



EXPERIENCE OUR EXPERTISE

YES BANK LIMITED(Registered Office: Nehru Centre, 9th Floor, Discovery of India Building, Dr. Annie Besant Road, Worli, Mumbai 400 018.

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(We were incorporated as a public limited company under the Companies Act, 1956 on November 21, 2003. On May 24, 2004, we obtained a license to carry on the business of a banking company in India from the Reserve Bank of India under Section 22(1) of the Banking Regulation Act, 1949.)

PUBLIC ISSUE OF 70,000,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. 45 PER EQUITY SHARE (INCLUDING SHARE PREMIUM OF RS. 35 PER EQUITY SHARE) AGGREGATING RS. 3,150 MILLION BY YES BANK LIMITED ("THE BANK" OR "ISSUER") (THE "ISSUE"). THE ISSUE WOULD CONSTITUTE 25.93% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE BANK.

ISSUE PRICE : RS. 45 PER EQUITY SHARE OF FACE VALUE RS. 10**THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 AND THE ISSUE PRICE IS 4.5 TIMES OF THE FACE VALUE**

The Issue is being made through the 100% book building process where up to 50% of the Issue Size shall be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). Further, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of the Bank, there has been no formal market for the Equity Shares of the Bank. **The face value of the Equity Shares is Rs. 10 and the Issue Price is 4.5 times of the face value.** The Issue Price (as determined by the Bank in consultation with the Book Running Lead Managers ("BRLMs") on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares offered through this Prospectus are proposed to be listed on the National Stock Exchange and the Stock Exchange, Mumbai. We have received in-principle approval from the NSE and the BSE for the listing of the Equity Shares pursuant to letters dated April 11, 2005 and April 7, 2005, respectively. BSE is the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS TO THE ISSUE

DSP MERRILL LYNCH LIMITED
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Nariman Point, Mumbai 400 021, India
Tel: (91 22) 2262 1071
Fax: (91 22) 2262 1187
E-mail: yesbank_ipo@ml.com
Website: www.dspml.com



ENAM FINANCIAL CONSULTANTS PVT LTD
801/ 802, Dalamal Towers
Nariman Point, Mumbai 400 021, India
Tel: (91 22) 5638 1800
Fax: (91 22) 2284 6824
E-mail: yesbank@enam.com
Website: www.enam.com

REGISTRAR TO THE ISSUE

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Karvy House, 46 Avenue 4
Street No. 1, Banjara Hills
Hyderabad 500 034, India
Tel: (91 40) 2332 3031
Fax: (91 40) 2330 4703
Email: yesbankipo@karvy.com
Website: www.karvy.com

ISSUE PROGRAMME**BID/ISSUE OPENED ON: JUNE 15, 2005****BID/ISSUE CLOSED ON: JUNE 21, 2005**

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DEFINITIONS AND ABBREVIATIONS

Term	Description
The "Company" or "the Bank" or "our Bank" or "Yes Bank" or "Yes Bank Limited" or "we" or "our" or "us"	Unless the context otherwise requires, refers to Yes Bank Limited, a company incorporated under the Companies Act and carrying on the business as a banking company in India under the Banking Regulation Act

Company / Industry Related Terms

Term	Description
AIF Capital	AIF Capital, Inc., a company registered under the laws of Mauritius and having its registered office at 10, Frere Felix De Valois Street, Port Louis, Mauritius
Articles/ Articles of Association	The Articles of Association of Yes Bank Limited
Auditors	The statutory auditors of the Bank, S.R. Batliboi & Co., Chartered Accountants
Board of Directors/Board	The board of directors of our Bank or a committee constituted thereof
ChrysCapital	ChrysCapital II, LLC, a company incorporated under the laws of Mauritius and having its registered office at 3rd Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius
Citicorp	Citicorp International Finance Corporation, a company incorporated under the laws of Delaware and having its registered office at New Castle Corporate Commons, 1 Penn's Way, Newcastle, Delaware, 19720, United States of America
Director(s)	Director(s) of Yes Bank Limited, unless otherwise specified
Doit	Doit Capital (India) Private Limited, a company incorporated under the Companies Act and having its registered office at Bungalow, No. 1, Grand Paradi, August Kranti Marg, Kemps Corner, Mumbai 400 036, India
Head Office/ Registered Office	The registered office of the Bank being Nehru Centre, 9th Floor, Discovery of India Building, Dr. Annie Besant Road, Worli, Mumbai 400 018, India
Mags	Mags Finvest Private Limited, a company incorporated under the Companies Act and having its registered office at 11, Silver Arch, Napean Sea Road, Mumbai 400036, India
MIA	Master Investment Agreement dated November 24, 2003 among Mr. Ashok Kapur, Mr. Rana Kapoor, Mags, Morgan, Doit, Citicorp, ChrysCapital and AIF Capital
Memorandum/ Memorandum of Association	The Memorandum of Association of Yes Bank Limited
Morgan	Morgan Credits Private Limited, a company incorporated under the Companies Act and having its registered office at F-1/12 Hauz Khas, New Delhi 110016, India
Private Equity Investors	AIF Capital, Citicorp and ChrysCapital
Rabo India	Rabo India Finance Private Limited, a company incorporated under the Companies Act and having its registered office at 1-A, Janpath, New Delhi 110 001, India and a subsidiary of Rabobank International Holding
Rabobank International Holding	Rabobank International Holding B.V., a company incorporated under the laws of the Netherlands and having its registered office at Croeselaan18, 3521 CB, Utrecht, The Netherlands and which is a subsidiary of Rabobank Netherlands

Term	Description
Rabobank Netherlands	Coöperatieve Centrale Raiffeisen-Boerenleenbank BA, a Co-operative established under the laws of the Netherlands and having its registered office at Utrecht
SSA	Share Subscription Agreement dated November 5, 2003 among Mr. Ashok Kapur, Mr. Rana Kapoor, Rabobank International Holding, Mags, Morgan and Doit

Issue Related Terms

Term	Description
Banker(s) to the Issue	ICICI Bank Limited, Kotak Mahindra Bank Limited, Standard Chartered Bank, Yes Bank Limited
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form
Bid Closing Date / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
Bid Opening Date/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Bank and which will be considered as the application for issue of the Equity Shares pursuant to the terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bidding Period / Issue Period	The period between the Bid Opening Date/Issue Opening Date and the Bid Closing Date/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made
BRLMs/Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being DSP Merrill Lynch Limited and Enam Financial Consultants Private Limited
CAN/Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Cut-off Price	Any price within the Price Band finalised by us in consultation with the BRLMs. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the Issue Account after the Prospectus is filed with the RoC, following which the Board shall allot Equity Shares to successful Bidders

Term	Description
Designated Stock Exchange	BSE
Draft Red Herring Prospectus	Draft Red Herring Prospectus dated March 16, 2005 filed with SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue
DSPML	DSP Merrill Lynch Limited, a company incorporated under the Companies Act and having its registered office at Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021, India
Enam	Enam Financial Consultants Private Limited, a company incorporated under the Companies Act and having its registered office at 801/ 802, Dalamal Towers, Nariman Point, Mumbai 400 021, India
Equity Shares	Equity shares of the Bank of face value Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount
Escrow Agreement	Agreement entered into amongst the Bank, the Registrar, the Escrow Collection Bank(s) and the BRLMs for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker(s) to the Issue, at which the Escrow Account will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
IPO	Initial Public Offering
Issue	Public issue of 70,000,000 Equity Shares at the Issue Price pursuant to the Red Herring Prospectus and the Prospectus
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Accounts for the Issue on the Designated Date
Issue Price	The final price at which Equity Shares will be allotted in terms of the Prospectus, as determined by the Bank in consultation with the BRLMs, on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 0% to 100% of the Bid Amount
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 50,000
Non-Institutional Portion	The portion of the Issue being 17,500,000 Equity Shares of Rs. 10 each, available for allocation to Non Institutional Bidders
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending up to the date specified in the CAN

Term	Description
Price Band	The price band with a minimum price (Floor Price) of Rs. 38 and the maximum price (Cap Price) of Rs. 45, including any revisions thereof
Pricing Date	The date on which the Bank, in consultation with the BRLMs, finalizes the Issue Price
Promoter Group Companies	Unless the context otherwise requires, refers to those companies mentioned in the section titled "Companies Promoted by the Promoter Group" on page 98 of this Prospectus
Promoters	Mr. Ashok Kapur and Mr. Rana Kapoor
Prospectus	The Prospectus, filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
QIB Portion	The portion of the Issue to public and up to 35,000,000 Equity Shares of Rs. 10 each at the Issue Price, available for allocation to QIBs
Qualified Institutional Buyers or QIBs	Public financial institutions as defined in Section 4A of the Companies Act, FIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs. 250 million, pension funds with a minimum corpus of Rs. 250 million, and multilateral and bilateral development financial institutions
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 50,000, in any of the bidding options in the Issue
Retail Portion	The portion of the Net Issue to the public and being a minimum of 17,500,000 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	Means the document issued in accordance with the SEBI Guidelines, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus was filed with the RoC at least 3 days before the Bid Opening Date and has become a Prospectus after filing with the RoC after pricing and allocation
Stock Exchanges	BSE and NSE
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	The agreement into among the Bank and the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	Enam Securities Private Limited and Karvy Stock Broking Limited
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The agreement among the members of the Syndicate and the Bank to be entered into on or after the Pricing Date

Technical And Industry Terms

Term	Description
ATMs	Automated Teller Machines
C&IB	Corporate and Institutional Banking
CRR	Cash Reserve Ratio
ECS	Electronic Clearing Services
EFT	Electronic Funds Transfer
HR	Human Resources
IT	Information Technology
LC	Letters of Credit
NPA	Non-Performing Asset
PIN	Personal Identification Number
RoNW	Return on Net Worth
RTGS	Real Time Gross Settlement
SGL	Subsidiary General Ledger
SLR	Statutory Liquidity Ratio
TMT	Telecommunications, Media and Technology
Tier I capital	The core capital of a bank, which provides the most permanent and readily available support against unexpected losses. It comprises paid-up capital and reserves consisting of any statutory reserves, free reserves and capital reserves as reduced by equity investments in subsidiaries, intangible assets, and losses in the current period and those brought forward from the previous period
Tier II capital	The undisclosed reserves and cumulative perpetual preference shares, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk weighted assets), investment fluctuation reserve, hybrid debt capital instruments (which combine certain features of both equity and debt securities) and subordinated debt (excluding such debt with initial maturity of less than 5 years or remaining maturity of less than one year)

Conventional/General Terms

Term	Description
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
Banking Regulation Act	The Banking Regulation Act, 1949, as amended from time to time
Billion	1,000,000,000 (One thousand million)
BSE	The Stock Exchange, Mumbai
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited

Term	Description
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
EPS	Earnings per share
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Financial Year /fiscal year/ FY/ fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated
Government/ GOI	The Government of India
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally accepted accounting principles in India
NAV	Net asset value
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
NRE Account	Non Resident External Account
NRI/Non-Resident Indian	Non-Resident Indian, is a Person resident outside India, who is a citizen of India or a Person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires

Term	Description
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000
RBI	The Reserve Bank of India
Reserve Bank of India Act/ RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time
RoC	The Registrar of Companies, Maharashtra at Mumbai located at Everest House, Marine Lines, Mumbai – 400 020
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time
SICA	Sick Industrial Companies (Special Provisions) Act, 1995
U.S. GAAP	Generally accepted accounting principles in the United States of America

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and included in this Prospectus. Our current fiscal year commenced on November 21, 2003 and ended on March 31, 2005. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

For additional definitions, please see the section titled "Definitions and Abbreviations" on page a of this Prospectus.

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

FORWARD-LOOKING STATEMENTS

We have included statements in this Prospectus, that contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions that are “forward-looking statements”.

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- general economic and business conditions in India and other countries;
- our ability to successfully implement our strategy, growth and expansion plans and technological initiatives;
- our ability to successfully roll out our suite of products;
- level of non-performing loans in our portfolio;
- changes in Indian or international interest rates and their impact on our financial results;
- performance of the agricultural, service and industrial sectors in India;
- rate of growth of our deposits, advances and investments;
- changes in the value of the Rupee and other currencies;
- potential mergers, acquisitions or restructurings and increased competition;
- changes in laws and regulations that apply to banks in India, including laws that impact our ability to enforce our collateral;
- changes in political conditions in India; and
- changes in the foreign exchange control regulations in India.

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

RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer and the price of our Equity Shares and the value of your investment in our Equity Shares could decline.

Unless otherwise stated in the relevant risk factor set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

Internal Risk Factors and Risks Relating to our Business

We are a new bank with a limited operating history

We are a new bank in the Indian market. Since March 2004, we commenced hiring management and employees, developing and institutionalizing our policies and procedures, implementing and integrating our information technology systems. Since August 2004, we have commenced opening our branches, developing and rolling out our products, building our customer base, obtaining funding, making loans, and establishing our brand in the market place. We have not completed one full year of operation. We are still in our formative stages, and we have not yet rolled-out our entire suite of products and most of our products have only been sold to a small number of customers. In addition, most of our internal processes have not been tested with the volumes of transactions that we would expect after our business is established. It is difficult to evaluate our business prospects because our operating history is very limited and will not be indicative of our future results of operations or financial condition. As a new bank, we do not have an operating history or meaningful financial information sufficient for investors to make an investment decision. Accordingly, investing in a new bank such as Yes Bank is subject to a high degree of risk. This risk is likely greater than investing in banks with established operating histories and with demonstrated financial performance.

Possibility of losses and significant fluctuation in results

During the period from November 21, 2003, the date of our incorporation, to March 31, 2005, we incurred a net loss of Rs. 37.59 million as we fully expensed our pre-incorporation and preliminary expenditures amounting to Rs. 41.62 million. We may incur further losses as we continue to expand our operations. We can make no assurance that we will achieve profitability in the future. In addition, as we expand our operations, we may experience significant fluctuations in our results of operations and financial condition.

Any inability to attract and retain talented professionals may impact our business

As a new bank, attracting and retaining talented professionals is a key element of our business strategy. An inability to attract and retain talented professionals or the resignation or loss of key management personnel may have an adverse impact on our business and our future financial performance.

Market acceptance of the Yes Bank brand is critical to our business

Achieving customer acceptance of the Yes Bank brand in the market segments in which we intend to operate is critical to our business. We began our first branding campaign in December 2004. Despite employing professional market research, advertisements and publicity services to develop our brand, we have insufficient information to make any assurances with regard to our brand's acceptance in the Indian market.

Our business and financial performance are dependent on building our branch network

The roll out of our business banking and retail banking businesses, to a large extent, is dependant on the building of our branch network. Banks in India are required to obtain RBI approval and several local and state permits and licenses before any particular branch may be opened. In addition, the opening of branches is subject to the delays and risks associated with obtaining real estate and fitting out premises. We currently have two branches, one each in Mumbai and Delhi, and licenses from RBI to open 28 other branches. Our inability to open, or a significant delay in opening additional branches could have a material adverse effect on our business and our financial performance.

If we are unable to manage our growth, our business and financial results could be adversely affected

As a new bank, our growth plans will place significant demands on our operational, credit, financial and other internal risk controls, making our management of asset quality increasingly important. This growth will also exert pressure on the adequacy of our capitalization. An inability to manage our growth effectively could have a material adverse effect on our business and financial performance.

Our business could suffer if we are unable to manage our risks and control the level of non-performing loans in our portfolio

We have implemented risk management policies and procedures. However, our management does not yet have sufficient information to validate these risk management policies and procedures with respect to our actual loan portfolio and customers. While we have employed risk management personnel and put in place risk management systems and procedures, we do not yet have any experience in managing non-performing assets, as an institution. Our business and future financial performance will be dependent on our successfully implementing risk management policies and procedures and our ability to control the level of non-performing loans.

The Indian financial sector is very competitive and our growth strategy depends on our ability to compete effectively

We face competition in some or all of our products and services from Indian and foreign commercial banks, non-bank finance companies, insurance companies, mutual funds and other entities operating in the Indian financial sector. Many of our competitors have greater resources than us, established brands and access to cheaper funding. Additionally, the Indian financial sector may experience further consolidation, resulting in fewer financial sector entities with larger scale and more resources. The Government of India permits foreign banks to establish wholly-owned subsidiaries in India or operate through branches in India and allows foreign banks to own up to 74% of the equity in Indian private sector banks. RBI has introduced a two-phase road map for allowing ownership of private banks in India by foreign banks. In the first phase up to March 2009, foreign banks are permitted to convert existing branches into wholly owned subsidiaries or acquire shares in select Indian private sector banks that are identified by RBI for restructuring up to the limit of 74%. In the second phase from April 2009, subject to guidelines that will be issued by RBI, foreign banks will be permitted to undertake merger and acquisition transactions with private sector banks within an overall investment limit of 74%. Global Trust Bank, a private sector bank that commenced operations in 1994, had a moratorium placed on it by RBI and its assets and liabilities were later acquired by Oriental Bank of Commerce on August 14, 2004 as part of a scheme of amalgamation formulated by the Government of India. Equity shares in Global Trust Bank are now virtually worthless. In addition, some private sector banks reported losses for fiscal 2005.

As a new private sector bank, we may be unable to compete successfully in the Indian market place and this may adversely affect our future financial performance and ultimately cause our business to fail and investors to lose all of their investment in our Equity Shares.

We may not be able to raise capital at appropriate times which could limit our growth prospects

As a new bank, we will need to continue to raise both Tier I and Tier II capital to achieve future growth. We can make no assurance that we will be able to raise capital at appropriate times and on appropriate terms. Our inability to raise capital could limit our growth prospects and adversely affect our business and financial performance.

Availability of funding and increases in funding costs could adversely affect our financial performance

Our current sources of funding (other than equity share capital and share premium) are primarily inter-bank borrowing, certificates of deposit sold in the Indian market and customer deposits. These are primarily short-term borrowings. Failure to rollover these sources of funding or replace them with fresh borrowings or deposits could have a material adverse effect on our business and our financial performance.

The cost of funds obtained is sensitive to interest rate fluctuations, which exposes us to the risk of reduction in spreads, the difference between the returns we earn on our products and services, as well as our investments, and the amounts that we must pay to fund them, on account of changing interest rates. The pricing on our issuances of debt will also be negatively impacted by any downgrade or potential downgrade in our credit ratings. In addition, attracting customer deposits in the Indian market is competitive. The rates that we must pay to attract deposits are determined by numerous factors like interest rates, Indian monetary policy and inflation. If our spreads decrease, our financial performance may be adversely affected.

We may experience delays in enforcing our collateral when borrowers default on their obligations to us, which may result in failure to recover the entire amount of default and adversely affect our financial performance

A significant portion of our loans is expected to be secured by collateral. This collateral may include fixed assets (including property, plant and equipment); inventory, receivables and other current assets; and pledges of financial assets such as marketable securities, corporate guarantees and personal guarantees.

In India, foreclosure on collateral generally requires a written petition to a court or a tribunal. An application, when made, may be subject to delays and administrative requirements that may result in, or be accompanied by, a decrease in the value of the collateral. These delays can last for several years, leading to deterioration in the physical condition and/or market value of the collateral. Although the constitutional validity of the recent Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, which is intended to strengthen the rights of lenders, has been upheld by the Supreme Court of India, the precise boundaries and mechanisms under the Act are being determined in practice and we cannot predict the extent to which we may benefit from the Act. In addition, we may not be able to realize the full value of the collateral as a result of, among other factors, delays in bankruptcy foreclosure proceedings, defects in the perfection of collateral and fraudulent transfers by borrowers. A failure to recover the expected value of collateral security could adversely affect our business and financial performance.

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

As a result of the statutory reserve requirements imposed by RBI, we may be more structurally exposed to interest rate risk than banks in many other countries. Under RBI regulations, we are subject to a cash reserve ratio requirement under which we are currently required to keep 5.00% of our net demand and time liabilities in a current account with RBI. RBI, in September 2004, increased the cash reserve ratio requirement from 4.75% to 5.00%. RBI stated that it increased the cash reserve ratio requirement in order to keep inflation in check and it may carry out further increases if it feels they are required. In addition, under RBI regulations, our liabilities are subject to a statutory liquidity ratio requirement, which currently requires 25.00% of our demand and time liabilities to be invested in Government of India and other approved securities. As of March 31, 2005, we maintained SLR at 25.20%. We do not earn interest on 3.00% of cash reserves maintained with RBI and on the remaining, we earn interest on such cash reserves and securities at rates that are less favourable than those received in respect of our retail and corporate loan portfolio. Increases in these cash reserve ratio and liquidity ratio requirements could adversely affect our business and financial performance.

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

RBI has issued a circular in February 2005, 'Draft Guidelines for Implementation of the New Capital Adequacy Framework' to enable banks to meet the requirements of Basel II, the international capital adequacy framework for banks. Basel II prescribes minimum capital requirements for credit risk and operational risk in addition to the requirement of minimum capital for market risk. The capital requirements are expected to increase when Basel II standards are implemented by RBI. We may need to augment our capital base to meet these ratios. 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, evaluation of capital charges, including for operational risk, and bring about more transparency in financial reporting as part of market discipline. RBI has also indicated that it will adopt a phased approach to the implementation of the Basel II standards. While we are in the process of adopting the recommendations, failure in ensuring readiness for meeting Basel II standards, when implemented by RBI, could adversely impact our business and financial performance.

We are required to have a substantial exposure to the agriculture and other priority sectors and therefore our business could be adversely affected by market and other uncontrollable factors that impact these sectors

The directed lending norms of RBI require that every bank should extend at least 40.0% of its net bank credit to certain eligible sectors, such as agriculture and small-scale industries, which are categorized as "priority sectors". Economic difficulties owing to various factors, such as unfavourable monsoons or other weather conditions, natural calamities and reductions in price supports or other changes in Government policy, or other events and conditions, could adversely impact these priority sectors and therefore could negatively affect our business and level of non-performing assets.

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

As of March 31, 2005, we had extended loans to several sectors in India. At that date, our five largest sectoral exposures comprised Food and Agri-business, Life Sciences, Infrastructure, TMT and Engineering, which collectively constituted 75.2% of our total exposure. The global and domestic trends in these industries may have a bearing on our financial position. Although our loan portfolio contains loans to a wide variety of businesses, financial difficulties in these sectors could increase the level of non-performing assets and restructured assets and adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

Changes in interest rates may adversely affect our banking business

Decreases in interest rates can adversely affect our financial performance because the interest rates we are able to charge on loans tend to decline more quickly than the interest rates we pay on deposits, thus reducing our net interest spread. Generally, while increases in interest rates may increase margins, an upward movement in interest rates could adversely affect our operations by reducing demand for our credit products, increasing our cost of funds and increasing the risk of customer default on variable rate loans. In addition to the impact on our net interest income, changes in interest rates can have a negative impact on our investments. A portion of our investment revenue is derived from holdings of fixed income securities. An increase in interest rates could substantially decrease the value of this fixed income securities portfolio.

Our management of interest rate sensitivity also affects our results of operations. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. The composition of our banking assets and liabilities, and any gap position resulting from that composition, causes our net interest income to vary with changes in interest rates. A mismatch of interest-earning assets and interest-bearing liabilities in any given period could have a material adverse effect on our financial condition and results of operations.

We are exposed to fluctuations in foreign currency rates

We are exposed to fluctuations in foreign currency rates to the extent that we have not hedged our outstanding exposure. Adverse movements in foreign exchange rates may also impact our borrowers negatively, which may in turn impact the quality of our exposure to these borrowers. Accordingly, volatility in foreign exchange rates could adversely affect our business and financial performance.

We may lose money on our proprietary treasury trading

Our treasury operations include entering into trades for our own account, which exposes us to the risk that we may lose money on these trades. Although we have operational controls and procedures in place for our treasury operations, such as counterparty limits, position limits, stop loss limits and exposure limits that are designed to mitigate the extent of such losses, we cannot assure that we will not lose money in our proprietary trading activity and such losses if any, would adversely affect our financial performance.

Material changes in the regulations that govern us could adversely affect our business and financial performance

We are regulated by the Banking Regulation Act, Companies Act and SEBI and are also subject to detailed supervision and regulation by RBI and Ministry of Finance. In addition, we are subject generally to changes in Indian law, as well as to changes in regulations, government policies and accounting principles. The laws and regulations governing us could change in the future and any such changes could adversely affect our business and our financial performance by requiring a restructuring of our activities. In addition, changes to regulations that directly impact our Equity Shareholders, such as regulations with regard to dividends and voting rights, could adversely affect the price of our Equity Shares.

There are a number of restrictions under the Banking Regulation Act, that impede our operating flexibility and affect or restrict Equity Share holders' rights. These include the following:

- Section 15(1) of the Banking Regulation Act, states that "no banking company shall pay any dividend on its shares until all its capitalized expenses (including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off".

- Section 12(2) of the Banking Regulation Act, states that “no person holding shares in a banking company shall, in respect of any shares held by him, exercise voting rights on poll in excess of 10.0% of the total voting rights of all the shareholders of the banking company”.
- The forms of business in which we may engage are specified and regulated by the Banking Regulation Act. Pursuant to the provisions of Section 8 of Banking Regulation Act, we cannot directly or indirectly deal in the buying, selling or bartering of goods for us or for others, except in connection with the realization of security given to us or held by us, or in connection with bills of exchange received for collection or negotiation, or in connection with the administration of estates as an executor, trustee or otherwise, or in connection with any business specified under Section 6(1)(o) of the Banking Regulation Act. Goods for this purpose means every kind of movable property, other than actionable claims, stocks, shares, money, bullion and specie and all instruments referred to in Section 6(1)(a) of Banking Regulation Act. Unlike a company incorporated under the Companies Act, which may amend the objects clause of its Memorandum of Association to commence a new business activity, banking companies may only carry on business activities permitted by Section 6 of the Banking Regulation Act or specifically permitted by RBI. This may restrict our ability to pursue profitable business opportunities as they arise.
- Section 17(1) of the Banking Regulation Act requires every banking company to create a Reserve Fund and out of the balance of the profit of each year as disclosed in the profit and loss account transfer to the reserve fund a sum equivalent to not less than 20.0% of such profit before paying any dividend. Further, pursuant to the revised guidelines issued by RBI, only those banks, which comply with the requirements of minimum capital adequacy ratio of at least 9.0% for preceding two completed years and the accounting year for which it proposes to declare dividend and net non-performing asset ratio of less than 7.0%, would be eligible to declare dividends without prior approval of RBI.
- Section 19 of the Banking Regulation Act prescribes the permissible areas of business that may be conducted by banks through subsidiaries, which may prevent us from exploiting emerging business opportunities. Similarly, Section 23 of the Banking Regulation Act requires banking companies to obtain the prior approval of RBI for the opening of new places of business and transfers of existing places of business, which may hamper our operational flexibility. The guidelines for entry of new banks in the private sector issued by RBI in January 2001, also prohibits banks from establishing subsidiaries before completion of three years of operations and from making investments of 30.0% or more in companies.
- Section 25 of the Banking Regulation Act requires each banking company to maintain assets in India equivalent to not less than 75.0% of its demand and time liabilities in India, which in turn may restrict us from building overseas asset portfolios and exploiting overseas business opportunities to the extent that we rely on domestic resources for funding.
- We are required to obtain approval of RBI for the appointment and remuneration of our Chairman, Managing Director and other wholetime directors. We are also required to obtain approval of RBI for the creation of floating charges for our borrowings, thereby hampering leverage. The Banking Regulation Act also contains provisions regarding production of documents and availability of records for inspection.

We are required to maintain certain prudential limits set by RBI. These limits require us, among other things, to maintain certain capital adequacy ratios, to limit our exposure to single and group borrowers and other risks and to maintain certain provisions against non-performing assets. We are also subject to the directed lending norms of RBI. For more information, see the section titled “Regulations and Policies” on page 60 of this Prospectus.

Significant security breaches could adversely impact our business

We seek to protect our security systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by our use of the Internet. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. We employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches. Although we intend to continue to implement security measures, technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be successful. A significant failure in security measures could have a material adverse effect on our business and our future financial performance. Our business operations have a high volume of transactions and although we believe we take adequate measures to safeguard against system-related and other failures, there can be no assurance that we will be able prevent frauds. Our reputation could be adversely affected by significant frauds committed by employees, customers or other third parties.

System failures could adversely impact our business

We are heavily reliant on our systems technology in connection with financial controls, risk management and transaction processing. In addition, our delivery channels will include ATMs, call centres and the internet. Any failure in any of our systems, particularly for retail products and services and transaction banking services, could result in business interruption, loss of customers, damaged reputation and weakening of our competitive position and could have a material adverse effect on our financial condition and results of operations.

We will continue to be controlled by our Promoters and other principal shareholders following this Issue and our other shareholders will be unable to affect the outcome of shareholder voting

After the completion of this Issue, our Promoters and Promoter Group Companies collectively will own approximately 38.6% of our outstanding Equity Shares. Based on current shareholding, Rabobank International Holding, will own approximately 14.8% of our outstanding Equity Shares and our Private Equity Investors will collectively hold approximately 18.5% of our outstanding Equity Shares. Rabobank International Holding has indicated to us its intention to maintain its shareholding at 20% of the post Issue Equity Share capital, subject to receipt of any regulatory approvals and consent of our Board. RBI by way of its letter dated May 5, 2005 has given its approval to Rabobank International Holding to maintain its shareholding of 20% after the Issue by way of making applications for allotment of Equity Shares in the Issue and subsequent market purchases, subject to compliance with the dilution requirements as stated in our banking license. Consequently, our Promoters, and our principal shareholders, if acting jointly, will continue to be in a position to exercise control over us and will have the power to elect and remove a majority of our directors and therefore determine the outcome of proposals for corporate action requiring approval of our Board of Directors or shareholders, such as lending and investment policies, revenue budgets, capital expenditure, dividend policy, acquisitions, mergers, dispositions, transactions with affiliated entities and the assertion of claims. Further, in terms of the MIA, we have agreed not to establish a branch in the United States without the consent of the Private Equity Investors. The MIA also provides that any further issuance of Equity Shares, other than the Equity Shares being issued in this Issue, by us requires the prior approval of the Private Equity Investors.

The market price of our Equity Shares may be adversely affected by additional issuances of equity or by sales of a large number of our Equity Shares by our Promoters or our other principal shareholders

There is a risk that we may be required to finance our growth or strengthen our balance sheet through additional

equity offerings. Any future issuance of our Equity Shares will dilute the positions of investors in our Equity Shares and could adversely affect the market price of our Equity Shares. In addition, sales of a large number of our Equity Shares by our Promoters or our other principal shareholders after the expiry of the lock-in periods could adversely affect the market price of our Equity Shares. For further details on these lock-ins, please refer to the section titled "History and Certain Corporate Matters" on page 75 of this Prospectus.

RBI has prescribed restrictions on the transfer/allotment of shares in private sector banks.

RBI guidelines on transfer/allotment of shares in private sector banks stipulate that acknowledgement from RBI for acquisition/transfer of shares is mandatory in all cases of acquisition of shares which will take the aggregate holding of an individual or a group to equivalent of 5.0% or more of the paid up capital of any bank and all such banks are required to comply with this by making suitable amendments to their Articles of Association. There are certain illustrative parameters that have been laid down which RBI may take into account before granting acknowledgement for such a transfer/allotment and decide whether the proposed transferee is "fit and proper". Such parameters include integrity, reputation and track record of the proposed transferee/allottee in relation to financial matters, compliance with tax laws, disciplinary or criminal proceedings, financial misconduct, bad loans, etc. Further, RBI may also look into the source of funds for the acquisition, or if the proposed transferee/allottee is a body corporate, its track record in relation to the operation of its businesses as per standards of good corporate governance, financial strength, etc. There are certain parameters laid down that RBI will consider when the proposed transfer/allotment would take the shareholding of the proposed transferee/allottee beyond 10.0% of the paid up capital of such banks. There are additional parameters specified for proposed allotments/transfers that would take the shareholding of the proposed transferee/allottee beyond 30.0%. These parameters mostly relate to the track record of the proposed transferee/allottee in relation to corporate, business, ownership and governance issues as well as whether the transfer is in the public interest and future conduct and development of the bank. These restrictions may adversely affect the liquidity of the Equity Shares and an investor may not be able to dispose off his shareholding in the Bank in the event that the proposed transferee is not approved by RBI. Further, an investor looking to subscribe to more than 5.0% of the paid up capital of the Bank through this Issue shall not be allotted such Equity Shares unless an acknowledgement from RBI is obtained for the same.

Recently proposed RBI guidelines relating to ownership of private sector banks could require the Bank's significant shareholders to sell their equity shares, which may have an adverse impact on the Bank's business.

The new RBI guidelines, as of February 28, 2005, 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 shareholding or control, directly or indirectly, in any bank in excess of 10% and any level of acquisition over 5% would require prior RBI approval. The new 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 by the bank. Further, any bank having a shareholding in excess of 5% in any other bank in India is required to indicate a timetable in which such shareholding would be reduced to the permissible level of 5%. Further, in the event that a foreign bank has any presence in India, and such foreign bank has a direct or indirect shareholding in an Indian bank, then such foreign bank is required to reduce its shareholding to 5%, in a time bound manner, and will have to indicate the time bound plan to RBI.

