. in Crores)

Year	2000-2001	2001-2002	2002-2003	2003-04
No of Policies	8560	10808	13598	10852
Sum Assured	316.13	423.85	585.48	463.28
First Premium	57.46	107.57	183.33	67.49

LIC (Nepal) Ltd., Nepal

Brief History:
LIC (Nepal) Ltd, a joint venture between LIC and Vishal Group of Companies in the Kingdom of Nepal.

Vishal Group is a fast growing organisation, having reasonably good and well-spread distribution network in entire Nepal. MOU was signed by Chairman of LIC with 'Vishal Group Limited,' Nepal on November 28, 2000 at Kathmandu. LIC holds about 55% of the capital , 25% is held by Vishal group of companies and the balance 20% is held by Public.

Board of Directors:
1. Mr. A. K. Shukla – Chairman
2. Mr. K Sridhar
3. Mr.Vishal Agarwal
4. Mr.Gopal Agarwal

Business Highlights:

(Rs.in Crores)

	15-07-2002	15-07-2003	15-07-2004	15-07-2005
No Policies	4495	9177	20997	22180
Sum Assured	51.50	91.89	158.95	159.49
First Premium	2.36	4.40	7.27	7.79

LIC Lanka Limited

Brief History:
Life Insurance Corporation of India, in pursuit of its strategic policy to expand internationally, is spreading its wings to more countries. LIC (Lanka) Ltd. the latest Joint Venture Company between LIC and Bartleet Group of Companies Ltd. was inaugurated on March 1, 2003, in Colombo, Sri Lanka with equity capital of 100 million (Sri Lankan Rupees). With the launch of this Company, the Corporation has made re-entry into Sri Lankan Life Insurance Market after the opening up of insurance sector to foreign companies in Sri Lanka.

LIC owns 75% of the Capital and the balance 25% is held by Bartleet Group.

Board of Directors:
1. Mr. A K Shukla – Chairman
2. Mr. D K Mehrotra
3. Mr.Braj Wijesinghe
4. Mr. Sunil C Wijesinghe

Business Highlights:

(Rs.in Crores)

	31-12-2003	31-12-2004
No Policies	3485	8958
Sum Assured	21.6	0.76
First Premium	60.1	3.01

LIC Mauritius (Offshore) Limited

The Corporation has recently subscribed to 70% of the share capital in LIC Mauritius (Offshore) Limited by way of share capital of that company, the balance 30% capital of the said company is held by GIC. This company has recently incorporated, however the operations are yet to start.

Board of Directors
The Board is under reconstitution.

- **Companies Promoted by GIC**

GIC Asset Management Company Limited (GAMCL)

Brief History:
GIC Asset Management Company Ltd. (GIC AMC) was incorporated on May 25, 1993 and appointed as Investment Manager to GIC Mutual Fund sponsored by General Insurance Corporation of India and its then subsidiaries.

Board of Directors:
1. Mr. R. K. Joshi – Chairman
2. Mr. V. H. Pandya
3. Mr. M. Raghavendra
4. Mr. Ramdas L. Baxi

Financial Highlights

1	Date of Incorporation	May 25, 1993		
2	Nature of Activities	Asset Management Company		
		2002-2003	2003-2004	2004-2005
				(Rs. in crores)
3	Equity Capital (of Rs.10/- each)	20.00	20.00	20.00
4	Reserves (excluding revaluation reserves)	Nil	Nil	Nil
5	Income	6.58	4.57	3.01
6	Profit After Tax (PAT)	3.19	1.72	0.15
7	Earning Per Share(EPS) (Rs.)	1.59	0.86	0.07
8	NAV (Rs.)	16.28	17.99	18.14

GIC Housing Finance Limited

Brief History:
GIC Housing Finance Ltd. was incorporated as "GIC Grih Vitta Ltd." on December 12, 1989. The company was issued the certificate of commencement of business dated January 12, 1990. The name is changed to its present name vide certificate of incorporation issued on November 16, 1993. The company was formed with objective of entering in the field of direct lending to individuals and other corporates to accelerate the housing activities in India. The primary business of GICHFL is granting housing loans to individuals and to persons/entities engaged in construction of houses/flats for residential purpose.

The company was promoted by General Insurance Corporation of India and its erstwhile subsidiaries namely, National Insurance Co. Ltd., The New India Assurance Co. Ltd., The Oriental Insurance Co. Ltd. and United India Insurance Co. Ltd., together with UTI, ICICI, IFCI, HDFC and SBI all of them contributing to the initial share capital.

HDFC, SBI and ICICI have since sold off their holding in the company and have ceased to be the promoters of the company.

Board of Directors*:

1. Mr. R K Joshi – Chairman cum Managing Director
2. 2. Mr. A K Guha – Managing Director
3. Mr. B Chakrabarti
4. Mr. M Ramadoss
5. Mr. M K Garg
6. Mr. V Ramasaamy
7. Mr. R M Malla
8. Mr. N R Raganathan
9. Mr. M K Tandon
10. Mr. Manu Chadha
11. Mr. B P Deshmukh
12. Mr. Arun Datta

Financial Highlights:

1	Date of Incorporation	December 12, 1989		
2	Nature of Activities	Granting housing loans to individuals and to persons/entities engaged in construction of houses/flats for residential purpose		
		2003-2004	2004-2005	2005-2006
				(Rs. in crores)
3	Equity Capital (of Rs.10/- each)	17.97	26.93	26.93
4	Reserves (excluding revaluation reserves)	77.85	96.52	120.41
5	Income	100.10	125.61	156.86
6	Profit After Tax (PAT)	11.11	17.77	33.09
7	Earning Per Share (EPS) (Rs.)	6.17	7.60	12.29
8	NAV (Rs.)	53.23	45.84	54.73

(*as on 31 Aug 06: source website)

The India International Insurance PTE. Limited, Singapore

Brief History

India International Insurance Pte Ltd. (IIIPL) was set up in December 3, 1987 as a locally incorporated fully owned subsidiary in Singapore to carry on general insurance business. The initial capital was subscribed by GIC and its subsidiary companies in equal ratio.

Board of Directors

1. Mr. B. Chakrabarti
2. Mr.M Ramdoss
3. Mr Hwang Soo Jin

Financial Highlight:

1	Date of Incorporation	December 3, 1987		
2	Nature of Activities	General insurance business		
		31.12.2002	31.12.2003	31.12.2004
		(Singapore Dollars in crores)		
3	Equity Capital	2.5	2.5	2.5
4	Reserves	9.93	11.05	12.46
5	Income	13.54	16.53	14.59
6	Profit After Tax (PAT)	1.18	1.27	1.55
7	Earning Per Share (EPS) (Sing. $)	0.47	0.50	0.62
8	NAV (Sing. $)	4.97	5.42	5.98

Kenindia Assurance Company Limited

Brief History:
Kenindia Assurance Company Ltd. (KACL) was incorporated as composite insurance company on December 6, 1978 by merging branch operations of subsidiaries of GIC and LIC then operating in Kenya. The company operates in Kenya with branches in Mombassa and other important places and is a leading insurance company in this region.

Board of Directors:
1. Mr M. N. Mehta
2. Mr. M. P. Chandaria
3. Hon'ble Simeon Nyachae
4. Mr R. K. Joshi
5. Mr.A K Shukla
6. Mr M K Garg
7. Mr A N. Ngugi
8. Ms Beatrice M Sabana
9. Mr I. J. Jain

1	Date of Incorporation	December 3, 1987		
2	Nature of Activities	General insurance business		
		2002	2003	2004
		(Kshs.in crores)		
3	Equity Capital	27.45	27.45	27.45
4	Reserves	30.98	38.31	43.96
5	Income	326.60	331.94	354.25
6	Profit After Tax (PAT)	9.97	10.71	8.52
7	Earning Per Share (EPS) (Sing $)	36.00	35.00	27.45
8	NAV (Sing $)	978.00	843.00	374.11

Agriculture Insurance Company of India Limited (AICIL)

Brief History
The company was incorporated on December 20, 2002 under the Companies Act, 1956. The Company was incorporated with a mission to provide the financial security to persons engaged in agriculture and allied activities through insurance products and other support services. It is promoted by General Insurance Corporation alongwith NABARD, National Insurance, Oriental Insurance and United India. The Details of the shareholders of the Company with their respective shareholding is as follow:

Board of Directors:

1. Mr M Prashad– Chairman and Managing Director
2. Mr A.V.Muralidharan
3. Dr. K. G. Karmarkar
4. Mr. S K Chanana
5. Mr K. N. Bhandari
6. Ms Bhagyam Ramani
7. Mr T K Das
8. Mr T K Roy
9. Mr G. C. Chaturvedi
10. Mr S. S. Prasad
11. Mr Satish Chandra
12. Mr Naved Masood

Equity Capital:

The authorised equity share capital of the company is Rs.1500 cores with initial paid up capital of Rs.200 crores. The shareholders of the company are:

	(Rs. Crs.)
GIC	70.00
NABARD	60.00
National Insurance	17.50
New India Assurance	17.50
Oriental Insurance	17.50
United India	17.50
Total	200.00

Financial Highlights:

(Rs in Crores)

Year	2003-04	2004-05
Net Earned Premium	189.09	455.37
Net Claims incurred	252.51	276.84
Underwriting Profit	(92.94)	217.32
Profit after tax	(82.92)	168.46

- **Companies promoted by New India Assurance Company**

The New India Assurance Company (Sierra Leone) Ltd.

Brief History

In the year 1959, New India Assurance Company opened its branch in Sierra Leone, South Africa as 100% subsidiary. Later in the year 1973, this branch was converted into local company. This Company is a hundred percent subsidiary of New India Assurance Company. The main business of the company is to do general insurance business in Sierra Leone.

Board of Directors

1. Mr. Bimalendu Chakrabarti
2. Mr. J K Gupta
3. Mr.K G Arora

Financial Highlights:

1	Date of Incorporation	May 14, 1973		
2	Nature of Activities	General insurance business		
		2002	2003	2004
		(Figures in local currency Leone in' 000)		
3	Share Capital (Paid –up)	500	500	500
4	Free Reserves & Surplus	86324.00	(18843)	(26343)
5	Premium written less reinsurance	2291	-	-
6	Profit after tax/loss (-)	(35272.00)	(105167)	(7500)
7	Earnings per share Rs.	-	-	-
8	NAV (Net worth) Rs.	86824	-	-

The New India Assurance Company (Trinidad and Tobago) Ltd.

Brief History

The Company was incorporated in 1977 in the Republic of Trinidad and Tobago and is a subsidiary of The New India Assurance Company Limited, Mumbai, India. The Company carries of general insurance business in Trinidad and Tobago, Dominica, St. Lucia and St. Maarten. The Company also maintains run-off portfolios in the islands of Antigua, Barbados and Grenada. The registered office and principal place of business are located at 22 St. Vincent Street, Port of Spain.

Board of Directors

1. Mr. Bimalendu Chakrabarti
2. Mr.P J Joseph
3. Mr.G C Chaturvedi
4. Mr.A R Sekar
5. Mr Keith Sirju
6. Mr.Jagdish Siewrathan
7. Mr.Horace Broomes

Financial Highlights

1	Date of Incorporation	May 14, 1973		
2	Nature of Activities	General insurance business		
		2002	2003	2004
		(figures in local currency T. T. $ in' 000)		
3	Share Capital (Paid-up)	17617	17617	17617
4	Free Reserves & Surplus	7599	12203	18443
5	Gross Premium written	26378	29895	37852
6	Profit after tax/loss (-)	7543	4604	7111
7	Net Worth	25216	29820	36060

- **Company promoted by United India Insurance Company Limited.**

Zenith Securities & Investments Limited

Brief History

The Company was incorporated on March 28, 1916 having in the name of Zenith Assurance Co. Ltd. After Nationalization of all the Insurance Companies by the Government of India, the Company has become the subsidiary of The United India Insurance Co. Ltd. Subsequently the Company's name was changed to Zenith Securities & Investments Ltd. w.e.f. 17th August, 1980.

Board of Directors:

1. Mr Homi F. Mehta – Chairman
2. Mr Lalit P Mehta
3. Mr S K Bansal
4. Mr C K Tanawala

Financial Highlights

	Year	2002-03	2003-04	2004-05
				(Rs. in crores)
1	Equity Capital	0.10	0.10	0.10
2	Reserves	0.93	1.61	2.35
3	Income	0.17	0.52	0.82
4	Profit After Tax (PAT)	0.13	0.72	0.81
5	Earning Per Share (EPS) (Rs.)	126.47	721.73	806.33
6	NAV (Rs)	N.A.	N.A.	N.A.

- **Company promoted by Oriental Insurance Company Limited**

The Industrial Credit Company Limited

Brief History:
Industrial Credit Company was incorporated on July 5, 1930 as a fully owned subsidiary of Oriental Insurance Company to carry out the business of Hire Purchase/General Insurance.

Board of Directors:

1. Mr S. K. Chanana
2. Mr Dilip Dhar
3. Mr V. Sekar

	Year	2002-03	2003-04	2004-05
				(Rupees)
1	Capital	1.00	1.00	1.00
2	Profit & Loss A/c.	240151	(248396)	222245
3	Income	0.17	0.52	0.82
4	Profit after tax	(4940)	(8245)	26151
5	NAV (Rs.)	340.15	(148.40)	(122.24)

- Company is not in operation for many years.

8. DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition, and shall be subject to the guidelines issued by RBI. The Board may also from time to time pay interim dividend.

The following table sets forth, for the periods indicated, the dividend per equity share and the total amount of dividend paid out by us on equity shares for the fiscal year, each exclusive of dividend tax.

Dividend paid for the fiscal year	Dividend paid per equity share (in Rs.)	Total amt of dividend paid (in crore)
2002	2	28.72
2003	2.2	42.29
2004	2.5	58.06
2005	2.8	77.52
2006	3.5	98.00

Future dividends will depend upon our revenues, cash flow, fiscal condition and other factors. Pursuant to guidelines issued by the SEBI in February 2000, dividend declared is payable on all equity shares outstanding on the record date for the purpose of payment of dividend, irrespective of the date of issuance of the equity shares. Before paying any dividend on our shares, we are required under the Banking Regulation Act to write off all capitalised expenses (including preliminary expenses, organisation expenses, share-selling commission, brokerage, amounts of losses incurred or any other item of expenditure not represented by tangible assets).

Before declaring dividends, we are required to transfer at least 20 % of the balance of profits of each year before payment of dividend to a reserve fund. The Government of India may, however, on the recommendation of RBI, exempt us from such a requirement. We require prior approval of RBI to pay a dividend of more than 25.0% of the par value of our shares. We also require prior approval from RBI to pay an interim dividend.

SECTION V

9. FINANCIAL INFORMATION

Auditors' Report

The Board of Directors
UTI Bank Limited
Maker Tower
Cuffe Parade
Mumbai 400 005.

Dear Sirs,

We are engaged to report on the financial information of UTI Bank Limited ('UTI Bank' or the 'Bank') annexed to this report, which has been prepared in accordance with:

a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') and the related clarifications issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 as amended upto May 8, 2006, in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 to the extent they are not inconsistent with the Banking Regulation Act, 1949;

c. the terms of reference received from the Bank, requesting us to carry out the assignment, in connection with the offer document being issued by the Bank for its proposed private placement of unsecured subordinated bonds in the nature of debentures; and

d. The Guidance Note on Reports in Company Prospectuses and Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents issued by the Institute of Chartered Accountants of India.

The preparation and presentation of this financial information is the responsibility of the Bank's management and the same has been approved by their Board of Director.

A. For our examination, we have placed reliance on the following:

i) The statement of unaudited financial results of UTI Bank for the quarter ended June 30, 2006. We have reviewed the statement of unaudited financial results for the quarter ended June 30, 2006 in accordance with the Auditing and Assurance Standard ('AAS') 33, Engagements to Review Financial Statements issued by the Institute of Chartered Accountants of India which consisted principally of applying analytical procedures for financial data and making inquiries of persons responsible for financial and accounting matters. It was substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we did not express such an opinion.

ii) The financial statements of UTI Bank for the each of the four financial years ended March 31, 2006, which have been audited and reported upon by M/s. BSR & Co., Chartered Accountants.

iii) The financial statements of UTI Bank for the financial years ended March 31, 2002, which have been audited and reported upon by M/s. V. Shankar Iyer & Co., Chartered Accountants.

iv) The un-audited financial statements of UBL Sales Limited, subsidiary of the Bank, having assets of Rs. 5 crores as at June 30, 2006 and revenue of Nil and loss of Rs.0.01 crores for period ended June 30, 2006.

B. We have performed such tests and procedures, which in our opinion were necessary for the examination. These procedures comprised comparison of the attached financial information with the Bank's audited financial statements and/or unaudited statements compiled by the Bank's management and relied upon by us.

For none of the periods or entities referred to in paragraph A(i), A(ii), A(iii) and A(iv) above, did we perform audit tests for the purpose of expressing an opinion on individual balances of account or summaries of selected transactions and accordingly, we express no opinion thereon.

C. In accordance with the requirements of clause B of Part II of Schedule II to the Companies Act, 1956 and the said Guidelines, we report as follows:

a. (i) The adjusted profits of UTI Bank (as per the clause B of Part II of Schedule II mentioned above) for each of the five financial years ended March 31, 2006 and for the quarter ended June 30, 2006 are as set out in Part I of Annexure A, enclosed.

(ii) M/s. BSR & Co., Chartered Accountants, vide their Report dated February 13, 2006, attached herewith, have confirmed that the adjusted profits of UTI Bank for the each of the four financial year ended March 31, 2005 and the assets and liabilities for each of the four financial year ended March 31, 2005 are as set out in Part I and Part II of Annexure A, and that these adjusted profits read together with the notes appearing under the Statement of Profits and Statement of Assets and Liabilities, along with accounting policies followed, have been arrived at after charging all expenses and making adjustments and regroupings and are, in their opinion, appropriate. For the purpose of our report, we have relied on their report and adjusted profits and assets and liabilities of UTI Bank for the each of the four financial year ended March 31, 2005 as set out in Part I and Part II of Annexure A respectively of their report. These are incorporated in Part I and Part II of Annexure A in our report. *These adjusted profits are without making any adjustment as referred in paragraph C (a)(v).*

(iii) *Subject to our comment in paragraph C (a) (v) below, the effect whereof is not ascertainable,* we report that the adjusted profits of the year ended March 31, 2006 read together with the notes appearing under the Statement of Profits and Statement of Assets and Liabilities, along with accounting policies followed, have been arrived at after charging all expenses and making adjustments and regroupings and are appropriate, based on the report of the statutory auditors on the accounts of the Bank for the year ended March 31, 2006.

(iv) Subject to our comment in paragraph C (a) (v) below, the effect whereof is not ascertainable, we confirm that the unaudited adjusted profits for the quarter ended June 30, 2006 and the unaudited assets and liabilities as at June 30, 2006 are as set out in Part I and Part II of Annexure A, enclosed, and that these unaudited adjusted profits read together with the unaudited notes appearing under the Statement of Profits and Statement of Assets and Liabilities, along with accounting policies followed, have been arrived at after charging all expenses and making adjustments and regroupings, as deemed appropriate by the management of the Bank.

(v) *As mentioned in notes appearing under the Statement of Profits and Statement of Assets and Liabilities of Annexure A, it has not been possible for the management to determine the effect on profits, if changes in accounting policies as stated in Part I of Annexure A had been made in each of the accounting years preceding the change and accordingly, adjustments to profits for those items have been made prospectively from the year of change.*

(vi) The unaudited Capitalization Statement as at June 30, 2006 of UTI Bank is as set out in Part III of Annexure A.

(vii) The financial ratios for the each of the five financial years ended March 31, 2006 and for the quarter ended June 30, 2006as set out in Part IV of Annexure A. These financial ratios are computed based on the audited financial statements of the Bank for the each of the five financial years ended March 31, 2006 which has been audited by the statutory auditors of the Bank and unaudited financial statements for the quarter ended June 30, 2006.

b. The Statement of Tax Shelter of the Bank for each of the five financial years ended March 31, 2006 and for the quarter ended June 30, 2006 as prepared by the management of the Bank is as set out in Part V of the Annexure A. The preparation and presentation of this Statement is responsibility of the Bank's Management. This Statement of Tax Shelter reconciles the Bank's book profits and its taxable profits for each of the five financial years ended March 31, 2006 and for the quarter ended June 30, 2006. The reconciling items included in this Statement of Tax Shelter are reflective of management's estimates and judgment exercised and tax laws prevalent at the time of finalisation of respective financial statements. These items have not been updated to reflect any subsequent changes in tax law and additional information/facts obtained by the Bank. M/s. BSR & Co., Chartered Accountants, vide their Report dated February 13, 2006, attached herewith, have confirmed that the tax shelter of UTI Bank for the each of the four financial years ended March 31, 2005 have been arrived based on the financial statements of the Bank. We have reviewed the Statement of Tax Shelter of the Bank for the financial year ended March 31, 2006 and for the quarter ended June 30, 2006 which has been prepared based on the financial statements of the Bank audited by statutory auditor of the Bank and unaudited financial statements of the Bank respectively. Based on the same we report that we have not come across any observation on the Statement of Tax Shelter for the financial year ended March 31, 2006 and for the quarter ended June 30, 2006.

c. The financial statements of the UBL Sales Limited (Annexure B) have not been audited for the period ended June 30, 2006 by their auditors. The management of the Bank has represented to us that the unaudited profits for the period ended June 30, 2006 and the unaudited assets and liabilities as at June 30, 2006 read together with the unaudited notes appearing under the Statement of Profits and Statement of Assets and Liabilities, along with accounting policies followed, have been arrived at, after charging all expenses and making such adjustments, as deemed appropriate. We have not performed any audit or review procedures on unaudited financial statements of UBL Sales Limited.

d. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us or by other firms of chartered accountants nor should this report be construed as a new opinion on any of the financial statements referred to herein.

d. This report has been issued solely in connection with the proposed private placement of "Unsecured Subordinated Bonds in nature of Debentures" covered by the Information Memorandum, and it is not to be used, circulated, quoted or otherwise referred to for any other purpose.

For
S. R. Batliboi & Co.
Chartered Accountants

Per Viren H. Mehta
a Partner
Membership No.: 048749
Mumbai, September 8, 2006

Attachment 1: Auditor's Report of M/s. BSR & Co., Chartered Accountants, dated February 13, 2006.

Attachment 1

Private and Confidential
Mr Somnath Sengupta
President – Finance and Accounts
UTI Bank Limited
Maker Towers 'E'
Cuffe Parade
Colaba
MUMBAI 400005

13 February 2006

We were engaged to report on the financial information of UTI Bank Limited ('the Bank') annexed to this report, which is required to be prepared in accordance with the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the Guidelines') as amended on 29 March 2005, issued by Securities and Exchange Board of India ('SEBI') on 19 January 2000 and in pursuance of section 11 of the Securities and Exchange Board of India Act, 1992.

The financial information is proposed to be included in the Offer Document of the Bank in connection with the issue of Unsecured subordinated debt of Rs 1,000 crores in the nature of nonconvertible debentures on a private placement basis.

As required by the Guidelines and in accordance with the terms of our engagement, we have examined:

- the annexed restated statements of assets and liabilities of the Bank as at 31 March 2005, 31 March 2004, 31 March 2003, 31 March 2002 and 31 March 2001, the annexed restated statements of Profit and loss for each of the years ended on those dates and the unaudited financial results of the Bank for the period ended 31 December 2005 (collectively referred to as 'the summary statements') (Annexure 1);

- the capitalization statement as at 31 December 2005 presented in Annexure III, which has been prepared based on unaudited information;

- the Accounting and other ratios and tax shelter statement for the period ended 31 December 2005 presented in Annexure IV and V respectively, which have been prepared based on unaudited information; and

- Accounting and other ratios and Tax shelter statement for the years ended 31 March 2005, 31 March 2004, 31 March 2003, 31 March 2002 and 31 March 2001 presented in Annexure IV and Annexure V respectively which have been prepared based information extracted from the financial statements of the respective years.

The Bank's management is responsible for the preparation of the summary statements, the Capitalization statement, the Accounting and other ratios, and Tax shelter statement. Our responsibility is to report based on the work done.

With respect to the financial information set out in the summary statements relating to:

- the financial years ended 31 March 2001 to 31 March 2005, have been extracted from the audited financial statements drawn up in confirmation with the provisions of section 29 of the Banking Regulation Act, 1949 read with section 211 of the Companies Act, 1956, audited by us for the years ended 31 March 2005, 31 March 2004 and 31 March 2003 and, and by M/s V Sankar Aiyar and Co., Chartered Accountants for the years ended 31 March 2002 and 31 March 2001; and

- the financial results for the period ended 31 December 2005, have been extracted from the Unaudited Financial Results drawn up in accordance with clause 41 of the listing agreements entered by the Bank with the Stock Exchange, Mumbai ('BSE'), The National Stock Exchange of India Limited (NSE) and the Stock Exchange, Ahmedabad and reviewed by us for the period ended 31 December 2005. A review of unaudited financial results consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on the audited financial statements for the years ended 31 March 2005, 31 March 2004, 31 March 2003, 31 March 2002 and 31 March 2001 and review of the unaudited financial results for the period ended 31 December 2005, we confirm that:

The summary statements have been restated with retrospective effect to reflect the significant accounting policies adopted by the Bank as at and for the year ended 31 March 2005 (as disclosed in the audited financial statements for the year ended 31 March 2005 and which are presented in Annexure II to this report), except for the following in respect of which no adjustments could be carried out as the consequential effects could not be ascertained on a retrospective basis:

- Pursuant to the Reserve Bank of India ('RBI') guidelines, the Bank in October 2000, changed its method of classification and valuation of investments, from the earlier method of classification of investments into current and long-term investments to the new method, whereby, investments were classified into three categories, ie. 'Held for trading', 'Available for sale' and 'Held to maturity'. The Bank has not applied the new guidelines of classification and valuation to investments retrospectively.

- The Institute of Chartered Accountants of India introduced Accounting Standard 22 ('AS 22'), on Accounting for taxes on income, with effect from 1 April 2001. This accounting standard has been adopted by the Bank from the year ended 31 March 2002 and no adjustments relating to AS 22 have been made retrospectively. In line with the transitional provision of AS 22, the deferred tax impact of timing differences upto 31 March 2001 were adjusted into the opening reserves and the deferred tax impact of the timing differences arising subsequent to 31 March 2001 were adjusted in the Profit & Loss Account of the Bank for the year ended 31 March 2002.

- In the earlier years, investments sold on repurchase basis (repos) were not included for valuation purposes wherever the repos were outstanding on the balance sheet date. During the year ended 31 March 2002, the Bank revised its policy to include such investments for valuation purpose. This change in accounting policy has not been retrospectively made.

- In line with the clarifications issued by RBI, the Bank has not accounted for any appreciation resulting from valuation of its investments in the 'Held for Trading' category of investments, which were hitherto recognised in the Profit and Loss account for the year ended 31 March 2002. This change in accounting policy has not been retrospectively made.

Accordingly, no such appreciation has been recognized by the Bank in subsequent periods after 31 March 2002.

- Prior to 1 April 2002, fee, commission and exchange income was recognized on receipt basis except commission income on deferred payment guarantees, which was recognized pro-rata over the period of guarantee. From 1 April 2002, recognition of fees, commission and exchange income is made on receipt basis, except in cases where income is greater than 1% of the total income of the Bank, where income is recognised on gross basis or 1% of the net profit before taxes, if the income is reckoned net of costs. Retrospective effect of change in this accounting policy on the net profit for the previous financial years has not been made. Further, with effect from 1 April 2005, the Bank has also changed this accounting policy and has started recognizing all fee income on accrual basis. This change ahs also not been applied retrospectively in the summary statements.
- Upto the year ended 31 March 2004, in case of unquoted bonds, debentures and preference shares where interest/dividend was received regularly, the market price was derived on the yield to maturity for government securities as prescribed by Fixed Income Money Market and Derivatives Association of India ('FIMMDA') and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for various credit ratings, maturity and sector classification issued by FIMMDA was adopted for this purpose. However with effect from October 2004 FIMMDA observed that the market does not distinguish between manufacturing and non-manufacturing companies and hence the sectoral markup was done away with. The Bank has not applied the new guidelines for valuation to investments retrospectively.
- Upto 31 March 2005, the Bank made general provision of 0.25% on all standard assets as per the RBI guidelines. However, due to change in regulatory guidelines issued by the RBI, the Bank has made general provision at the rate of 0.40% on standard assets as at 31 December 2005. This change has not been applied retrospectively to the prior years.

All regroupings made by the Bank in the financial statements for the years ended 31 March 2002, 31 March 2003 31 March 2004 and 31 March 2005 have only been incorporated in the respective years/period and not in the prior financial years.

We have performed such tests and procedures, which, in our opinion, were necessary for our reporting to you. These procedures include comparison of the annexed financial information with the Bank's audited financial statements/unaudited financial results.

Based on such procedures carried out by us and review of the records produced to us and the information and explanations given to us by the Bank's management, we confirm that nothing has come to our attention to indicate any non- compliance with the Guidelines, except for those mentioned above.

This report is intended solely for your information and for the Bank to comply with the provision of the Guidelines and may not be suitable for any other purpose.

Yours Sincerely,
For **BSR & Co.**
Chartered Accountants

Akeel Master
Partner
Membership No: 046768

Annexure – A

Part I

STATEMENT OF PROFIT AND LOSSES

(Rs. in Crores)

						For Three months ended on
	31.03.2002	**31.03.2003**	**31.03.2004**	**31.03.2005**	**31.03.2006**	**30.06.2006**
	Audited	Audited	Audited	Audited	Audited	Unaudited
Income						
Interest Earned	1,178.53	1,464.81	1,598.54	1,924.16	2,888.79	953.92
Commission, exchange & brokerage	97.62	143.77	182.41	330.52	488.90	167.53
Profit on sale of investments (net)	305.44	246.14	320.84	(11.34)	129.81	13.67
Profit on exchange transactions (net)	8.65	16.67	27.58	48.73	86.89	26.28
Profit / loss on sale of fixed assets (net)	(0.78)	(1.53)	(1.49)	(2.39)	(1.70)	(0.26)
Lease Rentals	3.63	3.97	2.18	3.47	3.47	0.35
Miscellaneous Income	1.31	1.45	8.63	46.83	22.26	16.93
Total	**1,594.40**	**1,875.28**	**2,138.69**	**2,339.98**	**3,618.42**	**1,178.42**
Expenditure						
Interest Expended	980.00	1,142.41	1,021.45	1,192.98	1,810.56	632.08
Staff Costs	51.22	85.23	121.25	176.85	240.20	79.69
Other Operating expenses	155.90	237.62	297.96	404.53	573.85	159.47
Provisions and Contingencies	193.91	108.82	268.62	61.92	262.52	124.81
Total	**1,381.03**	**1,574.08**	**1,709.28**	**1,836.28**	**2,887.13**	**996.05**
Net Profit before tax and extraordinary items	**213.37**	**301.20**	**429.41**	**503.70**	**731.29**	**182.37**
Provision for Taxes*	79.23	109.02	151.10	169.12	246.21	61.82
Net Profit before Extraordinary Items	**134.14**	**192.18**	**278.31**	**334.58**	**485.08**	**120.55**
Extraordinary items	-	-	-	-	-	-
Net Profit After Extra-ordinary Items	**134.14**	**192.18**	**278.31**	**334.58**	**485.08**	**120.55**
* Provision for taxes includes deferred tax. It also includes Fringe Benefit Tax with effect from 31 March 2006.						

Adjustments as per SEBI Guidelines	For the year ended					For Three months ended on
	31.03.2002	31.03.2003	31.03.2004	31.03.2005	31.03.2006	30.06.2006
Profit for the period	**134.14**	**192.18**	**278.31**	**334.58**	**485.08**	**120.55**
Add/(Less):						
1) Adjustments for changes in provisioning norms of retail assets (Refer note 6)	-	-	5.32	-	-	-
2) Adjustments for changes in depreciation rate on Computer hardware (Refer note 7)	-	-	1.11	-	-	-
on Application Software (Refer note 9)	-	-	-	3.76	-	-
3) Adjustment for change in the income recognization. (Refer note 4)	-	-	-	-	(6.74)	
Tax effect on above adjustments	-	-	(2.31)	(1.38)	2.27	-
Adjusted Profit after Tax	**134.14**	**192.18**	**282.43**	**336.96**	**480.61**	**120.55**

Notes:

1) The Institiue of Chartered Accountants of India introduced Accounting Standard 22 ('AS22') , on Accounting for taxes on income, with effect from 1st April 2001. This accounting standard has been adopted by the Bank from the year ended 31 March 2002. In line with the transitional provision of AS22, the deferred tax impact of timing differences upto 31 March 2001of Rs. 11.15 crores were adjusted into the opening reserves and the deferred tax impact of the timing differences arising subsequent to 31 March 2001 of Rs. 9.50 crores were adjusted in the Profit & Loss Account of the Bank for the year ended 31 March 2002.

2) Investments sold on repurchase basis (repos) were not included for valuation purposes wherever the repos were outstanding on the balance sheet date. During the year ended 31 March 2002, the Bank revised its policy to include such investments for valuation purpose. This change has no effect on the profits of the year.

3) In line with the clarifications issued by RBI, the Bank has not accounted for any appreciation resulting form valuation of its investments in the 'Held for Trading' category of investments, which were hitherto recognized in the Profit & Loss account for the year ended 31 March 2002. This change in accounting policy has not been retrospectively made. Accordingly no such appreciation has been recongized by the Bank in subsequent periods after 31 March 2002. The effect of change in the valuation policy cannot be ascertained.

4) From 1st April 2002, recognition of fees, commission and exchange income is made on receipt basis, except in cases where income is greater than 1% of the total income of the Bank, where the income is recognized on gross basis or 1% of the net profit before taxes, if the income is reckoned net of cost. Further, with effect from 1st April 2005, the Bank has changed this accounting policy and has started recognizing all fee income on accrual basis. This has resulted in increase in other income by Rs. 6.74 crores.This change has not been applied retrospectively in the summary statements.

5) With effect from 1st April 2003, the Bank has adopted the 90 day norm (as prescribed by the Reserve Bank of India) for classifying advances as Non-Performing Assets, as compared to the 180 day norm used in the prior years. This change has not been applied retrospectively to the prior years.

6) Effective from 1st April 2003, in the case of retail advances, provisions are made upon reaching specified stages of delinquency (90 days or more of delinquency) under each type of loan, which is more conservative than the RBI prudential

norms on provisiong and used in the earlier years. As a result of this change, the Bank has made additional provisions amounting to Rs. 5.32 crores during the year ended 31 March 2004. This change has not been applied retrospectively to the prior years.

7) During the financial year ended 31st March 2004 the Bank had revalued the estimated useful life of Computer Hardware from 6.16 years to 3 years for assets purchased before 1st April 2000, and thereby recorded an excess depreciation charge of Rs. 1.11 crores during the year ended 31 March 2004.This change has not been applied retrospectively to the prior years.

8) Upto the year ended 31st March 2004, in case of unquoted bonds, debentures and preference shares where interest/dividend was received regularly, the market price was derived on the yield to maturity for government securities as prescribed by Fixed Income Money Market and Derivatives Accociation of India('FIMMDA') and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for various credit ratings, maturity and sector classification issued by FIMMDA was adopted for this purpose. However, with effect from October 2004 FIMMDA observed that the market does not distinguish between manufacturing and non-manufactuting companies and hence the sectoral markup was done away with. The Bank has not applied the new guidelines for valuation of investments retrospectively.

9) During the financial year ended 31st March 2005 the Bank had revised the estimated useful life of Application Software from 6.16 years to 5 years, and thereby recorded an excess depreciation charge of Rs. 3.76 crores the year ended 31 March 2005.This change has not been applied retrospectively to the prior years.

10) Upto 31st March 2005, the Bank made general provision of 0.25% on all standard assets as per RBI guidelines. However, due to change in regulatory guidelines issued by RBI on 4th November 2005, the Bank has made general provision @0.40% on all standard assets. This change has not been applied retrospectively to the prior years.

11) With effect from 31st March 2006 the Bank has changed its policy to disclose contingent liabilities on outstanding foreign exchange contracts/options at the closing rates of exchange notifies by FEDAI instead of contracted rates of exchange as was followed in the prior years. This change has not been applied retrospectively to the prior years. There is no impact on the profit & loss due to change in the policy.

12) Upto 31st January 2006, profit or loss on account of securitisation of assets was recognized at the time of sale, based on the difference between the book value of the securitized asset and the sale consideration less provision towards servicing and incidental costs of the securitisation contracts. However, with effect from 1st February 2006, consequent to the issue of the 'Guidelines on Securitisation of Standard Assets' vide circular no DBOD. No. BP.BC. 60/21.04.048/2005-06 dated 1 Feb 2006 ('the guidelines') by the RBI, the Bank amortizes the profit/premium arising on securitisation transactions over the life of securities issued/to be issued by the Special Purpose Vehicles. This change has not been applied retrospectively to the prior years.