Our Promoters and Promoter Group Companies together hold 52.13% of our pre-Issue paid up capital. In terms of the aforesaid guidelines, each Promoter may have to reduce their respective holdings (including their affiliates) to this 10.0% limit. RBI has indicated that it will take into account the terms and conditions of the banking license, in

this regard. As per the license condition prescribed by RBI, 49% of the pre-Issue share capital of Bank is locked-in for a period of five years up to May 24, 2009. The terms of our banking license also require that the promoter holding in excess of 49% shall be diluted after one year of the Bank's operation. This may adversely impact the implementation of our business plan and our growth strategy.

Certain of our Promoter Group Companies have incurred losses in recent years

Certain of our Promoter Group Companies have incurred losses (as per their standalone financial statements) in recent years, including for fiscal 2004, as set forth in the tables below:

(in Rs. million)

Name of the company	Results of operations, Fiscal 2004
Doit Capital (India) Private Limited	(0.04)
Mags Finvest Private Limited	(0.04)
Morgan Credits Private Limited	(0.03)

We are yet to receive certain statutory approvals required in the ordinary course of business.

We have applied to RBI requesting approval of our re-stated Articles of Association and Memorandum of Association, permission for launching internet banking services and for approval of Mr. H. Srikrishnan as executive director. We have also applied to SEBI requesting for approval for license to act as underwriters.

The following disputes are pending against our Company.

We have a dispute pending with the Brihanmumbai Municipal Corporation in relation to the payment of property tax for the floors occupied by the offices of the Bank at Nehru Centre, Discovery of India Building, Worli, Mumbai. See the section titled "Outstanding Litigation and Material Developments" on page 140 of this Prospectus.

External Risk Factors

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

The Indian economy has shown sustained growth over the last few years with real GDP growing at 6.9% in fiscal 2005, 8.2% in fiscal 2004, 4.3% in fiscal 2003 and 5.6% in fiscal 2002. Any slowdown in the Indian economy or future volatility in global commodity prices, in particular oil and steel prices, could adversely affect our borrowers and contractual counterparties. This in turn could adversely affect our business and financial performance.

A significant change in the Government of India's economic liberalization and deregulation policies could disrupt our business and adversely affect our financial performance

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

affect our business, our future financial performance.

Financial difficulties and other problems in certain financial institutions in India could cause our business to suffer and the price of our Equity Shares to go down

Being part of the Indian financial system, we are exposed to the risks faced by Indian financial systems, which in turn may be affected by financial difficulties and other problems faced by certain Indian financial institutions. The Indian financial system faces risks of a nature and extent not typically faced in developed countries. In addition, certain Indian financial institutions have experienced difficulties during recent years. Some co-operative banks have also faced serious financial and liquidity crises. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions. This in turn could adversely affect our business and financial performance.

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

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

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

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

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

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

Notes:

- RBI conducts regular inspections of banking companies under the provisions of the Banking Regulation Act. We have been filing periodical returns with RBI in relation to various areas of our operations as required under the conditions of the banking license and various guidelines issued by RBI.
- The Bank would like to clarify that inspection by RBI is a regular exercise and is carried out periodically by RBI for all banks and financial institutions. The reports of RBI are strictly confidential. RBI does not allow disclosure of its inspection and that all disclosures in this Prospectus are on the basis of management and audit reports of the Bank.
- No person holding shares in the Bank shall in respect of any Equity Shares held by him, exercise voting rights on a poll in excess of 10% of the total voting rights of all shareholders of the Bank.
- Public issue of 70,000,000 Equity Shares of Rs. 10 each for cash at a price of Rs. 45 per Equity Share aggregating Rs. 3,150 million.
- The book value per Equity Share of face value of Rs. 10 each computed from our financial statements was Rs. 10.57 as of March 31, 2005.
- The net worth of our Bank before the Issue as of March 31, 2005 was Rs. 2.11 billion.
- Refer to the notes to our financial statements relating to related party transactions in the section titled "Related Party Transactions" on page 102 of this Prospectus.
- None of our directors has, either directly or indirectly, undertaken transactions in our Equity Shares in the six months preceding the date of this Prospectus except for the shares transferred to certain key senior management personnel. See Note 7 in the section titled "Capital Structure–Notes to Capital Structure" on page 16 of this Prospectus.
- Investors may contact the BRLMs for any complaints, information or clarifications pertaining to the Issue. The BRLMs are obliged to provide the same.
- The average cost of acquisition of Equity Shares of face value Rs. 10 by our Promoters are given below:

Name of the Promoter	Average cost of Acquisition (in Rs.)
Ashok Kapur	10.00
Rana Kapoor	10.00

- For details of Equity Shares issued to our Promoters in the preceding twelve months see Note 2 in the section titled "Capital Structure–Notes to Capital Structure" on page 13 of this Prospectus.
- Our Promoters have promoted other ventures that are also our shareholders. See Note 6 in the section titled "Capital Structure- Notes to Capital Structure" on page 15 of this Prospectus.
- All information shall be made available by the BRLMs and us to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever, who will be obliged to attend to the same.
- Investors are advised to see the section titled "Basis for Issue Price" on page 21 of this Prospectus.
- By our letter dated November 10, 2004, we have applied to RBI for an amendment to our Articles. The Articles as approved by RBI will be updated as and when the approval is received. The Articles are sought to be

amended for the following reasons:

- (i) to incorporate certain terms of the Master Investment Agreement dated November 25, 2003 between Mr. Ashok Kapur, Mr. Rana Kapoor, Mags, Morgan, Doit, Citicorp, ChrysCapital and AIF Capital;
 - (ii) to incorporate certain terms of the Share Subscription Agreement dated November 5, 2003 between Mr. Ashok Kapur, Mr. Rana Kapoor, Rabobank International Holding, Mags, Morgan and Doit; and
 - (iii) to allow for the appointment of whole time executive directors on the Board of Directors of the Bank.
- You may note that in case of over-subscription in the Issue, allotment to reservations for Non Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, see the section titled "Issue Procedure–Basis of Allotment" on page 170 of this Prospectus.

SUMMARY

Business Overview

Yes Bank is a new bank. We received our license to commence commercial banking on May 24, 2004 and launched our Corporate and Institutional Banking and Business Banking operations in August 2004, our financial markets and treasury operations in September 2004 and our transaction banking business in October 2004. We set up our first branch in Mumbai.

Our strategic goal is to build Yes Bank into a “One Bank” for our customers. Our “One Bank” business model is directed towards maximizing revenue generation from customers by offering our full range of products and services to address all their banking needs. To this end, we offer integrated products, where possible, to a particular client segment or focus industry. In addition, our “One Bank” business approach is targeted to deliver our products across all our delivery channels, including our relationship management teams, branches, Internet banking, phone banking and other channels.

At Yes Bank, we have three distinct business lines:

- Corporate and Institutional Banking that caters to large corporate and institutional clients, Government owned organizations and multinational corporations;
- Business Banking that caters to smaller emerging local businesses; and
- Retail Banking that caters to individual customers.

We have opened two branches, one each in Mumbai and Delhi, and have licenses from RBI to open another 28 branches. Our strategy is to focus our branch network in the National Capital Territory of Delhi/Northern region.

As a new bank, we do not yet have an operating history or meaningful financial information. Investors must primarily evaluate Yes Bank by considering our strategy. You should consider all the information in this Prospectus, including the risks in investing in our Equity Shares set forth in the section titled “Risk Factors” on page (i) of this Prospectus.

Industry Overview

See the section titled “The Indian Banking Sector” on page 27 of this Prospectus.

THE ISSUE

Equity Shares issued by the Bank 70,000,000 Equity Shares

of which:

QIB Portion 35,000,000 Equity Shares (allocation on discretionary basis)

Non-Institutional Portion 17,500,000 Equity Shares (allocation on proportionate basis)

Retail Portion 17,500,000 Equity Shares (allocation on proportionate basis)

Equity Shares outstanding prior to the Issue 200,000,000 Equity Shares

Equity Shares outstanding after the Issue 270,000,000 Equity Shares

Use of proceeds by the Bank See the section titled "Objects of the Issue"
on page 20 of this Prospectus.

SELECTED FINANCIAL INFORMATION

The following table sets forth our selected historical unconsolidated financial information derived from audited financial statements as of March 31, 2005, prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and as described in the auditors' report of S.R. Batliboi & Co., Chartered Accountants, included in the section titled "Financial Statements" on page 105 of this Prospectus and should be read in conjunction with those financial statements and the notes thereto.

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM NOVEMBER 21, 2003 TO MARCH 31, 2005

	(Rs. '000)
Interest earned	
Interest/discount on advances/bills	231,147
Income on investments	62,430
Interest on balances with Reserve Bank of India and other inter-bank funds	5,236
Others	974
Total interest earned	299,787
Other income	
Commission, exchange and brokerage	78,001
Profit on the sale of investments (net)	25,958
Profit on revaluation of investments (net)	(61)
Profit on exchange transactions (net)	70,179
Miscellaneous income	7,605
Total other income	181,682
Total income	481,469
Interest expended	
Interest on deposits	88,994
Interest on Reserve Bank of India / inter-bank borrowings	29,495
Total interest expended	118,489
Operating expenses	
Payments to and provision for employees	212,719
Depreciation on fixed assets	12,452
Other expenses	174,256
Total operating expenses	399,427
Total expenses	517,916
Net income before provisions	(36,447)
Less: Provision for taxes / (tax credit)	(17,890)
General provision against standard assets	19,030
Total provisions	1,140
Net profit after tax	(37,587)

BALANCE SHEET AS OF MARCH 31, 2005

	(Rs. '000)
ASSETS	
Cash and balances with Reserve Bank of India	
Cash in hand	2,834
Balances with Reserve Bank of India	410,532
Total cash and balances with Reserve Bank of India	413,366
Balance with banks, money at call and short notice	
Balances with banks in current accounts in India	598
Balances with banks in current accounts outside India	16,332
Money at call and short notice	100,000
Total balance with banks, money at call and short notice	116,930
Investments	
Investments in India in Government Securities	2,687,040
Investments in India in debentures and bonds	1,256,602
Other investments in India	5,000
Total investments	3,948,642
Advances	
Bills purchased and discounted	278,385
Cash credits, overdrafts and loans repayable on demand	832,910
Term loans	6,498,495
Total advances	7,609,790
Fixed assets, net (including capital work in progress)	196,424
Other assets	
Interest accrued	79,263
Tax deducted at source	3,436
Deferred tax asset (net)	19,193
Balance in Profit and Loss account	37,587
Others	357,098
Total other assets	496,577
Total assets	12,781,729

Contd.....

	(Rs. '000)
LIABILITIES	
Deposits	
Demand deposits in India	71,519
Savings deposits in India	19,765
Term deposits in India	6,539,061
Total deposits	6,630,345
Borrowings	
Borrowings from banks in India	2,070,000
Borrowings from other institutions and agencies	1,119,879
Borrowings outside India	507,532
Total borrowings	3,697,411
Other liabilities and provisions	
Bills payable	17,478
Interest accrued	28,354
Others (including provisions)	238,141
Total liabilities and provisions	283,973
Share Capital (issued, subscribed and paid-up)	2,000,000
Reserves and Surplus	
Share premium	170,000
Total reserves and surplus	170,000
Total liabilities, capital and reserves	12,781,729

GENERAL INFORMATION

Registered Office of our Bank

Yes Bank Limited

Nehru Centre
9th Floor, Discovery of India Building
Dr. Annie Besant Road
Worli
Mumbai 400 018, India
Registration No.: U 65190 MH 2003 PLC 143249

Yes Bank was incorporated as a Public Limited Company on November 21, 2003 and received its Certificate of Commencement of Business on January 21, 2004.

Our Board comprises of:

S. No.	Name, Designation, Occupation	Age	Address
1.	Ashok Kapur, Chairman Non-Executive Director <i>Professional Banker</i>	62	11, Silver Arch Nepeansea Road Mumbai 400 006 India
2.	Rana Kapoor, Managing Director and Chief Executive Officer <i>Professional Banker</i>	47	Bungalow No. 1 Grand Paradi August Kranti Marg Mumbai 400 036 India
3.	Wouter Kolff Non-Executive Director <i>Professional Banker</i>	59	46, Van Calcarlaan, 2244 GP Wassenaar Nederland
4.	Hans ten Cate Vice Chairman Non-Executive Director (Alternate: Fergus Murphy) <i>Professional Banker</i>	59	26, Essenweg 3062 NT Rotterdam Nederland
5.	Ajay Relan Non-Executive Director (Alternate: P. Srinivasan) <i>Service</i>	51	C 121 Defence Colony New Delhi 110 024 India
6.	Ashish Dhawan Non-Executive Director <i>Service</i>	36	55A Jorbagh New Delhi 110 003 India
7.	Ajay Lal Non-Executive Director (Alternate: Peter Amour) <i>Service</i>	43	L C G - 8, 6/A Laburnum Sector -28, Sushant Lok Gurgaon - 122002
8.	Kashi Memani Non-Executive Independent Director <i>Chartered Accountant</i>	66	W-2, 1 st Floor Greater Kailash-II New Delhi 110 048 India

S. No.	Name, Designation, Occupation	Age	Address
9.	Bharat Patel Non-Executive Independent Director <i>Service</i>	60	52, Miami Apartments Bhulabhai Desai Road Mumbai 400 026 India
10.	Surrinder L. Kapur Non-Executive Independent Director <i>Retired Government Official</i>	68	161 A/1, Western Avenue Sainik Farms New Delhi – 110 062 India
11.	H. Srikrishnan* Executive Director (Designate)* <i>Professional Banker</i>	43	1B, Chand Terraces, Bandra (W), Mumbai 400050 India
12.	Arun K. Mago Non-Executive Independent Director <i>Retired Government Official</i>	60	E-7, Nizamuddin West New Delhi 110 013 India

*Appointment subject to the approval of RBI.

For further details in relation to our Board and Directors see the section titled “Our Management” on page 82 of this Prospectus.

Company Secretary and Compliance Officer

Danish Shah

Yes Bank Limited,
Nehru Centre
9th Floor, Discovery of India Building
Dr. Annie Besant Road
Worli
Mumbai 400 018, India
Tel: (91 22) 5669 9000
Fax: (91 22) 2490 0314
E-mail: investorrelations@yesbankltd.com

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

Legal Advisors to the Issue

Domestic Legal Counsel to the Issue

Amarchand & Mangaldas & Suresh A. Shroff & Co.

5th Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg, Lower Parel
Mumbai 400 013, India
Maharashtra
Email: ipo.mumbai@amarchand.com
Tel: (91 22) 2496 4455
Fax: (91 22) 2496 3666

International Legal Counsel to the Issue

Coudert Brothers

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

Book Running Lead Managers

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

Enam Financial Consultants Private Limited
801/802, Dalamal Towers
Nariman Point
Mumbai 400 021, India
Tel: (91 22) 5638 1800
Fax: (91 22) 2284 6824
E-mail: yesbank@enam.com
Website: www.enam.com

Syndicate Members

Enam Securities Private Limited
Khatau Building, 2nd Floor,
44B, Bank Street,
Off-Shahid Bhagat Singh Road,
Fort, Mumbai-400 023
Tel: (91 22) 2267 7901
Fax: (91 22) 2266 5613
Email: yesbank@enam.com

Karvy Stock Broking Limited
529, Road No. 4
Banjara Hills
Hyderabad – 500034
Tel: (91 40) 2335 1988
Fax: (91 40) 2335 1989
Email: ksbl@karvy.com

Registrar to the Issue

Karvy Computershare Private Limited
Karvy House, 46 Avenue 4,
Street No. 1, Banjara Hills
Hyderabad 500 034, India
Tel.: (91 40) 2332 3031
Fax: (91 40) 2330 4703
Contact Person: Mr. Muralikrishna
Email: yesbankipo@karvy.com
Website: www.karvy.com

Auditors

S.R. Batliboi & Co.
Chartered Accountants
6th Floor, Express Towers
Nariman Point
Mumbai 400 021, India
Tel: (022) 2287 6485
Fax: (022) 2287 6401
Email: srbatliboi.company@in.ey.com

Bankers to the Issue/Escrow Collection Banks

ICICI Bank Limited
Capital Markets Division,
30 Mumbai Samachar Marg,
Mumbai 400 001
Tel: (91 22) 2265 5285
Fax: (91 22) 2261 1138
Email: sidhartha.routray@icicibank.com

Kotak Mahindra Bank Limited
12th Floor., Bakhtawar,
Nariman Point,
Mumbai- 400 021
Tel: (91 22) 5659 6148
Fax: (91 22) 2281 7527
Email: ibrahim.sharief@kotak.com

Standard Chartered Bank
M.G. Road, Fort,
Mumbai- 400 001
Tel: (91 22) 2267 0162
Fax: (91 22) 2269 0232
Email: cpc.ipo@in.standardchartered.com

Yes Bank Limited
Nehru Centre, 9th Floor, Discovery of India Building,
Dr. Annie Besant Road, Worli,
Mumbai 400 018.
Tel: (91 22) 5669 9000
Fax: (91 22) 2490 0314
Email: investorrelations@yesbankltd.com

Statement of Inter Se Allocation of Responsibilities for the Issue

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

Sr No	Activities	Responsibility	Co-ordinator
1	Capital structuring with the relative components and formalities	DSPML, ENAM	DSPML
2	Due diligence of the Bank's operations / management / business plans/legal documents, etc.	DSPML, ENAM	DSPML
3	Drafting and Design of Issue Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	DSPML, ENAM	DSPML
4	Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	DSPML, ENAM	ENAM
5	Appointment of Syndicate Members, Registrar, Bankers, Printer and Advertising agency	DSPML, ENAM	ENAM
6	<ul style="list-style-type: none"> ● Institutional Marketing Strategy ● Finalisation of the list and division of investors for one to one meetings, and institutional allocation in consultation with the Bank ● Preparation of the Roadshow presentation 	DSPML, ENAM	DSPML
7	<ul style="list-style-type: none"> ● Retail/HNI Marketing Strategy ● Preparation of Roadshow Presentation ● Finalize centres for holding conference for brokers etc ● Finalise media, marketing and PR strategy ● Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Issue material ● Finalise Collection orders 	DSPML, ENAM	ENAM
8	Managing the Book and Co-ordination with Stock Exchanges	DSPML, ENAM	ENAM
9	Pricing and QIB allocation	DSPML, ENAM	DSPML
10	The post bidding activities including management of escrow accounts, co-ordination of non-institutional allocation, intimation of allocation and despatch of refunds to bidders	DSPML, ENAM	ENAM
11	The post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfil their functions and enable him to discharge this responsibility through suitable agreements with the Issuer Company.	DSPML, ENAM	ENAM

CREDIT RATING

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

TRUSTEES

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

BOOK BUILDING PROCESS

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

The principal parties involved in the Book Building Process are:

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

The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein up to 50% of the Issue shall be allocated on a discretionary basis to QIBs. Further, not less than 25% of the Issue shall be available for allotment on a proportionate basis to Non Institutional Bidders and not less than 25% of the Issue shall be available for allotment on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. We will comply with the SEBI Guidelines for this Issue. In this regard, we have appointed the BRLMs to manage the Issue and to procure subscriptions to the Issue.

Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid Closing Date/ Issue Closing Date and for further details see the section titled "Terms of the Issue" on page 152 of this Prospectus.

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

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

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

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

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the

BRLMs, will finalise the issue price at or below such cut off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken for bidding:

- Check eligibility for bidding, see the section titled "Issue Procedure-Who Can Bid?" on page 156 of this Prospectus;
- Ensure that the Bidder has a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Prospectus and in the Bid cum Application Form.

UNDERWRITING AGREEMENT

The Bank, BRLMs and the other Underwriters have entered into an underwriting agreement dated June 22, 2005, pursuant to which the Underwriters have agreed, severally, to procure purchasers for, or purchase themselves, that portion of this Issue in respect of which Bids have been procured by each of them and for which the Bidders have been allocated Equity Shares in this Issue, subject to (i) a maximum underwriting commitment of all the Underwriters of 70,000,000 Equity Shares and (ii) certain termination events and closing conditions as specified in the Underwriting Agreement.

Accordingly, under the terms of the Underwriting Agreement, each Underwriter has agreed that to the extent of the Bids procured by it in its capacity as a member of the Syndicate (including Bids procured by its sub-syndicate members) in this Issue, it shall only be responsible for ensuring completion of the subscription in respect of such Bids, including ensuring full payment of the Issue Price in respect of the Equity Shares for which such Bids are made.

In the event Enam Securities Private Limited fails to satisfy its underwriting obligation discussed above, then Enam Financial Consultants Private Limited and in event that Karvy Stock Broking Limited fails to satisfy its underwriting obligation discussed above, Enam Financial Consultants Private Limited and DSP Merrill Lynch Limited in the ratio of 1:2, severally and not jointly, shall be liable to discharge the underwriting obligations of the such defaulting Underwriter.

Set forth below is a table showing the indicative number of Equity Shares underwritten by each Underwriter and the indicative total amount underwritten by each Underwriter.

(Rs. million)		
Name of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Indicative Amount Underwritten
DSP Merrill Lynch Limited	34,999,950	1574.998
Enam Financial Consultants Pvt Ltd	34,999,850	1574.992
Enam Securities Private Limited	100	0.005
Karvy Stock Broking Limited	100	0.005

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange (s).

CAPITAL STRUCTURE

(Rs. in million)

<i>As of May 24, 2005</i>	Aggregate Value at nominal value	Aggregate Value at Issue Price
A) AUTHORISED 400,000,000 Equity Shares of Rs. 10 each	4,000	
B) ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARE CAPITAL 200,000,000 Equity Shares of Rs. 10 each [#]	2,000	
C) PRESENT ISSUE IN TERMS OF THIS PROSPECTUS 70,000,000 Equity Shares of Rs. 10 each fully paid up * Issue to the public		
- 70,000,000 Equity Shares of Rs. 10 each fully paid up	700	3,150
D) EQUITY CAPITAL AFTER THE ISSUE 270,000,000 Equity Shares of Rs. 10 each fully paid up shares	2,700	
E) SHARE PREMIUM ACCOUNT (in Rs. million) Before the Issue	170	
After the Issue	2,620	

[#] All Equity Shares forming part of the subscribed equity share capital are fully paid up.

^{*} The Issue in terms of this Prospectus has been authorized pursuant to a resolution passed at the general meeting of our shareholders held on December 17, 2004 at New Delhi.

Notes to Capital Structure

1. Share Capital history of the Bank

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for allotment	Cumulative Paid-up Capital (millions)
November 21, 2003	50,000	10	10	Cash	Incorporation of the Bank	0.5
March 10, 2004	143,950,000	10	10	Cash	Further allotment of shares	1,440
March 10, 2004	20,000,000	10	12.50	Cash	Further allotment of shares	1,640
March 10, 2004	30,000,000	10	14	Cash	Further allotment of shares	1,940
March 31, 2004	6,000,000	10	10	Cash	Further allotment of shares	2,000

2. Promoters Contributions and Lock-In

In terms of the SEBI Guidelines, the shareholding of the Promoters would be locked-in for a period of three years as under:

Name	Date on which the Equity Shares were allotted / acquired	Nature of payment	Number of Equity Shares	Par value	Issue Price	% of post-Issue paid-up equity capital
Ashok Kapur	March 31, 2004	Cash	500,000	10	10	0.19
	March 10, 2004	Cash	33,500,000	10	10	12.40
Sub Total (A)			34,000,000			12.59
Rana Kapoor	March 10, 2004	Cash	19,975,000	10	10	7.40
	November 21, 2003	Cash	25,000	10	10	0.01
Sub Total (B)			20,000,000			7.41
Total (A + B)			54,000,000			20.00

The Equity Shares as specified above will be locked-in from the date of allotment of Equity Shares in this Issue. The Equity Shares to be locked-in for a period of three years have been computed as 20% of our equity capital after the Issue.

Locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. In terms of clause 4.16 (b) of the SEBI Guidelines, Equity Shares held by the Promoters may be transferred to and amongst the Promoters/ Promoter Group or to a new promoter or persons in control of the Bank, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

Further, in terms of clause 4.16 (a) of the SEBI Guidelines, Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

Other than as stated above, the entire pre-Issue equity share capital of the Bank will be locked-in for the period of one year from the date of allotment of Equity Shares in this Issue.

Further, in accordance with the terms of our license issued by RBI for carrying on the business of banking, 49% of our pre-Issue share capital is locked-in, in the following manner up to May 24, 2009.

S. No.	Shareholder	Number of Equity Shares
1.	Ashok Kapur	29,000,000
2.	Rana Kapoor	20,000,000
3.	Doit	9,000,000
4.	Rabobank International Holding	40,000,000

3. The following Equity Shares have been sold by our Promoters and Doit, during the period of six months preceding the date on which the Red Herring Prospectus was filed with RoC.

Transferor	Transferee	Date on which Equity Shares purchased or sold	Number of Equity Shares	Par value	Consideration	Purchase/Sale Price
Doit	Suresh Sethi	January 19, 2005	500,000	10	Cash	10
	Anuratna Chadha	February 21, 2005	375,000	10	Cash	10
Ashok Kapur	Munish Dayal	January 20, 2005	1,000,000	10	Cash	10
	Anuratna Chadha	February 21, 2005	375,000	10	Cash	10

The above transferees have agreed to lock-in 50% of the equity shares transferred to them for a period of 5 years.

The following Directors hold Equity Shares in their individual capacity as of the date of filing this Prospectus:

Name of Director	Number of Equity Shares held
Ashok Kapur	35,125,000
Rana Kapoor	20,000,000
H. Srikrishnan*	2,000,000

* Appointment subject to the approval of RBI

4. **Equity Shares held by top ten shareholders**

Our top ten shareholders and the Equity Shares held by them on the date of filing the Prospectus and ten days prior to the date of filing the Prospectus with RoC are as follows:

Sl. No.	Name	On the date of filing the Red Herring Prospectus with RoC		Ten days prior to the date of filing the Red Herring Prospectus with RoC	
		Number of Equity Shares held	% shareholding	Number of Equity Shares held	% shareholding
1.	Rabobank International Holding	40,000,000	20.00	40,000,000	20.00
2.	Ashok Kapur	35,125,000	17.56	35,125,000	17.56
3.	Rana Kapoor	20,000,000	10.00	20,000,000	10.00
4.	Citicorp	20,000,000	10.00	20,000,000	10.00
5.	Mags	17,000,000	8.50	17,000,000	8.50
6.	Morgan	17,000,000	8.50	17,000,000	8.50
7.	Doit	15,125,000	7.56	15,125,000	7.56
8.	ChrysCapital	15,000,000	7.50	15,000,000	7.50
9.	AIF Capital	15,000,000	7.50	15,000,000	7.50
10.	H. Srikrishnan	2,000,000	1.00	2,000,000	1.00
	Total	196,250,000	98.12	196,250,000	98.12

Our shareholders and the Equity Shares held by them at our incorporation were as follows:

Sl. No.	Name	No. of Equity Shares
1.	Ashok Kapur	23,000
2.	Madhu Kapur	1,000
3.	Gaurav Kapur	500
4.	Shagun Kapur	500
5.	Rana Kapoor	23,000
6.	Bindu Kapoor	1,000
7.	Radha Kapoor	1,000

5. As of the date of the Prospectus, except for what has been stated in Note 7 below, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.
6. **Shareholding pattern as of May 24, 2005**

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

Shareholder Category	Equity Shares owned prior to the Issue		Equity Shares owned after the Issue	
	Number	%	Number	%
Promoters				
Ashok Kapur	35,125,000	17.56	35,125,000	13.01
Rana Kapoor	20,000,000	10.00	20,000,000	7.41
Sub Total (A)	55,125,000	27.56	55,125,000	20.42
Promoter Group				
Doit	15,125,000	7.56	15,125,000	5.60
Mags	17,000,000	8.50	17,000,000	6.30
Morgan	17,000,000	8.50	17,000,000	6.30
Sub Total (B)	49,125,000	24.56	49,125,000	18.20
Total Promoter and Promoter Group holdings (C=A+B)	104,250,000	52.12	104,250,000	38.62
Others*				
Rabobank International Holding#	40,000,000	20.00	40,000,000	14.81
Citicorp	20,000,000	10.00	20,000,000	7.41
ChrysCapital	15,000,000	7.50	15,000,000	5.55
AIF Capital	15,000,000	7.50	15,000,000	5.55
H. Srikrishnan	2,000,000	1.00	2,000,000	0.74
Ajay Mahajan	1,000,000	0.50	1,000,000	0.37
Munish Dayal	1,000,000	0.50	1,000,000	0.37
Anuratna Chadha	750,000	0.38	750,000	0.27
Aditya Sanghi	500,000	0.25	500,000	0.18
Suresh Sethi	500,000	0.25	500,000	0.19
Sub Total (D)	95,750,000	47.88	95,750,000	35.45
Total pre issue share capital (E=C+D)	200,000,000	100.00	200,000,000	74.07
Public Issue (F)	-	-	70,000,000	25.93
Total post issue share capital (G=E+F)	-	-	270,000,000	100.00

- * Post Issue shareholding is calculated assuming that the existing shareholders will not participate in the Issue.
- # Rabobank International Holding has indicated to us its intention to maintain its shareholding at 20% of the post Issue Equity Share capital, subject to receipt of any regulatory approvals and consent of our Board. The Board of Directors has noted this at its meeting held on March 1, 2005. RBI, by way of its letter dated May 5, 2005, has given its approval to Rabobank International Holding to maintain its shareholding at 20% after the Issue by way of making applications for allotment of Equity Shares in the Issue and subsequent market purchases, subject to compliance with the dilution requirements as stated in our banking license.

7. Joining Employee Stock Option Plan (“Scheme”)

We have instituted a stock option scheme to reward and help retain our employees and to enable them to participate in our future growth and financial success. Further, the Scheme also includes provision for the grant of options to Independent Directors on the Board of the Bank. We propose to grant/have granted stock options to employees pursuant to the Scheme. As per the Scheme, the maximum number of options granted to any employees is limited to 0.5% of our issued Equity Shares at the time of the grant, and the aggregate of all such options is limited to 10,000,000 Equity Shares, which amounts to 3.57% of our post-Issue share capital. The following table sets forth the particulars of options granted under the Scheme as of May 24, 2005.

A.	Options outstanding	10 million
B.	Options granted	10 million
C.	Exercise Price	Rs. 10 per option
D.	Options vested	Nil
E.	Options exercised	Nil
F.	Total number of Equity Shares arising as a result of exercise of options	Nil
G.	Options forfeited / lapsed	65,000
H.	Extinguishment or modification of options	Nil
I.	Money realised by exercise of options	Nil
J.	Dilution in EPS (on a pre-Issue basis)	Nil
K.	Vesting schedule	The vesting schedule for the options granted under the Scheme is as follows: <ul style="list-style-type: none"> ● 50.0% at the end of the 3rd year; and ● 50.0% at the end of the 5th year from the date of allotment. The exercise period is 10 years from the date of grant.
L.	Lock-in	Nil

Person-wise details of options granted:

(i) Directors:

Name	Position	Stock options granted	Equity Shares held at May 24, 2005	Options outstanding
H. Srikrishnan	Executive Director (Designate)#	1,000,000	2,000,000*	1,000,000

Appointment subject to the approval of RBI.

* Equity Shares were issued prior to the setting up of the Scheme.

(ii) Members of the senior management:

Name	Position	Stock options granted	Equity Shares held at May 24, 2005	Options outstanding
Aditya Sanghi	Country Head – Investment Banking	500,000	500,000*	500,000
Ajay Mahajan	President – Financial Markets and Private Banking	1,000,000	1,000,000*	1,000,000
Alok Gupta	Country Head, Life Sciences and Biotechnology	250,000	Nil	250,000
Amandeep Singh Chahal	Regional Head, Retail Banking (North)	100,000	Nil	100,000
Amit Kumar	Senior Vice President	75,000	Nil	75,000
Anuratna Chadha	President, Corporate & Institutional Banking	300,000	750,000#	300,000
Archana Shiroor	Country Head, Human Resources	150,000	Nil	150,000
Chandramouli B.	Chief Operating Officer	200,000	Nil	200,000
Manish Sehgal	Assistant Vice President, Life Sciences and Biotechnology	25,000	Nil	25,000
Marina Kapur	Executive Vice President – Private Banking & Asset Management	100,000	Nil	100,000
Munish Dayal	President, Business Banking	1,000,000	1,000,000#	1,000,000
Om Ahuja	Product Head – Investment Services	40,000	Nil	40,000
P. Kumar	Head – Business Services	175,000	Nil	175,000
Pankaj Gupta	Head, Business Banking Credit	50,000	Nil	50,000
Puneet Singh Kochar	Senior Vice President, Corporate Relationship Management	40,000	Nil	40,000
Rajat Monga	Director, Financial Markets (Balance Sheet Management and New Product Development)	250,000	Nil	250,000
Rajesh K. Lahori	Vice President, Head Payment Operations	80,000	Nil	80,000
Ravishankar	Country Head – Direct Banking	125,000	Nil	125,000
Satishkumar G.	Vice President, Head – Trade and Corporate Operations	60,000	Nil	60,000
Shravani Bagchi Chowdhury	Vice President, Financial Institutions Group	30,000	Nil	30,000
Somak Ghosh	Country Head, Corporate Finance	450,000	Nil	450,000
Suhail Kazmi	Country Head, Branch Banking and Wealth Management	250,000	Nil	250,000
Surendra Shetty	Vice President, Information Technology Group	60,000	Nil	60,000

Name	Position	Stock options granted	Equity Shares held at May 24, 2005	Options outstanding
Suresh Sethi	Country Head – Transaction Banking Group and Corporate Services Group	500,000	500,000*	500,000
Viraal Balsari	Head, Sustainability and Corporate Responsibility	20,000	Nil	20,000
Yateesh Sirvastava	Chief Marketing Officer	200,000	Nil	200,000
Total		6,030,000		6,030,000

* Equity Shares have been issued/transferred to these employees prior to the setting up of the Scheme. See Note 2 above and Note 8 below.