Annexure – A

Part II

UTI BANK LIMITED

STATEMENT OF ASSETS AND LIABILITIES

(Rs. in crores)

	For the Year Ended 31 March					For the Three Months Ended on
	2002	**2003**	**2004**	**2005**	**2006**	**6/30/2006**
	Audited	Audited	Audited	Audited	Audited	Unaudited
Fixed Assets						
Gross block	343.80	430.16	619.80	780.42	913.05	948.73
Less-Depreciation	83.33	124.65	184.64	261.98	345.33	370.27
Net Block	260.47	305.51	435.16	518.44	567.72	578.46
Less Revaluation Reserves	-	-	-	-	-	-
Net Block after adjustment for revaluation reserve	260.47	305.51	435.16	518.44	567.72	578.46
Current Assets, Loans and Advances						
Investments	5,678.34	7,841.02	7,792.76	15,048.02	21,527.35	21,087.08
Cash & Bank Balances	2,703.32	3,569.71	5,663.21	4,502.94	3,641.84	4,093.85
Loans and Advances	5,352.30	7,179.92	9,362.94	15,602.92	22,314.23	25,835.51
Other Current Assets	386.62	717.02	896.10	2,071.38	1,679.98	1,407.33
Liabilities and Provisions						
Deposits	12,287.21	16,964.72	20,953.91	31,712.00	40,113.53	42,093.65
Borrowings	950.31	719.31	527.75	1,781.41	2,680.93	4,692.43
Employees Stock Options Outstanding (Net)	0.07	0.82	1.63	13.42	13.44	9.80
Current Liabilities and Provisions	528.70	1,010.22	1,530.46	1,828.68	4,051.03	3,208.50
Net Worth	614.76	918.11	1,136.42	2,408.19	2,872.19	2,997.85
Represented by						
1. Share capital	191.81	230.19	231.58	273.80	278.69	280.13
2. Reserves	422.95	687.92	904.84	2,134.39	2,593.50	2,717.72
Less Revaluation Reserves	-	-	-	-	-	-
Reserves (Net of Revaluation Reserves)	422.95	687.92	904.84	2,134.39	2,593.50	2,717.72
Net Worth	614.76	918.11	1,136.42	2,408.19	2,872.19	2,997.85

Notes :

1) Pursuant to the change in provisioning requirements for certain classes of standard assets from 0.40% to 0.55% as notified by RBI through its curcular dated 12th July 2006, the Bank has made an additional provision of Rs. 7.29 crores during the quarter ended 30th June, 2006.

2) In terms of RBI guidelines dated 22nd June, 2006, floating provisions for non-performing assets created in earlier years of Rs. 24.96 crores can be utilized only under extraordinary circumstances with the approval of the RBI. Consequently, the Bank has made additional provision of Rs. 13.47 crores towards specific non-performing assets during the quarter ended 30th June, 2006

3) Consequent upon the abolition of Section 10(23G) of the Income Tax Act with effect from 1st April 2006, investments of the Bank in certain bonds and debentures no longer qualify as tax-free instruments resulting in an additional tax liability of Rs. 4.27 crores for the current year. Further, in terms of RBI's prudential norms for valuation of investments, this has resulted in a diminution in the valuation of the Bank's investment portfolio as on 30th June 2006 by Rs. 88.37 crores.

Annexure - A

Part - III

UTI BANK LIMITED

CAPITALISATION STATEMENT (Rs. in crores)

Particulars	Pre issue as on June 30, 2006 Unaudited	As Adjusted for the issue
Short Term Debts	3,546.46	3,546.46
Long Term Debts	3,022.99	4,239.78
Shareholders Funds		
Share Capital	280.13	280.13
Reserves	2,717.72	2,717.72
Total Shareholder's Funds	**2,997.85**	**2,997.85**
Long Term Debt / Equity	**1.01**	**1.41**

Annexure - A

UTI BANK LIMITED Part - IV

FINANCIAL RATIOS

	For the year ended 31 March					For the Three Months Ended on
	2002	**2003**	**2004**	**2005**	**2006**	**30/Jun/06**
	Audited	Audited	Audited	Audited	Audited	Unaudited
EPS (Basic) Rs.	9.34	10.00	12.06	14.32	17.45	4.31
Return on Net Worth*	21.88%	21.09%	25.23%	14.00%	17.33%	4.15%
NAV per share Rs.	31.96	39.59	47.64	87.30	100.42	103.77
Net Worth (Rs. in crores)#	613.11	911.38	1,103.21	2,390.37	2,798.64	2,906.91
Rate of dividend	20%	22%	25%	28%	35%	-
Profit after tax (Rs. in crores)	134.14	192.18	278.31	334.58	485.08	120.55

**Based on closing net worth*

\# Excluding deferred tax

Annexure - A

Part - V

UTI BANK LIMITED

TAX SHELTER STATEMENT

(Rs. in crores)

	For the Year Ended 31st March					For the Three Months Ended on
	2002	2003	2004	2005	2006	30-Jun-06 (Unaudited)
Tax at notional rate - A	**76.17**	**110.69**	**154.05**	**184.32**	**246.15**	**61.39**
Tax Shelters						
Permanent Nature						
- Income exempt from tax	(11.93)	(9.58)	(9.16)	(9.85)	(7.94)	(0.80)
- Disallowances	0.00	6.05	0.56	4.75	2.18	0.19
Timing Difference						
- Difference between tax depreciation and book depreciation	(10.26)	(2.78)	(6.81)	(15.13)	2.54	0.40
- Provision for amortisation of Investments	0.95	5.03	3.15	9.16	21.71	4.45
- Provision for Bad Debts	22.03	(5.48)	34.07	(19.28)	31.24	6.79
- Other Adjustments	0.28	3.10	1.45	1.97	0.23	1.00
Total Tax Shelters - B	**1.07**	**(3.66)**	**23.26**	**(28.38)**	**49.96**	**12.03**
Provision for Current Tax (A-B)	**77.24**	**107.03**	**177.31**	**155.94**	**296.11**	**73.42**

Annexure - B

Part - I

UBL SALES LIMITED. (SUBSIDIARY OF UTI BANK LIMITED)

STATEMENT OF PROFITS AND LOSSES

(Rs. In Crores)

	For Three months ended on
	30.06.2006
	Unaudited
Income	
Interest Earned	-
Commission, exchange & brokerage	-
Profit on sale of investments (net)	-
Profit on exchange transactions (net)	-
Profit / loss on sale of fixed assets (net)	-
Lease Rentals	-
Miscellaneous Income	-
Total	**-**
Expenditure	
Interest Expended	-
Staff Costs	-
Other Operating expenses	0.01
Provisions and Contingencies	-
Total	**0.01**
Net Profit before tax and extraordinary items	**(0.01)**
Provision for Taxes	-
Net Profit before Extraordinary Items	**(0.01)**
Extraordinary items	-
Net Profit After Extra-ordinary Items	**(0.01)**

Annexure - B

Part - II

UBL SALES LIMITED. (SUBSIDIARY OF UTI BANK LIMITED)

STATEMENT OF ASSETS AND LIABILITIES

(Rs. in crores)

	For the Three Months Ended on
	30.06.2006
	Unaudited
Fixed Assets	-
Gross block	-
Less-Depreciation	-
Net Block	-
Less Revaluation Reserves	-
Net Block after adjustment for revaluation reserve	-
Current Assets, Loans and Advances	
Investments	-
Cash & Bank Balances	4.99
Loans and Advances	-
Other Current Assets	0.05
Liabilities and Provisions	-
Deposits	-
Borrowings	-
Employees Stock Options Outstanding (Net)	-
Current Liabilities and Provisions	0.05
Net Worth	4.99
Represented by	
1. Share capital	5.00
2. Reserves	(0.01)
Less Revaluation Reserves	-
Reserves (Net of Revaluation Reserves)	(0.01)
Net Worth	4.99

Annexures A and B

(As per our report of even date)

FOR S.R.BATLIBOI & Co.

Chartered Accountants

per **Viren H. Mehta**
a Partner
Membership No. 048749
Mumbai
September 8, 2006

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2006

1. *Investments*

Classification

In accordance with the RBI guidelines, investments are classified at the date of purchase as:

- Held for Trading ('HFT');
- Available for Sale ('AFS'); and
- Held to Maturity ('HTM').

Investments that are held principally for resale within a short period are classified as HFT securities. As per RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities as on that date.

Investments not exceeding 25% of total investments, which the Bank intends to hold till maturity, are classified as HTM securities. As permitted by RBI, the Bank may exceed the limit of 25% of total investments provided the excess comprises only of those securities which are eligible for complying with the Statutory Liquidity Ratio ('SLR') i.e. SLR securities and the total SLR securities held in HTM category is not more than 25% of its demand and time liabilities as on the effective date. The effective date means the last Friday of the preceding fortnight for computation of the aforesaid limit. In computing the investment ceiling for HTM portfolio for the aforesaid purpose, debentures and bonds, which are in the nature of advances are excluded. All other investments are classified as AFS securities.

However, for disclosure in the balance sheet, investments are classified under five categories - Government securities, Other approved securities, Shares, Debentures and Bonds and Others.

Transfer of security between categories

Transfer of security between categories of investments is accounted for at the acquisition cost/book value/market value as on the date of transfer, whichever is lower, and the depreciation, if any, on such transfer is recognized in the profit and loss account.

Valuation

Investments classified under the HTM category are carried at acquisition cost. Any premium on acquisition over face value is amortized on a straight-line basis over the remaining period to maturity.

Investments classified under the AFS and HFT category are marked to market on a daily basis. Net depreciation, if any, within each category of investments is recognized in the profit and loss account. The net appreciation if any, under each classification is ignored, except to the extent of depreciation previously provided. The book value of individual securities is not changed consequent to the periodic valuation of investments.

Treasury Bills and Commercial Paper, being discounted instruments, are valued at carrying cost.

Units of mutual funds are valued at the latest repurchase price/net asset value declared by the mutual fund.

Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

- market value of unquoted Government securities is derived based on the Prices/Yield to Maturity ('YTM') rate for Government securities of equivalent maturity as notified by Fixed Income Money Market and Derivatives Association of India ('FIMMDA') jointly with the Primary Dealers Association of India ('PDAI') at periodic intervals;
- market value of unquoted State Government securities is derived by applying the YTM method by marking it up by 25 basis points above the yields of the Central Government Securities of equivalent maturity notified by the FIMMDA/PDAI at periodic intervals;
- in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly, the market price is derived based on the YTM for Government securities as notified by FIMMDA/PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for various credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose;
- in case of preference shares where dividend is not received regularly, the price derived on the basis of YTM is discounted in accordance with the RBI guidelines;
- in case of bonds and debentures where interest is not received regularly, the valuation is in accordance with prudential norms for provisioning as prescribed by RBI; and
- equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest balance sheet (which is not more than one year prior to the date of valuation). In case the latest balance sheet is not available, the shares are valued at Re 1 per company.

Repurchase and reverse purchase transactions

Repurchase and reverse repurchase transactions are accounted as outright sale and outright purchase respectively. The difference between the clean price of the first leg and clean price of the second leg is recognized as interest income/expense over the period of the transaction. However, depreciation in their value, if any, compared to their original cost, is recognized in the profit and loss account.

2 *Advances*

Advances are classified into standard, sub-standard, doubtful and loss assets in accordance with the guidelines issued by the RBI and are stated net of specific provisions made towards Non-Performing Advances ('NPAs')..

90 day norm (as prescribed by the RBI) is adopted by the Bank for classifying advances as NPA.

Provision for NPAs (other than retail advances) comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines. NPAs are identified by periodic appraisals of the loan portfolio by management..

In the case of retail advances, provisions are made upon reaching specified stages of delinquency (90 days or more of delinquency) under each type of loan, which satisfies the RBI prudential norms on provisioning.

In addition to specific provisions made towards identified NPAs, the Bank also maintains a 'floating provision'. Floating provision is used to set off specific provisions required to be made in accordance with the RBI prudential norms towards existing/future NPAs.

As per RBI guidelines, a general provision @ 0.40% is made on all standard assets. In addition, general provision is also made on retail advances based on bucket-wise provisioning for delinquencies less than 90 days. These provisions are included in 'other liabilities'. Pursuant to the change in provisioning requirement for standard assets from 0.25% to 0.40% as notified by RBI through its circular dated 4 November 2005, the Bank has made an additional provision of Rs. 27.88 crores during the year ended 31 March 2006.

3. Securitisation

The Bank enters into purchase/sale of corporate and retail loans through direct assignment/Special Purpose Vehicle (SPV). In most cases, post securitisation, the Bank continues to service the loans transferred to the assignee/SPV. The Bank also provides credit enhancement in the form of cash collaterals and/or by subordination of cash flows to Senior Pass Through Certificate (PTC) holders. In respect of credit enhancements provided or recourse obligations (projected delinquencies, future servicing etc.) accepted by the Bank, appropriate provision/disclosure is made at the time of sale in accordance with AS-29-'Provision, contingent liabilities and contingent assets'.

Upto 31 January 2006, profit or loss on account of securitisation of assets was recognized at the time of sale, based on the difference between the book value of the securitised asset and the sales consideration less provision towards servicing and incidental costs of the securitisation contracts. However, with effect from 1 February 2006 consequent to the issue of the 'Guidelines on Securitisation of Standard Assets' vide circular no DBOD. No. BP.BC. 60/21.04.048/2005-06 dated 1 Feb 06 ('the guidelines') by the RBI, the Bank has changed its accounting policy relating to recognition of profit on securitisation transactions to comply with the provisions of the guidelines. Accordingly, profit / premium arising on securitisation transactions is amortised over the life of securities issued / to be issued by the SPV. Since, the Bank has not entered into any securitisation transactions during the current year, there is no impact on the financial statements due to this change in policy.

Further, the guidelines state that the RBI would take a view on the treatment for securitisation transactions undertaken for the periods prior to the date of these guidelines on a case-by-case basis. Accordingly, the Bank is in process of consulting with the RBI as prescribed in the circular and will follow the RBI instructions in this regard.

*4. **Foreign currency transactions***

In respect of domestic operations, transactions denominated in foreign currencies are accounted for at the rates prevailing on the date of the transaction. Foreign currency assets and liabilities are translated at the balance sheet date at rates notified by Foreign Exchange Dealers Association of India ('FEDAI'). All profits/losses resulting from year-end revaluations are recognized in the profit and loss account.

Financial statements of foreign branches classified as non-integral foreign operations are translated as follows:

- Assets and liabilities (both monetary and non-monetary as well as contingent liabilities) are translated at closing rates notified by FEDAI at the year end.
- Income and expenses are translated at the rates prevailing on the date of the transactions.
- All resulting exchange differences are accumulated in a separate 'Foreign Currency Translation Reserve' till the disposal of the net investments.

Outstanding forward exchange contracts (excluding currency swaps undertaken to hedge Foreign Currency Non-Resident ('FCNR') deposits which are not revalued) and spot exchange contracts are revalued at year end exchange rates notified by FEDAI. The resulting gains or losses on revaluation are included in the profit and loss account in accordance with RBI/FEDAI guidelines.

Premium/discount on currency swaps undertaken to hedge FCNR deposits is recognized as interest income/expense and is amortized on a straight-line basis over the underlying swap period.

During the current year, in order to comply with the provisions of AS 11- 'The effects of changes in foreign exchange rates', the Bank has changed its policy to disclose contingent liabilities on outstanding foreign exchange contracts/options at the closing rates of exchange notified by FEDAI instead of contracted rates of exchange as was followed in the previous year. Had the Bank followed the earlier accounting policy, the contingent liability on account of outstanding foreign exchange contracts/options as at 31 March 2006 would have been higher by Rs. 500.39 crores. There is no impact on the profit and loss account due to this change in policy.

Contingent liabilities on account of guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

5. Derivative transactions

Derivative transactions comprise of swaps and options which are disclosed as contingent liabilities. The swaps/options are segregated as trading or hedge transactions. Trading swaps/options are revalued at the balance sheet date with the resulting unrealized gain or loss being recognized in the profit and loss account and correspondingly in other assets or other liabilities respectively. Hedged swaps/options are accounted for on an accrual basis.

6. Revenue recognition

Income is recognised on an accrual basis except interest income on NPAs which is recognized on receipt.

Commission income on deferred payment guarantees, is recognized pro-rata over the period of the guarantee.

Gain/loss on sell down of loans and advances is recognized at the time of sale.
Realized gains on investments under HTM category are recognized in the profit and loss account and subsequently appropriated to capital reserve account in accordance with RBI guidelines. Losses are recognized in the profit and loss account.

With effect from 1 April 2005, all fee income is recognized on accrual basis as against the earlier practice of accounting such income on receipt basis where it is less than 1% of the total income of the Bank. As a result of this change, other income for the year ended 31 March 2006 is higher by Rs 6.74 crores.

7. Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.
Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Depreciation (including on assets given on operating lease) is provided on the straight-line method from the date of addition. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter, then deprecation is provided at a higher rate based on management's estimate of the useful life/remaining useful life. Pursuant to this policy, depreciation has been provided using the following estimated useful lives:

Asset	Estimated useful life
Owned premises	20 years
Assets given on operating lease	20 years
Computer hardware	3 years
Application software	5 years
Vehicles	4 years
EPABX, telephone instruments	8 years
Mobile phone	2 years
Locker cabinets/cash safe/strong room door	16 years
Assets at staff residence	5 years
All other fixed assets	10 years

All fixed assets individually costing less than Rs. 5,000 are fully depreciated in the year of installation.

Depreciation on assets sold during the year is recognized on a pro-rata basis to the profit and loss account till the date of sale.

Management periodically identifies assets, which have outlived their utility. Such assets are retired from use and written off to the profit and loss account.

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

8. *Lease transactions*

Assets given on operating lease are capitalized at cost. Rentals received by the Bank are recognised in the profit and loss account when due.

Lease payments for assets taken on operating lease are recognized as an expense in the profit and loss account on a straight-line basis over the lease term.

9. Staff retirement benefits

Contributions payable to the recognised provident fund, which is a defined contribution scheme, are recognized in the profit and loss account.

The Bank contributes towards gratuity fund (defined benefit retirement plan) administered by the Life Insurance Corporation of India ('LIC') for eligible employees. Liability with regard to gratuity fund is accrued based on actuarial valuation conducted by the LIC as at 31 December each year.

The Bank provides leave encashment benefit, which is a defined benefit scheme based on actuarial valuation as at the balance sheet date conducted by an independent actuary.

Employees of the Bank are entitled to receive retirement benefits under the Bank's Superannuation scheme. Superannuation is a defined contribution plan under which the Bank contributes annually a specified sum of 10% of the employee's eligible annual basic salary to LIC, which undertakes to pay the lumpsum and annuity benefit payments pursuant to the scheme. Superannuation contributions are recognized in the profit and loss account in the period in which they accrue.

10. Taxation

Income tax comprises the current tax (i.e. amount of tax for the period, determined in accordance with the Income Tax Act, 1961 and the rules framed thereunder) and the deferred tax charge or credit reflecting the tax effects of timing differences between accounting income and taxable income for the year.

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realised.

11 Share issue expenses

Share issue expenses are adjusted from share premium account.

12. Earnings per share

The Bank reports basic and diluted earnings per share in accordance with AS 20 -'Earnings per Share'. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

13. *Employee stock option scheme*

The 2001 Employee Stock Option Scheme ('the Scheme') provides for grant of stock options on equity shares of the Bank to employees and Directors of the Bank. The Scheme is in accordance with the Securities and Exchange Board of India (SEBI) (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Options are granted at an exercise price, which is equal to/less than the fair market price of the underlying equity shares. The excess of such fair market price over the exercise price of the options as at the grant date is recognized as a deferred compensation cost and amortized on a straight-line basis over the vesting period of such options.