Equity Shares have been issued/transferred to these employees after the setting up of the Scheme.

(iii) No employee other than H. Srikrishnan, Aditya Sanghi, Ajay Mahajan, Munish Dayal and Suresh Sethi has received a grant in a year of options amounting to 5.0% or more of options granted during that year.

(iv) No employee has been granted options, during any one-year equal to or exceeding 1.0% of our issued capital (excluding outstanding warrants and conversions) at the time of grant.

The Board of the Bank has also approved the second phase of the Joining Stock Option Scheme wherein options shall be granted to employees joining the Bank during fiscal 2006 and to Independent Directors on the Board of the Bank. The aggregate of all such options proposed to be granted shall be limited to 5,000,000 Equity Shares, which amounts to 1.75% of the post-Issue share capital of the Bank. The maximum number of options proposed to be granted under this scheme to any employee is limited to 10% of the total options available under this scheme. The exercise price for options granted under this scheme shall be the market price on the day immediately prior to the grant of the options. 50.0% of the options granted under this scheme shall vest at the end of third year from the grant of the options while the balance shall vest at the end of the fifth year from the date of the grant. The exercise period is 10 years from the date of grant. As of May 24, 2005, there have been no options granted under this scheme.

The Scheme as well as the second phase of the Scheme shall be put to vote for ratification by the shareholders of the Bank at our next annual general meeting

8. Buyback and Standby Arrangements

Neither we nor our Directors or the Promoters, their respective directors or the BRLMs have entered into any buyback and/or standby arrangements for the purchase of our Equity Shares from any person.

9. The Promoters and the Promoters Group Companies have transferred 1.38% of their shareholding in the Bank to certain members of our senior management as disclosed below:

Transferor	Transferee	Date on which Equity Shares purchased or sold	Number of Equity Shares	Par value	Consideration	Purchase/Sale Price
Doit	Aditya Sanghi	March 31, 2004	500,000	10	Cash	10
Doit	Suresh Sethi	January 19, 2005	500,000	10	Cash	10
Ashok Kapur	Munish Dayal	January 20, 2005	1,000,000	10	Cash	10
Doit	Anuratna Chadha	February 21, 2005	375,000	10	Cash	10
Ashok Kapur	Anuratna Chadha	February 21, 2005	375,000	10	Cash	10

10. We have not raised any bridge loan against the proceeds of the Issue. For details on use of proceeds, see the section titled "Objects of the Issue" on page 20 of this Prospectus.
11. Up to 50% of the Issue shall be allocated to QIBs on a discretionary basis. Further, not less than 25% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining 25% of the Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price. Under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the sole discretion of the Bank and the BRLMs.
12. A Bidder cannot make a Bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
13. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalizing the basis of allotment.
14. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the equity shares offered hereby have been listed.
15. Except for the issue of options/shares pursuant to the Scheme, the Bank presently does not have any intention or proposal to alter its capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares, whether on a preferential basis or otherwise. However, during such period or at a later date, we may constitute an employee stock option plan or issue equity shares or securities linked to equity shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Bank.
16. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
17. There will be only one denomination of the Equity Shares of the Bank unless otherwise permitted by law and the Bank shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
18. We have 15 members as of the date of filing this Prospectus.

OBJECTS OF THE ISSUE

The objects of the Issue are as follows:

- To augment our long-term capital requirements in order to successfully implement our growth plans;
- To increase our paid-up equity capital in compliance with the licensing directives of RBI, which stipulate that the paid up capital of the Bank (which currently stands at Rs. 2,000 million) must be raised to Rs. 3,000 million within three years of commencement of business and that the Bank shall maintain minimum capital adequacy ratio of 10% on a continuous basis from the commencement of business; and
- To diversify our shareholding pattern.

The net proceeds of the Issue after deducting underwriting and management fees, selling commissions and all other Issue related expenses are estimated at Rs. 3,018.12 million. The net proceeds of the Issue shall be used entirely to meet the objects of the Issue.

Requirement and Sources of Funds

Requirement of Funds	(In Rs. million)
To augment our long-term capital requirements in order to successfully implement our growth plans, to increase our paid-up equity capital in compliance with the licensing directives of RBI and to diversify our shareholding pattern	3,018.12
Estimated Issue expenses	131.88
Total	3,150.00

Sources of Funds	(In Rs. million)
Proceeds of the Issue	3,150
Total	3,150

The main objects clause and objects incidental or ancillary to the main objects clause of our Memorandum enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue.

Issue Expenses

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

Activity	Expense (in Rs. millions)
Lead management, underwriting commission	70.88
Advertising and Marketing expenses	25.00
Printing and stationery	11.00
Others (Registrars fee, legal fee, etc.)	25.00
Total estimated Issue expenses	131.88

In addition to the above, listing fees will be paid by the Bank.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by us in consultation with BRLMs, on the basis of assessment of market demand for the Equity Shares, by way of Book Building Process.

Qualitative Factors

- With over 65 years of cumulative financial services industry experience, our promoters, Mr. Ashok Kapur and Mr. Rana Kapoor, are experienced banking professionals, have held leadership positions in multi-national banks in India;
- Our Promoters have a proven track record as professional entrepreneurs. As Managing Directors and co-shareholders of Rabo India, they were involved in the setting up and management of a wholesale non-banking finance entity;
- We have assembled an experienced management team to spearhead the critical initiatives required to develop our business; and
- We believe that our knowledge based banking approach, focusing on building industry sector expertise and delivering customised advice, services and products to our customers in focus industry sectors will enable us to develop and maintain relationships.

Quantitative Factors

Our operating and financial history is very limited as we have had less than one full year of operations.

Adjusted Earning per Share (EPS)

Financial Period	EPS (Rs.)
Financial Year 2002	NA
Financial Year 2003	NA
November 21, 2003 to March 31, 2005	(0.24)

Price Earnings Ratio (P/E Ratio)

The P/E Ratio for the financial period November 21, 2003 to March 31, 2005 cannot be calculated as the EPS for this period is negative.

Average Return on Net Worth

Financial Period	RoNW (%)
Financial Year 2002	NA
Financial Year 2003	NA
November 21, 2003 to March 31, 2005	(3.56)

Minimum Return on Total Net Worth post-Issue to maintain pre-Issue EPS:

The net worth for this purpose cannot be calculated as the EPS for the period from November 21, 2004 to March 31, 2005 is negative.

Net Asset Value (NAV) of Yes Bank Limited

NAV as of March 31, 2005 (Rs.)	10.57
P/NAV as of March 31, 2005	4.26
NAV after the issue (Rs.)	19.49
P/NAV on post issue capital base as of March 31, 2005	2.31

Comparison with other listed companies

We believe that among the listed companies, we should be benchmarked against Indian private sector banks such as ICICI Bank, HDFC Bank, UTI Bank, and Kotak Bank. As a new bank, we do not yet have an operating history or meaningful financial information. Investors must primarily evaluate Yes Bank by considering our strategy.

Peer Bank	ICICI Bank	HDFC Bank	UTI Bank	Kotak Bank
For year ended March 31, 2005 ⁽¹⁾				
Net Income (Rs. million)	20,052	6,655.6	3,345.8	848.90
EPS (Basic) (Rs.) ⁽²⁾	27.55	22.90	14.06	7.08
Book Value per share (Rs.)	170.35	145.91	87.95	60.88
RoNW (%)	19.51%	18.46%	18.87%	12.52%
Share Price (Rs.) ⁽²⁾	418.45	601.00	234.15	373.49
P/E ⁽²⁾	15.19	26.24	16.655	28.14

(1) All figures as per Unconsolidated Financial Statements-Indian GAAP as disclosed by the respective companies on their websites.

(2) Closing prices from the Stock Exchange, Mumbai as of June 21, 2005 and Basic EPS for the year ended March 31, 2005.

We have also obtained approval from RBI on January 25, 2005 to undertake this Issue subject to compliance with the requirements of the SEBI Guidelines. The Issue price would be determined on the basis of the demand from the investors in accordance with the SEBI Guidelines. The BRLMs believe that the Issue Price of Rs. 45 is justified in view of the above qualitative and quantitative parameters. See the section titled "Risk Factors" on page (i) of this Prospectus and the financials of the Bank including important profitability and return ratios, as set out in the Auditors Report on page 105 of this Prospectus to have a more informed view.

STATEMENT OF TAX BENEFITS

Auditor's Report

Statement of Possible Tax Benefits Available to the Bank and its Shareholders

We hereby report that the enclosed Annexure states the possible tax benefits available to Yes Bank Limited (the "Bank") and its shareholders under the current tax laws presently in force in India. The taxation benefits will depend upon the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Bank or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Bank faces in the future, the Bank may or may not choose to fulfill.

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

We do not express any opinion or provide any assurance as to whether the Bank or its shareholders will continue to obtain these benefits in future; or the conditions prescribed for availing the benefits have been/would be met with. The contents of this annexure are based on information, explanations and representations obtained from the Bank and on the basis of our understanding of the business activities and operations of the Bank.

For **S. R. Batliboi & Co.**,
Chartered Accountants

Per **Viren H. Mehta**
Partner

Membership No. 048749

April 25, 2005

ANNEXURE - Statement of possible benefits available to Yes Bank Limited and its Shareholders

A. INCOME-TAX

I. To the Bank

1. In accordance with and subject to the provisions of section 10(23G) of the Income-tax Act, 1961 (hereinafter referred to as the 'Income-tax Act'), the taxable income of the Bank would not include dividend (other than dividends exempt under section 10(34) of the Income-tax Act), interest or long-term capital gains from investment made by way of shares or long-term finance in enterprises wholly engaged in the business of
 - a. (i) developing, (ii) maintaining and operating or (iii) developing, maintaining and operating approved infrastructure facility; or
 - b. developing or building approved housing projects; or
 - c. developing or building approved hotel or hospital projects.
2. The taxable income of the Bank would not include dividend income in accordance with and subject to the provisions of section 10(34) read with section 115-O of the Income-tax Act.
3. Under the provisions of section 35D of the Income-tax Act, the Bank would be entitled to deduction of certain specified expenditure (upto prescribed limits), incurred before the commencement of its business, in five equal installments, beginning from the year in which the business is commenced.
4. Under section 36(1)(vii) of the Income-tax Act, any bad debts or part thereof written off as irrecoverable, would be allowed as a deduction from the total income of the Bank, in accordance with and subject to the provisions contained therein.
5. Under section 36(1)(viii) of the Income-tax Act, deduction in respect of any provision for bad and doubtful debts made by the Bank is allowed upto 7.5% of the total income (computed before making any deduction under such section and Chapter VIA), and 10% of the aggregate advances made by the rural branches.

The Bank shall at its option be allowed a further deduction in excess of the specified limits, for an amount not exceeding the income derived from redemption of securities in accordance with the scheme framed by the Central Government, where such income has been disclosed in the return of income under the head 'Profits and Gains from Business and Profession'.

6. Under section 43D of the Income-tax Act, interest on certain categories of bad and doubtful debts as specified in rule 6EA of the Income-tax Rules, 1962, shall be chargeable to tax only in the year of receipt or credit to Profit and Loss Account of the Bank, whichever is earlier.
7. As per the provisions of section 80LA of the Income-tax Act income of an off-shore banking unit in a special economic zone, from the business with an undertaking located in a special economic zone or any other undertaking which develops, or develops and operates, or operates and maintains a special economic zone, shall, subject to the fulfillment of the conditions specified in the said section 80LA, be entitled to 100 per cent deduction of such income for three consecutive assessment years, beginning with the assessment year relevant to the previous year in which the Reserve Bank of India's permission to open the off-shore unit is obtained, and after those three years, 50 per cent deduction of such income for the next two consecutive assessment years.
8. Under the provisions of the section 10(38) of the Income-tax Act, long-term capital gains arising from a sale, on a recognized stock exchange, of equity shares or units of equity-oriented fund, which is chargeable to securities transaction tax ('STT'), is exempt from tax. Under section 111A of the Income-tax Act, short-term capital gains on such sale is chargeable to tax at the rate of 10 percent (plus applicable surcharge and education cess). No deduction would be allowed for STT paid in computing the capital gains. Further, sale of units of equity-oriented fund to the Mutual Fund is also subject to STT and consequently eligible to the benefit of the provisions contained in section 10(38) and section 111A.

Capital gains would be treated as long term capital gains where the equity shares/units are held for a period of more than 12 months prior to the date of transfer of the shares; the gains would be short-term capital gains where the equity shares/units are held for a period of 12 months or less.

9. As per section 54EC and section 54ED of the Income-tax Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset is exempt from tax, provided that the Bank has at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of section 54EC or in acquiring shares of a public company offered for subscription by way of a public issue for the purposes of section 54ED of the Income-tax Act. If only a portion of capital gains is so invested, then the exemption is available proportionately.

The amount so exempted will be chargeable to tax under the head 'Capital Gains' if the new asset is transferred or converted (otherwise than by way of transfer) into money within three years from the date of its acquisition.

10. The income earned by the Bank is taxable at the following rates

Financial Year	Tax rate* (%)
2003-04	35.875
2004-05	36.5925
2005-06	33.66

* Inclusive of surcharge and education cess, where applicable

II To the Shareholders (residents and non-residents) of the Bank

1. Dividend income of shareholders is exempt from income tax under section 10(34) of the Income-tax Act read with section 115-O. However, sub-section 7 of section 94 of the Income-tax Act provides that losses arising from the sale/transfer of shares purchased up to 3 months prior to the record date and sold within 3 months after such date, will be disallowed to the extent of dividend received on such shares which is claimed as tax exempt by the shareholder.
2. Under the provisions of section 10(38) of the Income-tax Act, long-term capital gains arising from a sale, on a recognized stock exchange, of equity shares, which is chargeable to securities transaction tax ('STT'), is exempt from tax. Under section 111A of the Income-tax Act, short-term capital gain on such sale is chargeable to tax at the rate of 10 percent (plus applicable surcharge and education cess).

Capital gains would be treated as long term capital gains where the equity shares/units are held for a period of more than 12 months prior to the date of transfer of the shares; and short-term capital where they are not so held.

3. As per section 54ED of the Income-tax Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset is exempt from tax, provided that the shareholder has at any time within a period of 6 months after the date of the transfer, invested the whole of the capital gains in acquiring shares of a public company offered for subscription by way of a public issue for the purposes of section 54ED of the Income-tax Act. If only a portion of capital gains is so invested, then the exemption is available proportionately.

The amount so exempted will be chargeable to tax under the head 'Capital Gains' if the new asset is transferred or converted (otherwise than by way of transfer) into money within three years from the date of its acquisition.

4. In accordance with and subject to the provisions of section 48 of the Income-tax Act, in order to arrive at the quantum of short-term capital gains, the following amounts would be deductible from the full value of consideration:
- Cost of acquisition of the shares. The cost of acquisition would not be adjusted for Cost Inflation Index notified by the Central Government.
 - Expenditure incurred wholly and exclusively in connection with the transfer of the shares. No deduction is allowed in computing the capital gains, for any amount paid on account of STT.

In case of non-residents (other than Foreign Institutional Investors), as per the provisions of the first proviso to section 48 of the Income-tax Act, capital gains arising from the transfer of equity shares by non-residents are to be computed by converting the cost of acquisition/improvement, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing into the same foreign currency as was initially utilised in the purchase of equity shares and the capital gains so computed in such foreign currency shall then be re-converted into Indian currency.

5. Where the income from sale of shares constitutes income under the head 'Profits and gains from Business and Profession'

(rather than capital gains), the income would be taxed in accordance with the applicable rates depending on the status of person receiving the income. However, a rebate would be available under section 88E of the Income-tax Act, in respect of STT paid, to the extent it does not exceed the amount of income-tax calculated in the prescribed manner and subject to furnishing of evidence of payment of STT, in the prescribed form.

6. In the case of all non-resident shareholders, the above tax rates are subject to the benefits, if any, available under the double taxation avoidance agreements signed by India with the country of which the non-resident shareholder may be a tax resident.

III To the Mutual Funds

As per the provisions of section 10(23D) of the Income-tax Act, tax exemption is available on income of a mutual fund registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, or, mutual funds set up by the public sector banks or public financial institutions/authorised by the Reserve Bank of India and subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

B. WEALTH TAX

Shares are not treated as assets within the meaning of section 2(ea) of the Wealth Tax Act, 1957. Accordingly, shares purchased under the public issue of the Bank are not liable to Wealth-tax in the hands of the shareholders.

C. GIFT TAX

The Gift-tax Act, 1958, ceases to apply to gifts made on or after October 1, 1998.

THE INDIAN BANKING SECTOR

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries and RBI, and has not been prepared or independently verified by the Issuer or the BRLMs.

Unless otherwise stated, all industry figures appearing in this section have been taken from the Report on Trend and Progress of Banking in India- 2003-2004, dated November 29, 2004, issued by RBI.

Introduction

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

- commercial banks;
- long-term lending institutions;
- non-bank finance companies, including housing finance companies;
- other specialised financial institutions, and state-level financial institutions;
- insurance companies; and
- mutual funds.

Until the early 1990s, the Indian financial system was strictly controlled. Interest rates were administered, formal and informal parameters governed asset allocation, and strict controls limited entry into and expansion within the financial sector. The Government's economic reform program, which began in 1991, encompassed the financial sector. The first phase of the reform process began with the implementation of the recommendations of the Committee on the Financial System, the Narasimham Committee I. The second phase of the reform process began in 1999. See the section titled "Banking Sector Reform-Committee on Banking Sector Reform (Narasimham Committee II)" on page 32 of this Prospectus.

RBI

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

RBI issues guidelines on various areas including exposure standards, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy standards for commercial banks, long-term lending institutions and non-bank finance companies. RBI requires these institutions to furnish information relating to their businesses to RBI on a regular basis. For further discussion regarding RBI role as the regulatory and supervisory authority of India's financial system and its impact on Yes Bank, see the section titled "Regulations and Policies" on page 60 of this Prospectus.

Commercial Banks

Commercial banks in India have traditionally focused primarily on meeting the short-term financial needs of industry, trade and agriculture. As of June 30, 2004, there were 290 scheduled commercial banks in India, with a network of over 67,118 branches serving approximately Rs. 13.86 trillion in deposit accounts. Scheduled commercial banks are banks that are listed in the schedule to the RBI Act and may further be classified as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 70.0% of bank branches located in rural or semi-urban areas of the country. A large number of these branches belong to the public sector banks.

Public Sector Banks

Public sector banks make up the largest category in the Indian banking system. They include the State Bank of India and its seven associate banks, 19 nationalised banks and 196 regional rural banks. As of June 30, 2004, excluding the regional rural

banks, the remaining public sector banks had over 46,500 branches accounting for approximately 73.2% of the outstanding gross bank credit and 77.9% of the aggregate deposits of the scheduled commercial banks. The public sector banks' large network of branches enables them to fund themselves out of low cost deposits.

The State Bank of India is the largest public sector bank in India. As of June 30, 2004, the State Bank of India and its seven associate banks had over 13,505 branches, accounting for approximately 27.5% of aggregate deposits and 25.5% of outstanding gross bank credit of all scheduled commercial banks.

Regional rural banks were established from 1976 to 1987 by the central government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural labourers. As of June 30, 2004, there were 196 regional rural banks with 14,510 branches, accounting for approximately 4.0% of aggregate deposits and 3.0% 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. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, RBI permitted entry by the private sector into the banking system. This resulted in the introduction of nine private sector banks. These banks are collectively known as the "new" private sector banks. There are ten "new" private sector banks at present, including Yes Bank. In addition, 20 private sector banks existing prior to July 1993 are currently operating as of June 30, 2004.

As of March 31, 2004, private sector banks accounted for approximately 17.0% of aggregate deposits and 19.8% of gross bank credit outstanding of the scheduled commercial banks. Their network of approximately 5,737 branches, as of June 30, 2004, accounted for approximately 8.55% of the total branch network of scheduled commercial banks in India.

Foreign banks

As of June 30, 2004, there were 32 foreign banks with approximately 215 branches operating in India, accounting for approximately 5.1% of aggregate deposits and 7.0% of outstanding gross bank credit of scheduled commercial banks. As part of the liberalization process, RBI has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. Foreign banks operate in India through branches of their parent banks. While presenting its budget for fiscal 2003, the Government announced that foreign banks would be permitted to incorporate subsidiaries in India. Subsidiaries of foreign banks will have to adhere to all banking regulations, including priority sector lending norms, applicable to domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, in recent years, some of the larger foreign banks have started to make consumer financing a larger part of their portfolios based on the growth opportunities in this area in India. These banks offer products such as automobile, finance, home loans, credit cards and household consumer finance. The Government has also announced that foreign banks having branch presence in India will be permitted to acquire up to 74.0% shareholding in private sector banks in India.

Cooperative Banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In the light of liquidity and insolvency problems experienced by some cooperative banks in fiscal 2001, RBI undertook several interim measures, pending formal legislative changes, related to lending against shares, borrowings in the call market and term deposits placed with other urban cooperative banks. Presently, RBI is responsible for supervision and regulation of urban co-operative societies, and the National Bank for Agriculture and Rural Development (NABARD) for State Co-operative Banks and District Central Co-operative Banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Bill, 2003, which was introduced in the Indian Parliament in 2003, provides for the regulation of all co-operative banks by RBI but the same has not been enacted yet.

Long-Term Lending Institutions

The long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provide

fund based and non-fund based assistance to industry in the form of loans underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions include Industrial Development Bank of India (converted into a banking company from October 2004), Industrial Finance Corporation of India Limited and Industrial Investment Bank of India.

The long-term lending institutions were expected to play a critical role in Indian industrial growth and accordingly, had access to concessional Government funding. However, in recent years, the operating environment of the long-term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for Government funding to industry, the reform process required them to expand the scope of their business activities. Their new activities included:

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

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, a working group created in 1999 to harmonize the role and operations of long-term lending institutions and banks, RBI, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks, subject to compliance with the prudential norms as applicable to banks. In April 2001, RBI issued guidelines on several operational and regulatory issues, which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank. See the section titled "Recent Structural Reforms-Universal Banking Guidelines" on page 33 of this Prospectus. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act 2003 seeks to convert the Industrial Development Bank of India into a banking company and will exempt it from certain statutory and regulatory norms applicable to banks, including exemption for a period of five years from the statutory liquidity ratio. A merger has also been proposed of Industrial Finance Corporation of India Limited and Punjab National Bank, a large, public sector bank.

Non-Bank Finance Companies

There are over 13,617 non-bank finance companies in India as of June 30, 2004, mostly in the private sector. All non-bank finance companies are required to register with RBI. The non-bank finance companies may be categorized into entities, which take public deposits and those, which do not. The companies, which accept public deposits, are subject to strict supervision and capital adequacy requirements of RBI. The scope and activities of non-bank finance companies have grown significantly over the years. The primary activities of the non-bank finance companies are consumer credit including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bill discounting for small and medium-sized companies, and fee-based services such as investment banking and underwriting. In 2003, Kotak Mahindra Finance Limited, a large non-bank finance company, was granted a banking license by RBI and converted itself into Kotak Mahindra Bank.

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

Housing Finance Companies

Housing finance companies form a distinct sub-group of the non-bank finance companies. As a result of the various incentives given by the Government for investing in the housing sector in recent years, the scope of 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 securitisation 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. RBI in 2002 had reduced the risk weight for loans for residential properties to 50.0% for the purpose of determining capital adequacy. However, RBI increased this risk weightage for loans to residential properties to 75% in December 2004. Housing loans up to certain limits prescribed by RBI as well as mortgage-backed securities qualify for priority sector lending under RBI's directed lending rules.

Other Financial Institutions

Specialized Financial Institutions

In addition to the long-term lending institutions, there are various specialized financial institutions 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 medium-sized and large-sized enterprises.

Insurance Companies

Currently, there are 27 insurance companies in India, of which 13 are life insurance companies, 13 are general insurance companies and one is a reinsurance company. Of the 13 life insurance companies, 12 are in the private sector and one is in the public sector. Among the general insurance companies, eight are in the private sector and five are in the public sector. The reinsurance 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. Over the past few years, the market shares of private sector insurance companies have been increasing in both life and non-life insurance businesses. The market share of private sector life insurance companies in new business written increased from approximately 2.0% in fiscal 2002 to approximately 5.66% in fiscal 2003 and 12.96% in the fiscal 2004. The market share of private sector non-life insurance companies increased from approximately 5.0% in fiscal 2002 to 9.46% in fiscal 2003 and 14.21% during the fiscal 2004.

In December 1999, the Insurance Regulatory and Development Authority Act 1999 was passed. The Act opened up the Indian insurance sector for foreign and private investors. The Act allows foreign equity participation in new insurance companies of up to 26.0%. A new insurance company is required to have a minimum paid up equity capital of Rs. 1.0 billion to carry out the business of life insurance or general insurance or Rs. 2.0 billion to carry out exclusively the business of reinsurance. The insurance sector in India is regulated by the Insurance Regulatory and Development Authority, which was established to protect the interests of holders of insurance policies, to regulate promote and ensure orderly growth of the insurance industry and for related matters.

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

Mutual Funds

As of October 31, 2004, there were 38 mutual funds in India with total assets of Rs. 14.80 billion. 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.

As of March 31, 2004, the total assets under management of private sector mutual funds were Rs. 1,049.92 billion.

Unit Trust of India, with a high level of investment in equity securities, started to face difficulties in meeting redemption and assured return obligations due to a significant decline in the market value of its securities portfolio. In response, the Government

implemented a package of reform measures for Unit Trust of India, including guaranteeing and assured return obligations to the unit holders, subject to restrictions on the maximum permissible redemption amount. As part of the reforms, Unit Trust of India was divided into two mutual funds structured in accordance with the regulations of the Securities and Exchange Board of India, one comprising assured return schemes and the other comprising net asset value based schemes.

Impact of Liberalization on the Indian Financial Sector

Until 1991, the financial sector in India was heavily regulated 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 have transformed the operating environment of the banks and long-term lending institutions. In particular, the deregulation of interest rates, emergence of a liberalized domestic capital market, and entry of new private sector banks, along with the broadening of long-term lending institutions' product portfolios, have progressively intensified the competition between banks and long-term lending institutions. RBI has permitted the transformation of long-term lending institutions into banks subject to compliance with the prudential norms applicable to banks.

Banking Sector Reform

Most large banks in India were nationalized in 1969 and thereafter were subject to a high degree of control until reform began in 1991. In addition to controlling interest rates and entry into the banking sector, these regulations also channelled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing Government securities or statutory liquidity ratio bonds to fulfil 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 (The Narasimham Committee I) was set up in August 1991 to recommend measures for reforming the financial sector. Many of the recommendations made by the committee, which addressed organisational issues, accounting practices and operating procedures, were implemented by the Government. The major recommendations that were implemented included the following:

- with fiscal stabilization and the Government increasingly resorting to market borrowing to raise resources, the statutory liquidity ratio or the proportion of a bank's net demand and time liabilities that were required to be invested in Government securities was reduced from 38.5% in the pre-reform period to 25.0% in October 1997. 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 a 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 4.5%. As of September 2004 this has been increased to 5.0%;
- special tribunals were created to resolve bad debt problems;
- most of the restrictions on interest rates for deposits were removed. Commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits;

- substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. By the end of fiscal 2002, aggregate recapitalisation amounted to Rs. 217.5 billion. The stronger public sector banks were given permission to issue equity to further increase capital; and
- banks were granted the freedom to open or close branches.

Committee on Banking Sector Reform (Narasimham Committee II)

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

Recent Structural Reforms

Proposed Amendments to the Banking Regulation Act

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

- permit banking companies to issue non-redeemable and redeemable preference shares;
- make prior approval of RBI mandatory for the acquisition of more than 5.0% of a banking company's paid up capital by any individual or firm or group;
- prohibit lending to relatives of directors and to non-subsidiary companies that are under the same management as the banking company, joint ventures, associates or the holding company of the banking company. Lending to directors and to companies with directors common to the banking company is already prohibited;
- remove the minimum statutory liquidity ratio requirement of 25.0%, giving RBI discretion to reduce the statutory liquidity ratio to less than 25.0%. See the section titled "Regulations and Policies" on page 60 of this Prospectus;
- bring mergers of non-bank finance companies with banking companies into the governance of the Banking Regulation Act. Mergers of non-bank finance companies with banking companies are currently governed by the Companies Act. The Banking Regulations (Amendment) and Miscellaneous Provisions Bill, 2003 will, if passed, require mergers of non-bank finance companies with banking companies to be approved by the majority of the shareholders of both companies and by RBI. It also provides, if the merger is approved, for dissenting shareholders, at their option, to be paid in exchange for their shares the value of their shares as determined by RBI;
- bring all co-operative banks under the supervision of RBI; and
- remove the limit of 10.0% on the maximum voting power exercisable by a shareholder in a banking company.

Legislative Framework for Recovery of Debts due to Banks

In fiscal 2003, the Indian Parliament passed the Securitisation of Financial Assets and Enforcement of Security Interest Act, 2002. 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. The Act also provides for the setting up of asset reconstruction companies regulated by RBI to acquire assets from banks and financial institutions. RBI has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by RBI, and operations. Asset Reconstruction Company (India) Limited, Industrial Development Bank of India, State Bank of India and certain other private sector banks and institutions, has recently received registration from RBI.

Whilst the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 was challenged before the Indian Supreme Court, the same has been disallowed and the validity of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has been upheld.

Following the recommendations of the Narasimham Committee, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was enacted. The Act provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. The Act creates tribunals before which the banks or 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 announced measures for the setting up of more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. To date, however, this Act has not been repealed.

Corporate Debt Restructuring Forum

To put in place an institutional mechanism for the restructuring of corporate debt, RBI has devised a corporate debt restructuring system. The objective of the framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems outside the purview of the Board of Industrial and Financial Rehabilitation, debt recovery tribunals and other legal proceedings. In particular, the framework aims to preserve viable corporations that are affected by certain internal and external factors and minimise the losses to the creditors and other stakeholders through an orderly and coordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements. While all Indian banks have consented, foreign banks operating in India have not yet agreed to participate in this system. However, because of the low level of participation of foreign banks in the Indian financial system, this lack of participation has not made any material difference.

Universal Banking Guidelines

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

Reserve requirements: Following conversion into a universal bank, a long-term lending institution would have to comply with the cash reserve ratio and statutory liquidity ratio requirements under the provisions of the RBI Act and the Banking Regulation Act;

Priority sector lending: Following conversion of a long-term lending institution into a universal bank, the obligation to lend to the priority sector up to a prescribed percentage of net bank credit would apply;

Permissible activities: Any activity currently undertaken by a long-term lending institution but not permissible for a bank under the provisions of the Banking Regulation Act would have to cease or be divested after the conversion of a long-term lending institution into a universal bank;

Nature of subsidiaries: If any of the existing subsidiaries of a long-term lending institution were engaged in any activity not permitted under the provisions of the Banking Regulation Act, then on conversion of the long-term lending institution into a universal bank, such subsidiary or activity would have to be separated from the operations of the universal bank since the provisions of the Banking Regulation Act permit a bank to have subsidiaries only for specified activities;

Restriction on investments: A long-term lending institution with an equity investment in a company in excess of 30.0% of the paid up share capital of that company or 30.0% of its own paid up share capital and reserves, whichever is less, following its conversion into a universal bank, would be required to divest such excess holding to comply with the provisions of the Banking Regulation Act.

Credit Policy Measures

As part of its effort to continue bank reform, RBI has announced a series of measures in its monetary and credit policy

statements aimed at deregulation and strengthening the financial system.

Credit Policy for Fiscal 2004

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

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

Mid-Term Review of Credit Policy for Fiscal 2004

The following were the highlights of the mid-term review of Credit Policy announced in November 2003 by RBI:

- Key interest rates were not changed.
- Measures to improve credit delivery to agriculture and small-scale sectors were introduced.
- Simplification of procedures and complete flexibility in micro-finance structure were proposed to boost credit flow.
- Banks were required to ensure hedging of foreign currency loans to corporates above US\$10.0 million except for exporters and for foreign exchange expenditures.

Monetary and Credit Policy for Fiscal 2005

In the Monetary and Credit policy for fiscal 2005 announced on May 18, 2004, RBI announced the following key measures:

- Repo rate and bank rate were kept unchanged.
- Measures to increase the flow of credit to agriculture and related activities.
- Banks allowed to raise long-term bonds to finance infrastructure.
- Definition of infrastructure lending broadened.
- Relaxation of exposure norms including removal of limits on unsecured exposures.
- Guidelines to be introduced for graded higher provisions for doubtful assets and increase in provisions on sub-standard assets.

Mid-term review of Monetary and Credit policy for Fiscal 2005

The following were the highlights of the mid-term review of the monetary and credit policy announced by RBI in October 2004:

- There was no change in the bank rate, which remained at 6.0%. The seven-day repo rate was increased by 25 basis points from 4.50% to 4.75% effective from October 27, 2004.
- Liquidity adjustment facility ("LAF") scheme: It was stipulated that the international usage of "repo" and "reverse repo" terms would be adopted from October 27, 2004. The LAF scheme would be operated with overnight fixed rate repo and reverse repo with effect from November 1, 2004. Accordingly, auctions of 7-day and 14-day repo ('reverse repo' in international parlance) would stand discontinued from November 1, 2004.
- Changes in the interest rate policy relating to ceiling on interest rates on Non-Resident (External) Rupee Deposits were announced. Permission was given to banks to fix interest rates on FCNR (B) deposits on monthly basis for the following month, based on the rates prevailing as on the last working day of previous month and reduction of tenor of domestic term deposits was announced.
- Measures for the removal of bottlenecks in credit delivery mechanism: These measures include service area approach, priority sector lending (enhanced lending to agriculture and distribution of inputs, enhanced lending to small and marginal farmers, special agriculture credit plans, enhancement of composite loan limit to SSI Units, enhancement of ceiling of housing loans etc.), rural infrastructure development fund, corporate debt restructuring mechanism, liberalisation of bank finance to NBFCs, gold card scheme for exporters.

- Structural and developmental measures for deepening and widening the government securities market: Measures for simplifying the systems and procedures for offering better customer service and to continue with the liberalisation process for improvement of the foreign exchange market were announced.

Annual Policy Statement for the Fiscal Year 2005-2006 announced by RBI

In the Annual Policy Statement for fiscal year 2005-06 announced on April 28, 2005, RBI announced the following key measures:

- The bank rate has been kept unchanged at 6.0%;
- In view of the current macroeconomic and overall monetary conditions, the fixed reverse repo rate has been increased from 4.75% to 5.0%. The repo rate would continue to be linked to the reverse repo rate but the spread between the reverse repo rate and the repo rate has been reduced from 125 basis points to 100 basis points. Consequently, the fixed repo rate would continue to remain at 6.0%;
- The CRR would continue to remain at 5.0%;
- The minimum maturity period of certificates of deposit has been reduced from 15 days to seven days;
- RBI would set up an independent Banking Codes and Standards Board of India in order to ensure the following:
 - comprehensive code of conduct for fair treatment of customers are evolved and adhered to;
 - to issue appropriate guidelines to banks to ensure transparency and disclosure of information by the card issuing banks and customer rights protection including facilitating enforcement of such rights; and
 - to widen the scope of the Banking Ombudsman *inter alia* to cover all individual cases/grievances relating to non-adherence to the fair practices code evolved by Indian Banks Association and adopted by individual banks.

Reforms of the Non-Bank Finance Companies

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

Efforts have also been made to integrate non-bank finance companies into the mainstream financial sector. The first phase of this integration covered measures relating to registrations and standards. The focus of supervision has now shifted to non-bank finance companies accepting public deposits. This is because companies accepting public deposits are required to comply with all the directions relating to public deposits, prudential norms and liquid assets. A task force on non-bank finance companies set up by the Government submitted its report in October 1998 and recommended several steps to rationalise the regulation of non-bank finance companies. Accepting these recommendations, RBI issued new guidelines for non-bank finance companies, which were as follows:

- a minimum net owned fund of Rs. 2.5 million is mandatory before existing non-bank finance companies may accept public deposits;
- a minimum investment grade rating is compulsory for loan and investment companies accepting public deposits, even if they have the minimum net owned funds;
- permission to accept public deposits was also linked to the level of capital to risk assets ratio. Different capital to risk assets ratio levels for non-bank finance companies with different ratings were specified; and
- non-bank finance companies were advised to restrict their investments in real estate to 10.0% of their net owned funds.

In the monetary and credit policy for fiscal 2000, RBI stipulated a minimum capital base of Rs. 20 million for all new non-bank finance companies. In the Government's budget for fiscal 2002, the procedures for foreign direct investment in non-bank finance companies were substantially liberalised.

BUSINESS

Overview

Yes Bank is a new bank. We received our license to commence commercial banking on May 24, 2004 and launched our Corporate and Institutional Banking (“C&IB”) and Business Banking operations in August 2004, our financial markets and treasury operations in September 2004 and our transaction banking business in October 2004. We have set up our first branch in Mumbai and currently have offices in Mumbai and Delhi.

Our strategic goal is to build Yes Bank into a “One Bank” for our customers. Our “One Bank” business model is directed towards maximizing revenue generation from customers by offering our full range of products and services to address all their banking needs. To this end, we offer integrated products, where possible, to a particular client segment or focus industry. In addition, our “One Bank” business approach is targeted to deliver our products across all our delivery channels, including our relationship management teams, branches, Internet banking, phone banking and other channels.

At Yes Bank, we have three distinct business lines:

- C&IB that caters to large corporate and institutional clients, Government owned organizations and multinational corporations;
- Business Banking that caters to smaller emerging local businesses; and
- Retail Banking that caters to individual customers.

We offer credit products and a variety of value-added products and services, including financial advisory, financial markets and transaction banking products and services to our customers. In addition, we provide several liability product offerings, including term, savings and current account deposits.

Our relationship approach to C&IB and Business Banking customers is senior management and owner focused, wherein we seek to directly engage with our customers’ senior management. We believe that the personal involvement of these senior decision makers enables our team and our products and services to be accepted with greater comfort and ease.

To further reinforce our relationship approach to C&IB and Business Banking customers, we have adopted a knowledge-based product delivery, wherein we seek to continuously add value by applying our expertise in the respective industries and businesses of our customers. To enable this, we have put together a team of experienced professionals with sector and banking product knowledge that would develop close relationships with customers and deliver sector focused advice in our identified focus sectors namely, food and agri-business, life sciences, infrastructure, telecommunications, media and technology (“TMT”), engineering, textiles and retailing.

In Business Banking, we are currently targeting companies with supply chain linkages to our C&IB clients and companies with an export oriented product profile in addition to clusters of companies within focus sectors in key geographic locations. Accordingly, we are locating our Business Banking relationship teams as well as client service teams in branches, where our target clients are concentrated, to ensure adequate reach and service standards. Further, we are combining our Business Banking offerings with wealth management and liability products from our retail product offerings in order to meet both corporate and personal banking requirements of these customers.

We believe that there exists significant potential to maximise the relationship value of the C&IB and Business Banking customers through cross-sell of our financial markets, transaction banking and financial advisory products and services. To meet the trade, capital and risk related requirements of our C&IB and Business Banking customers, we provide various products and services including risk hedging solutions in several currencies. Our transaction banking group offers a wide gamut of integrated products and services that would enable our customers to outsource their entire treasury operations. Our financial advisory services group advises customers on private equity fund raising, mergers and acquisitions and capital restructuring.

We intend to develop our Retail Banking business by focusing on building “Yes” as a strong financial brand. In the initial phase of our operations, we are concentrating our Retail Banking efforts on the ‘Affluent’ customer segment (with annual household incomes between Rs. 2.5 million and Rs. 5.0 million per annum) to ensure effective client acquisition.

We have opened two branches, one each in Mumbai and Delhi and have licenses from RBI to open another 28 branches. Our strategy is to focus our branch network in the National Capital Territory of Delhi/Northern region. Our branches will be either

multi-functional branches, serving both Business Banking and retail customers or retail-only branches, depending on the potential for business in each location.

As a new bank, we do not yet have an operating history or meaningful financial information. Investors must primarily evaluate Yes Bank by considering our strategy. Investors should consider all the information in this Prospectus, including the risks in investing in our Equity Shares set forth in the section titled "Risk Factors" on page (i) of this Prospectus.

Highlights

We believe we have the following strengths, which will enable us to compete effectively in the Indian financial services sector.

Promoters with a proven track record

Our promoters, Mr. Ashok Kapur and Mr. Rana Kapoor, are experienced banking professionals, who have held leadership positions in multi-national banks in India. With over 65 years of cumulative financial services industry experience, our Promoters have an understanding of the Indian banking industry with relationships across industry sectors. In addition, our Promoters have a proven track record as professional entrepreneurs. As Managing Directors and co-shareholders of Rabo India, they were involved in the setting up and management of a wholesale non-banking finance entity. From its inception in 1998, Rabo India has grown its balance sheet size to Rs. 20.3 billion as of March 31, 2004, creating value for its shareholders.

RBI awarded Yes Bank the only greenfield license since 1995, which we believe is primarily due to our Promoters' track record.

Experienced management team

We have assembled an experienced management team to spearhead the critical initiatives required to develop our business. Our emphasis on creating and sharing value has attracted individuals who previously held senior management positions in leading foreign banks, Indian private sector banks and financial services organizations. For further details, see the section titled "Key Managerial Personnel of our Bank" on page 93 of this Prospectus.

Knowledge banking

We have adopted a knowledge-based approach to product structuring and delivery. We believe that our knowledge banking team comprising professionals with sector knowledge enables us to develop preferred institutional relationships with customers by delivering sector focused advice, products and services. We believe that this knowledge focus differentiates us from our competitors allowing us to provide a more targeted product and service offering. In addition, we believe our emphasis on knowledge management also assists us in detecting early warning signals for effective risk mitigation.

New entrant advantage with outsourcing business model

We are a new generation bank and have adopted technology outsourcing as part of our business model. A significant part of our IT infrastructure and hardware are not assets on our balance sheet. In addition, this outsourcing model provides us with a variable cost structure that can be scaled up based on our expansion plans. We believe that this has enabled us to optimize our limited capital resources in the initial phase of our operations.

Highest short-term rating from ICRA (associate of Moodys Investor Services)

Despite our limited operating history, ICRA has awarded us an A1+ rating for our Rs. 5.0 billion Certificates of Deposit programme, which is the highest rating assigned for short-term debt.

Identifying and adopting best practices

Our goal is to identify and adopt best practices for our products, services and processes. In order to assist us in achieving this goal, we have worked with and continue to work with international firms such as:

- Gartner in devising our IT strategy and technology roadmap;
- PricewaterhouseCoopers (P) Ltd. in finalizing and standardizing our policy and process documents with an objective of ensuring 6-Sigma levels of quality;

- Hewitt Associates in assisting our in-house human resource team to devise human resource strategy and systems; and
- Korn Ferry for the recruitment of key management personnel.

Business Strategy

A driving principle for our Bank is to build a knowledge driven Indian bank focussed on catering to current and emerging growth sectors in India. Our strategy is to build Yes Bank into a “One Bank” for our customers. We believe that offering an extensive product and service range customised for particular client segments or focus industries will maximize revenues. Our “One Bank” business approach will span across all our delivery channels, including our relationship management teams, branches, Internet banking, phone banking and other channels.

To build Yes Bank into a “One Bank”, we will focus on the following elements that we consider essential for building our banking business:

- Building “Yes Bank” as a recognized financial brand;
- Attracting high-quality banking professionals;
- Developing a knowledge banking approach for our focus industry sectors;
- Using technology as a competitive advantage;
- Developing an outsourcing business model;
- Emphasizing conservative risk management practices; and
- Creating a responsible bank through corporate governance and social responsibility.

Building “Yes Bank” as a recognized financial brand

We believe that brand building is critical to our business and we intend to build “Yes” as a strong financial brand. We launched our first brand awareness campaign in December 2004. We have been working closely with various agencies to develop our corporate identity, reflecting the positive market attributes of the name “Yes”. We are working across all our business lines to establish the “Yes” brand name as well as the look and feel of our brand as reflected in our corporate and branch premises, corporate stationery and advertising.

Attracting experienced banking professionals

Our objective is also to build a strong employer brand and attain a preferred employer status in the banking and financial services industry to ensure that we are able to attract, engage and retain high quality banking professionals.

To date, we have built a team of experienced professionals, including experts in treasury, technology, retail product sales, finance, credit evaluation, risk management and marketing. We are also hiring professionals with relevant experience in our focus sectors, given our emphasis on knowledge banking. Continuing to attract experienced banking professionals is critical to our business.

We believe that we have created the right balance of performance bonus, stock option and other economic incentives for our employees so that they are committed to developing the business, achieving profitability targets and controlling risk.

Our objective is to encourage our employees to create and share value. While the senior management owns 2.88% of the pre-Issue share capital of the Bank, we have adopted a Joining Stock Option Scheme of Rs. 100 million par value, under which we could grant options to purchase up to 10 million Equity Shares. On a fully diluted basis, assuming full exercise of the options, eligible employees, including senior management, would hold 5.63% of our issued share capital, post the completion of this Issue. In addition, our Board has approved the second phase of the Joining Stock Option Scheme under which, we propose to grant an aggregate of up to five million options to employees joining the Bank in the fiscal year 2005-2006. For further details, see the section titled “Our Management” on page 82 of this Prospectus.

While our current employment needs are met through lateral hires from other leading Indian private sector and foreign banks as well as from other leading companies in the Indian financial services sector, going forward, we will also seek to attract talent from premier Indian business schools. We intend to build learning and development programs to enhance employee skills in

line with our product and growth plans.

Developing a knowledge banking approach to Indian industry sectors

A differentiating feature of our customer acquisition and customer retention strategy is our knowledge-based approach that uses our understanding of our clients' industries and businesses. As part of our knowledge banking approach, we have identified certain focus sectors based on the following parameters:

- Growth potential of the sector;
- Potential to add value in providing banking products;
- Recognition and appreciation of knowledge as a differentiator;
- Opportunities for banking products and competitor activity; and
- India's competitive position internationally in the sector.

We have already commenced the knowledge banking business model in the following sectors: food and agri-business; life sciences; TMT and infrastructure. We have put together a team of experienced industry and banking professionals who have the necessary knowledge and skills sets in these sectors. We are actively working with industry associations, government bodies and chambers of commerce in various capacities and are actively offering products and services to clients in these sectors. In addition, we are also building competencies in our other focus sectors, which are select engineering, textiles and retailing.

Using technology as a competitive advantage

We have taken a conscious decision to deploy IT systems and practices in order to make our technology platform a strategic business tool for building a competitive advantage. We believe this technology platform will enable us to achieve high standards of customer service at comparatively lower cost structures. Our IT strategy has been formulated in consultation with Gartner and addresses certain critical needs that we have identified for running a new bank successfully. We have been ranked among India's top 20 wired companies by Business Today magazine in its issue dated February 13, 2005.

One of the key features of our technology strategy is to establish long-term partnerships with our technology vendors pursuant to which we intend to exchange domain knowledge and best practices that enable each of us to offer differentiated solutions to our respective customers.

Developing an outsourcing business model

We have outsourced significant parts of our technology infrastructure and hardware. We believe that this gives us an advantage over banks with traditional systems and in-house processing. We have entered into a strategic partnership with Wipro Infotech Limited for outsourcing our applications management, IT infrastructure management and network management. Outsourcing also provides us with the flexibility of a variable cost structure that can be scaled based on our expansion plans.

In addition, we have established a distinct business services unit that will manage back office operations including processing and applications management of retail liabilities, transaction banking business and alternate delivery channels like ATM and internet banking. Our back office operations were ISO 9001:2000 certified in February 2005.

Emphasize Prudent Risk Management Practices

We believe that prudent risk management policies, processes and controls are critical for long-term and sustainable competitive advantages across our business. We are continuously building and improving our credit risk management procedures, credit evaluation and rating methodologies, credit risk pricing models, proprietary analytics, and credit monitoring and control mechanisms.

Creating a responsible bank through strong corporate governance and through the integration of environmental sustainability and corporate social responsibility within our business

We believe that creating a responsible bank starts with strong corporate governance standards. We comply with the recommendations of the Ganguly Committee and the Banking Regulation Act with respect to the composition of our Board of

Directors and Board Committees. In addition, Non-Executive Directors constitute the majority of our Board and Board level sub-committees, including our Audit and Compliance Committee.

We have adopted a business approach titled 'Responsible Banking', which aims to integrate environmental sustainability and corporate social responsibility within our business. We include "social and environmental risks" in the Bank's risk and client rating model and will look more favourably at those businesses that integrate environmental sustainability and corporate social responsibility within their business, especially those involved in renewable energy, sustainable water management, solid waste management or urban and rural regeneration. We believe that lending to businesses in these sectors will not only be profitable and be of tremendous benefit to society but it will also enhance our image in the community, which we believe will increase the value of the Yes Bank brand and be a competitive advantage.

We believe that there is a lot of potential in India for sustainable funds management. Sustainable funds invest in companies that are involved in activities of social or environmental benefit. We entered into a memorandum of understanding, dated March 1, 2005, with BTS Investment Advisors Limited, a Swiss company that provides advice on investments in India, pursuant to which we agreed to jointly pursue sustainable funds management opportunities in India.

Business Line Strategy

At Yes Bank, we view our business in three distinct lines:

- C&IB, that caters to large corporate and institutional clients, multinational corporations and Government owned organizations;
- Business Banking, that caters to emerging local corporates; and
- Retail Banking, that caters to individual customers.

While C&IB is expected to be the principle source of revenue in the early years of the Bank, income from Business Banking and Retail Banking is expected to gain dominance as we roll out our branches. Income from C&IB clients is expected to be bolstered with fee contribution from financial markets, transaction banking and financial advisory services. This is expected to serve as a firm foundation for the roll-out of our Business Banking and Retail Banking operations.

Set out below is our client segmentation and customer acquisition strategy for each business line mentioned above:

Corporate and Institutional Banking Strategy

Our C&IB unit focuses on the following customer segments:

- Large corporate clients with a turnover of more than Rs. 5.0 billion, their subsidiaries and affiliates;
- Government companies and public sector companies;
- Banks and financial institutions; and
- Multinational companies.

Customer Acquisition Strategy for C&IB

We recognize our small balance sheet size will place constraints on our ability to effectively lend to this client segment. However, we also believe that lending business with our C&IB clients would be an inefficient use of our capital given the margins in this business. Notwithstanding this, we believe that our C&IB business will be a principal contributor to the Bank's revenues in the initial years of our operations because of the gestation period involved in the roll out of our other business lines.

Our relationship approach to C&IB and Business Banking customers is top management and owner focused, wherein our senior and top management will seek to directly engage with our customers' senior management. Our strategy is to focus on select target clients within our chosen industry sectors and employ our knowledge driven approach, through which we seek to make a difference to our clients' businesses. We will also focus on maximizing the relationship value from clients through emphasis on account profitability and cross-sell of low capital consuming products and fee-based products.

We intend to locate our corporate and institutional relationship teams in key metropolitan cities which, in our opinion, have high concentration of corporate and institutional clients in our target sectors. Currently, our corporate and institutional relationship teams are located in Mumbai and Delhi.

Business Banking Strategy

Our Business Banking unit provides products and services to emerging local companies with a turnover of less than Rs. 5.0 billion. We believe that there exists sizeable opportunity in this segment for us to offer industry specific solutions and local servicing. Our Business Banking branch roll-out strategy is driven by the concentration of our focus industry sector customers in certain geographic areas.

We expect that this business line will be one of our key value drivers going forward and will be a strategic focus area for us in the years to come. In our assessment, a number of Business Banking clients remain under-serviced in several product areas. This gap represents an opportunity for us to attract customers using our technology, knowledge driven product offerings and delivery capabilities. Key elements of our strategy to attract customers in this segment are:

- Offering one-stop banking to customers for all their banking needs (including business, personal, wealth management/ advisory) at the branch level;
- Providing a personal touch to customers by offering the services of Business Banking relationship managers and service managers at our branches;
- Offering multiple delivery channels including relationship managers, Internet banking and phone banking to provide service and product delivery 24 hours a day; and
- Extending our distribution through alliances and partnerships with industry associations and chambers of commerce and extending our service reach through arrangements with non competing banks.

We believe that branch location is a significant factor in a Business Banking customer's choice of bank. Our Business Banking branches will be focused at location that have been chosen based on the concentration of industries within our focus sectors. These branches will be both large and multi-functional with Business Banking relationship and service managers sharing the infrastructure with the Retail Banking teams. We believe that this will allow us to service these emerging companies and cross-sell other products more effectively.

Retail Banking Strategy

We intend to develop our Retail Banking business line by focusing on building our "Yes" brand as a strong financial brand.

In the initial phase of our operations, to ensure effective client acquisition, we are concentrating our Retail Banking efforts on the needs of the 'Affluent' customer segment (with annual household incomes between Rs. 2.5 million and Rs. 5.0 million per annum). National Council for Applied Economic Research (NCAER) reports that there are approximately 200,000 Affluent households in India. Subsequently, as we build our branch network, we will also focus on servicing the needs of the 'Mass Affluent' segment (with annual household incomes between Rs. 0.5 million and Rs. 2.5 million per annum). NCAER reports that there are approximately 30 million Mass Affluent households in India.

As a new bank, we intend to build a Retail Banking business which is recognized by our customers as:

- Offering choice and convenience when it comes to providing financial solutions;
- Offering a one-stop-shop for all traditional and evolving financial needs of the Affluent customers;
- Using technology to offer a variety of flexible, innovative products; and
- Providing market knowledge and analysis to better serve our clients' wealth management needs.

Our strategy to acquire new customers is based on developing our branch network and our alternative customer channels.

Branch Strategy

Our strategy is to focus our branch network in the National Capital Territory of Delhi /Northern region. We believe that North India, especially the National Capital Territory of Delhi, is witnessing significant economic and infrastructural growth. This region is also the 'food-basket' of the nation, which fits well with our food and agricultural industry focus. Accordingly, we have decided to locate over two thirds of our total branches in this region.

Our branches will be either multi-functional branches serving both corporate and retail customers or retail-only branches.

We opened our first branch in Mumbai. We have opened a branch in New Delhi and have licenses to open another 28 branches. We intend to build a network of branches across India.

Alternative Channels

Our strategy is to attract customers through a choice of alternative delivery channels, including ATMs, Internet banking, telephone banking such as call centre and mobile phone banking, and direct sales agents.

Sales Strategy

Our strategy is to penetrate the retail market by approaching clients through a variety of contact points. The first contact point is the branch with a branch relationship manager who will offer our products and services. We will also sell third party products through out-bound sales force and our relationship managers in our branches. In addition, on the launch of our retail asset products, we will employ third party direct selling associates to sell our products and services to customers outside the branch environment. These direct selling associates will be managed by our sales managers.

In addition to the above one-on-one sales activities with our customers, we intend to use our electronic delivery channels to sell and promote our products.

Our Focus Industry Sectors

Our sectoral focus is driven by the growth opportunities for banking products in this sector in the current market environment and the experience, knowledge and operating strengths of our management in these sectors. While we have already commenced knowledge banking with respect to food and agri-business; life sciences; TMT; and infrastructure, where we are actively offering our products and services to clients and working with the respective industry associations, governments, chambers of commerce in various capacities, we are also in the process of instituting the knowledge banking practice with some other key sectors: textiles; select engineering; and retailing, where there exists significant business potential.

As of March 31, 2005, we had 18 professionals with specialised experience and knowledge in our focus sectors. These professionals have, in their previous assignments, completed diverse and complex assignments including lending, advisory, project and structured financing, in each of these focus sectors.

Food and Agri-Business

We aim to be a significant player in the food and agri-business sector by providing financing and structuring solutions to the entire agri-business supply chain. The key segments of the value chain for us are:

- Agro-processing;
- Agri-infrastructure;
- Agri-inputs;
- Food service and retail; and
- Agri-biotechnology.

We have already received an in-principle approval from Small Farmers' Agri-Business Consortium of the Department of Agriculture and Cooperation, Ministry of Agriculture to work on the preparation of bankable detailed project reports, and are also advising the Ministry of Food Processing Industries, Government of India on the draft report on 'Vision, Strategy and Action Plan for the Food Processing Industries in India'.

As of March 31, 2005, our loans to the food and agri-business sector constituted 18.1% of our advances portfolio.

Life Sciences

In this sector we are targeting:

- Active pharmaceutical ingredient and intermediate manufacturers that are cost competitive and innovative;

- Formulation companies with international registrations and approved facilities; and
- Companies with robust contract manufacturing, contract research and clinical trial pipelines.

We are building a network of relationships in the United States and European markets in order to assist our clients in their international expansion plans. Our life sciences team is a regular invitee to domestic and international industry seminars and forums and has built strong relationships with key industry personnel and the research community.

We have recently secured an assignment to advise the Government of Maharashtra on the potential of establishing a biotech park in Mumbai city. We are members of Indian Drug Manufacturers Association, Organisation of Pharmaceutical Producers of India. We have recently been inducted as a Special Invitee of the Working Group on Biobusiness and Biotech Park by the department of Biotechnology, Ministry of Science and Technology, Government of India.

As of March 31, 2005, our loans to the life sciences sector constituted 17.5% of our advances portfolio.

Infrastructure

In this sector, we are primarily targeting advisory related services in:

- Roads;
- Ports and shipping;
- Logistics and transportation;
- Airports and airlines; and
- Power / renewable energy.

The renewable energy sector is of particular interest given our expertise in this industry. Our team has completed an equity raising transaction for Suzlon Energy Ltd. in the renewable energy sector.

As of March 31, 2005, our loans to the infrastructure sector constituted 17.5% of our advances portfolio.

TMT

We intend to focus on the following areas of the TMT sector:

- Wireless service providers (GSM and CDMA);
- Equipment manufacturers and turnkey solution providers;
- Wireless software providers;
- Television software, including content production, content distribution and infrastructure;
- Film exhibitors; and
- Information technology enabled services businesses with transaction processing capability and stable contracts.

As of March 31, 2005, our loans to the TMT sector constituted 11.4% of our advances portfolio.

Engineering

In the engineering business sector, we are focussing on segments where India has achieved global recognition for competitiveness and quality, particularly:

- Auto components;
- Power equipment; and
- Engineering procurement and contracting.

As of March 31, 2005, our loans to the engineering sector constituted 10.8% of our advances portfolio.

Textiles

We expect that with a new liberalized regulatory regime for the Indian textile industry, new opportunities for textile manufacturers will emerge. We intend to take a multi product approach by combining traditional lending products with investment banking advice to assist textile companies move up the value chain and internationalize their operations.

As of March 31, 2005, our loans to the textiles sector constituted 0.9% of our advances portfolio.

Retailing

The retail sector in India has undergone tremendous growth and change in recent years through the development of shopping malls and increasing market penetration of international retailing chains. We believe that the retail sector will provide us with opportunities in transaction banking, working capital financing, securitization of receivables and wealth management.

As of March 31, 2005, we had nil advances in this sector.

Our C&IB and Business Banking Products

Our key commercial banking products and services to C&IB and Business Banking customers include loan products and fee and commission-based products and services. Our loan products include term finance and working capital finance including cash credit facilities and bill discounting. Our fee and commission-based products and services include transaction banking, financial markets and investment banking products. We also accept Rupee or foreign currency deposits with fixed or floating interest bases from our customers. Our deposit products include current deposits and time deposits.

Loan Products

Our loan products include term finance, cash credit facilities, overdrafts, bill discounting and short-term loans.

Term Finance: We provide medium to long-term finance generally through term loans. We generally seek property, plant and equipment and other tangible assets of the borrower as collateral. We also provide structured finance solutions to our customers.

Cash Credit Facilities: Cash credit facilities are the most common form of working capital financing in India. Under the cash credit facility, a line of credit is provided up to a pre-established amount based on the borrower's projected level of inventories, receivables and cash deficits. Up to this pre-established amount, disbursements are made based on the actual level of inventories and receivables. A cash credit facility is typically given to companies in the manufacturing, trading and service sectors on a floating interest rate basis. Interest is earned on this facility on a monthly basis, based on the daily outstanding amounts. The facility is generally given for a period of up to 12 months, with a review after such period. Our cash credit facility is generally fully secured with full recourse to the borrower. In most cases, we have a first charge on the borrower's current assets, which normally are inventory and receivables. Additionally, in some cases, we may take further security in the form of a first or second lien on fixed assets, including real estate, a pledge of financial assets like marketable securities or corporate guarantees and personal guarantees.

Overdrafts: An overdraft is a form of credit similar to cash credit. An overdraft is a running account facility where the borrower may remit and draw funds freely, subject to the limit granted.

Bill Discounting: Bill discounting involves the financing of short-term trade receivables through negotiable instruments such as bills of exchange. These negotiable instruments can then be discounted with other banks if required, providing us with liquidity.

Short-term loans: Short-term loans are demand loans with a maturity of up to one year provided by us to corporate borrowers to meet their temporary cash flow mismatches. They can be denominated in either Rupee or foreign currency and can be disbursed as fixed rate loans or as floating rate loans linked to our prime lending rate or money market benchmark rates. Short-term loans are usually provided to highly rated corporates and may be unsecured.

Corporate Deposits

We take deposits from our C&IB and Business Banking clients with terms ranging from seven days to ten years, but predominantly with terms from seven days to one year. RBI regulates the term of deposits in India, but not the interest rates, with some minor

exceptions. Banks are not permitted to pay interest for periods less than seven days. Also, pursuant to the current regulations, we are permitted to vary the interest rates on our corporate deposits based upon the size range of the deposit, so long as the rates offered are the same for every customer of a deposit of a certain size range on a given day.

We offer a variety of deposit products to our C&IB and Business Banking clients. We take Rupee or foreign currency denominated deposits with fixed or floating interest rates. Our deposit products for C&IB and Business Banking include:

- Current accounts: non-interest-bearing demand deposits;
- Time deposits: fixed term deposits that accrue interest at a fixed or a floating rate and may be withdrawn before maturity by paying penalties, if any; and
- Certificates of deposit: a type of time deposit that is transferable

We also provide liquidity management services to our C&IB and Business Banking customers to enable them to invest their short-term cash surpluses in a variety of short-term treasury and deposit-based instruments, including treasury bills, commercial paper and certificates of deposit. These products allow our customers to earn income on their short-term cash surpluses since deposits for periods of less than seven days are non-interest-bearing pursuant to RBI regulations.

Transaction Banking Products and Services

Our transaction banking offerings can broadly be classified into Trade Services which includes import services, export services, guarantees and domestic trade and Cash Management Services, which includes, collection services, trust and retention accounts, escrow accounts and payment services.

Trade Services

Our Trade Finance products are structured to provide trade related solutions to our customers. Using our product expertise and industry knowledge, we structure solutions to meet complex requirements of the customers, helping them to further their business interests across international borders. With a range of products and services including letters of credit (LC), remittances, export credit and domestic trade solutions, we offer the customer end-to-end solutions.

Import Services: We provide letters of credit to our customers to meet their working capital needs as well as for capital equipment purchases. For working capital purposes, we issue letters of credit on behalf of our borrowers for the sourcing of their raw materials and stock inputs. Lines of credit for letters of credit are approved as part of a working capital loan package provided to a borrower. Letters of credit, like cash credit facilities, are generally given for a period of up to twelve months, with review after that period. Typically, letters of credit are issued on a revolving basis over the term of the facility, with commission charged by us for each issuance, based on the amount and the term of the issuance. Letters of credit are generally secured by the same collateral that is available for cash credit facilities.

Apart from imports against letters of credit, our importer customers can choose between a range of products for making import remittances. We offer our customers the ease to choose between open account remittances and advance payments or make payments for bills received, on collection basis.

Export Services: For our export clients, we offer end-to-end solutions from pre-shipment financing to post shipment document negotiation as well as the final receipt of funds on their behalf. We also offer letters of credit advising facility to our customers, wherein we receive letters of credit on behalf of our exporter customers and intimate them of the same. In addition, for export collection bills, we forward the documents to the buyers abroad and receive funds on behalf of the exporter customers.

Guarantees: We provide guarantees, which can be drawn down any number of times up to the committed amount of such a facility. We also issue guarantees on behalf of our borrowers in favour of corporations.

Domestic Trade and Channel Finance Program: As part of our domestic trade solutions, we offer our customers facilities like inland letters of credit, bill discounting and collection of bills. Apart from managing domestic trade transactions for our customers and in order to integrate their supply chain, we offer financing solutions like vendor financing and dealer financing.

Cash Management Services

Under cash management services, we offer our clients custom-made collections, payments, liquidity and investment services

allowing them to reduce the time period between collecting payments, making payments and managing funds effectively and efficiently.

Collections services: Our collection services include providing liquidity to our customers for their cheques deposited locally, upcountry or at remote locations. Collections services include physical cheque-based clearing in locations where settlement systems are not uniform. We offer our clients central pooling of country-wide collections for which our customers pay a fee, based on the volume of transactions, the location of the cheques collected and speed of providing liquidity.