The fair market price is the latest available closing price, prior to the date of the Board of Directors meeting in which options are granted / shares are issued, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered.

14. Provisions, contingent liabilities and contingent assets

The Bank creates a provision when there is a present obligation as a result of past events that probably require an outflow of resources embodying economic benefits to settle the obligation and a reliable estimate can be made of the amount of such obligation. A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognized as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENT

Year ended 31st March	2004	2005	2006	% Change from 04 to 05	% Change from 05 to 06
Total Income	2138.68	2339.97	3618.42	9.41	54.64
Interest Income	1598.54	1924.15	2888.79	20.37	50.13
Other Income	540.14	415.81	729.63	(23.02)	75.47
Total Expenditure	2280.01	1774.35	2624.61	(22.18)	47.92
Interest Expenditure	1021.44	1192.98	1810.55	16.79	51.77
Operating expenditure	419.20	581.37	814.05	38.69	40.02
Profit before provisions & contingencies	698.03	565.61	993.81	(18.97)	75.71
Net Profit	278.31	334.57	485.08	20.21	44.99

Significant items of income and expenditure during 2005-06 (Comparison of financials for the year ended March 2006 with March 2005)

Net profit:
Net profit of the Bank increased from Rs.334.57 crores in 2004-05 to Rs.485.08 crores in 2005-06 showing a growth of 44.98%. During the year 2005-06 the total income has increased by 54.64% to 3618.42 crores from 2339.97 crores in the previous year.

Interest Income:
The strong revenue growth in 2005-06 was driven by an increase in net interest income of Rs. 347.05 crores as compared to Rs.154 crores in 2004-05. The increase in net interest income was primarily driven by the strong balance sheet growth and increase in share of demand deposit in total deposits during the year. On a daily average basis, average earning assets during the year have increased by 50.30% from Rs.25187 crores in 2004-05 to Rs.37857 crores in which was partly. Another significant contributor in the growth of net interest income was the rapid growth in demand deposits, which helped the Bank in containing its cost of funds. During 2005-06, the daily average of demand deposits grew by 62.28% on a year-on-year basis, which helped contain the cost of funds. Nevertheless, the daily average cost of funds in 2005-06 rose to 4.94% from 4.81% in 2004-05 due to a tightening of overall liquidity which led to the hardening of term deposit interest rates in the fourth quarter of the

During 2005-06, the yield on assets has declined by 6 basis points to 7.58% from 7.64% in the previous year, which is in line with the general decline in interest rates on advances, facilitated by an accommodating monetary policy in the early part of the financial year. The Bank was able to absorb the upward pressure on interest rates on deposits, in particular in the last quarter of the financial year, and the consequent squeeze on margins, through a concerted effort in increasing low cost deposits. During 2005-06, the net interest margin has decreased by 5 basis points to 2.85% from 2.90% in 2004-05. On quarter-to-quarter basis, the net interest margin during 2005-06 has increased from 2.66% in Q1, to 2.80% in Q2, 2.94% in Q3 and 2.96% in Q4, underscoring the robust growth in net interest income.

Other Income:
Other income comprises trading profit, fees and miscellaneous income increased by 75.47% from Rs.415.81 crores in 2004-05 to Rs.729.63 crores in 2005-06. Fees have been a very significant revenue earner for the Bank. About 67% of other income was by way of fee income from a diverse range of products and services offered to our customers, indicating superior earnings quality. Of the remaining 12% of other income was by way of revenues from foreign exchange transactions. During 2005-06, there has been a significant growth in trading profits to Rs. 216.69 crores from Rs. 37.39 crores in the previous year. The increase appears high against the much lower base of trading income in 2004-05, which suffered a one-time accounting loss of Rs. 114.53 crores when government securities were transferred from the Available for Sale (AFS) category to the Held to Maturity (HTM) category.

Operating expenses:
The operating expenses have increased from Rs.581.38 crores in 2004-05 to Rs.814.05 crores registering a growth of 40.02%. The increase in operating expenses was primarily due to the growth of the Bank's retail network and the infrastructure required to support the growing business.

Significant items of income and expenditure during 2004-05 (Comparison of financials for the year ended March 2005 with March 2004)

Net Profit:
Net Profit of the Bank increased from 278.31 crores in 2003-04 to Rs.334.58 crores in the year 2004-05 an increase of 20.22% on YOY basis.

Interest Income:
The overall performance during the year 2004-05 is characterized by rise in core income. Net income increased by 26.70% to Rs.731.18 crores from Rs.577.09 crores in 2003-04. The increase in net interest income was due to an increase in average interest earning assets by 36.12% from Rs.18504 crores during 2003-04 to Rs.25187 crores during 2004-05 as also increase in the share of demand deposit to total deposits on a daily average basis from 21.56% in 2003-04 to 27.72% in 2004-05, which resulted in decline in the cost of deposits form 5.66% in 2003-04 to 4.75% in 2004-05.

Other Income:
Other income comprising trading profit, fees and miscellaneous income decreased by 23.02% from Rs.540.15 crores during 2003-04 to Rs.415.82 crores during 2004-05. The decrease was largely a consequence of a lower trading profit on account of adverse market conditions and the booking of a one-time loss of Rs.114.53 crores by transferring government securities of Rs.3983 crores from Available for Sale (AFS) category to (HTM) category as permitted by RBI. The transfer was effected to protect Bank's earning from the impact of rising interest rates on the SLR investments. Consequently, trading profit fell to Rs.37.39 crores from Rs.348.42 crores the previous year. The Bank compensated for this by strongly growing its fee and other income, which increased by 97.38% to Rs.378.43 crores from Rs.191.73 crores in the previous year.

Operating expenses:
The operating expenses have increased from Rs.419.21 crores in 2003-04 to Rs.581.38 crores in 2004-05. The increase in operating expenses was primarily due to the growth of the Bank's retail network and the infrastructure required to support the growing business.

Material Developments

To our knowledge, there have not arisen, since the date of the last financial statements disclosed in this Shelf Information Memorandum, any circumstances that materially adversely affect or are likely to affect adversely our profitability or the value of our assets or our ability to pay our liabilities within the next twelve months. We will ensure that the Debentureholders are informed of material developments until as the grant of listing and trading permission by the Stock Exchanges.

SECTION VI

OUTSTANDING LITIGATIONS AND DEFAULTS

Cases Filed against the Bank

(A) The following are the major litigations involving claims against the Bank (Cases other than Consumer and Banking Ombudsman), not acknowledged as debts. Brief details are given in the table below:

Name of the party	Amount (Rs. in Crores)	Branch/Court
1. Stiefel Und. Schuh, Kolkatta,	Rs. 23.55	DRT, Kolkatta
2. N.R. Lohia	Rs. 8.20	High Court, Kolkatta
3. Bhatapara Nehati Co-op Bank	Rs. 4.57	Civil court, Kokatta
4. Videsh Sanchar Nigam Ltd (Shristi videotape)	Rs. 0.95	H.C. New Delhi
5. PNB (Dinesh Arora)	Rs. 0.13	DRT, Delhi
6. Cuttuck Gramya Bank	Rs. 10.81	DRT, Bhubeneshwar
7. SBI, Hubli	Rs. 37.60	Civil Court, Hubli
8. Pragati Engg.	Rs. 0.11	Kolkata
9. SKN Industries	Rs. 0.11	H C, New Delhi
10. Dena Bank (against Cosmi Trading & UTI Bank)	Rs. 0.11	DRT-1, Mumbai
11. Gujarat Tel. Cables Ltd (against consortium our share being 11 cr.)	Rs. 1002.69. (Our share being Rs. 11 crores)	City civil court Ahmedabad
12. Data Logix	Rs. 0.55	Civil court, Hyderabad

1. Stiefel Und Schuh (I) Limited who were granted certain credit facilities filed a damage suit no. 345 of 1996 before the Calcutta High Court against the Bank allegedly for not extending need based support to the Company at the appropriate time for effecting their export transactions. The company alleged that the Deferred Payment Guarantee issued by the Bank on their behalf was not according to their requirements owing to which, they suffered losses and damages for Rs. 23.55 crores which they claimed from the Bank.

2. The court passed and ad interim order for maintaining status quo with regard to the securities under the DPG with liberty to the Bank to take such action as is deemed appropriate under the law for recovery of its dues. Pursuant to such liberty being granted, the Bank filed an application under Section 19 of Recovery of Debts due to Banks and Financial Institution Act 1993 for recovery of its claims enforcement of securities and other reliefs. The case has now been transferred from the High Court to DRT in November 2000. The damage suit filed by the Company against the Bank would be heard simultaneously with our main suit as a counter claim.

3. Uniworth Limited (UWL), Kolkata was enjoying various credit facilities extended by the Bank from time to time against which as security, inter alia, Late N R Lohia pledged his Fixed Deposit Receipts. UWL was called upon by the Bank to regularize the account failing which it was proposed that the FDRs given by Late N R Lohia would be encashed and adjusted against the dues of UWL. The Bank accordingly encashed the FDRs and adjusted the amount of FDRs against the outstanding of UWL. Thereafter, an application was filed by the Bank for recovery of the remaining outstanding amount from UWL before the DRT, Kolkatta, which is still pending as the Company has been referred to BIFR. Mr. Lohia (since deceased and represented by the beneficiary) being aggrieved with the adjustment of the FDR amounts, filed a suit in the Calcutta High Court challenging the action of the Bank's such adjustment. The suit is still pending fir disposal.

4. M/s. Bhatpara Naihati Co-op. Bank has filed a Money Suit No.45 of 2003 against Home Trade Ltd., Mr. Indranil Dey and UTI Bank before the Civil Judge (Sr. Div), Barasat, 24-Paraganas, Kolkata for recovering a sum of Rs. 4,57,46,478.45 from all the Defendants jointly and severally. We have filed our reply stating that our Bank is not involved either directly or indirectly in the said transactions. We have also filed a declaratory case against Bhatpara Naihati Co-operative Bank, Home Trade, Mr. Indranil Dey case before Kolkata High Court and it is pending. We have filed a petition to transfer the case to Kolkatta High Court.

5. M/s Srishti Videocorp Limited were sanctioned a guarantee limit of Rs. 4.20 crores in September 1996 for a period of 1 year against cash margin of 50%. The guarantee was favouring VSNL. As the Company did not perform some of its terms and conditions of the agreement with VSNL, the guarantee was invoked by VSNL for partial payment of Rs. 1.62 crores on 7th February 1997. The Bank paid the invoked amount to VSNL and asked for the original Bank Guarantee. VSNL took a stand that invocation was partial and hence did not return the Bank Guarantee. The Bank has maintained its stand time and again that the payment should be taken as full and final. These views were based on the legal opinion obtained by the Bank. Further the Bank was advised by its lawyers to file a caveat in the said matter as they envisaged that VSNL would be initiating proceedings against the Bank. Accordingly the Bank filed a caveat in the matter so that VSNL do not get ex parte injunction. VSNL subsequently filed a suit in the matter against UTI Bank Limited and M/s Srishti Videocorp Limited; however, no interim relief was sought by VSNL. The claim of VSNL filed with the court has been opposed by the Bank on the above-mentioned

6. Punjab National Bank has filed a recovery case against the Bank and Mr. Dinesh Aroa. PNB has claimed a sum of Rs. 13,10,044 .Mr. Dinesh Arora the customer of UTI Bank’s Pritampura branch alleged to have fraudulently collected two fake demand drafts. As far as UTI bank is concerned the account was opened on the bases of Election I - card and other Docs and Bank had opened the account after following due procedure laid down for opening of an account. Bank has no role in the transaction.

7. Cuttack Gramya Bank has filed a suit for Rs. 10.81 Crores in DRT, Cuttack against UTI Bank and Home Trade Ltd. The background stems from the old Kolkata CM Division transactions of

Home Trade Ltd. in the year 2002-03. In course of its usual activity of syndication of private placement of securities, the Bank's Kolkata office, on the basis of their telephonic request, provided advisory services to Cuttack Gramya Bank for purchase and sale of certain government securities. The work relating to syndication can be defined as providing information advice relating to the availability of particular securities sought for by the buyer and its availability with certain seller. So the act of syndication in this instant cases was merely to advice Cuttack Gramya Bank about the availability of the securities sought for by them. In such cases it is the usual practice of the seller and the buyer to strike the deals themselves after doing the required due diligence. In these particular cases also the deals were struck between the buying counter party (Cuttack Gramya Bank) or the selling counter party (M/s Home Trade Ltd.) or vice-versa directly. The payments were made by Cuttack Gramya Bank to M/s Home Trade Ltd. directly or vice-versa. UTI Bank's role in these transactions were very limited i.e. providing information to the purchasing counter party about availability of a particular security, its tenure, yield, delivery schedule etc. with the selling counter party. UTI Bank never entered into a contract with Cuttack Gramya Bank. There has been no consideration paid to UTI Bank by Cuttack Gramya Bank and therefore, no privity of contract. All the syndication advices issued to Cuttack Gramya Bank were merely informative in nature where the details of the available security sought for by Cuttack Gramya Bank were mentioned and name of the counter party (seller) were also mentioned. In merchant banking or in financial transactions, the term 'counter party' is widely used. It denotes the entity with whom the contractual agreement is being made and who is required to extinguish the contract as per law. In none of the details mentioned in the plaint, UTI Bank was a counter party, which has also been mentioned by Cuttack Gramya Bank in their various communications to the Bank. We have denied the claim and sent detail draft reply to our Cuttack advocate who shall file the same on the next date of hearing.

8. SBI Hubli has filed a case in Civil Court, Hubli claiming against UTI Bank. This is a old case of our Hubli branch, wherein a business classic account in the name of M/s Southern Slabs and Granites, a proprietorship firm and a savings Bank account in the name of Swaroop Kumar Kottayam were opened in June, 2002 at Hubli Branch. Subsequently forged demand drafts drawn on SBI were deposited in these accounts at our Hubli and Bangalore branches under anywhere Banking. After these draft were presented through clearing, SBI paid them to us and the proceeds so collected were withdrawn through ATMs. There were about 110 and 50 withdrawals from various ATMs including other Bank's ATM. There were similarly withdrawals from the accounts opened with other Banks in Hubli.

9. The civil suit is filed by Company, Pragati Engineering Co., against TN Electricity Board and our Bank claiming an amount of guarantee paid by our Bank after the same was invoked by the beneficiary. The case is yet to be taken up for trial.

10. SKN Industries has filed the case for Rs. 10.87 Lacs in High Court, New Delhi against UTI Bank, Bharat Trading, Sandpit Dabas and Trinity Securities Pvt. Ltd. The SKN Industries contention was that a sum of Rs.7,90,550 was fraudulently withdrawn from the account of the company by their employee Sandip Dabbas by using a forged letter head and bearing the forged signature of the Chairman of the plaintiff company with a request that a pay order be made in the name of Bharat Trading and Trinity Securities Pvt. Ltd. It is alleged that UTI bank acted negligently in allowing Sandip Dabbas to withdraw the amount.

11. Dena Bank has filed a case claiming a sum of Rs. 10.82 lacs against Cosmi Trading, Gabon trading and UTI Bank. Dena Bank held the high value cheques at the instance of its customer Cosmi Trading in clearing and returned the same after clearing hours, which were returned by our Bank with the reason too late to return. The case stems from the fact that one of our customer, M/s Gabon Trading Co. had lodged two cheques for Rs. 478941/- dt. 21.3.05 and Rs. 546185/- dt 22.3.05 drawn on Dena Bank for collection. As these were high value cheques and

were presented in the normal course through service branch, Mumbai and were not returned by the drawee bank within the specified time. Therefore, in the normal course the customer was allowed to withdraw the funds. Later on Dena Bank returned the cheques in late clearing which were returned with a reason of 'too late to return'. This action of our Bank in returning the cheques was clearly as per the clearing house rules and RBI guidelines.

12. Gujrat Telephone Cable Limited has filed a case in Civil court Ahmedabad against SBI consortium alleging that since the consortium did not sanction/restructure their credit limit the company suffered a financial loss. The company made a claim of Rs.1002 Crores against the consortium. Our share of total credit being Rs. 11 crores. The case has not come for hearing till date. Prima facie this is a case filed by the Company to avoid repayment of Bank's dues and not at all tenable. The same is not maintainable and liable to be dismissed, as the company's claim has not been substantiated by any concrete and documentary proof.

13. Data Logix, a partnership firm has filed a case in the City Civil Court, Hyderabad against M/s R.S. Infotech and our Bank among others, claiming Rs. 55,22,400/-. Our Bank has issued a bank guarantee of Rs. 78,75,000/- in favour of Data Logix on a request made by M/s R.S. Infotech, to continue and to be enforceable for a period of 8 months from the date of guarantee bond. Since M/s R.S. Infotech failed to pay the sums due and payable in terms of the contract executed between them and Data Logix, the latter served a notice upon our Bank to give effect to the Bank guarantee. Later, under a settlement, our Bank paid Rs. 40 lacs to Data Logix in discharge of its liability as the guarantor. The Data Logix filed a complaint before the Banking Ombudsman which is pending. Thereafter, the present suit was filed before City Civil Court by Data Logix to realize a balance amount of Rs. 55.24 lacs from M/s R.S. Infotech and our Bank along with other defendants, to be liable jointly and severally to pay this amount. The case is required to be strongly contested by appointing a senior counsel in this regard. A written statement is to be filed by our Bank in the suit taking all sorts of defenses, i.e. case is barred by limitation, case is an utter violation of Hon'ble Banking Ombudsman Scheme framed by RBI, etc.

14. M/s Atcom Technology (the defaulting borrower) has filed case in the court of Civil Judge, Daman against Dena Bank and other members of the consortium claiming damages on account of non disbursement by consortium banks. Prima facie the case is not maintainable since the civil court has no jurisdiction to try such cases. The Company has filed the suit with the ulterior and malafide motive to prolong the repayment of bank's dues. The case is posted for hearing on 18.09.2006 when we shall be along with other lead bank filing our detailed reply in the matter.

(B) Others:

a) Consumer cases

Sr. No.	Claim Amount (Rs. In crores)	Consumer Forum	Claimant
1.	2.18	At various places	85 cases filed before various consumer courts

b) Cases before Banking Ombudsman

Sr. No.	Claim Amount (Rs. In crores)	Ombudsman's Office	Complainant
1.	1.25	At various places	57 cases filed before Banking Ombudsman at various places

c) There are no matters likely to affect operation and finances of the Company including disputed tax liabilities.

d) There is no criminal prosecution launched against the Company and the Directors for alleged offences under the enactments specified in paragraph 1 of Part I of Schedule XIII to the Companies Act, 1956 except as stated under:

1. CBI has filed a charge sheet against one of our employee Shri Sanjeev Gupta allegedly for conspiring with Prakash Industries Ltd. relating to the lease transaction of Air Pollution Control Equipment. The Bank is fighting his case as his role was limited only to the preparation of the cheque and has filed a criminal Revision Petition before the High Court, Delhi for discharging the said employee.