Payments Services: We offer our clients multiple modes of making payments through cheques (normal or payable-at-par), demand-drafts/pay-orders, electronic clearing services (RTGS, EFT and ECS). We are RTGS enabled and have the capability to make online real time payments.

We plan to offer online electronic payment facilities through our commercial Internet banking platform to our corporate customers and their suppliers and dealers in a closed user group, wherein the entire group would be required to maintain current accounts with us. Under this service, all payments between these supply chain participants would be made electronically. This service offers a high level of convenience as no physical instrument would be required and all transactions would be done electronically with information available online. This service would be customised to meet the specific requirements of individual customers.

We also act as bankers to corporates for dividend payout to their shareholders and interest payout to their investors and depositors resulting in current account balances with us. In the initial phase of our operations, to overcome the limitations of our current branch network, we have agreements with a public sector bank, two leading private sector banks and a foreign bank for correspondent banking arrangements. Dividend and interest remittance services and Internet-based payment products result in current account balances and fee income for the Bank.

Liquidity and Investment Management: To enable cash flow management and optimum utilisation of funds, we offer deficit and surplus management services to our clients by way of sweep-in/sweep-out facilities, central pooling and investment services.

Financial Advisory Products and Services

We provide advisory services in the following areas:

- ***Private equity fund raisings:*** including advice on venture and growth capital, structured investment and convertible products, mezzanine financings and buy-out transactions by financial sponsors;
- ***Merger and acquisition transactions:*** including advice on sale of businesses/brands/companies, acquisitions, joint ventures, cross-border strategies and inbound investment advice to foreign companies; and
- ***Restructuring:*** including advice on capital restructuring and spin-offs.

We provide advisory services to our clients on both transactional and retainer basis. Retainer relationships ensure a regular inflow of income in an otherwise lumpy business and also strengthen our relationship with the client.

As of March 31, 2005, we have completed one private equity placement transaction for Suzlon Energy Ltd. in the renewable energy sector.

Pursuant to a tripartite agreement, dated November 2, 2004, we have agreed to set up the Indian Renewable Energy Enterprise Development ("IREED") Fund along with BTS Investment Advisors Limited and Rabo India. The investors in the IREED Fund will be domestic and overseas investors and the fund is looking to raise US\$30 million in its initial capital raising. The IREED Fund will make equity/quasi-equity investments in renewable energy projects and companies manufacturing renewable energy equipment in India. We will be the strategic advisor to the IREED Fund and intend to utilise the expertise of our personnel in appraising and financing renewable energy projects. As of the date of this Prospectus, the fund has not received any money from investors and there can be no assurance that it will successfully raise the targeted amount of money or any money at all.

We believe that there is a lot of potential in India for sustainable funds management. Sustainable funds invest in companies that are involved in activities of social or environmental benefit. We entered into a memorandum of understanding, dated March 1, 2005, with BTS Investment Advisors Limited, a Swiss company that provides advice on investments in India, pursuant to which we agreed to jointly pursue sustainable funds management opportunities in India.

Further, pursuant to a guarantee agreement dated April 18, 2005, the United States Agency for International Development (USAID), has agreed to provide a guarantee facility in respect of the loans made by the Bank to small and medium enterprises in India engaged in renewable energy, energy efficiency and water conservation/management projects, thereby promoting improved access to clean energy and water in India. The aggregate amount of loans that would be covered under this facility is the Indian Rupee equivalent of US\$ 10 million and such extent of coverage provided in respect of each of the loans shall not exceed 50% of the principal amount of such loans. This agreement is valid for a term of ten years.

Our Retail Banking Business

We offer a range of retail liability products, wealth management products and also plan to offer select retail asset products. On the retail liability side, we offer fixed deposits including recurring deposits, savings accounts and current accounts. For all our retail liability customers, we will issue debit cards.

Presently, we distribute as well as offer advisory services for investment products comprising third party mutual funds and RBI bonds to our retail customers. We have entered into an arrangement with Max New York Life, wherein we will offer Max New York Life's flexible life insurance solutions to our customers. We are also in the process of evaluating arrangements with a non-life insurance company to distribute their insurance products through our customer channels.

On the retail asset side, we plan to offer personal loans that are unsecured loans provided to customers for various purposes. In addition, we also plan to offer individuals loans against shares and time deposits.

Our Financial Markets Business

Our financial markets' products and services offered include:

- Spot foreign exchange for the conversion of foreign currencies;
- Forward foreign exchange for hedging future receivables and payables up to a maximum period of three years but generally up to a period of six months; and
- Foreign exchange and interest rate derivatives for hedging market risk exposures up to 10 years but generally up to a period of five years.

Our customers pay us a commission for these products, which may be included in the rate at which we transact with them. We also employ these products to hedge the interest rate and currency risk exposures of our own balance sheet.

We believe that our financial markets business has the potential to be a key contributor to our revenues, especially through fee earnings. We provide products and services as well as risk hedging solutions in several currencies to meet the trade, capital and risk related requirements of our C&IB and Business Banking customers.

We have put in place a financial markets team, comprising 13 professionals, several of whom were previously employed in business and product leadership roles with various foreign and domestic private sector banks in India. We have also obtained registration with SEBI as Category I Merchant Bankers.

The financial markets team possesses understanding of a wide range of financial market products and thus provides a single point of access to our customers for most of their financial market needs. This understanding enables us to take a holistic view of customers' businesses and assess their risk management requirements.

Given that we are a new bank, we have closely aligned our trading strategy with the distribution strategy of our financial markets business, in order to facilitate controlled proprietary risk taking and unwinding. Currently, we engage in momentum trading with limited exposures only.

We believe that given the growing complexity of the financial markets and their products, information technology will be the key enabler and differentiator in this business, especially when Basel II norms come into force. We have entered into an agreement with Murex S.A. to license their treasury management software, Mx G2000 with the objective of acquiring the capability of real-time, enterprise-wide monitoring of risk as well as straight through processing of complex financial markets transactions.

Our Treasury Operations

Through our treasury operations, we seek to manage the interest rate risk and liquidity profile of our balance sheet, including the maintenance of required regulatory reserves and to optimize profits by taking advantage of arbitrage opportunities.

Under RBI's statutory liquidity ratio requirement, we are currently required to invest 25.0% of our total demand and time liabilities in Government of India securities and other approved securities. We maintain the statutory liquidity ratio through a portfolio of Government and other approved securities that we actively manage in order to optimize the returns. Under RBI's cash reserve ratio requirements, we are currently required to maintain 5.0% of our net demand and time liabilities in a current account with RBI. RBI pays no interest on these cash reserves up to 3.0% of the net demand and time liabilities and pays interest at 3.5% on the remaining eligible balance. For further discussion of these regulatory reserves, see the section titled "Regulation and Policies - Legal Reserve Requirements" on page 68 of this Prospectus.

Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the cash reserve ratio requirement. The objective is to ensure the smooth functioning of our operations and at the same time avoid holding of excessive cash. Our treasury seeks to strike the right balance between interest-earning liquid assets and cash to optimize earnings.

Funding

Our funding operations are designed to ensure the availability of liquidity to all our businesses, while minimizing cost. We have also put in place a funds transfer pricing policy such that there are adequate incentives for funds generation activity.

We raise funds through deposits (current, savings and time), domestic market borrowings and the issuance of certificates of deposit. We also have the ability of raise borrowings from overseas sources as well as in the form of Tier II capital through the issuance of subordinated bonds.

We obtain current account balances from our account operations with our C&IB and Business Banking customers, savings deposits from the balances maintained by our individual customers and time deposits from both individual and corporate customers. Under RBI regulations, we are prohibited from paying any interest on current account balances maintained with us and we are currently required to pay interest at the rate of 3.5% on our savings account balances. RBI permits banks to freely determine rates of interest payable for domestic fixed deposits and borrowings.

We borrow call money (overnight), notice money (2-14 days) and term money (14-365 days) from Indian financial market participants, including both domestic and foreign banks, mutual funds and insurance companies.

ICRA has awarded us an A1+ rating for our Rs. 5.0 billion Certificates of Deposit programme. This rating is the highest rating assigned for short term debt. We issue certificates of deposit to mutual funds, banks and other investors for tenors between 7 days and one year.

Technology and Outsourcing

We have made a conscious decision to invest in IT systems and practices that will enable us to achieve high standards of customer service at comparatively lower cost structures, thereby establishing a competitive advantage.

Our IT strategy has been formulated in consultation with Gartner. This strategy recognizes our future requirements and addresses the following six critical needs that we have identified for running our bank:

- High levels of efficiency through automation;
- Centralised database management and centralized processing;
- Connectivity with customers and external agencies to provide a consistent experience to customers across all contact points;
- Systems that enable integration of front, middle and back offices (straight through processing);
- Strong built-in surveillance and security systems, providing comfort to all users; and
- Robust information networks ensuring high uptime, supported by proven back-up systems and disaster recovery processes.

Gartner is also advising us in designing a comprehensive IT governance framework that would help us in developing IT performance management techniques, an effective IT operating structure, an IT control framework and a responsible IT organization.

One of the key features of our technology strategy is to establish long-term partnerships with our technology vendors pursuant to which we intend to exchange domain knowledge and best practices that enable each of us to offer differentiated solutions to our respective customers.

We follow a disciplined process for selecting appropriate IT platforms that includes defining various phases of evaluation and objectives and outcomes from each of the phases. We base our evaluation on parameters like functionality fit, strategic fit, architectural alignment, customer benefits and operational impact.

We have licensed and implemented Flex-Cube, the flagship product of *i-flex*, as our core-banking software solution. We have also entered into an agreement with *i-flex* to collaborate on technology-led innovations for improving products and processes by bringing in complimentary and dedicated technology and business skills.

Pursuant to our IT strategy, we have adopted a total outsourcing business model in the areas of information technology and business services. We believe this enables us to build operational excellence by allowing us to concentrate on our core business activities and ensure quality service delivery to customers, through documented service level agreements with each outsourcing partner.

We have outsourced significant parts of our technology infrastructure and hardware. We believe that this gives us an advantage over banks with traditional systems and in-house processing. We have entered into a strategic outsourcing agreement with Wipro Infotech Limited dated December 14, 2004 for outsourcing our applications management, IT infrastructure management and network management. This agreement is valid for a term of 84 months from the date of entering into this agreement. This outsourcing agreement provides us with the flexibility of a variable cost structure that can be scaled up based on our expansion plans.

In addition, we have established a distinct business services unit that will manage back office operations including processing and applications management of retail liabilities, transaction banking business and alternate delivery channels like ATM and internet banking. In February 2005, our back office operations were ISO 9001:2000 certified. The scope of certification encompasses Clearing Operations, Cash Management Services, Retail Liabilities Operations, Treasury Operations, Direct Banking Operations, Trade Finance Services and Credit/ Loan Administration. We have also been ranked among India's top 20 wired companies by Business Today magazine dated February 13, 2005.

Risk Management

As a financial intermediary, we are exposed to risks that are peculiar to our lending, investment and trading activities and the environment within which we operate. The goal of our risk management is to ensure that we understand, measure, monitor and report the various risks that arise and that we adhere strictly to the policies and procedures that have been established to address these risks.

Our Board of Directors has the overall responsibility for risk management. The Board of Directors has delegated all of its functions and responsibilities relating to risk management policy, direction and supervision thereof to our Risk Monitoring Committee, a sub-committee of the Board. In addition, our Audit and Compliance Committee, a sub-committee of the Board, provides direction to, and monitors the quality of, the internal audit function. For a discussion of these and other committees, see the section titled "Our Management" on page 82 of this Prospectus.

Credit Risk

We are principally exposed to credit risk in our lending operations. Credit risk is the risk of loss that may occur as a result of the failure of our borrowers to abide by the terms and conditions of any financial contract with us, principally the failure to make required payments on loans due to us. We have a structured and standardized credit approval process, which includes a credit appraisal procedure.

In accordance with RBI guidelines, the Board of Directors has the overall responsibility for credit risk management. The Board

is responsible for approving the Bank's credit policy covering, among other things, prudential exposure limits, business segments, credit assessment and approval and denial system, margin and collateral management, credit documentation, credit pricing, credit administration and monitoring system, non-performing assets management policy and credit risk management system.

The Board of Directors has delegated all functions and responsibilities relating to the policy, direction and supervision of credit risk management to the Risk Monitoring Committee. The Risk Monitoring Committee has further delegated broad credit risk monitoring responsibilities to our credit risk management department.

The main role and responsibilities of the credit risk management department include:

- Measuring, controlling and managing credit risk on a bank-wide basis within the limits set by our Board of Directors, the Risk Monitoring Committee and RBI.
- Enforcing compliance with the credit risk parameters and credit exposure and concentration limits set by the Board of Directors, the Risk Monitoring Committee and RBI.
- Laying down credit risk assessment systems for monitoring and reporting the quality of the loan and investment portfolio, identifying problems, correcting deficiencies and undertaking loan reviews and audits.
- Conducting a complete risk analysis of the proposed obligor/facility before approval of the credit risk.
- Protecting the quality of our loan and investment portfolio, undertaking portfolio evaluations and conducting comprehensive studies on the environment to test the resilience of the loan portfolio.

Credit Risk Assessment Procedures for Corporate Loans

Our credit risk rating system uses two major categories of credit risk: facility risk and borrower risk. Facility risk covers the tenor and nature of security for an exposure and the value and type of charge on the security. Borrower risk is evaluated by considering:

- ***Financial risk:*** This includes an assessment of the entity's overall financial strength based on performance and financial indicators, as derived from its historical and projected financial statements. While assessing the overall financial strength of the entity, the static ratios and future prospects of the entity are considered and comparisons with other entities in the relevant industry are made.
- ***Business risk:*** Business risk analysis assesses the business fundamentals of the entity, its competitive market position in the industry and its operational efficiency. Key factors include the entity's geographic reach, distribution and selling arrangements, capacity utilization and nature of the technology employed.
- ***Industry risk:*** The entity will be subject to the risk factors to which the relevant industry is exposed. In assessing the industry risk, the key industry parameters like competition, barriers to entry, cyclical, industry outlook, regulatory risk and government policies are considered.
- ***Management risk:*** This involves an evaluation of the management of the entity, its risk philosophy, competence and track record and also the length of our relationship with the entity and its management.

Each category of risk is assessed separately on specified parameters with suitable weights. We have a 12-point rating scale for direct obligors from Y-1 (minimum risk category) to Y-12 (maximum risk category).

Each borrower in the credit portfolio has a credit rating assigned to it and our credit policy provides that credit ratings of all borrowers are to be updated at least annually. The credit ratings are assigned to each entity by the entity's relationship manager and approved by the credit risk management department.

Credit Appraisal Process

Our relationship managers are responsible for the initial appraisal of all credit proposals. A relationship manager is required to follow the following broad guidelines in appraising a credit proposal, irrespective of the nature of the credit facility and the business segment involved:

- ***Bankability of the Proposal:*** The first step in the appraisal process in any credit proposal is to ensure that there are no regulatory restrictions as regards the borrower, the security offered and the purpose of the loan and that the proposal

conforms with our prudential exposure limits and other credit policy guidelines.

- **Due Diligence:** The applicant's relationship manager is required to conduct due diligence, including conducting an in-depth analysis of the technical, commercial, economic, financial and managerial aspects, as applicable, of the applicant's business or project, the applicant's track record and reputation in the market, the conditions of the industry in which the applicant operates and other critical aspects of the proposal. The help of external consultants may be sought with respect to any technical, economic or commercial viability issues. If the applicant has existing borrowing arrangements with other banks, their opinion on the applicant and the conduct of the applicant's accounts may be ascertained.
- **Credit Need Assessment:** This involves determining the kind of credit facilities needed by the applicant and the limits for each of the facilities.
- **Credit Rating:** A preliminary credit rating is recommended by the relationship manager for each borrower or credit facility, as per our credit rating model. The rating reflects the credit risk involved in the borrower or facility for the credit facilities recommended for approval.

In addition to the general guidelines outlined above which are applicable to all credit appraisals, there are certain kinds of credit facilities requiring specific appraisal processes because of the nature of the facility, the nature of the industry or business segment and the credit purpose. These include the following:

- **Terms Loans, Deferred Payment Guarantees and Project Finance**

Term loans, deferred payment guarantees and project finance proposals are appraised on the basis of project reports prepared by the borrower in-house or by external consultants.

- **Working Capital Facilities**

Under a consortium arrangement, the working capital assessment of a borrower is made by the lead bank and circulated to the members of the consortium and the overall working capital limit is finalized by the lead bank. For such credit facilities, we also independently carry out an appraisal and sanction our share of the agreed limit.

Working capital facilities are primarily secured by inventories and receivables. Additionally, in certain cases, these credit facilities are secured by personal guarantees of directors or by subordinated security interests in the tangible assets of the borrower including plant and machinery.

Working capital facilities are generally sanctioned to a borrower for a period of not more than one year. Before the expiry of the sanction, a working capital facility is appraised afresh.

Credit Approval

Depending on the amount of total exposure recommended for approval by the relationship manager, the Board of directors has delegated the powers to approve or sanction credit facilities to either an internal credit committee or to specific management functionaries. The minutes of all the Credit Committee's meetings are reviewed at the Risk Monitoring Committee meetings.

All proposals for approval or sanction of a credit facility are required to be submitted by a relationship manager in the prescribed format along with the financial appraisal, assessment of the credit requirements and the reasons for recommendation. If the total exposure is above the limit specified by the Risk Monitoring Committee, the proposal is given to the Credit Committee for approval. Any exposure below this limit can be approved by the "three initial system", which is described below.

Credit exposure (fund-based and non-fund based) above 15.0% of our capital funds to a borrower or in excess of the prudential limits prescribed in our credit policy are required to be sanctioned by the Risk Monitoring Committee. RBI allows a bank, under exceptional circumstances and with the specific approval of that bank's Board of Directors, to have a credit exposure of up to 20.0% of that bank's capital funds.

'Three Initial' System For Sanction/Approval

Any credit exposure (fund-based, non-fund based or treasury related credit limits) below the amount specified by the Risk Monitoring Committee is assessed by a relationship manager and recommended by the team leaders in the business group who are specifically designated as first signature authority. The proposal is then sanctioned/approved by at least two authorized approvers, one of whom must have the discretionary powers equal to or greater than the amount of the credit exposure

recommended for sanction and one of whom must be a designated credit approver from our credit risk management department. The three initial system avoids credit approval based on the judgment of one functionary alone, establishes line accountability for credit decisions and combines credit approval authorities and discretionary powers.

Credit Monitoring Procedures

Our loan services group monitors compliance with the terms and conditions for credit facilities prior to disbursement. The loan services group also monitors all aspects of security, margins, charge creation and the validity of charge creation, including insurance coverage.

Our credit policy provides that all borrowers are to be subject to a credit audit at least once a year. Lower rated-borrowers are to be subject to a credit audit on a half-yearly basis and non-performing assets and restructured assets are to be subject to a quarterly credit audit.

Market Risk

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

Market Risk Management Procedures

The Risk Monitoring Committee is responsible for market risk management including:

- Setting policies and guidelines for market risk measurement, management and reporting;
- Reviewing and approving market risk limits, including triggers or stop-losses for traded and accrual products;
- Allocating capital to cover the market risk; and
- Ensuring the robustness of financial models and the effectiveness of all systems used to calculate market risk.

Our Asset Liability Management Committee is responsible for adherence to the policies and limits set by the Risk Monitoring Committee as well as for deciding the business strategy on the assets and liabilities sides in line with our business and risk management objectives. The primary responsibilities of the Asset Liability Management Committee include:

- Setting pricing for deposits and advances;
- Deciding on the desired maturity profile and mix of incremental assets and liabilities;
- Articulating our interest rate view;
- Formulating and administering our transfer pricing policy; and
- Reviewing the impact of changes in the economic and political scenario on our balance sheet.

Our Investment Committee is responsible for our overall investment strategy and is also responsible for approving any new financial markets and investment products.

Our middle office group is responsible for the critical functions of independent market risk monitoring, measurement, analysis and reporting to our management. For marking to market the portfolio held in "held for trading" and "available for sale", the middle office group is responsible for the veracity of the rates for calculation of depreciation and calculating capital to be assigned on a day-to-day basis for the investment portfolio. The middle office group reports to our Chief Financial Officer and has reporting independence from our financial markets group and other risk-taking units. Risk limits, including position limits and stop loss limits for the trading book, are monitored on a daily basis.

The credit risk management department is responsible for a periodic review of market risk limits and recommending to the Risk Monitoring Committee any changes in the limits if required.

Interest Rate Risk

Our core business is deposit taking and lending. These activities expose us to interest rate risk. Since our balance sheet consists predominantly of Rupee assets and liabilities, movements in domestic interest rates constitute the main source of interest rate risk.

We measure exposure to fluctuations in interest rates primarily by way of gap analysis, providing a static view of the maturity and re-pricing characteristics of balance sheet positions. We prepare an interest rate gap report by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated re-pricing dates. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category would then give us an indication of the extent of exposure to the risk of potential changes in the margins on new or re-priced assets and liabilities. We measure interest rate risk from the perspective of earnings as well as economic value and follow the value at risk approach to measure the potential price risk of the trading book to changes in interest rates. We also use value at risk limits for the banking book to measure the impact of changing interest rates on our net worth.

We prepare interest rate risk reports on a fortnightly basis. The same are reported to RBI on a monthly basis. Interest rate risk is further monitored through interest rate risk limits approved by our Risk Monitoring Committee.

Our primary sources of funding are deposits and inter-bank borrowings. In the Rupee market, most of our deposit taking is at fixed rates of interest for fixed periods other than savings deposits and current deposits, which do not have any specified maturity and can be withdrawn on demand. However, we have a mix of floating and fixed interest rate loans. Our loans are generally repaid more gradually, with principal repayments being made over the life of the loan. We use a single benchmark prime rate structure for all floating rate loans other than specific categories of loans advised by the Indian Banks' Association (which include, among others, loans for purchase of consumer durables, non-priority sector personal loans and loans to individuals against shares, debentures, bonds and other securities). Lending rates on such floating rate loans comprise of benchmark prime rate, term premia and transaction-specific credit and other charges. We seek to eliminate interest rate risk on undisbursed commitments by fixing interest rates on Rupee loans at the time of loan disbursement only.

We use the duration of our Indian Government securities portfolio as a key variable for interest rate risk management. We increase or decrease the duration of our Indian Government securities portfolio to manage our interest rate risk exposure. In addition, we also use interest rate derivatives to manage the asset and liability positions.

Liquidity Risk

We face liquidity risk on account of the mismatch in the maturity of our assets and liabilities. Liquidity risk also includes both the risk of our inability to raise incremental funds or unexpected increases in the cost of those funds and the risk of being unable to liquidate an asset in a timely manner at a reasonable price. The goal of liquidity management is to be able, even under adverse conditions, to meet all of the funding needs of our business.

We principally fund our incremental liquidity requirements through short-term borrowings in the inter-bank market and through the issuance of certificates of deposits. These borrowings are augmented by accepting deposits from retail and corporate depositors. We also generate liquidity through the sale of our investments and through the sale and repurchase of our investments. Most of the funds raised are used to extend loans or purchase securities.

We actively monitor our liquidity position and seek to establish a continuous information flow and an active dialogue between our funding and lending divisions to enable optimal liquidity management. We also generate a dynamic liquidity report on a monthly basis that forecasts our near-term liquidity requirements. The Asset Liability Management Committee is responsible for our overall liquidity management.

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

We have recourse to the liquidity adjustment facility and the refinance window, which are short-term funding arrangements provided by RBI.

We have the option of managing liquidity by borrowing in the overnight inter-bank market. However, the overnight inter-bank market is susceptible to volatile interest rates and our liquidity management policy stipulates daily limits for borrowing and lending in this market.

We are required to submit liquidity gap analysis on a monthly basis to RBI. Pursuant to RBI guidelines, the liquidity gap (if negative) should not exceed 20.0% of outflows in the 1-14 day and the 15-28 day time category.

Foreign Exchange Rate Risk

We offer foreign currency loans and deposits and foreign currency hedge instruments like swaps, forwards, and currency options to clients, which are primarily banks and corporate customers. We actively hedge exchange risks arising out of these trading positions. We also engage in trading activities in the foreign currency markets that expose us to exchange rate risks. In addition, our foreign exchange business exposes us to foreign currency interest rate risk that arises from maturity mismatches of foreign currency positions, and settlement risk, which is the risk of default by counterparties. We mitigate these foreign exchange risks by setting counterparty limits and subjecting the overall foreign currency positions to an overnight open exchange position limit that has been approved by RBI. We also prepare, on a fortnight basis, a liquidity gap report for each currency encompassing both the trading and banking books.

Equity Price Risk

We may assume equity price risk with respect to equity related derivatives or equities held in our portfolio. However, we currently hold no investments in equity securities or equity derivatives.

Commodity Price Risk

We may assume commodity price risk when we hold positions in commodities or enter into derivative contracts related to commodities. However, we currently hold no positions in commodities and have not entered into derivative contracts related to commodities.

Operational Risk

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

We identify, assess and document the operational risks inherent in all our material products, activities and process events. We have put in a place a strictly regimented structure of well-defined policies, processes and procedures that are designed to mitigate material operational risks. These policies, processes and procedures are based on best practices in the Indian financial industry and are aimed at enhancing operational efficiency without compromising on controls. We intend to review these policies, processes and procedures periodically in the context of emerging market trends and regulatory changes. Key components of these policies, processes and procedures include the following:

- Those initiating transactions are not in charge of settlement accounting or monitoring transactions. There is a clear distinction between the front office, back office and the risk functions.
- There is always at least one person in charge of reviewing a transaction prior to posting.
- There is a scheme of delegation of financial powers that sets out the monetary limit for each employee with respect to the processing of transactions in a customer's account.
- No employee is allowed to authorize transactions related to himself.
- All employees are given written instructions about their responsibilities with regard to operational risk management.

As part of our operational risk management practice, we collect loss data, including the frequency of events and losses arising from people, processes and events, on a monthly basis.

Operational Controls and Procedures in Branches

We have operating manuals detailing the procedures for the processing of various banking transactions and the operation of the

application software.

We require new customers to comply with all RBI mandated “know your customer” requirements. While taking a deposit from a new customer, we require the new customer to complete a relationship form, which details the terms and conditions for providing various banking services. Photographs of customers are also obtained for our records and specimen signatures are scanned and stored in the system for online verification.

We have a scheme of delegation of financial powers that sets out the monetary limit for each employee with respect to the processing of transactions in a customer’s account. Withdrawals from customer accounts are controlled by dual authorisation. Senior officers have delegated power to authorise larger withdrawals. Our operating system validates the cheque number and balance before permitting withdrawals. Cash transactions over Rs. 1.0 million are subject to special scrutiny to avoid money laundering. Our banking software has multiple security features to help protect the integrity of applications and data. In addition, we have strict procedures in place to help ensure that we comply with all regulatory requirements.

Operational Controls and Procedures for Internet Banking

In order to open an Internet banking account, each customer is required to provide us with documentation to prove his or her identity, including a copy of his or her passport, a photograph and specimen signature. Each Internet banking account holder is issued with a user ID and password to access his or her account online.

Operational Controls and Procedures in our Central Processing Centre

We have centralised processing operations at a centre in Mumbai. This centre processes cheques, makes inter-city cheque collections and engages in back office activities for account opening, standing instructions, periodic interest payments, tax deduction at source and auto-renewal of deposits. This centre also issues all of our ATM cards and PIN mailers, reconciles ATM transactions, monitors ATM functioning, issues passwords to Internet banking customers and deposits post-dated cheques received from retail loan customers. Centralized processing has been extended to the issuance of personalized cheque books, back office activities of non-resident Indian accounts, opening of new bank accounts for customers who seek web broking services and recovery of service charges for accounts for holding shares in book-entry form.

Operational Controls and Procedures in Treasury

We have a high level of automation in our trading operations and use technology to monitor risk limits and exposures. Our front office, back office and accounting and reconciliation functions are fully segregated in both the domestic treasury and foreign exchange treasury. The respective middle offices use various risk monitoring tools such as counterparty limits, position limits and exposure limits. Procedures for reporting breaches in limits are also in place.

The inter-bank foreign exchange treasury operations are conducted through Reuters’ dealing systems. Deals done through Reuters’ systems are recorded on a real time basis for processing. Deals carried out over the telephone are recorded by the back office. The entire process from deal origination to settlement and accounting takes place via straight through processing.

The middle office group monitors counterparty limits, evaluates the mark-to-market impact on various positions taken by dealers and monitors market risk exposure of the investment portfolio and adherence to various market risk limits set up by our Risk Monitoring Committee.

The treasury back office undertakes the settlement of funds and securities. The back office has procedures and controls for minimising operational risks, including procedures with respect to deal confirmations with counterparties, verifying the authenticity of counterparty checks and securities, ensuring receipt of contract notes from brokers, monitoring receipt of interest and principal amounts on due dates, ensuring transfer of title in the case of purchases of securities, reconciling actual security holdings with the holdings pursuant to the records and reports any irregularity or shortcoming observed.

Information Technology and System Controls

We place a very high importance on computer security and have a comprehensive information technology security policy. Most of our information technology assets, including critical servers, are hosted in centralised data centres that are subject to appropriate physical and logistical access controls. All data is stored at a remote backup facility and we have a detailed business continuity and disaster recovery plan in place.

Audit

Our internal audit and compliance group is responsible for undertaking a comprehensive audit of all business groups and other functions, in accordance with our risk-based audit plan. This plan allocates audit resources based on an assessment of the operational risks in the various businesses. The Audit and Compliance Committee is responsible for approving our audit plan.

RBI requires banks to have a process of concurrent audits at branches handling large volumes, to cover a minimum of 50.0% of business volumes. We have instituted systems to conduct concurrent audits, using reputed chartered accountancy firms.

Legal Risk

The uncertainty of the enforceability of the obligations of our customers and counter-parties, including the foreclosure on collateral, creates legal risk. Changes in law and regulation could adversely affect us. Legal risk is higher in new areas of business where the law is often untested by the courts. We seek to minimise legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorised and consulting internal and external legal advisors.

Derivative Instruments Risk

We engage in limited trading of derivative instruments on our own account and generally enter into interest rate and currency derivative transactions primarily for the purpose of hedging interest rate and foreign exchange mismatches. We provide limited derivative services to select customers and other domestic and international financial institutions, including foreign currency forward transactions, foreign currency and interest rate swaps and foreign exchange related products. Our derivative transactions are subject to counter-party risk to the extent that particular obligors are unable to make payment on contracts when due.

Asset Quality and Composition

Loan Portfolio

Our current internal exposure ceiling for a single borrower is 15.0% of total capital and for a group of borrowers is 25.0% of total capital. However, in the case of financing for infrastructure projects, our limit for a single borrower may be extended to 20.0% of total capital and for a group may be extended to 30.0% of total capital. Total capital comprises Tier I and Tier II capital as defined for determining capital adequacy.

The following table sets forth our industry-wise loan exposure as of March 31, 2005 along with percentage of top ten borrowers:

Sector	Outstanding (Rs.)	% outstanding	% outstanding of top 10 borrowers in the specific industry
Food and Agri- business	1,374,102,759	18.1%	96%
Lifesciences	1,329,915,284	17.5%	100%
Infrastructure	1,333,761,230	17.5%	97%
TMT	866,498,927	11.4%	100%
Engineering	820,963,830	10.8%	100%
Textiles	70,000,000	0.9%	100%
Retailing	-	0.0%	0
Others	1,814,614,588	23.8%	84%
Total	7,609,856,618		36%

Competition

We face competition in all our principal lines of our business. Our primary competitors are some of the public sector banks,

private sector banks, foreign banks, cooperative banks and, in some products, non-banking finance companies, mutual funds, insurance companies and investment banks. We are the latest entrant in the banking sector in India and we believe that our principal competitive advantage over others arises from our knowledge-focused approach, our unique technology outsourcing model and our human capital. We evaluate our competitive position separately in respect of our products and services for corporate, business, retail and financial markets customers.

Corporate Banking

Our principal competitors in corporate banking are some of the public sector banks, private sector banks, foreign banks and financial institutions. The large public sector banks have traditionally been market leaders in this segment. Other new private sector banks also compete in the corporate banking market on the basis of efficiency, service delivery and technology. Our top management focused relationship approach together with our "One Bank" model will help us in competing effectively.

Business Banking

Our principal competitors in Business Banking are the public sector banks, a few private sector and some foreign banks. Due to their wider reach, the large public sector banks have traditionally been market leaders in this segment. Most foreign banks have focused primarily on serving the needs of multinational companies and the larger Indian corporations. We believe that our emphasis on quality service and knowledge banking approach will help us in competing effectively in this market.

Retail Banking

In Retail Banking, our principal competitors are the public sector banks, private sector banks as well as some foreign banks and non-banking finance companies. Mutual funds are another source of competition to us. Mutual funds offer tax advantages and have the capacity to earn competitive returns and hence, have increasingly become a viable alternative to bank deposits. In mutual fund sales and other investment related products, our principal competitors are broking houses, foreign banks and private sector banks. We expect to compete with banks, brokers, corporate agents and financial consultants and advisors with respect to sales of life and non-life insurance products.

The retail asset business in India is in a relatively early stage of development and has witnessed substantial growth over the last two years. As per capita income levels continue to increase, we expect continued strong growth in retail lending, which will create opportunities for new banks like us. However, we face competition from private sector banks, foreign banks, public sector banks and non-banking finance companies in this segment.

Financial Markets

Our treasury operations, including foreign exchange, derivatives and money market, compete principally with foreign banks, private sector banks and public sector banks. We believe that our human capital, technology edge and 'One Bank' model will enable us to compete effectively in this market.

Financial Advisory services

Our financial advisory services business competes with other Indian and international banks, investment banks and merchant banks. We believe that our knowledge banking approach will enable us to compete effectively in this market.

Employees

As of May 20, 2005, we had 226 employees, of whom a majority were professionals holding formal qualifications in varied disciplines, including business management, accountancy, law, computer science and economics. We believe we have a good relationship with our staff.

We believe we have been able to attract talented and experienced banking industry professionals. Prior to joining us, members of our senior management held key responsibility positions with leading Indian private sector and foreign banks as well as established non-banking finance companies. Our business heads have been drawn from Bank of America, Citibank, ABN Amro, Standard Chartered Bank, HDFC Bank, ICICI Bank and Rabo India. In addition, our Knowledge Banking team comprises of sector specialists with experience in areas such as life sciences, bio-technology, sustainable energy and agri-business. Recruitment of key managerial positions has been coordinated with assistance from Korn Ferry, an international recruitment firm.

In order to continue to attract and retain talent, we established a stock option scheme for our senior managers under which we may grant stock options to them at the time they join us. Each option holder is entitled to exercise the option to purchase 50.0% of the Equity Shares upon completion of three years' service from the date of the grant of the option and the remaining 50.0% of the options are exercisable upon completion of five years' service. As of May 24, 2005, we had granted options to purchase 10 million Equity Shares, which is the maximum amount of options we can grant under the terms of the Joint Stock Option Scheme. For further information on the joining stock option scheme, see section titled "Our Management-Joining Stock Option Scheme" on page 96 of this Prospectus and Note 7 in the section titled "Capital Structure-Notes to Capital Structure" on page 16 of this Prospectus. In addition, our Promoter, Mr. Ashok Kapur and our promoter group company, Doit, each sold 1,375,000 Equity Shares to members of our senior management at Rs. 10 per Equity Share. Those Equity Shares were sold subject to the condition that 50.0% of those Equity Shares could not be resold for a period of five years.

Our human resource architecture has been designed by Hewitt Associates, one of the leading international Human Resource consultants with a presence in India. A key focus of our human resource function is to establish a strong team by attracting the best talent in the industry. While the focus of our human resource department has been on hiring lateral employees to bring the relevant skills, competencies and experience into the organization, we will also work towards establishing requisite tools for building and enhancing skills of our employees on regular basis.

Building a high performance culture is also a focus area of our human resource function. We intend to build a high performance culture through setting clear performance standards, measuring our employees' performance against those standards and rewarding and recognizing the achievement of those standards. We believe that this will align individual goals with corporate objectives, both quantitative and qualitative, and encourage cross-selling and team spirit. Our performance measurement process is designed to include a rewards and a recognition element for each business and a market based compensation structure that is flexible and responsive. We believe that this will help us to retain our top performing employees.

We believe that the above mentioned initiatives will help us in building a strong employer brand and attain a preferred employer status in the Indian banking and financial services industry.

Properties

Our registered office is located at Nehru Centre, 9th Floor, Discovery of India Building, Dr. Annie Besant Road, Worli, Mumbai 400018, India. Our corporate offices are on floors 4, 5, 8-11 of that building. Our Central Processing Centre is also located in this building. We lease this office pursuant to a 33 month lease that expires on November 30, 2006. The term of the lease may be extended for a further period of 33 months. The lease rental is Rs. 0.76 million per month with an annual increase of 5% of the lease rentals payable in the previous year. We have one branch in Mumbai which is taken on lease pursuant to the above agreement.

We are in the process of opening a branch at 1A, Ground Floor, Mittal Chambers, Backbay Reclamation, Nariman Point, Mumbai, 400 021, India. We have taken these premises on lease pursuant to a 33-month agreement that expires on September 23, 2007. The lease rental is Rs. 0.55 million per month.

Our Northern Region Corporate Office and a branch is located at 48 Nyaya Marg, Chanakya Puri, New Delhi, India. We have taken this office on lease pursuant to a three-year agreement that expires on June 8, 2007. The term of the lease may be extended for two additional terms of three years each. The lease rental is Rs. 0.51 million per month with an increase of 18% every three years at the time of renewal of the agreement.

Our third branch which is situated at Global Fortune Arcade, Sikandarpur Ghosli, Teshil and District Gurgaon, Haryana, India commenced operations on June 1, 2005. We have taken these premises on lease pursuant to a three-year agreement that expires on September 30, 2007. The term of the lease may be extended for two additional terms of three years each. The lease rental is Rs. 0.07 million per month, with an increase of 15% every three years at the time of renewal of the agreement.

We are in the process of opening a branch at Unit No. G3 on the ground floor, and Unit No. 101, 102 and 103 on the first floor, C.G.Centre, C.G.Road, Ahmedabad. We have taken these premises on lease pursuant to a nine-year agreement that expires on April 22, 2014. The lease rental is Rs. 0.29 million per month for the first three years, subsequently 0.33 million for the next three years and 0.38 million for a further term of three years.

We are in the process of opening a branch at 143, Nungambakkam High Road, Chennai. We have taken these premises on lease

pursuant to a nine-year agreement that expires on November 30, 2013. The lease rental is Rs. 0.19 million per month for the first thirty three and a half months, subsequently 0.22 million for the next three years and 0.25 million for a further term of three years.

We are in the process of opening a branch at Ground Floor, Mayank Towers, Raj Bhavan Road, Somajiguda, Hyderabad. We have taken these premises on lease pursuant to a five-year lease agreement that expires on January 31, 2010. The lease rental is Rs. 0.18 million per month for the first three years, subsequently 0.20 million for the next two years and 0.25 million for a further term of three years.

Insurance

We have taken a Bankers Indemnity Policy valid for one year from United India Insurance Company Limited, Mumbai providing us cover for loss arising from the following events:

Sl. No.	Item	Limit (in Rs.)
1.	Infidelity of employees	30,000,000
2.	Loss of property on premises	2,500,000
3.	Loss of property in transit	25,000,000
4.	Forgery of alteration	30,000,000
5.	Securities related losses	10,000,000
6.	Counterfeit currency in the aggregate	10,000,000
7.	Errors and omissions	10,000,000
8.	Legal Fees	1,000,000
9.	Stop payment liability	5,000,000

The total limit on the coverage provided under this policy is Rs. 100 million.

Legal and Regulatory Proceedings

We are not a party to any proceedings and no proceedings are known by us to be contemplated by governmental authorities or third parties, which, if adversely determined, would have a material adverse effect on our financial condition or results of operations.

Recent Developments

- Our third branch which is situated at Fortune Global Arcade, Sikandarpur, Mehrauli Gurgaon Road, Gurgaon, commenced operations with effect from June 1, 2005
- We are in the process of opening a branch at 'Karan Selene', Shivajinagar, Pune. We have signed a lease and license agreement dated June 21, 2005, to take these premises on lease for a five-year period commencing on August 21, 2005. The rent payable in respect of this property is Rs. 0.35 million per month.
- We are in the process of opening a branch at 'Corner Square', Jetalpur, Vadodara. We have signed a lease agreement dated June 7, 2005, to take these premises on lease for a nine-year period commencing September 1, 2005. The lease rental is Rs. 0.20 million per month for the first three years, subsequently 0.23 million for the next three years and 0.26 million for a further term of three years.
- We have appointed Mr. M. Y. Khan as a consultant to the Bank to provide advisory services.
- We have appointed Mr. Sanjeev Kapoor as Vice President and Company Secretary of the Bank, who commenced his employment with the Bank on June 1, 2005

REGULATIONS AND POLICIES

The main legislation governing commercial banks in India is the Banking Regulation Act. Other important laws include RBI Act, the Negotiable Instruments Act, 1938 and the Banker's Books Evidence Act, 1891. Additionally, RBI, from time to time, issues guidelines that we are required to follow.

RBI Regulations

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

We, being licensed as a banking company, are regulated and supervised by RBI. RBI requires us to furnish statements, information and certain details relating to our business. It has issued guidelines for commercial banks on several matters including recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for impaired assets. RBI has set up a Board for Financial Supervision, under the chairmanship of the Governor of RBI. The appointment of the auditors of banks is subject to the approval of RBI. RBI can direct a special audit in the interest of the depositors or in the public interest.

Guidelines on Ownership and Governance in Private Banks

Under new RBI guidelines, as of February 28, 2005, RBI has prescribed the policy framework for the ownership and governance of private sector banks. The objective of the guidelines is to have a comprehensive framework of policy in a transparent manner relating to ownership and governance in the Indian private sector banks. The underlying thread of the guidelines is to ensure that the ultimate ownership and control of banks is well diversified, banks are owned and managed by "fit and proper" persons/entities who are well capitalised and that the processes are transparent and fair. The guidelines propose that the minimum capital of all private sector banks should be Rs. 3.0 billion within three years of commencement of business. An investment by any category of investors of greater than 5% in a private sector bank must meet the "fit and proper" criteria prescribed by RBI. The guidelines propose that no single entity or group of related entities should have shareholding or control, direct or indirect, in excess of 10% of paid up capital of a private sector bank. Any bank or a foreign bank with a presence in India will not be allowed to hold shares of above 5% of the paid up capital of the investee private sector bank. RBI has further provided that any existing shareholding of any individual entity/group of related entities in excess of 10% be reduced to 10% in a phased manner. Further, any bank having a shareholding in excess of 5% in any other bank in India is required to indicate a timetable in which such shareholding would be reduced to the permissible level of 5%.

The new RBI guidelines also provide that the second phase of banking reforms shall commence in April 2009 after a review is undertaken to examine the extent of foreign investment in banks. During the second phase, foreign banks may be permitted, subject to regulatory approvals and other prescribed conditions, to enter into merger and acquisition transactions with any private sector bank in India. Such investment by foreign banks shall be subject to the overall investment limit of 74 percent.

Further the aforesaid circular states that all foreign investment in private banks from all sources, in terms of the press note of March 5, 2004 issued by the Government, cannot exceed 74% and at all times at least 26% of the paid up capital of a private sector bank will have to be held by resident Indians.

Regulations relating to the Opening of Branches

Banks are required to obtain licenses from RBI to open new branches. Permission is granted based on factors such as the financial condition and history of the company, its management, adequacy of capital structure and earning prospects and the public interest. RBI may cancel the license for violations of the conditions under which it was granted. Under the banking license granted to us by RBI, we are required to have at least 25.0% of our branches located in rural and semi-urban areas.

Capital Adequacy Requirements

We are subject to the capital adequacy requirements of RBI, which is based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1998. With a view to adopting the Basel Committee framework on capital adequacy norms which takes into account the elements of risk in various types of assets in the balance sheet as well as off-balance sheet business and also to strengthen the capital base of banks, RBI decided in April 1992 to introduce a risk asset ratio system for banks (including foreign banks) in India as a capital adequacy measure. This requires banks to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0%. Under the terms of our license, we are required to maintain a minimum ratio of capital to risk adjusted assets and off balance sheet items of 10.0%.

RBI has also issued draft guidelines in February 2005 on the 'Implementation of the New Capital Adequacy Framework' to enable banks to meet the requirements of Basel II, the international capital adequacy framework for banks. These draft guidelines which are proposed to be effective from April 1, 2006, prescribe a 75% risk weight for retail credit exposures, differential risk weights for other credit exposures linked to their credit rating, and a capital charge for operational risk based on a factor of 15% of the sum of a bank's net interest income and non-interest income (excluding extraordinary income).

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

Tier II capital i.e. the undisclosed reserves and cumulative perpetual preference shares, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk weighted assets), investment fluctuation reserve, hybrid debt capital instruments (which combine certain features of both equity and debt securities) and subordinated debt (excluding such debt with initial maturity of less than 5 years or remaining maturity of less than one year). Any subordinated debt is subject to progressive discounts each year for inclusion in Tier II capital and total subordinated debt considered as Tier II capital cannot exceed 50.0% of Tier I capital. Tier II capital cannot exceed Tier I capital.

With a view to the building up of adequate reserves to guard against any possible reversal of the interest rate environment in the future due to unexpected developments, RBI has advised banks to build up an investment fluctuation reserve of a minimum of 5.0% of the bank's investment portfolio within a period of five years from fiscal 2001. This reserve has to be computed with respect to investments in held for trading and available for sale categories. Investment fluctuation reserve is included in Tier II capital. Though investment fluctuation reserve is also considered general provision for Tier II but the same is not be subjected to the ceiling of 1.25% of risk weighted assets.

Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the weighted aggregate of specified funded and non-funded exposures. Degrees of credit risk expressed as percentage weighting are assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight or conversion factor to produce risk-adjusted values of assets and off-balance-sheet items. Guarantees and letters of credit are treated as similar to funded exposure and are subject to similar risk weight. All foreign exchange and gold open position limits carry a 100.0% risk weight. A risk weight of 2.5% to cover market risk has to be assigned in respect of the entire investments portfolio over and above the risk weight for credit risk. Banks are required to assign a 100.0% risk weight for all state government guaranteed securities issued by defaulting entities. The aggregate risk weighted assets are taken into account for determining the capital adequacy ratio.

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

Asset Classification and Provisioning

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

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

Non-Performing Assets

An advance is a non-performing asset where:

- interest and/or installment of principal remained overdue for a period of more than 90 days in respect of a term loan;
- the account remained "out-of-order" for a period of more than 90 days in respect of an overdraft or cash credit (If the outstanding balance remains continuously in excess of the sanctioned limit/ drawing power or there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period, then such accounts are treated as "out of order".);
- the bill remained overdue for a period of more than 90 days in case of bills purchased and discounted;
- if the interest and/or principal remained overdue for two harvest seasons but for a period not exceeding two half-years in the case of an advance granted for agricultural purposes. With effect from September 30, 2004, a loan granted for short duration crops will be treated as a non performing asset, if the installment of principal or interest thereon remains overdue for two crop seasons. With effect from September 30, 2004, a loan granted for long duration crops will be treated as a non performing asset, if the installment of principal or interest thereon remains overdue for one crop season. (Crops with crop season longer than one year are long duration crops, and crops which are not long duration crops are treated as short duration crops); or
- any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

Once the account has been classified as a non-performing asset, the unrealized interest and other income already debited to the account is derecognised and further interest is not recognised or credited to the income account unless collected.

Asset Classification

Non-performing assets are classified as described below:

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

Banks have been permitted to phase the additional provisioning based on the above over a period of four years from March 31, 2005.

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

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

Provisioning and Write-Offs

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

- Standard Assets - A general provision of 0.25% is required.
- Sub-Standard Assets-A provision of 10.0% on total outstanding should be made. The unsecured exposures which are identified as sub-standard would attract additional provision of 10.0%, i.e., a total of 20.0% on the outstanding balance.
- Doubtful Assets - A 100.0% provision/write-off of the unsecured portion of advances which are not covered by the realizable value of the security. In cases where there is a secured portion of the asset, depending upon the period for which the asset remains doubtful, a 20.0% to 100.0% provision is required to be made against the secured asset as follows:
 - ♣ Up to one year: 20.0% provision
 - ♣ One to three years: 30.0% provision
 - ♣ More than three years:
 - (1) In respect of outstanding stock of non performing assets as on March 31, 2004: 50.0% provision, which will become 60.0% with effect from March 31, 2005, 75.0% with effect from March 31, 2006 and 100.0% with effect from March 31, 2007.
 - (2) In respect of assets, which have been doubtful for over three years on or after April 1, 2004, provision is to be raised to 100.0% with effect from March 31, 2005.
 - ♣ Loss Assets. The entire asset is required to be written off or provided for.

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

Regulations relating to Making Loans

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

- RBI has prescribed norms for bank lending to non-bank financial companies and financing of public sector disinvestment.
- Banks are free to determine their own lending rates but each bank must declare its prime lending rate as approved by its board of directors. 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 RBI. RBI has recently directed banks to introduce benchmark prime lending rates based on various parameters including cost of funds, operating expenses, capital charge and profit margin, and discontinue the system of prime lending rates linked to the maturity of the credit facility.
- Pursuant to the provisions of the Banking Regulation Act, banks are not permitted to make loans to their directors and to companies with common directors. The above restrictions do not apply to loans to a director who immediately prior to becoming a director was an employee of the bank, that could have been made to him in his capacity as an employee of the bank and are on the same terms and conditions as would have been applicable to him as an employee of the bank.

Legislation introduced in the Parliament to amend the Banking Regulation Act has proposed to prohibit lending to relatives of directors and to non-subsidiary companies that are under the same management as the banking company, joint ventures, associates or the holding company of the banking company. See also the section titled "The Indian Financial Sector-Recent Structural Reforms-Proposed Amendments to the Banking Regulation Act" on page 32 of this Prospectus.

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 Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. RBI has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangement, at least 75.0% by value of the total loans to the borrower are classified as non-performing and at least 75.0% by value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. The banks selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further, banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. While each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75.0% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. Any loss on sale must be charged to the profit and loss account, but any gains must be used for meeting losses on sale of other financial assets. For computing capital adequacy, a risk weight of 102.5% is applied to instruments received by the banks or financial institutions as consideration for sale of financial assets to asset reconstruction companies.

Directed Lending

Priority Sector Lending

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

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

Export Credit

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

Credit Exposure Limits

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

The limits set by RBI are as follows:

- Exposure ceiling for a single borrower is 15.0% of capital funds effective March 31, 2002. Group exposure limit is 40.0% of capital funds effective March 31, 2002. In case of financing for infrastructure projects, the single borrower exposure limit is extendable by another 5.0%, i.e., up to 20.0% of capital funds and the group exposure limit is extendable by another 10.0% (i.e., up to 50.0 of capital funds). In May 2004, RBI permitted banks to increase exposure to a borrower by a further 5.0% of

capital funds (i.e., 20.0% for single borrowers and 45.0% for group borrowers) and by a further 10.0% for financing infrastructure projects, with the specific approval of the board of directors. Capital funds is the total capital as defined under capital adequacy standards (Tier I and Tier II capital).

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

Credit exposure is the aggregate of:

- all types of funded and non-funded credit limits;
- facilities extended by way of equipment leasing, hire purchase finance and factoring services;
- advances against shares, debentures, bonds and units of mutual funds to stock brokers and market makers;
- bank loan for financing promoters' contributions;
- bridge loans against equity flows/issues; and
- financing of initial public offerings.

Regulations relating to Investments and Capital Market Exposure Limits

There are no limits on the amount of investments by banks in non-convertible debt instruments. However, credit exposure limits specified by RBI in respect of lending to individual borrowers and borrower groups also apply in respect of these investments.

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

In April 1999, RBI, in its monetary and credit policy, stated that the investment by a bank in subordinated debt instruments, representing Tier II capital, issued by other banks and financial institutions should not exceed 10.0% of the investing bank's capital including Tier II capital and free reserves.

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

Consolidated Supervision Guidelines

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

- Banks are required to prepare consolidated financial statements intended for public disclosure.
- Banks are required to submit to RBI, consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries. Compliance on a consolidated basis is required in respect of the following main prudential norms:
 - ♣ Single borrower exposure limit of 15.0% of capital funds (20.0% of capital funds provided the additional exposure of

up to 5.0% is for the purpose of financing infrastructure projects);

- ♣ Borrower group exposure limit of 40.0% of capital funds (50.0% of capital funds provided the additional exposure of up to 10.0% is for the purpose of financing infrastructure projects);
- ♣ Deduction from Tier I capital of the bank, of any shortfall in capital adequacy of a subsidiary for which capital adequacy norms are specified; and
- ♣ Consolidated capital market exposure limit of 2.0% of total on-balance sheet assets (excluding intangible assets and accumulated assets). Within the total limit, investment in shares, convertible bonds and debentures and units of equity-oriented mutual funds should not exceed 10.0% of the bank's consolidated net worth.

Banks' Investment Classification and Valuation Norms

The salient features of RBI's guidelines on investment classification and valuation are given below:

- The entire investment portfolio is required to be classified under three categories: (a) "held to maturity", (b) "held for trading" and (c) "available for sale". Banks should decide the category of investment at the time of acquisition.
- "Held to maturity" investments compulsorily include (a) recapitalisation bonds, (b) investments in subsidiaries and joint ventures and (c) investments in debentures deemed as advance. "Held to maturity" investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25.0% of the total investment excluding recapitalisation bonds and debentures.
- Profit on sale of investments in this category should be first taken to the profit and loss account and thereafter be appropriated to the capital reserve account. Loss on sale will be recognised in the profit and loss account.
- Investments under the "held for trading" category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available for sale category.
- Profit or loss on the sale of investments in both "held for trading" and "available for sale" categories is taken in the profit and loss account.
- Shifting of investments from or to "held to maturity" may be done with the approval of the board of directors once a year, normally at the beginning of the accounting year; shifting of investments from "available for sale" to "held for trading" may be done with the approval of the board of directors, the asset liability management committee or the investment committee; shifting from held for trading to available for sale is generally not permitted.

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

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

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

Investments in security receipts or pass through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the lower of the redemption value of the security receipts / pass-through certificates, and the net book value of the financial asset.

Restrictions on Investments in a Single Company

No bank may hold shares in any company, whether as owner or as pledge or mortgagee, exceeding the lower of 30.0% of the paid up share capital of that company and 30.0% of its own paid up share capital and reserves, whichever is less, except as statutorily provided.

Limit on Transactions through Individual Brokers

Guidelines issued by RBI require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. RBI specifies that not more than 5.0% of the total transactions in securities through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, RBI has stipulated that the board of directors of the bank concerned should be informed on a half-yearly basis of such occurrences.

Prohibition on Short-Selling

RBI does not permit short selling of securities by banks.

Regulations Relating to Deposits

RBI has permitted banks to independently determine rates of interest offered on term deposits. Primary (urban) co-operative banks are permitted to pay interest on current account deposits at rates not exceeding 0.5% per annum. Further, banks may only pay interest of 3.5% per annum on savings deposits. In respect of savings and time deposits accepted from employees, we are permitted by RBI to pay an additional interest of 1.0% over the interest payable on deposits from the public.

Domestic time deposits have a minimum maturity of 15 days (seven days in respect of deposits over Rs. 1.5 million) and a maximum maturity of 10 years. Time deposits from NRIs denominated in foreign currency have a minimum maturity of one year and a maximum maturity of three years.

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

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

RBI has stipulated that the interest rate on NRE deposits accepted before July 17, 2003 should not exceed 250 basis points and interest rates on those NRE deposits accepted before September 15, 2003 should not exceed 100 basis points over the U.S. Dollar LIBOR/swap rates for the corresponding maturity. Further, NRE deposits contracted effective close of business in India on October 18, 2003 should not exceed 25 basis points over the U.S. Dollar LIBOR/swap rates for the corresponding maturity, and those contracted effective close of business in India on April 17, 2004 should not exceed the LIBOR/swap rates for U.S. dollar of corresponding maturity.

Deposit Insurance

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

Regulations relating to Knowing the Customer and Anti-Money Laundering

RBI has issued several guidelines relating to identification of depositors and has advised banks to put in place systems and procedures to control financial frauds, identify money laundering and suspicious activities, and monitor high value cash transactions. RBI has recently issued guidelines advising banks to be vigilant while opening accounts for new customers to prevent misuse of the banking system for perpetration of frauds. It requires that proper policy framework on 'know your customer' and anti-money laundering measures is formulated and that banks are fully compliant with such guidelines before

December 31, 2005.

Banks have been required to formulate appropriate customer acceptance policies, customer identification procedures; process for monitoring of transactions; and risk management strategy in this regard.

It has been provided that the customer acceptance policy should be such that there is no account opened in anonymous or fictitious/benami name(s), risk perception are clearly defined in terms of the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc. documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act, 2002 and guidelines issued by RBI from time to time. Further, circumstances in which a customer is permitted to act on behalf of another person/entity should be clearly spelt out in conformity with the established law and practice of banking. Further it has also been mandated that necessary checks should be carried out before opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc.

The policy approved by the Board of banks should clearly spell out the customer identification procedure to be carried out at different stages, i.e., while establishing a banking relationship; carrying out a financial transaction or when the bank has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data. Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. Banks need to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of banking relationship.

As far as ongoing monitoring is concerned, banks are required to put into place the means of identifying transactions that fall outside the regular pattern of activity. Banks have been required to pay special attention to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. The bank may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions, which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of the bank. Banks have asked to ensure that a record of transactions in the accounts is preserved and maintained as required in terms of the Prevention of Money Laundering Act, 2002. It may also be ensured that transactions of suspicious nature and/or any other type of transaction notified under Section 12 of Prevention of Money Laundering Act, 2002, is reported to the appropriate law enforcement authority.

The risk management guidelines stipulate that the board of directors of the bank should ensure that an effective "know your customer" programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It should cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility should be explicitly allocated within the bank for ensuring that the bank's policies and procedures are implemented effectively. Banks may, in consultation with their boards, devise procedures for creating risk profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or banking/business relationship.

Legal Reserve Requirements

Cash Reserve Ratio

A bank is required to maintain a specified percentage of its demand and time liabilities, excluding inter-bank deposits, by way of balance in current account with RBI. The cash reserve ratio can be a minimum of 3.0% and a maximum of 20.0% pursuant to Section 42 of the RBI Act. In September 18, 2004, the cash reserve ratio was changed to 4.75%. From October 2, 2004, it increased to 5.0%. The government of India, while announcing its budget for fiscal 2006, proposed to remove these minimum and maximum levels.

Paid up capital, reserves, credit balance in the profit and loss account of the bank, amount availed of as refinance from RBI, and apex financial institutions, provision for income tax in excess of the actual estimated liabilities, specified inter bank term deposits/term borrowing liabilities are excluded from the calculation of the cash reserve ratio.

RBI pays no interest on the cash reserves up to 3.0% of the demand and time liabilities and pays interest on the eligible cash balances, currently at the rate of 3.5%. Prior to this, interest was paid by RBI at the bank rate.

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

Statutory Liquidity Ratio

In addition to the cash reserve ratio, a bank is required to maintain a specified minimum percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved securities. The percentage of this liquidity ratio is fixed by RBI from time to time, with a minimum of 25.0% and a maximum of 40.0% pursuant to Section 24 of the Banking Regulation Act. At present, RBI requires banking companies to maintain a liquidity ratio of 25.0%. The Banking Regulation (Amendment) and Miscellaneous Provisions Bill, 2003 introduced in the Indian Parliament proposed to amend Section 24 of the Banking Regulation Act to remove the minimum Statutory Liquidity Ratio stipulation, thereby giving RBI the freedom to fix the Statutory Liquidity Ratio below this level. Further, The government of India, while announcing its budget for fiscal 2006, proposed to remove the minimum and maximum levels.

Regulations on Asset Liability Management

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

RBI has granted us a full-fledged authorised dealers' licence to deal in foreign exchange. Under this licence, we have been granted permission to:

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

Our foreign exchange operations are subject to the guidelines specified by RBI under FEMA. As an authorised dealer, we are required to enroll as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India.

Authorised dealers are required to determine their limits on open positions and maturity gaps in accordance with RBI's guidelines and these limits are approved by RBI. Further, we are permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, options, currency swaps and forward rate agreements, subject to certain conditions.

Statutes Governing Foreign Exchange and Cross-Border Business Transactions

The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act, 1999. All branches should monitor all non-resident accounts to prevent money laundering.

Guidelines for Mergers/ Amalgamations of Private Sector Banks

In the Guidelines for mergers/ amalgamations of private sector banks announced on May 11, 2005, RBI announced the following key measures:

- These guidelines cover an amalgamation of two banking companies and an amalgamation of a non-banking finance company with a banking company;
- The decision of merger should be approved by a two-third majority of the total board members of each of the banking companies and not those present alone;
- Directors who participate in such meetings should be signatories to the Deeds of Covenants as recommended by Ganguly Working Group on Corporate Governance;
- These guidelines specify the factors that the board of directors of the respective banking companies is required to consider before approving the merger. These factors include the values at which the assets, liabilities and the reserves of the amalgamated company are proposed to be incorporated into the books of the amalgamating banking company, whether due diligence exercise has been undertaken, the nature of the consideration being paid to the shareholders, whether the swap ratio has been determined by independent valuers, etc;
- Specified information and documents should be submitted by the amalgamating banking company to RBI along with the application for the sanction of the scheme as approved by the shareholders of the banks;
- Specified information should be provided to RBI when it is required to determine the value of the shares of the banking company on the application of a dissenting shareholder;
- When a NBFC is proposed to be amalgamated into a banking company, the banking company is required to obtain the approval of RBI after the scheme of amalgamation is approved by its board of directors but before it is submitted to the High Court for approval; and
- SEBI regulations on Prohibition of Insider Trading are required to be strictly complied with even by unlisted banks / companies in spirit and to the extent applicable.

Requirements of the Banking Regulation Act

Prohibited Business

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

Reserve Fund

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

Restrictions on Payment of Dividends

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

Further, as per RBI guidelines on payment of dividend, only those banks which comply with the following minimum prudential requirements are eligible to declare dividend without the prior approval of RBI:

- Capital to risk asset ratio of at least 9.0% for the preceding two completed years and for the accounting year for which it proposes to declare dividend;
- Net non-performing assets of less than 7.0%;
- In case any bank does not meet the above capital to risk asset ratio norm, but is having a capital to risk asset ratio of 9% for the accounting year for which it proposes to declare a dividend, it would be eligible to declare a dividend provided its net NPA ratio is less than 5%;
- The dividend pay out ratio does not exceed 40%;
- The proposed dividend is payable out of the current year's profit;
- In case the profit for the relevant period includes any extra-ordinary profits/ income, the payout ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential payout ratio; and
- The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during that year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payment ratio.

In the event that we fulfill the conditions stated above we can declare dividends without the consent of RBI, but if we do not comply with the conditions stated above but wish to declare dividend or a higher rate of dividend, we would require prior permission from RBI.

RBI has also notified that banks may also declare and pay interim dividends out of the relevant account period's profit without the prior approval of RBI if they satisfy the minimum criteria above, and the cumulative interim dividend is within the prudential cap on dividend payout ratio (40%) computed for the relevant accounting period. Declaration and payment of interim dividend beyond this limit would require the prior approval of RBI.

Restriction on Share Capital and Voting Rights

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% 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% on the maximum voting power exercisable by a shareholder in a banking company and allow banks to issue redeemable and non-redeemable preference shares. See the section titled "Overview of the Indian Financial Sector-Recent Structural Reforms-Proposed Amendments to the Banking Regulation Act" on page 32 of this Prospectus.

Regulatory Reporting and Examination Procedures

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

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

RBI also conducts periodical on-site inspections on matters relating to a bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. We are subject to the on-site

inspection by RBI at yearly intervals. The inspection report, along with the report on actions taken by us, has to be placed before the Board of Directors. On approval by the Board of Directors, we are required to submit the report on actions taken by us to RBI. RBI also discusses the report with the management team including the Managing Director and Chief Executive Officer.

RBI also conducts on-site supervision with respect to the general operations and foreign exchange related transactions.

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

We are required to obtain prior approval of RBI before we appoint our chairman and managing director and any other wholetime directors and fix their remuneration. RBI is empowered to remove an appointee to the posts of chairman, managing director and wholetime directors on the grounds of public interest, interest of depositors or to ensure our proper management. Further, RBI may order meetings of our Board of Directors to discuss any matter in relation to us, appoint observers to such meetings and in general, may make such changes to the management as it may deem necessary and may also order the convening of a general meeting of our shareholders to elect new directors. Additionally, we may not appoint persons as directors who are already directors on the board of another banking company.

Penalties

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

Restriction on Transfer of Shares

RBI's acknowledgement is required for the acquisition or transfer of our shares by or to an individual or a group which acquires 5.0% or more of our total paid up capital. RBI, while 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, RBI may take into account various factors including, but not limited to the acquirer or transferee's integrity, reputation and track record in financial matters and compliance with tax laws, proceedings of a serious disciplinary or criminal nature against the acquirer or transferee and the source of funds for the investment. While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 10.0% or more of our paid-up capital, RBI may consider additional factors, including but not limited to the ability to access financial markets as a source of continuing financial support for us and the extent to which the acquirer's corporate structure is in consonance with effective supervision and regulation of our operations. While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 30.0% or more of our paid-up capital, RBI may consider additional factors, including but not limited to whether or not the acquisition is in the public interest and shareholder agreements and their impact on the control and management of our operations.