2. The Labour Officer at Kochi filed a prosecution against CMD in the capacity as the principal employer u/s 24 of C.L.A Act. A Writ Petition was filed in High Court of Kerala at Ernakulam and order was passed on 31st October 2003 staying all the proceedings. (Miner offence which is compoundable for Rs. 1000)

3. The Labour Enforcement Officer, Cochin (Kochi) has also filed two complaints one being S.T. Case No.462 of 2005 and the other being S.T. Case No.463 of 2005 before the court of Judicial Magistrate First class, Calicut u/s 24 of the C.L.A. Act against CMD as a principal employer. Stay has been granted by Kerala High Court.

4. A dismissed employee Mr. Asthana (Executive) had filed conciliating proceedings. The conciliation proceedings failed. The issue may be referred to Labour Court, We have not received any intimation.

5. A Criminal case was filed by one Sunil Chandik Patil a tractor dealer in the court of Judicial Magistrate First Class, Tasgaon Dist. Sangli. against Mr. Ranendra Naik (Ex Branch Head Kolhapur) , Mr. Gautam Annigeri (Ex. Agri. Officer Kolhapur br.), Mr. P Krishnamoorthy (the present Branch Head Kolhapur), Dr. P J Nayak (CMD), Mr. Niranjan Tinaikar (Agri Cluster Head – Sangli). The said court had passed the order on 29.05.06 directing the Police to hold the investigation u/s 156 (3) of Cr. P.C and submit its report before 30.06.06. However, it is understood that looking to the criminal background of the complainant and our FIR was pending against him, Police did not take any steps in this regard. In the meanwhile Bank had filed the Writ Petition before High Court Mumbai for quashing of the criminal case. The Hon, ble High Court after preliminary hearing passed the order that no coercive action steps should be taken against bank officials if they cooperate in investigation.

   The case stems from the fact that our Bank had floated tractor loan scheme to finance for purchase of tractor and other equipments by the farmers. During the period from 01.01.04 to 31.08.05 Kolhapur Branch had financed 243 tractor loan cases for purchase of Indofarm brand of tractors through its dealers. It was subsequently found that the branch had financed 52 borrowers for purchase of such tractors/equipments where delivery of tractor/equipment had not taken place but the amount was disbursed by way of crediting the amount of loan Rs. 241 lacs to the current account of the dealers.

It was further found that Mr. Gautam Annigeri and Mr Rajendra Naik connived with the dealers Sunil Patil and others by creating fraudulent loan proposals and disbursing the loan to the dealer without complying with laid down guidelines of the scheme. Accordingly bank had filed FIR in Nov. 05 against the said dealer and the concerned officials of the branch. The Bank has also filed suit in DRT, Pune against the said dealer for recovery of dues.

6. On 04.11.2005, UTITSL (UTI Technology Services Ltd, erstwhile UTIISL) had filed an FIR with CBD, Belapur Police Station for unauthorised credits in some of the accounts with our bank. These accounts were opened under our SBSAL scheme for UTITSL employees. These accounts were opened at our Malad branch and thereafter at Vashi and New Marine Lines branch. During police investigation though the complaint was not filed against any of the bank officials the police had called one of our sales employees Mr. Jagannath Sharma for interrogation who was taken in police custody. The said Mr. Sharma on second day of his arrest was released on bail. Since the steps taken by the police during investigation appeared to be harsh against our bank officials we had made an application for anticipatory bail in Thane Session Court on behalf of three Bank Officials namely Shri Srikant Sanjekar, Bhakar Kotian and Mr. Pradip Basu and the bail was granted.

(f) There are no defaults in payment of statutory dues, institutional dues and any other dues and claims of a material nature against the Bank.

(g) There are no litigations against the Directors involving violation of statutory regulation or criminal offence.

(h) Certain cases of fraud committed by the employees of the Bank and not included as they are dealt by the Vigilance Dept of the Bank. However, such cases have been reported to RBI and Police complaints are filed.

Cases Filed By The Bank

In the ordinary course, the Bank has filed recovery cases before various Debt Recovery Tribunals against defaulters. Bank has also filed cases under Section 138 of NI Act against various defaulters and they are in various stages. Apart from this, Bank has filed a case against National Insurance Company against recovery of a claim.

Outstanding litigation pertaining to Promoter/Promoters Group *(As sought and was made available in December 2005)*

Outstanding Litigation or Defaults of the Administrator of the Specified Undertaking of the Unit Trust of India (UTI-1):

Category	Number of Cases	Amount involved (Rs. Crs.)
Suits filed by Borrowers	-	-
Suits filed by other parties	59	a) The cause of action relates to scheme provision of US-64, RUS-92 & CGGF-86. The units of US64 & CGGF-86 have since been converted into Govt. of India Tax Free bonds.

	67 1044	b) Rs.1.32 crores (Approx) c) Rs 3.87 crores (Approx)
Property disputes	5	Rs.7.26 crores.(Approx)
Criminal cases	11	These cases are related to non-receipt of repurchase/maturity proceeds & non-transfer of units. These cases are not maintainable and juding from our experience such cases are dismiss or withdrawn by the Complainant
Miscellaneous Cases	4	Rs.46.86 crores (Approx)
Title Suit cases	14	All these cases either shares have been replaced fro broker or sold n the market after transfer

<u>Outstanding Litigation or Defaults of Life Insurance Corporation of India :</u>

LIC of India did not have any borrowings as such there are no suits filed by the lenders against it. There are various consumers cases of different categories pending in various consumer courts/forums in matters relating to repudiated death claims, delay in setting dues, non-payment of Bonus, Staff Matters, agency matters and other service matters like alterations Gap Premiums etc.

Against the Directors: There has been no default in meeting statutory dues, institution dues, and other dues and claims against the directors of LIC of India. Further, there have been no prosecution, criminal or civil, lodged, or pending proceedings initiated for economic offences against the company.

<u>Outstanding Litigation or Defaults of United India Insurance Company Limited:</u>

UIIC is in the general insurance business and have various claims filed with Motor Accidents Claims Tribunals in respect of Motor Vehicle accidents. Further, certain cases are pending in various courts in respect of Property/Liability claims on account of non-admissibility / quantum of the claims. These claims would be suitably provided for / properly dealt with in the audited accounts for the year ended 31.03.2005.

It has various offices located all over the country. Certain litigations relating to properties in the matter of rent / vacation of premises instituted by / against the company, which cannot be quantified. However, these will not have any adverse effect on the accounts of the company.

There has been no default in meeting Institutional dues, Statutory dues and other dues and claims against the Director of the Company. Further, there has been no prosecution, criminal or civil lodge or pending, proceedings initiated for economic offences.

<u>Outstanding Litigation or Defaults of Oriental Insurance Company Limited :</u>

During the ordinary course of its business, the company has a number of court cases of different nature pending in the various courts of the Country, which are difficult to quantify. Most of the cases pertain to quantum payable with respect to the Insurance claims of the policyholders.

There has been no defaults in meeting statutory dues, institutional dues and other dues and claims against the Directors of the Oriental Insurance Company Limited. Further, there has been no prosecution, criminal or civil, lodged or pending proceedings initiated for economic offences against the Directors of Oriental Insurance Company Limited.

<u>Outstanding Litigation or Defaults of New India Assurance Company Limited</u>

The company, New India Assurance Company Limited, is wholly owned by Government of India doing general insurance business. There are litigations filed by/against the company relating to claim settlements (major portion being motor third part) under normal course of its business.

Similarly there could be employee-employer related litigation's filed by/against the company. However no litigations as such filed against any of the Directors in their personal capacity.

The New India Assurance Company (SIERRA LEONE) Ltd.
(No. of cases not readily available)

The New India Assurance Company (Trinidad and Tobago) Ltd.*
(No. of cases not readily available)

Contingent liabilities:

a) 27th July, 1990 - The company has denied liability for claims intimated arising from the events of 27th July, 1990. This is based on legal advice, which is reinforced by reinsures' common stand that these losses are not covered under treaty wordings. Also, no provision has been made for legal costs, which may be incurred in respect of court actions arising out of these claims.

b) Claims in litigations:
The Company is defending various legal actions relating to claims in dispute. These have risen in the normal course of business. After taking legal advice, management has established certain provision that is reflected in the company's financial statements.

The actual outcome of these legal actions could result in payments that differ from the provisions established by management.

Outstanding Litigation or Defaults of Zenith Securities & Investments Limited
Suit filed by landlords for eviction of premises.

Outstanding Litigations or Defaults of the Industrial Credit Company Limited
A contingent liability in respect of an ex-parte Court decree against the Company for Rs. 58,66,960/- is being contested by the Company.

Outstanding Litigation or Defaults of GIC Housing Finance Ltd.:

Sr. No.	Particulars	No. of cases	Amt. Involved. (Rs. in crs.)
1.	Individual Housing Recovery suit – Civil	18	1.79
2.	Indl. Housing, Criminal Case – N.I. Act	53	0.51
3.	Builders & Corporate Recovery Suits	10	42.84
4.	Builders & Corporate Criminal Case-NIA	22	9.65
5.	Tax related cases.	3	4.57

SECTION VII

1. OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for Present Issue.

This Issue of Debentures is being made pursuant to the resolution of the Board of Directors, passed at its meeting held on 13 January, 2006 and 29 July 2006 and is within the overall borrowing limit under section 293(1)(d) of the Act. The present Issue of Debentures is being made in accordance with the terms of the SEBI Guidelines and RBI Guidelines.

We can issue the Debentures in view of the present approvals and no further approvals in general from any Government Authority / RBI are required to undertake the Issue of Debentures. In future, we will secure any other required approvals from the statutory authorities, if necessary

Prohibition by SEBI, RBI or Governmental Authorities

Neither we nor or our Directors, or companies with which our Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the debt market under any order or direction passed by SEBI. Neither we nor or our Directors, subsidiaries, directors of subsidiaries or associates, have been detained as willful defaulters by the RBI or government authorities. There are no violations of securities laws committed by any of them in the past or pending against them.

Stock Exchange Disclaimer Clause

Application would be submitted to Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) to list the Debentures now being privately placed through this Shelf Memorandum of Information and to seek a permission to deal in such Debentures. The bank shall comply with the requirements of the listing agreement to the extent applicable to it on a continuous basis. It is to be distinctly understood that the submission of this Shelf Memorandum of Information to BSE and NSE or hosting of this Shelf Memorandum of Information by BSE and NSE on their respective websites should not in any way be deemed or construed that this Shelf Memorandum of Information has been cleared or approved by BSE and/or NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Shelf Memorandum of Information; nor does it take responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

General Disclaimer

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

Disclaimer in respect of jurisdiction

Any disputes arising out of this issue will be subject to the exclusive jurisdiction of the courts at Mumbai (Maharashtra). All information considered adequate and relevant about the Issuer and the Issuer Company has been made available in this Shelf Memorandum of Information for the use and perusal of the potential investors and no selective or additional information would be available for a section of investors in any manner whatsoever.

Listing

The Debentures being offered through this Information Memorandum shall be listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Ltd. (NSE).

Filing of Shelf Memorandum of Information
As per extant SEBI guidelines/ regulations, filing of this Shelf Memorandum of Information is not required either with SEBI and Registrar of Companies (RoC) or any other regulatory authority(ies). The present issue of Debentures being made on private placement basis, the provisions of Section 60 of the Companies Act, 1956 shall not be applicable and accordingly, a copy of this Shelf Memorandum of Information along with the documents as specified under the head "Material Contracts and Documents for Inspection" have not been filed with the RoC and the SEBI.

Consent
S. R. Batliboi & Co. Chartered Accountants, the Statutory Auditors of the Bank have their written consent to their report being included in the form and content in which it appears in this Information Memorandum

The Western India Trustee & Executor Co. Limited has given its written consent to act as Trustees to the issue and for including their name in the Information Memorandum.

M/s Karvy Computershare Private Limited has given its consent written consent to act as Registrar to the issue and for including its name in the Information Memorandum Registrar

Expenses of the Issue
Fees payable to and terms of appointment of the Trustees to the Issue & Registrar to the Issue shall be decided mutually between the Issuer and the Intermediary. Copy of Consent letter shall be kept open for Inspection be kept open for inspection at the Registered Office of the bank.

Underwriting Commission, Brokerage and Selling Commission
The details of the issue if underwritten, will be informed separately. There are no brokers to this Issue and hence no brokerage is payable.

Previous public or rights issue, if any
(During last five years)

Bank has not made any Public or Rights Issue during last five years. However, Bank has during during March, 2005 successfully raised US$ 23.93 crores of capital by placing 4.05 crores GDRs, each GDR representing one underlying share, at the price of US$ 5.91 per GDR. Further, in April 2005, the Green Show option to the extend of 0.30 crores GDRs each GDR representing one underlying share, was exercised at the price of US $5.91. The total size after Green Shoe option stood at 4.35 crores

Previous issue of shares otherwise than for Cash: The Bank has not issued shares otherwise than for cash.

Commission/Brokerage on Previous issues (Debt): Commission/Brokerage and Arrangership fees if any, paid was in accordance with mutually agreed terms.

There are no listed companies under the same management within the meaning of Section 370 (1)(B) of the Companies Act, 1956.

Promise V/s. Performance

Bank has not made any projections in the offer document of any of our previous capital issues during the last five years.

Debentures issued by the Bank outstanding as on the date of Information Memorandum and terms of issue:

Sr No	Type of Security	Date of Allotment	Number of Debentures	Face Value Rs.	% of interest	Date of redemption	Outstanding amount Rs.	Detail Description of the security
1	Debentures	29.03.2000	2000	5,00,000/-	11.75%	28.04.2007	100,00,00,000	Unsecured Redeemable NCD's (Subordinated Debt)
2	Debentures	03.12.2001	2240	5,00,000/-	9.80%	03.06.2007	112,00,00,000	---do ----
3	Debentures	27.03.2002	670	5,00,000/-	9.30%	27.06.2007	33,50,00,000	---do ----
4	Debentures	20.09.2002	Opt-I-660	5,00,000/-	8.80	20.06.2008	33,00,00,000	---do ----
			Opt-II-100	5,00,000/-	9.05	20.06.2010	5,00,00,000	---do ----
			Opt-III-1240	5,00,000/-	9.30	20.06.2012	62,00,00,000	---do ----
5	Debentures	21.12.2002	Opt-I-662	5,00,000/-	8.40	21.09.2008	33,10,00,000	---do ----
			Opt-II-0	5,00,000/-	8.70	21.09.2010	0	---do ----
			Opt-III-1200	5,00,000/-	8.95	21.09.2012	60,00,00,000	---do ----
6	Debentures	26.07.2003	Opt-I-600	5,00,000/-	6.50	26.04.2009	30,00,00,000	---do ----
			Opt-II-100	5,00,000/-	6.70	26.04.2011	5,00,00,000	---do ----
			Opt-III-1300	5,00,000/-	7.00	26.04.2013	65,00,00,000	---do ----
7	Debentures	15.01.2004	Opt-I-0	5,00,000/-	6.00	15.10.2009	0	---do ----
			Opt-II-0	5,00,000/-	6.25	15.10.2011	0	---do ----
			Opt-III-500	5,00,000/-	6.50	15.10.2013	50,00,00,000	---do ----
8.	Debentures	04.06.2004	Opt-I	10,00,000/-	Floating	15.10.2010	150,00,00,000	---do ----
9.	Debentures	25.07.2005	5000	10,00,000/-	Floating	25.07.2012	500,00,00,000	---do ----
10.	Debentures	22.03. 2006	Opt-I-1250	10,00,000/-	8.50%		125,00,00,000	---do ----
			Opt-IA-50	10,00,000/-	8.32%		5,00,00,000	---do ----
			Opt-II-3600	10,00,000/-	8.75%		360,00,00,000	---do ----
			Opt-IIA-100	10,00,000/-	8.56%		10,00,00,000	---do ----

11	Debentures	28.06.2006	Opt-I-335	10,00,000/-	8.95%		33,50,00,000	---do ----
			Opt-II-1049	10,00,000/-	9.10%		104,90,00,000	---do ----
						Total Outstanding	**18,77,00,00,000**	

The Bank has been the first Indian Bank to successfully issue Foreign Currency Hybrid Capital in the International Market". The Bank has raised USD 150 million of 15-Years subordinated Upper Tier II Bonds/Notes in the International market. The allotment or the settlement date of the Bonds/ Notes is be August 11, 2006 and the maturity date will be August 12, 2021. These Bonds/ Notes were issued at coupon rate of 7.25% and are listed on the Singapore Exchange.

2. Stock Market Data

High and low prices quoted on BSE & NSE during the last 3 calendar years

	BSE			NSE		
Year (CY)	High (Rs)	Low (Rs.)	Average (Rs.)	High (Rs)	Low (Rs.)	Average (Rs.)
2006	425.00	221.50	323.25	425.50	220.15	322.85
2005	315.00	169.10	242.05	310.90	170.00	240.45
2004	210.00	105.60	157.80	209.40	105.05	157.225

High and low prices quoted on BSE & NSE during the last 6 months with volume with respective date of High/Low

	BSE			BSE		
Month	Date	High Rs.	Volume	Date	Low Rs.	Volume
August 2006	31.08.2006	358.75	158159	01.08.2006	296.25	41593
July 2006	26.07.2006	317.85	254644	18.07.2006	249.00	571126
June 2006	05.06.2006	313.9	48296	14.06.2006	221.50	146081
May 2006	10.05.2006	380	225076	31.05.2006	281.05	77652
April 2006	10.04.2006	383	34303	13.04.2006	315.00	218062
March 2006	14.03.2006	425	2421637	01.03.2006	326.00	47402

	NSE			NSE		
Month	Date	High Rs.	Volume	Date	Low Rs.	Volume
August 2006	31.08.2006	359	490866	01.08.2006	295	160841
July 2006	26.07.2006	317	1005884	18.07.2006	249.5	548058
June 2006	02.06.2006	313	506815	14.06.2006	220.15	447098
May 2006	10.05.2006	380	850273	31.05.2006	281	279050
April 2006	04.04.2006	372	519686	28.04.2006	290.25	198047
March 2006	14.03.2006	425.5	5391614	01.03.2006	325.05	459649

No. of Shares traded during the last six months on each stock exchange

PERIOD	BSE	NSE
August 2006	2239323	8703876
July 2006	2603957	6084971
June 2006	6328507	10384637
May 2006	2239111	8816951
April 2006	1775542	7384347
March 2006	9497187	16493519

3. Mechanism Evolved For Redressal Of Investor Grievances:

To ensure that Investors grievances are attended to expeditiously the Bank has appointed M/s. Karvy Computershare Private Limited, Hyderabad as its Registrar and Share Transfer Agent:

M/s. Karvy Computershare Private Limited
Unit: UTI Bank Limited
Karvy House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad - 500 034
Phone Nos.: 040-23320251/751/752/753
Fax No.: 040-23311968

Further, investors may note that a compliance officer has also been appointed by the Bank and he may be contacted in case of any grievances at the following address:

Mr P. J. Oza
Company Secretary, UTI Bank Ltd.,
Maker Tower 'F', 13th Floor,
Cuffe Parade, Colaba, Mumbai – 400005.
Tel No. (022) 22189106/7/8/9, Fax No. (022) 22186944/22181429
E-mail Id: poza@utibank.co.in

The details regarding normal time taken for disposal of various types of investors grievances is given below:

1.	Transfer/Transmission of equity shares	: 15 days
2.	Change of Address	: 2 days
3.	Issuance of duplicate share certificates	: 20 days
4.	Non receipt of share certificates	: 2 days
5.	Non receipt of dividend warrants	: 2 days
6.	Noting of bank mandate	: 2 days

As on date there are no outstanding grievances against UTI Bank Limited from investors/ shareholders.