Assets to be Maintained in India

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

Secrecy Obligations

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

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

We are required to comply with the above in furnishing any information to any parties. We are also required to disclose information if ordered to do so by a court. RBI may, in the public interest, publish the information obtained from the bank. Under

the provisions of the Banker's Books Evidence Act, 1891, a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books certified by an officer of the bank may be treated as prima facie evidence of the transaction in any legal proceedings.

Regulations and Guidelines of the SEBI

The SEBI was established to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market. We are subject to SEBI regulations for our capital issuances, as well as our underwriting, custodial, depository participant, investment banking, registrar and transfer agents, brokering and debenture trusteeship activities. These regulations provide for our registration with the SEBI for each of these activities, functions and responsibilities. We are required to adhere to a code of conduct applicable for these activities.

Subsidiaries

A bank requires the prior permission of RBI to incorporate a subsidiary. A bank is required to maintain an "arms' length" relationship in respect of its subsidiaries and in respect of mutual funds sponsored by it in regard to business parameters such as taking undue advantage in borrowing/lending funds, transferring/selling/buying of securities at rates other than market rates, giving special consideration for securities transactions, in supporting/financing the subsidiary and financing our clients through them when we ourselves are not able or are not permitted to do so.

Restriction on Creation of Floating Charge

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

Maintenance of Records

We are required to maintain books, records and registers. The Banking Companies (Period of Preservation of Records) Rules, 1985 require a bank to retain records of books, accounts and other documents relating to stock and share register for a period of three years.

Issue of Bonus Shares

We would have to obtain the prior permission of RBI to issue bonus shares as prescribed under the Banking Regulation Act, 1949.

Regulations governing Offshore Banking Units

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

- No separate assigned capital is required. However, the parent bank is required to provide a minimum of US\$10 million to its Offshore Banking Unit;
- Offshore Banking Units are exempt from cash reserve ratio requirements;
- RBI may exempt a bank's Offshore Banking Unit from statutory liquidity ratio requirements on specific application by the bank;
- An Offshore Banking Unit may not enter any transactions in foreign exchange with residents in India, unless such a person is eligible to enter into or undertake such transactions under the Foreign Exchange Management Act, 1999;
- All prudential norms applicable to overseas branches of Indian banks apply to Offshore Banking Units;
- Offshore Banking Units are required to adopt liquidity and interest rate risk management policies prescribed by RBI in respect of overseas branches of Indian banks as well as within the overall risk management and asset and liability management framework of the bank subject to monitoring by the bank's board of directors at prescribed intervals;
- Offshore Banking Units may raise funds in convertible foreign currency as deposits and borrowings from non-residents

including non-resident Indians but excluding overseas corporate bodies;

- Offshore Banking Units may operate and maintain balance sheets only in foreign currency;
- The loans and advances of Offshore Banking Units would not be reckoned as net bank credit for computing priority sector lending obligations; and
- Offshore Banking Units must follow the Know Your Customer guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.

Regulations governing International Businesses

International business operations of a bank would be governed by regulations in the countries in which it has a presence.

Proposed Amendments

The Union Budget for the financial year 2006, as presented in the Indian Parliament has proposed certain changes to the existing regulations governing banks in India, by amendment of the Banking Regulation Act, and RBI Act. These proposals relate to:

- Removal of the lower and upper limits on Statutory Liquidity Ratio;
- Removal of the lower and upper limits on Cash Reserve Ratio;
- Permitting banks to issue preference shares;
- The introduction of specific provisions to enable consolidated supervision of banks & their subsidiaries by RBI;
- Continuation of the tax exemption granted to interest income on Non-Resident (External) Account and Foreign Currency Deposits; and
- Introduction of the new provision to provide for set off of losses to banking companies in cases of amalgamation.

HISTORY AND CERTAIN CORPORATE MATTERS

Our History

RBI, by its circular dated January 3, 2001 issued guidelines for awarding licenses to new banks in the private sector that stipulated the terms and conditions of the licensing process and the procedure for making applications. Further, the circular also stated that in view of the increasing emphasis on stringent prudential norms, transparency, disclosure requirements and modern technology, new banks would need to have strength and efficiency to work profitably in a highly competitive environment. In addition, as a number of banks were already functioning, licenses could be issued on a very selective basis only to those applicants who could conform to the requirements of the circular and who would conform to the best international and domestic standards of customer service and efficiency.

The applications were initially screened by RBI to ensure *prima facie* eligibility. Thereafter, the applications were referred to a high-level Advisory Committee set up by RBI comprising:

- Dr. I.G. Patel, former Governor of RBI;
- C.G. Somiah, former Comptroller and Auditor General of India; and
- Dipankar Basu, former Chairman of State Bank of India.

The Chief General Manager of the Department of Banking Operations and Development of RBI was the Secretary of the Advisory Committee.

In accordance with the circular on entry of new private sector banks, an application was made on March 30, 2001 by the Promoters and Mr. Harkirat Singh to RBI for a license to commence commercial banking business, in terms of Section 22 (1) of the Banking Regulation Act, 1949. The application also included a letter of intent from Rabobank International Holding. The application to the RBI for the grant of a license to set up a new private sector bank in India named 'Rabobank International Holding' as a co-promoter of the proposed bank. The application contained full details of the credentials and track record of the Promoters, Mr. Harkirat Singh and Rabobank International Holding, proposed management structure, the business, financial plan and strategy of the proposed bank. Further, the application was supported by a letter from the chairman of the managing board of Rabobank International Holding, stating that it would give the Promoters and Mr. Harkirat Singh its fullest support in the successful incorporation of the proposed bank.

On February 7, 2002, RBI granted an 'In Principle' approval to establish a new bank in the private sector under Section 22 (1) of the Banking Regulation Act, which approval was valid for a period of one year. The 'In Principle' approval required that the new banking company be incorporated with Memorandum and Articles of Association and would be required to mobilize an initial minimum paid up capital of Rs. 2,000 million.

The press release issued by RBI at the stage of the grant of the "In Principle" approval stated that Mr. Ashok Kapur and two other banking professionals (Mr. Rana Kapoor and Mr. Harkirat Singh) with Rabobank International Holding have applied for a license. Further, the press release stated that the high level committee has recommended the applications of Mr. Ashok Kapur and two other banking professionals (Mr. Rana Kapoor and Mr. Harkirat Singh) with Rabobank International Holding have been found suitable for setting up a new bank in the private sector.

In February 4, 2003, an application was made to RBI for an extension to the 'In Principle' approval in order to enable us to recruit key senior management staff, to develop policies and procedures, finalize information technology platforms and to select premises for corporate and regional offices. RBI by its letter dated February 25, 2003, extended the 'In Principle' approval for a further period of six months until August 6, 2003, within which time the Bank was required to complete all formalities for commencing banking operations.

Subsequently, Mr. Harkirat Singh did not remain with the project. However, the Promoters and Rabobank International Holding, confirmed their respective decisions to participate in the new private sector bank by their letters to RBI dated April 28, 2003 and June 18, 2003, respectively. Pursuant to the shortfall in the initial paid-up capital due to Mr. Harkirat Singh's withdrawal, Rabobank International Holding agreed to provide a loan to the Promoters and the Promoter Group towards the shortfall in the initial paid-up capital.

In order to complete all formalities for commencing banking operations such as financial closure and human resource recruitment, the Promoters sought another extension to the 'In Principle' approval by their letter to RBI dated July 25, 2003.

RBI by their letter dated August 6, 2003 further extended the 'In Principle' approval up to November 30, 2003 to enable the Bank to finalise the financial arrangements to complete the equity participation.

Yes Bank was incorporated as a Public Limited Company on November 21, 2003. Subsequently, on December 11, 2003, RBI was informed of the participation of three private equity investors namely (Citicorp International Finance Corporation, ChrysCapital II, LLC and AIF Capital Inc.), to achieve the financial closure of the Bank. RBI by their letter dated February 26, 2004 provided their no-objection to the participation of the three private equity investors namely Citicorp International Finance Corporation, ChrysCapital II, LLC and AIF Capital Inc. in the equity of the Bank at 10%, 7.5% and 7.5%, respectively, and also advised the Bank to infuse a sum of Rs. 2000 million as the paid up capital. Additionally, the RBI advised the Bank to submit an application for final approval after completion of all formalities for incorporation as a banking company and setting out the capital structure of the Bank as approved by RBI.

RBI by their letter dated December 29, 2003 decided to further extend the 'In Principle' approval for a period up to February 29, 2004 to allow the Bank to complete all financial arrangements.

Yes Bank obtained its certificate of Commencement of Business on January 21, 2004. Subsequently, in March 2004, the Bank achieved the mobilization of the initial minimum paid up capital of Rs. 2,000 million. Further, the Promoters by their letter dated March 29, 2004 made a final application for a banking licence under Section 22 (1) of the Banking Regulation Act, 1949 providing complete details of the capital structure, the composition of Board of Directors, the proposed human resources, information technology, premises and legal policies and the business and financial plan of the Bank.

RBI by their letter dated May 24, 2004, under Section 22 (1) of the Banking Regulation Act, 1949, granted us the licence to commence banking operations in India on certain terms and conditions including a term that 49.0% of our pre-Issue share capital held by the Promoters (domestic and foreign) was to be locked-in for five years from the licensing of the Bank, being May 24, 2004. In our case, this 49.0% has been met by locking-in Equity Shares representing 29.0% of the share capital held by Mr. Rana Kapoor and Mr. Ashok Kapur and Equity Shares representing 20.0% of the share capital held by Rabobank International Holding. See Note 2 in the section titled "Capital Structure – Promoter Contribution and Lock-In" on page 13 of this Prospectus. Further, the terms of the banking license granted to us by RBI require that the promoter holding in excess of 49%, shall be diluted after one year of the Bank's operation. It is also stipulated that the paid up capital (which currently stands at 2,000 million) must be raised to Rs. 3,000 million within three years of commencement of business.

Further, by their letter dated September 2, 2004, RBI included the Bank in the Second Schedule of the RBI Act, 1934 with effect from August 21, 2004 and a corresponding notification was published in the Official Gazette of India (PART III-Section 4) on August 16, 2004.

Share Subscription

The Promoters, the Promoter Group Companies and Rabobank International Holding executed a Share Subscription Agreement dated November 5, 2003, (the "SSA"), whereby they agreed to subscribe to the Equity Shares along with the Private Equity Investors (with whom a separate agreement was to be executed).

Under the terms of the SSA, the Promoters have represented that a substantial part of the consideration received by them from the sale of their shares in Rabo India would be applied towards the subscription of the Equity Shares. Further, in terms of the SSA, the Promoters have also represented not to transfer their shareholding in Mags or Morgan, respectively, until the loans taken by Mags and Morgan from Rabobank International Holding for the purpose of the purchase of the Equity Shares have been repaid.

The SSA provides that we shall have a Board consisting of a minimum of three and a maximum of 15 directors. So long as any of the parties to the SSA hold at least 10.0% of the equity share capital, the Promoters and Doit, as shareholders, have the right to nominate three independent directors on the Board, in addition to Mr. Ashok Kapur being the non-executive Chairman of the Bank and Mr. Rana Kapoor being the Managing Director and Chief Executive Officer of the Bank. Rabobank International Holding also has the right to nominate one non-rotational director on the Board. The SSA provides that the Promoters and Doit, and Rabobank International Holding, are not permitted to transfer their locked-in shareholding in the Bank for a period of five years from March 10, 2004. Under the terms of the SSA, locked-in shares refer to 40 million Equity Shares.

Foreign Currency Loans

The subscription of the Equity Shares by Mags and Morgan was financed through a loan of Rs. 170 million availed by each of the companies from Rabobank International Holding, which is documented through Dollar Loan Agreements between (i) Rabobank International Holding, Mags and Mr. Ashok Kapur and (ii) Rabobank International Holding, Mr. Rana Kapoor and Morgan, both dated November 5, 2003.

In terms of these agreements, Rabobank International Holding has granted a loan of Rs. 170 million each to Mags and Morgan, to be utilised for subscribing to the 17 million Equity Shares of the Bank as provided in the SSA. This loan has to be repaid within three years of the disbursement of the loan amounts. These loans were disbursed on March 10, 2004. The SSA states that the loans to Mags and Morgan by Rabobank International Holdings are to be at an interest rate of nil (0%).

Mags and Morgan, as security for the loan amount, have each executed demand promissory notes in favour of Rabobank International Holding. Further, the Promoters executed personal guarantees and demand promissory notes as security for loans to Mags and Morgan.

The aforesaid loan agreements provide that the Promoters shall not dispose of their shareholding in Mags and Morgan, respectively, during the tenure of the loan. Further, Mags and Morgan have undertaken that they shall not dispose of the Equity Shares during the tenure of the loan. The Promoters, along with Mags and Morgan, have agreed that they shall cause us to issue such share certificates in respect of Equity Shares to Mags and Morgan that state that the transfer of the shares without the consent of Rabobank International Holding will be invalid. In the event that the Equity Shares are held in dematerialised form, it is required that an agreement giving effect to this clause is entered into with the concerned depository.

In the event of a default under the aforesaid agreements, Rabobank International Holding has a right to purchase such number of shares that are obtained by dividing the outstanding amount under the agreements by the fair market value of the shares as on the date of such breach that are held by Mr. Ashok Kapur in Mags and Mr. Rana Kapoor in Morgan, respectively, at nil consideration. In addition, as consideration for the amounts due under the loan agreement, in the event of a default under the aforesaid loan agreements, Rabobank International Holding also has the right to purchase the Equity Shares held by Mags and Morgan, with the number of Equity Shares being determined according to the fair market value.

The shareholders of Mags and Morgan have executed separate Promoter Support Agreements dated November 5, 2003 with Rabobank International Holding to govern their relationship with Rabobank International Holding, whereby Mags and Morgan have authorised Mr. Ashok Kapur and Mr. Rana Kapoor, respectively, to enter into and execute the above mentioned loan agreements on their behalf. They have also undertaken to ensure, that by exercise of their voting rights as shareholders of Mags and Morgan, all obligations of Mags, Morgan, Mr. Ashok Kapur and Mr. Rana Kapoor under the aforesaid loan agreements shall be fulfilled. For details of the shareholders of Doit see the section titled "Our Promoters" on page 98 of this Prospectus. For details of the shareholders of Mags and Morgan see the section titled "Our Promoters-Companies Promoted by the Promoter Group" on page 98 of this Prospectus.

In response to correspondence from the Bank, providing details of the loan agreements, RBI through its letter dated August 6, 2003 permitted the loans and advised that the loans availed from Rabobank International Holding should not be secured against the shares of the Company. Subsequently, the Bank had by its letter dated March 5, 2004, intimated RBI of the draw down of the loans in accordance with the terms of the RBI letter dated August 6, 2003.

RBI by its letter dated May 22, 2004 advised that the loan agreements be filed with the RBI. The RBI also advised that these loans should have a minimum average maturity of 3 years and that Mags and Morgan would be required to submit monthly returns to RBI.

The loan agreements have been filed with the RBI and the RBI has through letters dated June 23, 2004 and June 24, 2004, allotted loan registration numbers to these loan agreements.

Further, the RBI license dated May 24, 2004 stated that the promoters should abide with the conditions governing the loan as stated by the RBI in their above mentioned letters.

Mags and Morgan have been regularly submitting the requisite returns to RBI in compliance with the requirements of the RBI letter dated May 22, 2004.

Investment by the Private Equity Investors

Pursuant to the SSA, our Promoters, entered into a Master Investment Agreement dated November 25, 2003 with Mags, Morgan, Doit, and the Private Equity Investors, (the "MIA"), pursuant to which the Private Equity Investors agreed to subscribe to their Equity Shares, simultaneous to the subscription by our Promoters, and the Promoter Group Companies to their Equity Shares. Additionally, Mr. Ashok Kapur and Doit are permitted to transfer shareholding representing up to 1.5% to key management personnel of the Bank.

In terms of the MIA, post the allotment of Equity Shares to our Promoters, our Promoter Group Companies, and the Private Equity Investors, we are required to allot 6 million Equity Shares constituting 3.0% of our equity shares capital to senior managerial personnel and executives of the Bank. The MIA also reiterates the provisions of the SSA in relation to our Board, and further provides that each of the Private Equity Investors shall be entitled to nominate one non-executive rotational director on the Board, who will be eligible for reappointment; and that within 12 months of the date of completion not less than half the Board is required to be comprised of independent directors. The directors nominated by the Private Equity Investors are also entitled to be members of any committee or sub-committee of the Board.

The MIA provides that 21 days' notice of each Board meeting is required to be given to each Private Equity Investor, and the agenda for the meeting is required to be circulated 10 days prior to the meeting. The MIA lists out certain items that can be discussed only if the same are stated in the agenda to the Board meeting, such as filing for bankruptcy or winding up, change in capital structure, merger, amalgamation or consolidation, modification of the any of our charter documents, and the appointment and removal of directors. The presence of half the number of the Board, present for the entire duration of the meeting is necessary to constitute a quorum for the meeting, unless the same is with the consent of the Private Equity Investors.

In terms of the MIA, all parties subscribing to the Equity Shares prior to or simultaneously with the Private Equity Investors are prohibited from transferring their Equity Shares for a period of three years from the date of completion, i.e., March 10, 2004. However, the MIA also prescribes the following exceptions to the aforesaid lock-in: (i) where we suffer a loss of reputation; (ii) where the Private Equity Investors are required by law to liquidate their shareholding in us; (iii) where there is a reduction in either the period of lock-in or in the number of Equity Shares, by RBI, in relation to the five-year statutory lock-in imposed on the shareholding of Rabobank International Holding, the Private Equity Investors would be entitled to transfer their Equity Shares on a pro-rata basis or if there is reduction in the lock-in period by RBI in respect of the Equity Shares held by Rabobank International Holding to less than 36 months from the date of completion, then the restriction on the transfer of Equity Shares by the Private Equity Investors shall be in force for such reduced period of time; (iv) where our Promoters or the Promoter Group Companies are required to sell their Equity Shares for the repayment of the loan facility availed by Mags and Morgan from Rabobank International Holding; (v) the sale of three million Equity Shares by our Promoters through the random order matching system of the stock exchanges after the listing of our Equity Shares, after the repayment of the loan facility availed by Mags and Morgan from Rabobank International Holding and (vi) the sale of 1,150,000 Equity Shares, 850,000 Equity Shares, 850,000 Equity Shares by Citicorp, ChrysCapital and AIF Capital, respectively, through the random order matching system of the stock exchanges after the listing of the Equity Shares. Further, the Equity Shares held by the Private Equity Investors will be locked-in along with our entire pre-Issue equity share capital for a period of one year from the date of allotment of Equity Shares in this Issue. See the section titled "Promoter Contribution and Lock-In" on page 13 of this Prospectus.

The MIA also imposes a restriction on our Promoters and the Promoter Group Companies prohibiting them from transferring their locked-in Equity Shares for a period that is the lesser of either (i) five years from the date of the MIA, i.e., up to November 25, 2008, or (ii) such other period as may be prescribed by RBI for restricting the transfer of the Equity Shares by the Promoters.

The MIA further provides that in the event of sale of the Equity Shares by our Promoters or the Promoter Group Companies to any third person, such third person would be required also to purchase the Equity Shares from the Private Equity Investors, as per the procedure prescribed under the MIA. Upon listing of the Equity Shares, the Promoters are also prohibited from selling their shareholding in us on the market without the prior consent of the Private Equity Investors. The MIA also prohibits for a period of five years, all inter-se transfers between the parties to the MIA, without the consent of all the parties.

So long as the Promoters and the Promoter Group Companies hold 6.0% of our equity share capital, or during their employment with us, or for a period of six months from the date of cessation of employment with us, the MIA prohibits them from associating themselves with any business similar to ours. Our Promoters and the Promoter Group Companies, have under the terms of the

MIA, been permitted to hold the entire share capital of a company proposing to provide business process outsourcing services ("Other BPO Company") without being engaged in any manner in the running of such businesses, provided that our proposed subsidiary also intends to provide business process outsourcing services in the nature of a captive service, i.e., provides business process outsourcing services only to us. In the event that such subsidiary ceases to be a captive service provider, Our Promoters and the Promoter Group Companies are required to reduce their holding in the Other BPO Company to less than 25.0% and are also prohibited from being connected with the Other BPO Company in any manner.

The MIA also mandates that our Bank is required to make an IPO of Equity Shares within 18 months from the date of completion, which includes listing of the Equity Shares on the Stock Exchange, Mumbai or the National Stock Exchange. However, the Bank is required to actively consult the Private Equity Investors prior to making such initial public offering. It is provided that the minimum IPO price shall be the higher of (i) the price at which any of the Private Equity Investors subscribe to the Equity Shares anytime prior to such initial public offering and (ii) the price at which any person purchases or subscribes to the Equity Shares prior to such initial public offering. An initial public offering at a price lower than the minimum IPO price requires the consent of the Private Equity Investors.

The MIA seeks to protect the shareholding of the Private Equity Investors by providing that except in the case of an IPO by the Bank, if there is any issue of any Equity Shares, or any appreciation rights, or rights issues, or options or warrants, the Private Equity Investors would be entitled to acquire such an additional number of Equity Shares of our Bank so as to maintain/ increase their current proportion, provided that the stake of Citicorp in our Bank may not exceed 15.0% and the stake of ChrysCapital and AIF Capital may not exceed 10.0% of our capital. After the IPO, Citicorp, ChrysCapital and AIF Capital are prohibited from exercising voting rights on poll in excess of 14.9%, 10.0% and 10.0%, respectively, of the total voting rights of all the shareholders, without the prior written consent of the Promoters and the Promoter Group Companies. Further, in terms of the MIA, we have agreed not to establish a branch in the United States without the consent of the Private Equity Investors.

The MIA terminates upon the expiry of the lock-in period in relation to the Equity Shares subscribed to by the Private Equity Investors except for certain provisions in relation to the warranties and indemnities, tag along rights, governing law and notice as contained in the MIA that survive the termination of the MIA. If after the lock-in period, the stake of any of the Private Equity Investors in us falls below 5.0%, then even these residual provisions of the MIA would terminate with respect to such Private Equity Investor.

We have executed a deed of adherence dated March 8, 2004 with the Promoters, the Promoter Group Companies and the Private Equity Investors agreeing to be bound by the terms of the MIA, in so far as they relate to any right, obligation or duty upon us.

RBI by their letter dated February 26, 2004 has also provided their no-objection to the participation of the three private equity investors namely Citicorp International Finance Corporation, ChrysCapital II, LLC and AIF Capital Inc. in the equity of the Bank at 10%, 7.5% and 7.5%, respectively.

Main Objects of the Bank

Our main objects as contained in our Memorandum of Association are:

- To establish and carry on business of banking in any part of India or outside India.
- To carry on the business of accepting, for the purpose of lending or investment, of deposits of money repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise.
- To borrow, raise or take up money, lend or advance money with or without interest either upon or without security.
- To draw, make, execute, issue, endorse, negotiate, accept, discount, buy, sell, collect and deal in bills of exchange, hundies, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, bonds, mortgage-backed securities, letters of credit or obligations, certificates, scrips and other instruments and securities whether transferable or negotiable or mercantile or not.
- To grant and issue letters of credit, travellers cheques and circular notes, buy, sell and deal in bullion and specie.
- To receive all kinds of bonds, scrips or valuables on deposit or for safe custody or otherwise, provide safe deposit vaults, collect and transmit money, negotiable instruments and all securities.

- To buy, acquire, issue on commission, deal sell, dispose of, exchange, convert, underwrite, subscribe, participate, invest in and hold whether on its own account or on behalf of any person, body corporate, company, society, firm or association of persons whether incorporated or not, shares, stocks, funds, debentures, debenture stocks, units, promissory notes, bills of exchange, bonds, warrants, participation certificates or participating units, other money market or capital market instruments, obligations and securities and investments of all kinds issued or guaranteed by any government, state, dominion, sovereign body, commission, public body or authority, supreme, local or municipal or company or body, whether incorporated or not or by any person or association;
- To act as foreign exchange dealer and to buy, sell or otherwise deal in all kinds of foreign currencies including foreign bank notes, foreign currency options, forward covers, swaps of all kinds and to transact for itself or on behalf of any person, body corporate, company, society, firm or association of persons whether incorporated or not, all transactions in foreign currencies.
- To carry on the activities of bill discounting, rediscounting bills, marketing, factoring, dealing in commercial paper, treasury bills, certificate of deposits and other financial instruments.
- To act as agents for any government or local authority or any other person or persons, carry on agency business of any description including clearing and forwarding of goods, give receipts and discharges and otherwise act as an attorney on behalf of customers, but excluding the business of a managing agent or secretary and treasurer of a company.
- To contract for public and private loans and advances and negotiate and issue the same.
- To form, constitute, promote, act as managing and issuing agents, prepare projects and feasibility reports for and on behalf of any company, association, society, firm, individual and body corporate.
- To carry on and transact every kind of guarantee and indemnity business.
- To undertake and execute trusts and the administration of estates as executor or trustee.
- To act as Registrar and Transfer Agents and Registrar to the Issue, Issue Agents and Paying Agents.
- To provide custodial and depository services and to do all such things as may be advised, permitted or required for this purpose in accordance with the prevailing laws of the country.
- To effect, insure, guarantee, underwrite, participate in managing and carrying out of any issue, public or private, of state, municipal or other loans or of shares, stocks, debentures or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue.
- To issue debit or credit cards to customers or any other person.
- To provide or assist in obtaining, directly or indirectly, advice or services in various fields such as management, finance, investment, technology, administration, commerce, law, economic, labour, HR development, industry, public relations, statistics, science, computers, accountancy, taxation, fund management, foreign exchange dealings, quality control, processing, strategic planning and valuation.

The present business of the Bank is as per the main objects as contained in the Memorandum of Association. By a resolution dated March 1, 2005 we have expanded our main objects. These are however subject to the approval of RBI. For further details see "Changes in Memorandum of Association" on page 81 of this Prospectus.

Changes in Memorandum of Association

Date	Details
March 1, 2005	<p>Insertion of the following main objects:</p> <ul style="list-style-type: none"> To act as agents for insurance products such as life, pension & employees benefit, fire, marine, cargo, marine hull, aviation, oil & energy, engineering, accident, liability, motor vehicles, transit & other products and to carry on the business of insurance, re-insurance and risk management either directly or as an insurance agent, insurance broker or otherwise.* To provide consultancy and advisory services in respect of insurance matters including risk management, credit management, insurance management, to Indian and Foreign governments, States, dominions, sovereigns, public authorities or bodies, schools, colleges, universities, or any person, firm, company, corporation, body corporate, society, association of person, body, forum, whether incorporated or not, whether in the private or public sector and whether profit oriented or not.* To carry on the business of merchant banking, investment banking, portfolio investment management and to act as financial consultants, advisors, agents, distributors and brokers, to individuals, firms, sole proprietors, bodies corporate, Government bodies, Government for all immovable and movable properties including assets, cash, money deposits, stocks, all types of securities, government bonds and securities, units of mutual funds, mortgages, pledge, obligations, guarantees, gold, bullion, precious metals and arts.*

* subject to the approval of RBI.

Key Milestones

Date	Event
March 30, 2001	Application to RBI for a license to start a new private sector bank
February 7, 2002	Receipt of an 'In Principle' approval from RBI to establish the Bank
February 25, 2003	Extension of the 'In Principle' approval for a further period of six months
August 6, 2003	Further extension of the 'In Principle' approval by RBI till November 2003
December 29, 2003	Further extension of the 'In Principle' approval for a period up to February 29, 2004 in order for the proposed Bank to complete all financial arrangements
November 21, 2003	Incorporation of the Bank
March 10, 2004	Infusion of capital by the Promoters, the Promoter Group Companies and the Private Equity Investors and realization of the initial minimum paid up capital of Rs. 2,000 million
March 29, 2004	Final application for banking licence under Section 22 (1) of the Banking Regulation Act made by the Promoters
May 24, 2004	License to commence commercial branching received from RBI
August 16, 2004	First branch established at Nehru Centre
August 21, 2004	Included in the Second Schedule to RBI Act
August 23, 2004	Launch of wholesale and business banking
September 23, 2004	Launch of the financial markets services
October 14, 2004	Launch of transaction banking
January 27, 2005	Second branch established at Nyaya Marg, Chanakyapuri, New Delhi

OUR MANAGEMENT

The following table sets forth details regarding our Board of Directors as of the date of filing the Prospectus with SEBI:

Board of Directors

S. No.	Name, Designation, Father's Name, Address, Occupation	Age	Date of Appointment and Term	Other Directorships
1.	Ashok Kapur, <i>Chairman</i> <i>Non-Executive Director</i> S/o Gurcharan Lal Kapur 11, Silver Arch Napean Sea Road Mumbai 400 006 India <i>Professional Banker</i>	62	November 21, 2003 Five years	Nil
2.	Rana Kapoor, <i>Managing Director and</i> <i>Chief Executive Officer</i> S/o Raj Kishore Kapoor Bungalow No. 1 Grand Paradi August Kranti Marg Mumbai 400 036 India <i>Professional Banker</i>	47	November 21, 2003 Five years	Nil
3.	Wouter Kolff <i>Non-Executive Director</i> S/o Hendrik F Kolff 46, Van Calcarlaan, 2244 GP Wassenaar Nederland <i>Professional Banker</i>	59	November 21, 2003 Liable to retire by rotation	(a) Rabobank Nederland (b) Rabobank Int. Holding B.V. (c) Rabo Securities N.V. (d) Rabobank Ireland Plc. (e) Gilde Investment Management B.V. (f) Rabobank Australia and New Zealand (g) PT Bank Rb Indonesia (h) PT Rabo Finance Indonesia (i) Rabo India Finance Private Limited
4.	Hans ten Cate <i>Vice Chairman</i> <i>Non-Executive Director</i> <i>(Alternate: Fergus Murphy)</i> S/o Jacob Huibert ten Cate 26, Essenweg 3062 NT Rotterdam Nederland <i>Professional Banker</i>	59	March 10, 2004 Not liable to retire by rotation	Nil

S. No.	Name, Designation, Father's Name, Address, Occupation	Age	Date of Appointment and Term	Other Directorships
5.	Ajay Relan <i>Non-Executive Director</i> <i>(Alternate: P. Srinivasan)</i> S/o Ramdhan Relan C 121, Defence Colony New Delhi 110 024 India <i>Service</i>	51	March 10, 2004 Liable to retire by rotation	(a) Citicorp Finance (India) Limited (b) I-flex Solutions Limited (Alternate) (c) Orbitech Solutions Limited (d) Gujarat Glass Limited (e) Monnet Power / Ispat Limited (f) HT Media Limited (g) Suzlon Energy Limited (h) Micro Abrasives Limited
6.	Ashish Dhawan <i>Non-Executive Director</i> S/o Anand Kumar Dhawan 55A Jorbagh New Delhi 110 003 India <i>Service</i>	36	March 10, 2004 Liable to retire by rotation	(a) Chrys Capital I, LLC (b) Chrys Capital II, LLC (c) Chrys Capital III, LLC (d) Chrysalis Investment Advisors (India) Private Limited (e) Global Vantage (Mauritius) (f) Ephinay India Private Limited (g) Ephinay Bermuda Limited (h) Mphasis BFL Limited (i) CM Investments, LLC (j) Global Vantage (Bermuda) Limited (k) Global Vantage (India) Limited (l) Suzlon Energy Limited (m) IVRCL Infrastructure and Projects Limited
7.	Ajay Lal <i>Non-Executive Director</i> <i>(Alternate: Peter Amour)</i> S/o Harbans Lal L C G - 8, 6/A Laburnum Sector -28, Sushant Lok <i>Service</i>	43	March 10, 2004 Liable to retire by rotation	(a) Golden Palm Limited (b) Vintage Investments Limited (c) GVK Industries Limited (d) AIF (Indonesia) Limited (e) AIF Philippine Telecom Corporation (f) Russell AIF India Telecom Limited (g) AIF (Mauritius) India Telecom Limited (h) Russell AIF Capital Inc. (i) AIF Steel Investment Holding Pte Limited (j) SeAH Besteel Corporation
8.	Kashi Memani <i>Non-Executive Independent Director</i> S/o Bhagwandas Memani W-2, 1 st Floor Greater Kailash-II New Delhi 110 048 India <i>Chartered Accountant</i>	66	April 1, 2004 Liable to retire by rotation	(a) Indo Rama Synthetics (India) Limited (b) Aegon India Business Services Private Limited (c) Kaleidoscope Entertainment Private Limited (d) National Engineering India Limited (e) HEG Limited (f) HT Media Limited (g) HT Consultancy Services Private Limited (h) KNM Advisory Private Limited (i) Great Eastern Energy Corporation Limited (j) Shree Cement Limited

S. No.	Name, Designation, Father's Name, Address, Occupation	Age	Date of Appointment and Term	Other Directorships
9.	Bharat Patel <i>Non-Executive Independent Director</i> S/o Vithalbhai Patel 52, Miami Apartments Bhulabhai Desai Road Mumbai 400 026 India <i>Service</i>	60	September 13, 2004 Liable to retire by rotation	(a) Procter & Gamble Hygiene & Health Care Limited (b) Wockhardt Limited (c) Bajaj Tempo Limited (d) NESCO Limited
10.	Surrinder L. Kapur <i>Non-Executive Independent Director</i> S/o Late Mr. G.B. Kapur 161 A/1, Western Avenue Sainik Farms New Delhi – 110 062 India <i>Retired Government Official</i>	68	January 27, 2005 Liable to retire by rotation	(a) Gopalpur Power Limited (b) Uni-products (India) Limited (c) Grant Thornton (India) Private Limited (d) Dhir & Dhir Asset Reconstruction & Securitisation Co. Limited
11.	H. Srikrishnan* <i>Executive Director (Designate)*</i> S/o C.V. Hari Hara Sarma 1B, Chand Terraces Bandra (W), Mumbai 400050. India <i>Professional Banker</i>	43	April 7, 2004 Five years	Nil
12.	Arun K. Mago <i>Non-Executive Independent Director</i> S/o Late K.N.Mago E-7, Nizammudin West New Delhi 110 013 <i>Retired Government Official</i>	60	March 14, 2005 Liable to retire by rotation	Nil

* Appointment subject to the approval of RBI

Ashok Kapur is the Chairman of the Bank. He is a graduate of the Institute of Bankers, U.K. From 1962 he was employed by Grindlays Bank in various capacities including General Manager, Institutional Banking and Managing Director, Grindlays Merchant Bank of Nigeria Limited. He has also worked as Regional Manager (Executive Vice-President), ABN Amro Bank, Singapore, where he was involved with the geographical spread of the Asia/Australia branch network and the different business groups including commercial and investment banking. He was also the first Asian to be appointed "Country Manager" of ABN Amro Bank, India. Before joining us, he was the Managing Director of Rabo India where he led a management team to partner Rabobank Netherlands to set up Rabo India, a new financial service company focused on corporate and structured finance for the Indian market.