There are no listed companies under the same management within the meaning of Section 370 (1)(B) of the Companies Act, 1956 for which similar aforesaid details are required to be furnished.

Change in Auditors during last three years:

M/s BSR & Co., Chartered Accountants, have been statutory auditors of the Bank since 2002. As per the regulation of Reserve Bank of India, the same auditors cannot be re-appointed for a period beyond 4 years. Accordingly, M/s S.R. Batliboi & Co., Chartered Accountants, has been appointed as the new statutory auditors of the Bank

Capitalisation of reserves or profits (during last five years): Nil
Revaluation of assets, if any (during the last five years.) : Nil

SECTION VIII

1. OFFERING INFORMATION

OFFER OF DEBENTURES

We are seeking offer for subscription through Private Placement for following unsecured Debentures to be issued in one or more tranches with a right to retain over-subscription:

- Tier II Debentures aggregating Rs. 350 crores forming part of Tier II Capital,
- Upper Tier II Debentures aggregating Rs. 652.40 crores forming part of Tier II Capital
- Perpetual Debentures aggregating Rs. 214.30 crores forming part of Tier I Capital.

This offer of Debentures is made in India to Companies, Corporate Bodies, Trusts registered under the Indian Trusts Act, 1882, Societies registered under the Societies Registration Act, 1860 or any other applicable laws, provided that such Trust/ Society is authorised under constitution/ rules/ bye-laws to hold debentures in a Company, Indian Mutual Funds registrered with SEBI, Indian Financial Institutions, Insurance Companies, Provident Funds, Gratuity Funds, Superannuation Funds, Commercial Banks including Regional Rural Banks and Cooperative Banks (subject to RBI Permission) as defined under Indian laws. This Shelf Information Memorandum does not, however constitute an offer to sell or an invitation to subscribe to securities offered hereby in any jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Shelf Information Memorandum comes is required to inform himself about and to observe any such restrictions.

Issue Specific terms, Issue Programme of each category of Bond will be finalized closer to the actual date of issuance and would be submitted to the stock exchange at that point of time.

NATURE OF DEBENTURES

I) Unsecured Subordinated Debentures (Tier II Debentures)
The Debentures are to be issued in the form of Unsecured Redeemable Subordinated Debentures. The Debentures will constitute direct, unsecured and subordinated obligations of ours, ranking *pari passu* with our existing/ future subordinated debt and subordinated to the claims of all our other creditors and depositors as regards repayment of principal and interest by us. The Debentures shall be free of any restrictive clauses and shall not be redeemable at the initiative of the holder or without the consent of the Reserve Bank of India (RBI).

Issue Size : Rs. 350 crores to be issued in one or more tranche.
The specific terms of each tranche will be finalized closer to the actual date of issuance and would be submitted to the stock exchange at that point of time.

GENERAL TERMS OF ISSUE	
Face Value & Issue Price	Rs.10,00,000/- per Debentures
Instrument	Unsecured Subordinated Debentures in the nature of Non-convertible Redeemable Debentures
Amount Payable on Application	Rs. 10,00,000/- per Debenture
Minimum Application Size	1 Debenture and in multiples of 1 Debenture thereafter

Interest Rate	Either fixed or floating and in accordance with RBI guidelines i.e. not exceeding 2% above the coupon on Govt. Securities of corresponding maturity.
Interest on application money	Interest on application money will be same as the Coupon rate (subject to deduction of Tax at Source at the rate prevailing from time to time under the provisions of the Income Tax Act, 1961 or any other statutory modifications or re-enactment thereof) will be paid on application money to the applicants from the date of realisation of but excluding the Deemed Date of Allotment.
Computation of Interest	Interest payable on the Debentures will be calculated on the basis of actual number of days elapsed in a year of 365 or 366 Days as the case may be.
Terms of Subordination	Pari-passu among themselves and with other subordinated indebtedness of UTI Bank Ltd., and subordinate to the claims of all other unsecured creditors and depositors of UTI Bank Ltd., as regards repayment of principal and interest by the Issuer.
Holiday Convention	If any of the interest or principal payment dates is a holiday in Mumbai, interest will be payable on the next succeeding business day in Mumbai and shall be the interest/principal payment date.
Redemption	The Debentures will mature on Date(s) as specified in Term Sheet.

II) Upper Tier II Debentures

The Debentures are to be issued in the form of Unsecured Redeemable Subordinated Debentures. The claims of the investors in these Debentures shall be subordinate to the claims of all creditors including Tier II Debentures. In compliance with the Guidelines of RBI, these Debentures shall not be redeemable at the initiative of the investor and all redemptions shall be made only with the prior approval of RBI and in accordance with the prevailing guidelines. Also, these Debentures are subject to lock-in provisions and we shall not be liable to pay either interest or principal, even at maturity, if our capital to risk assets ratio (CRAR) is below the minimum regulatory requirement prescribed by RBI OR the impact of such payment results in our capital to risk assets ratio (CRAR) falling below or remaining below the minimum regulatory requirement prescribed by RBI.

Issue Size: Rs. 652.40 crores to be issued in one or more tranche.
The specific terms of each tranche will be finalized closer to the actual date of issuance and would be submitted to the stock exchange at that point of time.

GENERAL TERMS OF ISSUE	
Face Value & Issue Price	Rs.10,00,000/- per Debentures
Instrument	Unsecured Subordinated Debentures in the nature of Non-convertible Redeemable Debentures
Amount Payable on Application	Rs. 10,00,000/- per Debenture
Minimum Application Size	1 Debenture and in multiples of 1 Debenture thereafter

Interest Rate/Coupon Rate	The interest payable to the investors may be either at a fixed rate or at a floating rate referenced to a market determined rupee interest benchmark rate. The investors will receive interest at [•] % p.a. (subject to TDS as applicable) for the first 120 months and Step-up coupon rate of [•]%, if call option is not exercised at the end of 120th month from the deemed date of allotment. We shall have a step-up option which may be exercised only once during the whole life of the instrument, in conjunction with the call option, after the lapse of ten years from the date of issue. The step-up shall not be more than 100 bps. The limits on step-up shall apply to the all-in cost of the debt to us. The interest will be paid from the Deemed Date of Allotment (subject to deduction of tax at source at the rates prevailing from time to time under the Income Tax Act, 1961 or any other statutory modification or re-enactment thereof) and shall be payable quarterly/semi-annually/annually on during the tenure of the Upper Tier II Debentures except for the last interest payment. In case the Deemed date of Allotment is revised (pre-poned / post poned), then the above Interest Payment Date may also be revised (pre-poned / post-poned) accordingly by the Bank at its sole & absolute discretion. If any interest payment date falls on a day, which is not a business day in Mumbai ("Business Day" being a day on which Commercial Bank are open for business in the city of Mumbai), then payment of interest will be made on the next business day but without liability for making payment of interest for the delayed period. The interest payable shall be calculated by multiplying the coupon rate by the principal amount, multiplying such product by actual number of days in the interest period concerned dividing by 365 (a leap year would be considered as 366 days for the purpose of interest calculation).
	In terms of RBI circular No. DBOD.No.BP.BC.57/21.01.002/2005-2006 dated January 25,2006 on enhancement of Banks' capital raising options covering norms for raising of instruments eligible for inclusion under Upper II Capital, these bonds/Debentures shall be subjected to locking clause in terms of which the bank shall not be liable to pay interest **(a) The Bank's CRAR is below the minimum regulatory requirement prescribed by RBI or** **(b) The impact of such payment results in bank's capital to risk assets ratio (CRAR) falling below or remaining below the minimum regulatory requirements prescribed by the RBI. However, the bank may pay interest with the prior approval of RBI when the impact of such payments may result in net loss or increase the net loss provided CRAR remains above the regulatory norms. The interest amount due and remaining unpaid may be allowed to be paid in the later years subject to the bank complying with the above regulatory requirement.** *Interest amount due and unpaid may be paid in later years by cheque subject to us satisfying the above CRAR requirements and other conditions stipulated in the Guidelines.. Any interest on the Debentures not paid on an Interest Payment Date will, so long as the same remains unpaid, constitute "Interest in Arrears."*

Interest on application money	Interest at the coupon rate (subject to deduction of tax at source), applicable for the first 120 months, will be paid in respect of all valid applications including the refunds. Such interest shall be paid from the date of realization of the Cheques/demand drafts /*RTGS* upto the date immediately preceding the Deemed Date of Allotment. Refund cheques/Warrants/Demand Drafts will be mailed within seven days of Deemed Date of Allotment.
Terms of Subordination	Debentures shall be subordinate to the claims of all creditors including Lower Tier II Debentures.
Redemption	Payment on redemption will be made by cheque(s)/ warrants(s) in the name of the Debentureholder whose name appears on the List of Beneficial owners given by Depository to the Bank as on the Record Date. On the Bank dispatching the redemption warrants to such Beneficiary(ies) by registered post/ courier, the liability of the Bank shall stand extinguished. The Debentures shall be taken as discharged on payment of the redemption amount by the Bank on maturity to the list of Beneficial Owners as provided by NSDL/ CDSL/ Depository Participant. Such payment will be a legal discharge of the liability of the Bank towards the debentureholders. On such payment being made, the Bank will inform NSDL/ CDSL/ Depository Participant and accordingly the account of the Debentureholders with NSDL/ CDSL/ Depository Participant will be adjusted. Minimum 15 years from Deemed Date of Allotment. Redemption will be subject to RBI approval.
Put Option	There is no Put Option available to the Debentureholder(s) for redeeming the Debentures prior to maturity. The Debentures are free of any restrictive clauses and shall not be redeemable at the initiative of the holder(s). Redemption of these Debentures shall be made only with the prior approval of the RBI.
Call Option/ Optional Redemption	The Bank shall issue the Debentures with a call option. Such call option can be exercised by us after the instrument has run for at least ten years. However, we shall require prior approval of the RBI for exercising such call option. RBI whilst considering our request may take into consideration amongst other things, our CRAR position both at the time of exercise of the call option and after exercise of the call option. **In terms of RBI circular no. DBOD.No.BP.BC. 57/21.01.002/ 2005-2006 dated January 25, 2006 on enhancement of banks' capital raising options covering norms for raising of instruments eligible for inclusion under Upper Tier II capital, these Bonds/Debentures are free of any restrictive clauses and shall not be redeemable at the initiative of the holder. Redemption of these Bonds/Debentures shall be made only with the prior approval of the RBI. Further these Bonds/Debentures shall be subjected to a lock-in clause in terms of which the Bank shall not be liable to pay principal even at maturity if (a) the Bank's CRAR is below the minimum regulatory requirement prescribed by the RBI or (b) the impact of such payment results in Bank's Capital to Risk Assets Ratio (CRAR) falling below or remaining below the minimum regulatory requirement prescribed by the RBI.**

	The Bank's liability to the Debentureholders towards all their rights including for payment or otherwise shall cease and stand extinguished from the date of exercise of call option/ date of redemption in all events. Further the Bank will not be liable to pay any interest or compensation from the date of exercise of call option/ date of redemption. On the Bank dispatching the amount as specified above in respect of the Debentures, the liability of the Bank shall stand extinguished. Interest amount due and unpaid will be paid in later years by cheque subject to us satisfying the above CRAR requirements and other conditions stipulated in the Guidelines.
Holiday Convention	If any of the interest or principal payment dates is a holiday in Mumbai, interest will be payable on the next succeeding business day in Mumbai and shall be the interest/principal payment date.

III) Perpetual Debentures (Innovative Perpetual Tier I Capital)

The Debentures are to be issued in the form of Unsecured Subordinated Debentures . In compliance with the Guidelines of RBI, these Debentures shall be perpetual in nature. Also, these Debentures are subject to lock-in provisions and we shall not be liable to pay interest if our capital to risk assets ratio (CRAR) is below the minimum regulatory requirement prescribed by RBI OR the impact of such payment results in our capital to risk assets ratio (CRAR) falling below or remaining below the minimum regulatory requirement prescribed by RBI. We shall not be liable to pay any interest on the Debentures when the impact of such interest payment may result in net loss or increase the net loss to us. We may pay such interest only after prior approval of RBI and provided our CRAR remains above the regulatory requirement for the same.

Innovative instruments shall not exceed 15 per cent of total Tier 1 capital. The above limit will be based on the amount of Tier 1 capital after deduction of goodwill and other intangible assets but before the deduction of investments. Innovative instruments in excess of the above limits shall be eligible for inclusion under Tier 2, subject to limits prescribed for Tier 2 capital. However, investors' rights and obligations would remain unchanged.

The claims of the investors in these Debentures shall be subordinate to the claims of all creditors including all claims, liabilities and investments forming a part of our Tier II capital, from time to time.

GENERAL TERMS OF ISSUE	
Face Value & Issue Price	Rs.10,00,000/- per Debentures
Instrument	Unsecured Subordinated Debentures in the nature of Non-convertible Debentures
Amount Payable on Application	Rs. 10,00,000/- per Debenture
Minimum Application Size	1 Debenture and in multiples of 1 Debenture thereafter
Seniority of claim	The claims of the investors of Tier I Debentures shall be Superior to the claims of investors in equity shares; and Subordinated to the claims of all other creditors.

Interest Rate	The interest payable to the investors may be either at a fixed rate or at a floating rate referenced to a market determined rupee interest benchmark rate. The investors will receive interest at [•] % p.a. (subject to TDS as applicable) for the first 120 months and Step-up coupon rate of [•]%, if call option is not exercised at the end of 120th month from the deemed date of allotment. We shall have a step-up option which may be exercised only once during the whole life of the instrument, in conjunction with the call option, after the lapse of ten years from the date of issue. The step-up shall not be more than 100 bps. The limits on step-up shall apply to the all-in cost of the debt to us.
	In terms of RBI circular No. DBOD.No.BP.BC.57/21.01.002/2005-2006 dated January 25,2006 on enhancement of Banks' capital raising options covering norms for raising of instruments eligible for inclusion under Tier I Capital, these bonds/ debentures shall be subjected to locking clause in terms of which the bank shall not be liable to pay interest **(a) The Bank's CRAR is below the minimum regulatory requirement prescribed by RBI or** **(c) The impact of such payment results in bank's capital to risk assets ratio (CRAR) falling below or remaining below the minimum regulatory requirements prescribed by the RBI. However, the bank may pay interest with the prior approval of RBI when the impact of such payments may result in net loss or increase the net loss provided CRAR remains above the regulatory norms.** *The interest shall not_be cumulative. If , for one of the above reasons we are unable to pay interest for any year or in any period, the Debentureholder would not receive such interest in future years.*
Options	We have a call option subject to strict compliance with each of the following conditions: a) Call option may be exercised after the instrument has run for at least ten years; and b) Call option shall be exercised only with the prior approval of RBI (Department of Banking Operations & Development). While considering the proposals received from banks for exercising the call option the RBI would, among other things, take into consideration the bank's CRAR position both at the time of exercise of the call option and after exercise of the call option.

Lock-In Clause	Tier I Debentures shall be subject to a lock-in clause in terms of which we shall not be liable to pay interest, if 1. the bank's CRAR is below the minimum regulatory requirement prescribed by RBI; OR 2. the impact of such payment results in bank's capital to risk assets ratio (CRAR) falling below or remaining below the minimum regulatory requirement prescribed by Reserve Bank of India; We shall not be liable to pay any interest on the Debentures when the impact of such interest payment may result in net loss or increase the net loss to us. We may pay such interest only after prior approval of RBI and provided our CRAR remains above the regulatory requirement for the same.
Interest on application money	Interest on application money will be same as the Coupon rate (subject to deduction of Tax at Source at the rate prevailing from time to time under the provisions of the Income Tax Act, 1961 or any other statutory modifications or re-enactment thereof) will be paid on application money to the applicants from the date of realisation of but excluding the Deemed Date of Allotment.
Computation of Interest	Interest payable on the Debentures will be calculated on the basis of actual number of days elapsed in a year of 365 or 366 Days as the case may be.
Terms of Subordination	The claims of the investors in these Debentures shall be subordinate to the claims of all creditors including all claims, liabilities and investments forming a part of our Tier II capital, from time to time
Holiday Convention	If any of the interest payment dates is a holiday in Mumbai, interest will be payable on the next succeeding business day in Mumbai and shall be the interest/principal payment date.
Redemption	The Debentures are perpetual in nature and will not be redeemable without prior approval of RBI.

Terms and conditions common to any nature of Debentures

Issue Opening Date and Closing Date
To be finalised prior to the issue of respective type of debentures.

Listing
The Debentures will be listed on the WDM segment of BSE/NSE

Market Lot
1 Debenture or in multiples of 1

Terms of Payment
The full face value of the Debentures applied for is to be paid alongwith the Application Form. Investor(s) need to send in the Application Form and the cheque(s)/ demand draft(s) for the full face value of the Debentures applied for.

Security
The Debentures are unsecured & unconvertible in Nature

Record Date
The 'Record Date' for the Debentures shall be 10 working days prior to each interest payment and/ or principal repayment date.

Minimum Subscription
Pursuant to the notification no. SEBI/MRD/SE/AT/46/2003 dated 22nd December 2003 issued by SEBI minimum subscription clause is not applicable to the privately placed debt securities.

Issue of Debentures in dematerialized form
The Bank has appointed Karvy Computershare Pvt. Ltd. as Registrar & Transfer Agents for the present issue of Debentures. The Bank will be issuing the Debentures in dematerialized form only. The Bank will be opening the accounts with NSDL and CDSL for issuing these Debentures. Applicant should mention their Depository Participant's name, DP-ID and Beneficiary Account Number in the appropriate place in the Application Form. The Bank will take necessary steps to credit the Depository Account of the allottee(s) with the number of Debentures allotted.

Issue of Letter(s) of Allotment
The beneficiary account of the investor(s) with National Securities Depository Limited (NSDL)/ Central Depository Services (India) Limited (CDSL)/ Depository Participant will be given initial credit. The initial credit in the account will be akin to the Letter of Allotment. On completion of the all statutory formalities, such credit in the account will be akin to a Debenture Certificate.

Refund Orders
The Bank shall ensure dispatch of Refund Order(s), if any, by registered post/speed post/courier/hand delivery.

Impersonation
Any person who-
a) makes in a fictitious name an application to a company of acquiring, or subscribing for any Securities therein, or
b) otherwise induces a company to allot or register any transferor of Securities therein to him, or any other person in a fictitious name shall be punishable under the extant laws.

Interest on Application Money:
Interest on application money will same as the Coupon rate (subject to deduction of tax at source at the rate prevailing from time to time under the provisions of the Income Tax Act, 1961 or any other statutory modification or re-enactment thereof) from the date of realisation of the cheques / drafts up to (but excluding) the DEEMED DATE OF ALLOTMENT. Where an applicant is allotted a lesser number of Debentures than applied for, the excess amount paid on application will be refunded to the applicant and the cheque towards interest on the refunded money will be despatched by registered post along with the letter of allotment. In all cases, the interest instruments will be sent, at the sole risk of the applicant / First applicant.

Effect of Holidays
Should any of dates defined above or elsewhere in the Information Memorandum, excepting the Deemed Date of Allotment, fall on a Saturday, Sunday or a Public Holiday, the next working day shall be considered as the effective date(s).

Basis of Allotment:
Acceptance of the offer to invest and the allotment shall be decided solely by the issuer. The Bank reserves the right to reject in full or part any or all the offers received by them to invest in the Debentures without assigning any reason for such rejection. Acceptance of the offer shall be subject

to completion of subscription formalities, detailed in the application form. In case of over subscription, the issuer would finalise the basis of allotment.

Deemed Date of Allotment
The Debentures would be deemed to be allotted on Deemed date of allotment or any other date, as may be decided by the Bank. In case the closing date is extended, investors will be intimated about the revised time schedule by the Bank. The Bank also reserves the right to keep multiple Deemed Date(s) of Allotment at its sole and absolute discretion without any notice. Further, the Bank reserves the right to close the issue earlier from the aforesaid date or change the issue time table including the Deemed Date of Allotment at its sole discretion, without giving any reasons or prior notice.

Redemption of Debentures

The Tier II Unsecured Debentures and Upper Tier II Debentures will be redeemed at par, as will be provided in Term Sheet from the respective DEEMED DATE OF ALLOTMENT. The Tier I Debentures are perpetual in nature and will not be redeemable.

Payment on redemption will be made by cheque(s)/ warrants(s) in the name of the Debentureholder whose name appears on the List of Beneficial owners given by Depository to the Bank as on the Record Date. On the Bank dispatching the redemption warrants to such Beneficiary(ies) by registered post/speed post/courier/hand delivery, the liability of the Bank shall stand extinguished.

The Debentures shall be taken as discharged on dispatch of redemption warrants by the Bank on maturity to the list of Beneficial Owners as provided by NSDL/ CDSL/ Depository Participant. The Bank will inform NSDL/ CDSL/Depository Participant about the redemption and the necessary corporate action would be taken.

The Bank's liability to the Debentureholders towards all their rights including for payment or otherwise shall cease and stand extinguished from the due date of redemption in all events. Further the Bank will not be liable to pay any interest or compensation from the date of redemption. On the Bank dispatching the warrants or crediting the beneficiary's account by relevant amount as specified above in respect of the Debentures, the liability of the Bank shall stand extinguished.

Place and Currency of Payment
The Debentures are being issued by UTI Bank Ltd. All obligations under these Debentures are payable solely by the Issuer in Indian Rupees only.

Rights of Debentureholders

(1) The Debenture shall not, except as provided in the Companies Act, 1956 confer upon the holders thereof any rights or privileges available to the members of the Bank including the right to receive Notices or Annual Reports of, or to attend and/or vote, at the General Meeting of the Bank. However, if any resolution affecting the rights attached to the Debentures is to be placed before the shareholders, the said resolution will first be placed before the concerned registered Debenture holders for their consideration. In terms of Section 219(2) of the Act, holders of Debentures shall be entitled to a copy of the Balance Sheet on a specific request made to the Bank.

(2) The rights, privileges and conditions attached to the Debentures may be varied, modified and/or abrogated with the consent in writing of the holders of at least three-fourths of the outstanding amount of the Debentures or with the sanction of Special Resolution passed at a meeting of the concerned Debentureholders, provided that nothing in such consent or

resolution shall be operative against the Bank, where such consent or resolution modifies or varies the terms and conditions governing the Debentures, if the same are not acceptable to the Bank.

(3) The registered Debenture holder or in case of joint-holders, the one whose name stands first in the Register of Debenture holders/List of Beneficial Owner shall be entitled to vote in respect of such Debentures, either in person or by proxy, at any meeting of the concerned Debenture holders and every such holder shall be entitled to one vote on a show of hands and on a poll, his/her/it's voting rights shall be in proportion to the outstanding nominal value of Debentures held by him/her/it on every resolution placed before such meeting of the Debenture holders.
The quorum for such meetings shall be at least five Debenture holders present in person or as may be prescribed by law from time to time.

(4) The Debentures are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles, the terms of this Information Memorandum and Application Form. Over and above such terms and conditions, the Debentures shall also be subject to other terms and conditions as may be incorporated in the Trustee Agreement/ Letters of Allotment/ Debenture Certificates, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by the Government of India and/or other authorities and other documents that may be executed in respect of the Debentures.

(5) Save as otherwise provided in this Information Memorandum, the provisions contained in Annexure C and/ or Annexure D to the Companies (Central Government's) General Rules and Forms, 1956 as prevailing and to the extent applicable, will apply to any meeting of the Debenture holders, in relation to matters not otherwise provided for in terms of the Issue of the Debentures.

(8) A register of Debenture holders will be maintained in accordance with Section 152 of the Act and all interest and principal sums becoming due and payable in respect of the Debentures will be paid to the registered holder thereof for the time being or in the case of joint-holders, to the person whose name stands first in the Register of Debenture holders. The Debenture holders will be entitled to their Debenture free from equities and/or cross claims by the Bank against the original or any intermediate holders thereof.

Future Borrowings
The Bank shall be entitled to borrow/ raise loans or avail of financial assistance in whatever form as also issue Bonds/ Debentures/ Notes other securities in any manner with ranking as pari-passu basis or otherwise and to change its capital structure, including issue of shares of any class or redemption or reduction of any class of paid up capital, on such terms and conditions as the Bank may think appropriate, without the consent of, or intimation to, the Debenture holder(s) or the Trustees in this connection.

Debentureholder not a Shareholder
The Debentureholders shall not be entitled to any of the rights and privileges available to the Shareholders.

Transfer of Debentures
The transfer of Debentures in dematerialized form would be in accordance with the rules/procedures as prescribed by Depository/Depository Participant

Trustees for the Debentureholders

The Bank has appointed The Western India Trustee & Executor Co. Limited as Trustees for the Debentureholders ("Trustees"). The Bank and the Trustees will enter into a Trustee Agreement, inter alia, specifying the powers, authorities and obligations of the Trustees and the Bank. The Debentureholder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Trustees or any of their agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the Debentures as the Trustees may in their absolute discretion deem necessary or require to be done in the interest of the Debentureholder(s). The Trustees will protect the interest of the Debenture holders in the event of default by the Bank in regard to timely payment of interest and repayment of principal and they will take necessary action at the cost of the Bank.

Procedure for Application and Mode of Payment

This Information Memorandum is neither a prospectus nor a statement in lieu of prospectus and does not constitute an offer to the public generally to subscribe for or otherwise acquire the Debentures issued by the Bank. The document is for the exclusive use of the person(s) to whom it is delivered and it should not be circulated or distributed to third parties. The document would be sent specifically addressed to such persons by the Issuer Bank

Cheques /drafts in respect of the each kind of Debenture should be drawn as under :

For Tier II Subordinated Debentures	in favour of "**UTI Bank Ltd. A/c – Tier II (Series XII)"** and crossed Account Payee only
For Upper Tier II Subordinated Debentures	in favour of "**UTI Bank Ltd. A/c – Upper Tier II (Series I)"** and crossed Account Payee only
For Perpetual Tier I Debentures	in favour of "**UTI Bank Ltd. A/c – Perpetual Debentures-Tier I (Series I)"** and crossed Account Payee only
Prospective investor can also subscribe to the Debentures with subscription amount being paid through RTGS mode	

The Issue/Offer/Book will open for subscription on such dates as will be provided in the Term Sheet which shall form part of this Information Memorandum. The Bank at its sole and absolute discretion without giving any reasons or prior notice may have the right to change the Issue time schedule. In such a case, investors will be intimated about the revised time schedule by the Bank. The Bank also reserves the right to keep multiple Deemed Date(s) of Allotment at its sole and absolute discretion without any notice.

Only eligible investors as given hereunder may apply for Debentures through the procedure detailed hereunder.Application Form duly completed in all respects must be submitted with the designated branch of the Bank.. The name of the applicant's bank, type of account and account number must be filled in the Application Form. This is required for the applicant's own safety and these details will be printed on the refund orders and interest/ redemption warrants.

The Application Forms must be completed in the prescribed format in BLOCK LETTERS in English as per the instructions contained therein.

The applicant or in the case of an application in joint names, each of the applicant, should mention his/her Permanent Account Number (PAN) allotted under the Income-tax Act, 1961 or where the same has not been allotted, the GIR No. and the Income tax Circle/Ward/District. As per the provision of Section 139A(5A) of the Income Tax Act, PAN/GIR No. needs to be mentioned on the TDS certificates. Hence, the investor should mention his PAN/GIR No. if the investor does not submit Form 15G/15AA/other evidence, as the case may be for non-deduction of tax at source. In case neither the PAN nor the GIR Number has been allotted, the applicant shall mention "Applied for" and in case the applicant is not assessed to income tax, the applicant shall mention 'Not Applicable' (stating reasons for non applicability) in the appropriate box provided for the purpose. Application Forms without this information will be considered incomplete and are liable to be rejected.

Applications may be made in single or joint names (not exceeding three). In the case of joint applications, all payments will be made out in favour of the first applicant. All communications will be addressed to the first named applicant whose name appears in the Application Form at the address mentioned therein. Unless the Issuer specifically agrees in writing with or without such terms or conditions it deems fit, a separate single cheque/ demand draft must accompany each Application Form. Applicants are requested to write their names and application serial number on the reverse of the instruments by which the payments are made.

Applications may be made by

1. Scheduled Commercial Banks;
2. Financial Institutions;
3. Insurance Companies;
4. Provident, Gratuity, Pension and Superannuation Funds;
5. Regional Rural Banks;
6. Mutual Funds;
7. Companies, Bodies Corporate authorised to invest in bonds;
8. Trusts, Association of Persons, Societies registered under the applicable laws in India which are duly authorised to invest in bonds.

Applications under Power of Attorney
A certified true copy of the power of attorney or the relevant authority as the case may be along with the names and specimen signature(s) of all the authorized signatories and the tax exemption certificate/ document, if any, must be lodged along with the submission of the completed Application Form. Further modifications/ additions in the power of attorney or authority should be notified to the Bank or to its Registrars or to such other person(s) at such other address(es) as may be specified by the Bank from time to time through a suitable communication.

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

Application by Provident Funds, Superannuation Funds and Gratuity Funds
The applications must be accompanied by certified true copies of (I) Trust Deed/Bye Laws/Resolutions, (ii) Resolution authorising investment and (iii) specimen signatures of the authorised signatories. Those desirous of claiming tax exemptions on interest on application money are compulsorily required to submit a certificate issued by the Income Tax Officer along with the Application Form. For subsequent interest payments, such certificates have to be submitted periodically.

Tax Deduction at Source
Those desirous of claiming exemption from deduction of income tax at source as per the Income Tax Act, 1961 on the interest on application money, are required to submit relevant certificates in duplicate, along with the Application form in terms of Income Tax rules.

The interest payable subsequent to the DEEMED DATE OF ALLOTMENT will be treated as "Interest on Securities" as per Income Tax rules and those desirous of claiming exemption from deduction of income tax at source on the interest payable on Debentures will have to submit relevant certificates periodically at the Registered Office, at least thirty days before the relevant interest payment becoming due.

Debentureholder(s) should consult their own tax advisers on the tax implications of the acquisition, ownership and sale of Debentures and Income arising thereon.

Succession

In the event of winding-up of the holder of the Debentures (s), the Bank will recognize the executor or administrator of the concerned Debentureholder(s), or the other legal representative as having title to the Debenture(s). The Bank shall not be bound to recognize such executor or administrator or other legal representative as having title to the Debentures(s), unless such executor or administrator obtains probate or letter of administration or other legal representation, as the case may be, from a Court in India having jurisdiction over the matter.

The Bank may, in their absolute discretion, where they think fit, dispense with production of probate or letter of administration or other legal representation, in order to recognize such holder as being entitled to the Debenture (s) standing in the name of the concerned Debentureholder on production of sufficient documentary proof or indemnity.

Notices

The notices, communications and writings to the Debentureholder(s) required to be given by the Issuer shall be deemed to have been given if sent by Registered Post to the Registered Debentureholder(s) at the address of the Debentureholder(s) registered with the Registered Office.

All notices, communications and writings to be given by the Debentureholder(s) shall be sent by Registered Post or by hand delivery to the Issuer at Registered Office or to such persons at such address as may be notified by the Issuer from time to time and shall be deemed to have been received on actual receipt.

Undertaking by the Issuer Company

a. The complaints received in respect of the Issue shall be attended to by the issuer company expeditiously and satisfactorily
b. All steps for completion of the necessary formalities for listing and commencement of trading at all stock exchange where the securities are to be listed are taken within 7 working days of finalization of basis of allotment.
c. No further issue of securities shall be made till the securities offered through this Information Memorandum are listed or till the application moneys are refunded on account of non-listing.
d. Necessary co-operation with the credit rating agency shall be extended in providing true and adequate information till the debt obligations in respect of the instrument are outstanding.

SECTION IX

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

The main provisions of the Articles of Association of the Bank (hereinafter referred to as the Article(s) are reproduced below)

Share Certificates

14. (1) Every Member or allottee of shares shall be entitled, without payment, to receive one or more certificates in marketable lots, specifying the name of the person in whose favour it is issued, the shares to which it relates and the amount paid thereon and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be.

(2) Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, save in cases of issues against warrants, letters of advice or acceptance or letters of renunciation, or in cases of issue of bonus shares.
Provided that if any such warrant or letter of allotment advice or acceptance or renunciation is lost or destroyed, the Board may impose such reasonable terms, if any, as it thinks fit as to evidence and indemnity and the payment of out of pocket expenses incurred by the Company in investigating the evidence.

(3) For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding two rupees.

Issue of Shares Certificates

15. (1) Any two or more joint allottees of a share shall, for the purpose of this Article, be treated as a single Member, and the certificate of any share, which may be the subject of joint ownership, may be delivered to any one of such joint owners on behalf of all of them.

(2) Subject to the provisions of the Companies (Issue of Share Certificates) Rules, 1960, or any statutory modification or re-enactment thereof, for the time being in force, every such certificate shall be issued under the Seal, which shall be affixed in the presence of (a) two Directors or persons acting on behalf of the Directors under a duly registered power of attorney and (b) the Secretary or some other person appointed by the Board for the purpose.

The two Directors or their attorneys and the Secretary or other person so appointed shall sign the share certificate.

Provided that if the composition of the Board permits of it, at least one of the aforesaid two Directors shall be a person other than a Managing Director or Whole-time Director.

(3) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as, engraving in metal or lithography, or computer print out but not by means of a rubber stamp. Provided that the Directors shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.

(4) The Company shall keep a Register and index of Members in accordance with Section 150, 151 and 152 of the Act and the details of the Members holding shares both in material and dematerialised form in any media as permitted by law including electronic media. The Company shall also be entitled to keep in any state or country outside India, a Branch Register of Member resident in that state or country.

(5) The Company shall be entitled to dematerialise any or all of its shares, debentures and other marketable securities pursuant to the Depositories Act, 1996 and, subject to these Articles, to offer its shares, debentures and other securities for subscription in a dematerialised form.

Renewal of Share Certificates fees chargeable

16. (1) (a) No certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out, or where the cages on the reverse for recording transfers have been duly utilised, unless the certificate in lieu of which it is issued is surrendered to the Company.

(b) The Company shall not charge any fee for issuing any certificate issued on splitting or consolidation of share certificate/s or in replacement of share certificate/s that are defaced or torn, old, decrepit, worn out or where the cages on the reverse have been utilised.

(2) When a new share certificate has been issued in pursuance of clause (1) of this Article, it shall state on the face of it, and against the stub or counterfoil to the effect that it is "issued in lieu of share certificate No…………….. sub-divided / replaced/on consolidation of shares".

(3) If a share certificate is lost or destroyed, a new certificate in lieu thereof shall be issued only with the prior consent of the Board and on payment of such fee, not exceeding one rupee as the Board may, from time to time fix, and on such terms, if any, as to evidence and indemnity and payment of out-of-pocket expenses incurred by the Company in investigating the evidence, as the Board thinks fit.

(4) When a new share certificate has been issued in pursuance of clause (3) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is "duplicate issued in lieu of share certificate No…………….". The word "duplicate" shall be stamped or punched in bold letters across the face of the share certificate.

(5) Where a new share certificate has been issued in pursuance of clause (1) or clause (3) of this Article, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate Certificates indicating against the name(s) of the person(s) to whom the certificate is issued, the number and date of issue of share certificate in lieu of which the new certificate is issued, and the necessary changes indicated in the Register of Members by suitable cross references in the "Remarks" column.

Safe custody of blank share certificate forms, books, etc.

17. (1) All blank forms to be used for issue of share certificate shall be printed and the printing shall be done only on the authority of a resolution of the Board.

(2) The blank forms shall be consecutively machine-numbered and the forms and the blocks, engravings, facsimiles and hues relating to the printing of such forms shall be

kept in the custody of the Secretary or such other person as the Board may appoint for the purpose.

(3) The Secretary or the other person aforesaid shall be responsible for rendering an account of these forms to the Board.

(4) The Executive Chairman or the Managing Director of the Company, for the time being, or if the Company has no Executive Chairman or Managing Director, every Director of the Company and the Secretary, if any, shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of the share certificates, except the blank forms of share certificates, referred to in clause (1) of this Article. All books referred to herein shall be preserved in good order permanently.

The first named of joint-holders deemed holder

18. If any share stands in the name of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends or bonus, or service of notices and all other matters connected with the Company, except voting at meetings, and the transfer of the share, be deemed the sole holder thereof; but the other joint holder(s) of the same shall not be relieved of his/their obligations in respect of payment of all instalments and calls due on the share and all incidents thereof in accordance with the Company's Regulations.

Company to have lien on shares

30. The Company shall have a first and paramount lien upon all the shares (other than fully paid-up shares) registered in the name of each member (whether solely or jointly with others) but shall be restricted to moneys called or payable at fixed time in respect of such share and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any shares shall be created.

Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. The Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause.

Enforcing Lien by Sale

31. (1) For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as it shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorise one of their number to execute a transfer thereof on behalf of and in the name of such Member.

Provided that no such sale shall be made-

(a) Unless a sum in respect of which the lien exists is presently payable, or

(b) Until 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.

(2) To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof.

(3) The purchaser shall be registered as the holder of the shares comprised in any such transfer.

(4) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

FORFEITURE OF SHARES

If money payable on share not paid, notice to be given to Members

33. If any Members fails to pay any call or instalment of a call, on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter during such time as the call or instalment remains unpaid, serve notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

Notice of forfeiture/Forfeiture

34. (1) The notice shall name a day (not being less than one month from the date of the notice) and a place or places on and at which such call or installment and such interest as the Directors shall determine from the day on which such call or installment ought to have been paid and expenses as aforesaid are to be paid.

(2) The notice shall also state that, in the event of the non-payment at or before the time and at the place appointed, the shares, in respect of which call was made or installment is payable, will be liable to be forfeited.

(3) Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture provided that there shall be no forfeiture of unclaimed dividends before the claim becomes barred by law.

Judgement etc. not to preclude the Company to enforce forfeiture

35. Neither a judgement nor a decree in favour of the Company nor the receipt by the Company of a portion of any money which shall, from time to time be due from any Member to the Company in respect of his shares, either by way of principal or interest, or any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

Notice of forfeiture

36. If the requirements of any such notice shall not be complied with, every or any share in respect of which such notice has been given may, at any time thereafter, before payment of all calls or instalments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable by the Company in respect of the forfeited shares and not actually paid before the forfeiture.

Omission to give notice not to invalidate forfeiture

37. When any share shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, or in the records of the Depository but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

Forfeited share to be the property of the Company

38. Any share so forfeited shall be deemed to be the property of the Company, and may be sold, re-allotted, or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

Member liable notwithstanding forfeiture

39. (1) Any Member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay, and shall forthwith pay to the Company, on demand, all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate, as the Board may determine and the Board may enforce the payment thereof, it if thinks fit, but shall not be under any obligation to do so.

(2) The liability of such person shall cease if and when the Company shall have received payment in full of all such money in respect of the shares.

Forfeiture to involve extinction of all interest etc.

40. 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 Company in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.

Validity of sale on forfeiture

41. (1) Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board of Directors may appoint some person to execute an instrument of transfer of the shares sold and may cause the purchaser's name to be entered in the Register of Members or in the records of the Depository in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the Register of Members or in the records of the Depository in respect of such shares, the validity of the sale shall not be impeached by any person.

(2) Upon any such sale, re-allotment or other disposal under the above clause, the certificate or certificates originally issued in respect of the shares sold shall (unless the same shall, on demand by the Company, have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto.

Power to annul forfeiture

42. The Board of Directors may, at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

TRANSFER AND TRANSMISSION OF SHARES

Transfer

43. Subject to the provisions of these Articles, a Member may, at any time, transfer all or any part of the shares held by him, to any person.

Form of transfer

44. The instrument of transfer of any share shall be in writing in the form prescribed under the Act, or as near thereto as circumstances will admit.

To be executed by Transferor and Transferee

45. Every such instrument of transfer shall be executed by or on behalf of both the transferor and the transferee and attested and the transferor shall be deemed to remain the holder of such

share until the name of the transferee shall have been entered in the Register of Members or in the records of the Depository in respect thereof.

Transfer to be presented with evidence of title

46. Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by the relevant share certificate(s) and such evidence as the Board may require to prove the title of the transferor, his right to transfer the shares and generally under and subject to such conditions and Regulations as the Board may, from time to time, prescribe and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board of Directors.

Application for transfer

47. (1) An application for registration of a transfer of the shares in the Company may be made either by the transferor or the transferee.

(2) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

(3) For the purposes of clause (2) above, notice to the transferee shall be deemed to have been duly given if it is despatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

The Company not liable for disregard of a notice prohibiting registration of a transfer

48. The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to, regard and attend to any such notice, and give effect thereto if the Board of Directors shall so think fit.

Death, insolvency or liquidation

49. In the case of death, insolvency, liquidation, dissolution or winding up of any one or more of the persons named in the Register of Members or in the records of the Depository as the joint holders of any share, subject to the other provisions of these Articles, the Company shall not be bound to recognise any person(s) other than the surviving or remaining holder/s.

Registrations of persons entitled to shares otherwise than by transfer

50. Any person becoming entitled to shares in consequence of death, insolvency, dissolution, winding-up or liquidation of any Member, or by any lawful means other than by a transfer in accordance with these Articles, may, with the consent of the Board, which it shall not be under any obligation to give and subject to the other provisions of these Articles, upon producing such evidence that he sustains the character in respect of which he proposes to act

under this Article or his title, as the Board thinks sufficient, be registered as the holder of the shares subject to the provisions of the Act, and the Articles.

Fees on transfer or transmission

51. The Company shall not levy any charge for the following:

(a) For registration of transfer of shares and Debentures.
(b) For sub-division of renounceable Letters or Right;
(c) For registration of any Power of Attorney, Probate, Letters of Administration or similar other documents. However, the Company may charge fees, as may be decided by its Board of Directors from time to time, but not exceeding those which may be agreed upon with the recognised Stock exchanges, Depositories or any other Regulatory authorities.
(d) For issue of new certificates in replacement of those that are torn, defaced, lost or destroyed;
(e) For sub-division and consolidation of Share and Debenture Certificates and for sub-division of Letters of Allotment, split, consolidation, Renewal and Pucca Receipts into denomination other than those fixed for the market units of trading.

Registration of transfer of shares

52. Subject to the provisions of the said Acts and Securities Contracts (Regulation) Act, 1956, the Board of Directors, in its absolute discretion, shall be entitled to refuse registration of transfer of any shares or interest of a member therein or Debentures.

Provided that registration of transfer shall not be refused on the ground of transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever, except the lien on shares.

52A. The acquisition of shares by a person / group which would take his/ its holding to a level of 5% or more of the total paid up capital of the Company (or such other percentage as may be prescribed by the Reserve Bank of India from time to time) shall be with the prior approval of Reserve Bank of India.

Register of transfers and transmissions.

53. The Company shall keep a book, to be called the “Register of Transfers and Transmissions”, and therein shall be fairly and distinctly entered particulars of every transfer and transmission of shares which is made in accordance with the provisions of these Articles.

Transfer books when closed

54 The Board shall have power, on giving seven days previous notice by advertisement in some newspaper circulating at the place where the Registered Office, for the time being, is situate to close the transfer books, the Register of Members and Register of debenture holders, at such time or times and for such period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty-five days in each year, as to it may seem expedient.

(a) Notwithstanding anything contained in the Articles of Association, in the case of transfer of shares or other marketable securities, where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form, the provisions of the Depositories Act, 1996 shall apply.

Provided that in respect of the shares, debentures and other marketable securities held by the Depository on behalf of a beneficial owner as defined in the Depositories Act, Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall not apply.

DIRECTORS

Number of Directors

88. Until otherwise determined by a General Meeting the number of Directors shall be not less than three and not more than twelve.

Directors

89. (1) The Board of Directors of the Company shall consist of :

(a) The Executive Chairman acting as the Chairman and Managing Director nominated by the Unit Trust who shall not be liable to retire by rotation; and

(b) Three Directors nominated by the Unit Trust, who shall also not be liable to retire by rotation;

Retirement by Rotation of Directors and Reconstitution of Directors

(2) At every Annual General Meeting of the Company one-third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. In these Articles a "retiring Director", means a Director retiring by rotation.

(3) The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between the persons who became Directors on the same day, those who are to retire shall, in default of, and subject to any agreement among themselves, be determined by lot.

(4) A retiring Director shall be eligible for reappointment.

(5) At the Annual General Meeting at which a Director retires as aforesaid, the Company, subject to these Articles, may fill up the vacancy by appointing the retiring Director or some other person thereto.

(6) If the place of a retiring Director, retiring by rotation at a Meeting, is not filled up at such Meeting and that Meeting has not expressly resolved not to fill the vacancy, that Meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place.

(7) If, at the adjourned Meeting also, the place of the retiring Director is not filled up and that Meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned Meeting unless-

i) At that Meeting or at the previous Meeting a Resolution for the re-appointment of such Director has been put to the Meeting and lost;

ii) The retiring Director has, by a notice in writing addressed to the Company or to the Board, expressed his unwillingness to be so re-appointed;

iii) He is not qualified or is disqualified for appointment; or

iv) A Resolution, whether Special or Ordinary, is required for his appointment or re-appointment by virtue of any provisions of the Act;

(8) No provision in a resolution providing for automatic re-appointment of any Director or retiring Director shall be effective or binding upon the Company.

(9) i) If, the requirements as to the constitution of the Board as laid down in any of the said Acts are not fulfilled at any time, the Board shall reconstitute such Board so as to ensure that such requirements are fulfilled.

ii) If, for the purpose of reconstituting the Board under sub-clause (i) it is necessary to retire any Director or Directors, the Board shall, by lots drawn at a Board Meeting decide which Director or Directors shall cease to hold office and such decision shall be binding on every Director.

iii) Every Director if he is appointed under any casual or other vacancy shall hold office until the date upto which his predecessor would have held office, if the election had not been held, or, as the case may be, the appointment had not been made.

iv) No act or proceeding of the Board of Directors of the Company shall be invalid by reason only of any defect in the composition thereof or on the ground that it is subsequently discovered that any of its Members did not fulfil the requirements of this Article.

The Company may increase or reduce number of Directors

(10) The Company may by Ordinary Resolution from time to time increase or reduce the number of Directors.

Provided that any increase in the number of Directors except an increase which is within the permissible maximum number of 12 shall not have any effect unless approved by the Regulatory Agencies whose approval is required under any law for the time in force.

Appointment of Alternate Director

90. (1) The Board may, subject to these Articles, appoint an alternate Director to act for a Director (hereinafter called the "Original Director") during his absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held.

(2) An alternate Director appointed under this Article shall vacate office if and when the Original Director returns to such State.

(3) If the term of office of the Original Director is determined before he so returns to that State, any provision in the Act or in these Articles for the automatic re-appointment of retiring Directors in default of another appointment shall apply to the Original Director, and not to the alternate Director.

(4) An alternate Director shall not hold office as such for a period longer than that permissible to the Original Director in whose place he has been appointed.

Appointment of Additional Directors

91. (1) The Board of Directors shall also have power at any time and from time to time, to appoint any person, as an additional Director, but so that the total number of Directors shall not, at any time exceed the maximum strength fixed for the Board by the Articles.

(2) Any person so appointed as an additional Director shall remain in office only upto the date of the next Annual General Meeting, but shall be eligible for the appointment at such Meeting subject to the provisions of the Act.

Filling of casual vacancies

92. (1) If the office of any Director appointed by the Company in General Meeting is vacated before his term of office will expire in the normal course, the resulting casual vacancy may, in default of and subject to these Articles, be filled by the Board of Directors at a meeting of the Board.

(2) Any person so appointed shall hold office only upto the date upto which the Director in whose place he is appointed would have held office if it had not been vacated as aforesaid.

No share qualification for Directors

93. No Director shall be required to hold any shares as qualification shares.

Appointment of Directors to be voted on individually

94. (1) At a General Meeting of the Company a motion shall not be made for the appointment of two or more persons as Directors by a single resolution, unless a resolution that it shall be so made has first been agreed to by the Meeting without any vote being given against it.

(2) A Resolution moved in contravention of clause (1) shall be void, whether or not objection was taken at the time of its being so moved.
Provided that where a Resolution so moved is passed, no provision for the automatic re-appointment of the retiring Director in default of another appointment shall apply, as hereinbefore provided.

For the purpose of this Article, a motion for approving a person's appointment, or for nominating a person for appointment, shall be treated as a motion for his appointment.

95. (1) Subject to the provisions of the said Acts and these Articles any person who is not a retiring Director shall be eligible for appointment to the Office of Director at any General Meeting if he or some members intending to propose him has at least fourteen clear days before the meeting left at the Registered Office a notice in writing under his hand signifying his candidature for the office of Director or the intention of such member to propose him as a candidate for that office, as the case may be, alongwith a deposit of such sum as may be prescribed under the Act which shall be refunded to such person if he succeeds in getting elected as a Director.

(2) The Company shall inform its Members of the candidature of a person for the office of a Director or the intention of a Member to propose such person as a candidate for that office, by serving individual notices on the Members not less than seven days before the Meeting;

Provided that it shall not be necessary for the Company to serve individual notices upon the Members as aforesaid, if the Company advertises such candidature or intention, not less than seven days before the Meeting, in at least two newspapers circulating in the place where the Registered Office of the Company is located, of which one is published in the English language and the other in the regional language of that place.

(3) Every person (other than a Director retiring by rotation or otherwise or a person who has left at the Registered Office of the Company, a notice under the Act signifying his candidature for the office of Director) proposed as a candidate for the office of a Director shall sign and file with the Company his consent in writing to act as a Director, if appointed.

(4) The Company shall ensure that the appointment of Directors by the Company in General Meeting and nomination of the Directors by the Unit Trust and their retirement shall be in accordance with the provisions of the said Acts and these Articles.

DIVIDENDS

Division of Profits

125. The profits of the Company subject to any special rights relating thereto created or authorised to be created by the Memorandum of these Articles and subject to the provisions of these Articles shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively. Provided always that (subject at aforesaid) any capital paid-up on a share during the period in respect of which a dividend is declared, shall unless the Directors otherwise determine, only entitle the holder of such share to an apportioned amount to such dividend as from the date of payment.

Capital paid-up in advance at interest not to earn Dividend

126. Where capital is paid-up in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits.

Dividends in proportion to amount paid-up

127. The Company may pay dividends in proportion to the amount paid-up or credited as paid-up on each share, where a larger amount is paid-up or credited as paid-up on some shares than on others.

Declaration of dividend and writing off capitalised expenses

128. (1) The Company before declaring any dividend on its shares for each year shall transfer to Reserve Fund an amount specified in these Articles and required by or under any directions issued under the said Acts and shall also completely write off all its capitalised expenses (including preliminary expenses, share selling commission, brokerage, amount of losses incurred and any other item of expenditure not represented by tangible assets).

Power to declare dividend without writing off

(2) Provided however that the Company may pay dividends on its shares without writing off:-

(i) the depreciation, if any, in the values of its investments in approved securities in any case where such depreciation has not actually been capitalised or otherwise accounted for as a loss;
(ii) the depreciation, if any, in the value of its investments in shares, debentures, or bonds (other than approved securities) in any case where adequate provision for such depreciation has been made to the satisfaction of the Company; and
(iii) the bad debts, if any, in any case where adequate provision for such debts has been made to the satisfaction of the auditors of the Company;

The Company in General Meeting may declare a Dividend

129. The Company in General Meeting may, subject to the provisions of the said Acts and these Articles, declare a dividend to be paid to the Members according to their respective rights and interests in the profits and subject to the provisions of the said Acts may fix the time for payment. When a dividend has been so declared, the warrant in respect thereof shall be posted within forty-two days from the date of the declaration to the shareholders entitled to the payment of the same.

Power of Directors to limit dividend

130. No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits and no dividend shall carry interest as against the Company. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.

Interim dividend

131. Subject to the provisions of the said Acts, and these Articles, the Directors may, from time to time, pay to the Members such interim dividends as in their judgement the position of the Company justifies.

Retention of dividends until completion of transfer

132. Subject to the provisions of the said Acts, the Directors may retain the dividends payable upon shares in respect of which any person is, under these Articles, entitled to become a member or which any person under these Articles is entitled to transfer until such obligations of the persons to become a member in respect of such shares or shall duly transfer the same.

No member to receive dividend whilst indebted to the Company & Company's right of reimbursement thereout

133. Subject to the provisions of the said Acts no Member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares and the Directors may deduct from the interest or dividend payable to any Member all sums of money so due from him to the Company.

Transfer of shares must be registered

134. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

Dividends, how remitted

135. Unless otherwise directed any dividend may be paid by cheque or warrant sent through post to the registered address of the Member or person entitled, or in case of joint holders to that one of them first named in the Register in respect of the joint holding. Every such cheque shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost to the Member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereof by any other means.

Unclaimed Dividend

136. No unclaimed dividend shall be forfeited by the Board and the Company shall comply with all the provisions of the Act in respect of unclaimed or unpaid dividend.

Dividend and call together and set off allowed

137. Any General Meeting declaring a dividend may make a call on the Members for such amount as the Meeting fixes, but so that the call on each Member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the Members, be set off against the calls.

SECTION X

MATERIAL CONTRACTS AND INSPECTION OF DOCUMENTS

The following contracts and also documents for inspection referred to hereunder, may be inspected at the registered office of the company at Ahmedabad from 11.00 am to 1.00 pm from the date of this Information Memorandum until the date of closure of this Issue.

- **MATERIAL CONTRACTS**

1. Agreement between UTI Bank and Dr. P. J. Nayak regarding terms of re-appointment of Dr. Nayak as Chairman and Managing Director of the Bank
2. Agreement between UTI Bank and Mr. S. Charterjee regarding terms of appointed as a full-time Executive Director of the Bank.
3. Letter from Karvy Computershare Private Limited giving their consent to act as Registrar
4. Letter from Trustees giving their consent to act as Trustees to the issue.

- **DOCUMENTS**

1. Memorandum and Articles of the Bank as amended from time to time
2. Certificate of Incorporation of the Bank dated 03.12.93, and Certificate of Commencement of Business dated 14.12.93.
3. Banking License from RBI vide letter no. DBOD(AH) No. 2300/03.02.24A/93-94 dated 28.02.94 in terms of Section 22 of the Banking Regulation Act, 1949.
4. The Report of the Auditors, M/s. S. R. Batliboi & Co. Chartered Accountants, as set out herein dated September 8, 2006.
5. Copy of Board Resolution dated 13 January, 2006 and 29 July 2006 authorising the issue.
6. Copy of application made to Stock Exchanges.
7. In-principle approval letter received from BSE and NSE
8. Copy of Rating received from Rating Agency.
9. Copy of Balance Sheet of the Bank for last 5 years.
10. RBI Circular dated January 25, 2006 on Enhancement of Banks capital raising options for capital adequacy purposes

DECLARATION

All the relevant provisions of the Companies Act, 1956, the Banking Regulation Act, 1949, Securities and Exchange Board of India, the guidelines issued by the Government and any other competent authority have been complied with and no statement made in this Shelf Information Memorandum is contrary to the provisions of the Companies Act, 1956 and rules framed hereunder.

The Issuer Company accepts no responsibility for the statements made otherwise than in this Shelf Information Memorandum or any other material issued by or at the instance of the issuer and that any one placing reliance on any other source of information would be doing so at his own risk.

Signed by Mr. P J Nayak (Chairman and Managing Director) of the Bank, pursuant to the authority granted by the Board of Directors at their meeting held on 29 July, 2006.

Signed for and on behalf of UTI BANK LTD.

Sd/-

P.J. Nayak
Chairman and Managing Director
(Authorised Signatory)

Date: 14th September 2006 **Place: Mumbai**