Rana Kapoor is the Managing Director and Chief Executive Officer of the Bank. Prior to joining us, he was the Chief Executive Officer and Managing Director of Rabo India, responsible for all its business activities including corporate finance and investment banking. Prior to joining Rabo India, he was the General Manager and Head: ANZ Grindlays' Investment Bank (ANZIB) in India for a period of two years. Prior to that, he spent 16 years at Bank of America, where he managed corporate, government and financial institution clients. He holds an MBA from Rutgers' University in New Jersey, USA. and a Bachelor's degree in Economics (Honours) from the University of Delhi.

Wouter Kolff is a graduate in Economics from the Erasmus University, Rotterdam. After a 19-year career at ABN Bank, where his roles included Head, Guilder Group Treasury, General Manager Rotterdam Office and Chairman of the Management Committee at ABN Belgium, he moved to the international network of Rabobank Netherlands in 1990 and managed the corporate finance arm of Rabobank International. At present he is responsible for Rabobank International's Food and Agri-business, Asia, Australia and international retail initiatives. Rabobank International is Rabobank Netherlands' international corporate and investment banking division.

Hans ten Cate holds a Bachelor's degree in Business Economics from Nederlandse Economische Hogeschool and an MBA from Interfaculteit Bedrijfskunde, Delft. He is a Member of the Executive Board, Rabobank Netherlands, the Chairman of the Supervisory Board of De Lage Landen International B.V., Member of the Supervisory Board of Robeco Groep N.V., Chairman of the Supervisory Board of Beurs Rotterdam N.V., Chairman of the Supervisory Board of Rabo Vastgoed B.V. and Chairman of the Supervisory Board of Gilde Investment Management B.V. He is a former Member and Chairman of the Board, AMRO Handelsbank A.G., Germany, General Regional Director Rotterdam, ABN AMRO Bank N.V. and Director of General Credit and Special Financing, ABN AMRO Bank N.V.

Ajay Relan is the Managing Director of Citigroup Venture Capital International, India. He is a former Chief Executive of Citicorp Securities & Investments Limited, a company focused on the equity and debt markets in India. He has had several years of corporate and investment banking experience in India, Saudi Arabia, Tunisia and Switzerland. He has an MBA from the Indian Institute of Management, Ahmedabad and a BA Honours (Economics) from the St. Stephen's College, Delhi.

Ashish Dhawan is the Senior Managing Director, ChrysCapital. He is the co-founder of ChrysCapital a private equity fund founded in India that manages US\$450.0 million of funds for leading institutional clients. He previously worked in the Proprietary Investment Group at Goldman Sachs in New York. He was formerly at GP Investments, a private equity fund in Brazil and prior to that worked at McCown De Leeuw & Co, a private equity firm in the USA. He holds an MBA with distinction from Harvard University and a dual bachelors degree (BS/BA) in applied mathematics and economics from Yale University.

Ajay Lal is currently a Senior Partner and Managing Director of AIF Funds Management Limited (AIFML). Some of the investments that he manages for AIFML include AriaWest, Bharti and GVK Industries. He represents AIFML on the board of directors of all these portfolio companies. Prior to joining AIFML, he was the India Country Representative for AIG Investment Corporation. Before moving to the private equity industry in 1995, he was a Vice President with Bank of America as Head: Financial Institutions Group and Head: Multinational Accounts, and in other assignments.

Kashi Memani recently retired as the Chairman and Country Managing Partner, Ernst & Young, India, where he specialized in business and corporate advisory matters including foreign taxation, joint venture agreements, foreign exchange, financial consultancy and audit. He is a former member of the External Audit Committee of the International Monetary Fund and was also appointed its Chairman. Currently, he is the Chairman of American Chamber of Commerce in India, the Vice President of PHD Chamber of Commerce, member of the National Advisory Committee on Accounting Standards, a statutory authority for specifying mandatory Accounting Standards, and a special invitee of the National Council of CII. He has also been the President of Indo American Chamber of Commerce, Federation of Indian Export Organizations and member of managing committees of Federation of Indian Chambers of Commerce and Industry and PHD Chamber of Commerce and Industry and a member of the Governing Council of Indo-French Chamber of Commerce.

Bharat Patel obtained an MBA in Marketing from the University of Michigan, Ann Arbor, Michigan, USA and an MA in Economics from the University of Notre Dame, South Bend, Indiana, USA. He joined Vicks International, New York as Marketing Trainee in 1969 and on its merger with Procter & Gamble, moved to Procter & Gamble and had a long and distinguished career there. He worked in various capacities for Procter & Gamble including as Operations Director, Associate General Manager, Category Manager, Country Manager and Executive Vice President. He was the Chairman and Managing Director, Procter & Gamble India Limited for six years and is currently its non-executive Chairman and a consultant to it on strategy, policy and external relations.

Surrinder L. Kapur holds an M.A. (Maths) and also an LL.B. He is presently working as an honorary adviser to the President, PHDCCI (a regional Chamber of Commerce covering 11 Northern States and Union Territories of the Union of India). Besides his duties as an adviser, he manages a Small Industry and Business Helpline for Small Entrepreneurs working in the jurisdiction of the Chamber. He retired from the post of a member of the Board for Industrial and Financial Reconstruction, a statutory body set up by the Government of India with a mandate to revive and rehabilitate the sick industrial enterprises. He has also worked as

Secretary to the Government of India, Department of Small Scale Industries & Agro and Rural Industries (Ministry of Industry) and Ministry of Food Processing Industries. He has also been a member of the Foreign Investment Promotion Board. Prior to this, he worked for 25 years in the Government of Punjab on various assignments including Chief Secretary to the Government of Punjab, Secretary, Industries and Chairman, Punjab State Industrial Development Corporation, Chairman of Punjab Tractors Ltd., Punjab Concast Ltd. and Punjab Small Industries Corporation. He also served as Joint Secretary in Ministry of Industrial Development (in-charge of Secretariat for Industrial Approvals and Industrial Policy) where he was in-charge of the Secretariat for Industrial Approval. He has published a number of papers on various subjects connected with industry. He has successfully completed a number of special assignments, including for international organisations like UNIDO, UNDP and the World Bank. He was commissioned by UNDP to produce a perspective plan for India regarding Poverty Alleviation and Generation of Employment. Recently, he prepared a report as a One-Man High Level Committee, for the Reserve Bank of India, on credit to Small Scale Industries.

H. Srikrishnan is an executive director (designate) with the Bank. Prior to joining us, he was the Country Head, Transactional Banking and Operations, HDFC Bank, Mumbai where he was the part of the core team which set up the bank with focus on corporate, retail banking, treasury and capital market infrastructure businesses. He was also the Manager, Projects, Emirates Bank International, Dubai where he handled the merger/conversion project and branch automation projects. He has also worked in various branches of the Bank of America in India where he served as the Head, Operations, Head, Internal Audit and Country Personnel Officer. His appointment is subject to approval by RBI. He holds a B.Com and an MBA from LIBA, Chennai.

Arun K. Mago holds an M.Sc. in Physics, a M.Phil. in Social Sciences, various diplomas in Public Administration, Public Finance and International Law and Diplomacy. A retired Government official, he has served for over 37 years in different capacities with the Government of India and the Government of Maharashtra, his last post being the Chief Secretary, Government of Maharashtra. He has also served as the Chairman of the Maharashtra State Electricity Board; Secretary (Energy), Government of Maharashtra; Joint Secretary, Ministry of Power, Government of India; Chairman, Mumbai Port Trust; Metropolitan Commissioner, Mumbai Metropolitan Region Development Authority; Additional Municipal Commissioner, Municipal Corporation of Greater Mumbai; Principal Secretary, Government of Maharashtra.

Remuneration of Directors

1. Mr. Rana Kapoor, Managing Director and Chief Executive Officer

Mr. Rana Kapoor was appointed as the Managing Director and Chief Executive Officer of our Bank with effect from September 1, 2004 for a period of five years and the same was approved by RBI by its letter dated, August 10, 2004. Details of Mr. Rana Kapoor's annual remuneration as contained in the appointment letter dated December 20, 2004 are as follows:

Income Head (per annum)*	Rs.
Remuneration	11,025,000
Perquisites	1,542,500
Other allowances	150,000
Total	12,717,500

* The terms of the remuneration are subject to approval of RBI.

2. Mr. Ashok Kapur, Non-executive Chairman

Mr. Ashok Kapur was appointed as non-executive part-time chairman of our Bank with effect from September 1, 2004 for a period of five years and the same was approved by RBI by its letter dated, August 10, 2004.

Details of Mr. Ashok Kapur's annual remuneration as contained in the appointment letter dated December 20, 2004 are as follows:

Income Head (per annum)*	Rs
Remuneration	3,045,000
Perquisites	15,000
Other allowances	150,000
Total	3,210,000

* The terms of the remuneration are subject to approval of RBI.

3. Mr. H. Srikrishnan, Executive Director (Designate)

Mr. H. Srikrishnan was appointed as an Executive Director of our Bank with effect from April 7, 2004 for a period of five years and the same is subject to the approval of RBI.

Details of Mr. H. Srikrishnan annual remuneration as contained in the appointment letter dated February 7, 2005 are as follows:

Income Head (per annum)*	Rs
Remuneration	6,615,000
Perquisites	1,003,500
Other allowances	100,000
Total	7,718,500

* The terms of the remuneration are subject to approval of RBI.

Payment or benefit to officers of our Bank

Except as stated in the prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees.

Corporate Governance

We have set up internal policies to ensure best practices in corporate governance. Our corporate governance philosophy is dedicated to the attainment of the highest levels of accountability and transparency in dealings with our shareholders. Our corporate governance policies lay emphasis on communication (both internal and external) and reporting. These vital initiatives extend beyond mandatory corporate governance requirements and are in accordance with the Bank's stated aim of establishing voluntary best practices and industry leadership. The corporate governance framework in the Bank is based on an effective Board, separation of the Board's supervisory role from the executive management and constitution of Board committees to oversee critical areas.

We have a broad-based Board of Directors, constituted in compliance with the Banking Regulation Act, the Companies Act and listing agreements with the Stock Exchanges. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Our executive management provides the Board detailed reports on its performance periodically.

The Board has 12 Directors, of which two are executive Directors. The Chairman of the Board is a non-executive Director. There are 4 independent directors on our Board in accordance with the requirements of Clause 49 of the listing agreement of the Stock Exchanges. The Board has approved the appointment of Mr. H. Srikrishnan also as executive Director. His appointment is subject to approval of RBI.

Committees of the Board

The following committees have been formed to focus on specific areas:

Audit and Compliance Committee

The members of the Audit and Compliance Committee are:

- Mr. Kashi Memani (Chairman of the Committee) (Independent Director of the Bank);
- Mr. Bharat Patel (Independent Director of the Bank); and
- Mr. Ashok Kapur (Chairman and Non-Executive Director of the Bank).

The scope and functions of the Audit and Compliance Committee are as per Section 292A of the Companies Act. Its main functions are to:

- create an open avenue for communication between the Board of Directors, internal auditors and the independent auditors;
- recommend the appointment and removal of statutory and internal auditors, fix audit fees and approve payment for other services;
- provide directions and oversee the operation of the total audit function in the Bank (internal as well as external);
- monitor the adequacy of the internal control environment including computerized information control system and security and management information systems;
- review the half yearly report obtained from the compliance officer appointed by the Bank;
- interact with the external auditors before finalizing the annual/half yearly financial statements;
- review the annual financial statements and analyze the performance of the Bank, along with the management, before the same are forwarded to the Board with primary focus on accounting policies and practices, compliance with accounting standards and legal requirements having financial statement implications;
- to scrutinize the reasons for default, if any, in payments to depositories, debenture holders, shareholders, creditors, etc, and legal matters that could have a significant impact on the financial statements;
- review all related party transactions; and
- if necessary, institute special investigation teams with complete access to all records, information and personnel of the Bank.

The Audit Committee met thrice in the period ended March 31, 2005 and once till date in the financial year 2005- 2006.

Risk Monitoring Committee

The members of the Risk Monitoring Committee are:

- Mr. Ashok Kapur (Chairman) (Chairman and Non-Executive Director of the Bank);
- Mr. Rana Kapoor (Vice Chairman) (Managing Director and Chief Executive Officer of the Bank);
- Mr. Hans ten Cate (Non-Executive Director of the Bank);
- Mr. Ajay Lal (Non-Executive Director of the Bank); and
- Mr. Ajay Relan (Non-Executive Director of the Bank).

The functions of the Risk Monitoring Committee include:

- identification, monitoring and measurement of the risk profile of the Bank (including market risk, operational risk and credit risk);
- overseeing its integrated risk measurement system and reviewing the risk models as developments take place in the markets;
- approval of the risk management policies and structure of risk management;

- developing an integrated framework for charting/categorizing various types of loans, to determine implications on quality; and
- the committee also develops policies and procedures for setting of quantitative prudential limits on various products and segments of the Bank's operations and monitors compliance of various risk parameters by operating departments.

The Risk Monitoring Committee met thrice in the period ended March 31, 2005 and has not met till date in the financial year 2005- 2006.

Nominations Committee

The members of the Nominations Committee are:

- Mr. Rana Kapoor (Chairman) (Managing Director and Chief Executive Officer of the Bank);
- Mr. Ashok Kapur (Non-Executive Director of the Bank);
- Mr. Kashi Memani (Independent Director of the Bank); and
- Mr. Ashish Dhawan (Non-Executive Director of the Bank).

The Nominations Committee has been set up for the following purposes:

- review the current Board composition, its governance framework, its Committees as well as determine future requirements and make recommendations to the board for approval;
- to appoint senior management personnel; and
- to scrutinise nominations for independent/ non executive directors with reference to their qualifications and experience and make recommendations to the Board for appointment/filling of vacancies.

The Nominations Committee met once in the period ended March 31, 2005 and has not met till date in the financial year 2005-2006.

Investor Relations Committee (Shareholders' Redressal)

The members of the Investor Relations Committee are:

- Mr. Bharat Patel (Chairman) (Independent Director of the Bank);
- Mr. Ashok Kapur (Chairman and Non-Executive Director of the Bank); and
- Mr. Ajay Relan (Non-Executive Director of the Bank).

The Investor Relations Committee has been set up for the following purposes:

- redressing complaints from shareholders such as non-receipt of dividend, annual report, transfer of shares and issue of duplicate share certificates; and
- monitoring transfers, transmissions, dematerialization, rematerialization, splitting and consolidation of shares and bonds issued by the Bank.

As of date, the Investor Relations Committee has not met yet.

Board Remuneration Committee

The members of the Board Remuneration Committee are:

- Mr. Ashish Dhawan (Chairman of the Committee) (Non-Executive Director of the Bank);
- Mr. Wouter Kolff (Non-Executive Director of the Bank);
- Mr. Rana Kapoor (Managing Director and Chief Executive Officer of the Bank);
- Mr. Ajay Relan (Non-Executive Director of the Bank); and
- Mr. Ajay Lal (Non-Executive Director of the Bank)

The Board Remuneration Committee has been set up for the following purposes:

- to review the overall compensation structure and related policies with a view to attract, motivate and retain employees;
- the committee determines the Bank’s policies on remuneration packages payable to the Directors including pension rights, performance/achievement bonus and perquisites;
- consider grant of stock options to employees and review compensation levels vis-à-vis other banks and the industry in general; and
- the administration and supervision of the Joining Stock Option Scheme.

As of date, the Board Remuneration Committee has met once in the period ended March 31, 2005 and has met once in the financial year 2005- 2006.

IPO Committee

The Board has appointed this committee to oversee and administer the activities to be undertaken for this Issue.

The members of the IPO Committee are:

- Mr. Ashok Kapur (Chairman and Non-Executive Director of the Bank); and
- Mr. Rana Kapoor (Chairman) (Managing Director and Chief Executive Officer of the Bank).

Shareholding of the Directors

Our Articles do not require our Directors to hold any qualification shares in our Company. The list of Directors holding Equity Shares and the number of Equity Shares held by each of them as of May 24, 2005 is set forth below:

Sr. No.	Shareholders	No. of Equity Shares held	% shareholding
1.	Mr. Ashok Kapur	35,125,000	17.56
2.	Mr. Rana Kapoor	20,000,000	10.00
3.	Mr. H. Srikrishnan*	2,000,000	1.00

* Appointment subject to the approval of RBI.

Interests of Directors

All Directors of the Bank may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. The Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of the Bank. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in the Bank, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, members, partners or trustees. Our Chairman, Mr. Ashok Kapur, and our Managing Director and Chief Executive Officer, Mr. Rana Kapoor, and our Executive Director (Designate), H. Srikrishnan are entitled to receive remuneration from us. See the section titled “Our Management–Remuneration of Directors” on page 86 of this Prospectus.

Further, our Chairman, Mr. Ashok Kapur, and our Managing Director and Chief Executive Officer, Mr. Rana Kapoor are also our Promoters and hold Equity Shares.

Borrowing Powers of our Board

Our Articles authorise our Board, to borrow moneys and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit. See section titled “Main Provisions of the Articles of Association” on

page 175 of this Prospectus. Our shareholders at a general meeting on March 1, 2005 authorised our Board to borrow a maximum of Rs. 15,000 million of which Rs. 13,000 million was allocated to commercial borrowings and Rs. 2000 million was allocated towards Tier II Capital.

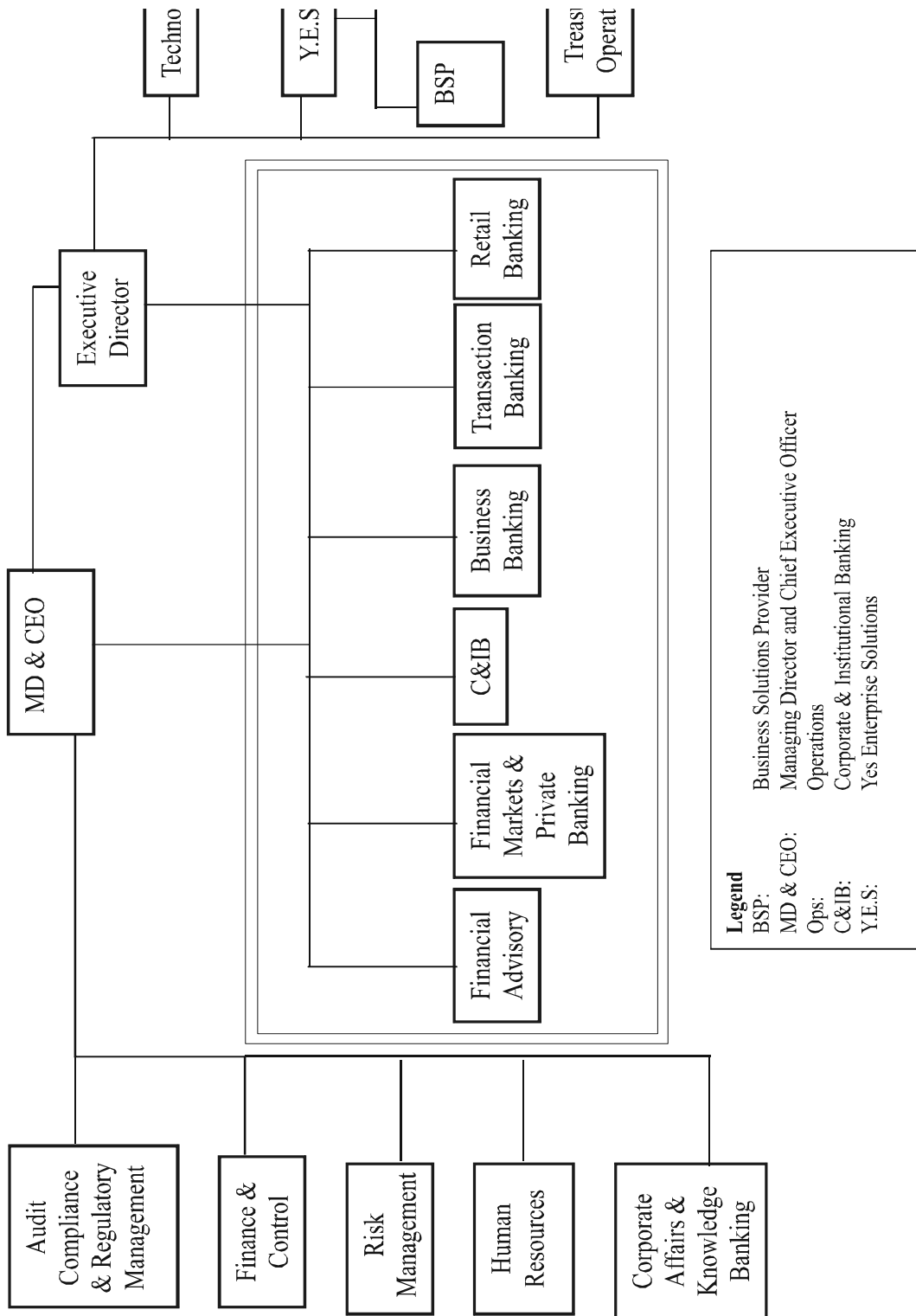
Changes in our Board of Directors since incorporation

The following have been appointed as Directors of the Bank since incorporation and no changes thereafter have taken place:

Name	Date of Appointment
Ashok Kapur Director of the incorporated Public Limited Company	November 21, 2003
Ashok Kapur Non-Executive Chairman of the Bank	September 1, 2004
Rana Kapoor Director of the incorporated Public Limited Company	November 21, 2003
Rana Kapoor Managing Director and Chief Executive Officer of the Bank	September 1, 2004
Wouter Kolff Director of the incorporated Public Limited Company and Non-Executive Director	November 21, 2003
Hans ten Cate Non-Executive Director	March 10, 2004
Ajay Relan Non-Executive Director	March 10, 2004
Ashish Dhawan Non-Executive Director	March 10, 2004
Ajay Lal Non-Executive Director	March 10, 2004
Kashi Memani Independent Director	April 1, 2004
H. Srikrishnan Executive Director (Designate)*	April 7, 2004
Bharat Patel Independent Director	September 13, 2004
Surrinder L. Kapur Independent Director	January 27, 2005
Arun K. Mago Independent Director	March 14, 2005

* Appointment subject to the approval of RBI

Organizational Structure



Key Managerial Personnel of our Bank

The details of our key managerial personnel who are in employment of the Bank as permanent employees are as follows:

Aditya Sanghi, 33, Country Head – Investment Banking, is a Management Graduate from Indian Institute of Management, Bangalore and prior to that he obtained a Bachelor’s Degree in Chemistry from Delhi University. He is responsible for building our advisory and investment banking practice. He has over nine years of investment banking experience, including six years with Rabo India, where his last assignment was as Executive Director, Head of Mergers and Acquisitions. During the last financial year, Aditya Sanghi was paid a gross compensation of Rs. 5,377,032, which includes deferred compensation accrued for the year.

Ajay Mahajan, 37, President – Financial Markets and Private Banking, has a Bachelor’s Degree in Electrical and Electronics Engineering from Birla Institute of Technology and Science, Pilani and an MBA from Faculty of Management Studies, Delhi. He joined us on May 1, 2004. His current assignment includes overall responsibility for Financial Markets and additional charge of the Private Banking function. Previously, he was the Managing Director, Global Markets Group and Country Treasurer, India in Bank of America where he worked for a period of 14 years. During the last financial year, Ajay Mahajan was paid a gross compensation of Rs. 12,204,060, which includes deferred compensation accrued for the year.

Alok Gupta, 34, Country Head, Life Sciences and Biotechnology, has an MBA in finance from the Indian Institute of Management, Calcutta and he has a B.E in Mechanical Engineering – Birla Institute of Technology and Science, Pilani. Prior to this assignment he worked as the Director - (Life Sciences and Biotechnology) at Rabo India and has also worked in the Capital Markets division of ABN Amro Securities and in the International Capital Markets of ANZ Investment Bank. During the last financial year, Alok Gupta was paid a gross compensation of Rs. 3,038,172, which includes deferred compensation accrued for the year.

Amandeep Singh Chahal, 35, Regional Head, Retail Banking (North), has an MBA from SIBM, Pune and was previously employed with Standard Chartered Bank and Citibank. During the last financial year, Amandeep Singh Chahal was paid a gross compensation of Rs. 986,416, which includes deferred compensation accrued for the year.

Amit Kumar, 36, Senior Vice President, has a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad and a B.E in Mechanical Engineering from the Birla Institute of Technology and Science, Pilani. He has worked as an Assistant Director, ANZ Investment Bank, a Manager at SBI Capital Markets Limited and as an Analyst at Tata Steel. During the last financial year, Amit Kumar was paid a gross compensation of Rs. 2,670,154, which includes deferred compensation accrued for the year.

Anuratna Chadha, 39, President – Corporate & Institutional Banking, is an honours graduate in Commerce from Sriram College, Delhi and a Business Administration degree holder from Indian Institute of Management, Ahmedabad. Previously, he was heading the Corporate Banking business for Citibank in South Africa and emerging markets. He also headed the Risk Management function in South Africa apart from being at various senior positions in India. Anuratna has vast experience in various facets of banking and has also handled a number of special projects and assignments involving strategy for turnarounds and risk management. He has undergone a number of training programs and held various leadership positions during his educational and professional career. Currently, Anuratna is also a visiting faculty at Indian Institute of Management (IIM), Calcutta for their Management Development Program. Anuratna Chadha was not paid any compensation during the last Financial Year.

Archana Shiroor, 37, Country Head – Human Resources is a post-graduate in Personnel Management from Symbiosis Institute of Business Management, Pune with over twelve years experience in Human Resources Management. She has worked on diverse facets of Human Resource Management in her successful stints at leading organisations like Development Credit Bank, HDFC Bank and Tata Infomedia. Archana joined us after spending nearly 3-years as the Head- Human Resources at Development Credit Bank. During the last financial year, Archana Shiroor was paid a gross compensation of Rs. 261,127, which includes deferred compensation accrued for the year.

Chandramouli B., 44, Chief Operating Officer, has a Bachelor’s degree in Mathematics from the University of Madras and is a Certified Associate of Indian Institute of Bankers. His responsibilities include scientific implementation (using six sigma and ISO standards) and ongoing delivery of all back-end operations such as retail, trade, loan administration, cash management, clearing treasury and the related front-end operations in our branches. He has over 22 years of professional experience. During the last financial year, Chandramouli B. was paid a gross compensation of Rs. 3,237,962, which includes deferred compensation accrued for the year.

Manish Sehgal, 31, Assistant Vice President, Life Sciences and Biotechnology, has a post graduate diploma in management from the Indian Institute of Management, Ahmedabad and a Bachelors and Masters degree in Biochemical Engineering and Biotechnology from the Indian Institute of Technology. He worked for Rabo India as Senior Manager, Life Sciences and Biotechnology and for Credit Rating and Information Services of India Limited as a Business Consultant / Analyst Corporate Ratings. Prior to that, he worked for Dr. Reddy's Laboratories Limited, Hyderabad, Viral Therapeutics Inc., New York, USA and Cadila Pharmaceuticals Limited, Ahmedabad. During the last financial year, Manish Sehgal was paid a gross compensation of Rs. 1,074,674, which includes deferred compensation accrued for the year.

Marina Kapur, 41, Executive Vice President – Private Banking & Asset Management, Yes Bank, has vast experience in private banking, wealth management, relationship management, consultancy, strategic business development and product development & structuring. An Arts graduate in Business Studies, she has been worked in various top institutions during her career and was working with Barclays Private Bank in the Sales Development function as an Assistant Head before moving to Yes Bank. Marina Kapur was not paid any compensation during the last financial year.

Munish Dayal, 39, President – Business Banking, is a Commerce graduate from Sriram College, Delhi and a merit holder of the Business Administration degree from Faculty of Management Studies (FMS), Delhi. Earlier, he was the Business Head at Citibank and was responsible for developing and managing the SME segment in Europe, Middle East and Africa. He has vast, cross-functional experience in banking, encompassing Transaction, Retail and Financial Institution Banking, apart from a sound product and operational knowledge. Being on the international circuit, he has a global perspective of the business and brings a lot of value to the table. Munish has also undergone various training programs and has a number of awards and recognitions to his credit. During the last financial year, Munish Dayal was paid a gross compensation of Rs. 231,411, which includes deferred compensation accrued for the year.

Om Ahuja, 32, Product Head – Investment Services. He is a qualified A.C.A. and has worked in the ABN AMRO Bank as the Region Head, Investment Services and in the Private Banking division of DSP Merrill Lynch Limited. During the last financial year, Om Ahuja was paid a gross compensation of Rs. 795,570, which includes deferred compensation accrued for the year.

P. Kumar, 41, Head – Business Services, has a Bachelor's degree in commerce from Chennai University. He joined us on June 9, 2004 and oversees the day-to-day operations of Business Services, providing his vast experience and disciplined leadership in business strategy, technology development, product development and operations. He has 16 years of experience in the banking industry. Prior to joining us, he was with HDFC Bank, where he was Head of Business Solutions Group. He was a member of working committee formed by RBI to frame Business Rules for RTGS Implementation. During the last financial year, P. Kumar was paid a gross compensation of Rs. 3,164,584, which includes deferred compensation accrued for the year.

Pankaj Gupta, 35, Head – Business Banking Credit, is an engineer from R.E.C., Bhopal and a Business Administration degree holder. Prior to his move to Yes Bank, Pankaj was Vice-President and Risk Head – Western Region for GE Capital Services (GECIS), India. He has been involved in development of new products, maintaining portfolio quality and structuring and underwriting loan buy-out proposals. During his stint with GECIS, he has interacted closely with a number of global risk management institutions. Prior to this, Pankaj has also headed the corporate sector ratings at Credit Rating Information of India Limited (CRISIL), which has provided him with a thorough understanding of the vast and complex Indian economy. During the last financial year, Pankaj Gupta was paid a gross compensation of Rs. 739,184, which includes deferred compensation accrued for the year.

Puneet Singh Kochar, 37, Senior Vice President, Corporate Relationship Management, has a Bachelors of Technology from the Indian Institute of Technology, Kharagpur. He also has an MBA from the Faculty of Management Studies, Delhi University. He has worked in Rabo India, in CRISIL for four years and at ANZ Grindlays. During the last financial year, Puneet Singh Kochar was paid a gross compensation of Rs. 1,572,430, which includes deferred compensation accrued for the year.

Rajat Monga, 32, Director, Financial Markets (Balance Sheet Management and New Product Development), has a Bachelor of Technology from the Indian Institute of Technology, Delhi and has a postgraduate Diploma in Management from the Indian Institute of Management, Ahmedabad. Prior to joining us, he has worked in Rabo India, as the Head, Financial Markets, India. During the last financial year, Rajat Monga was paid a gross compensation of Rs. 3,954,460, which includes deferred compensation accrued for the year.

Rajesh K. Lahori, 34, Vice President, Head Payment Operations, is a JAIIB graduate. He has worked in HDFC Bank Limited as the Assistant Vice President, Business Solutions and in American Express Bank, as the Assistant Manager, Operations. During

the last financial year, Rajesh K. Lahori was paid a gross compensation of Rs. 2,441,818, which includes deferred compensation accrued for the year.

Ramchandran Chellam, 45, Chief Financial Officer, was previously the Financial Controller of Bank of Muscat, Oman. A Chartered Accountant by profession, he has varied experience in the banking and finance sector. He has been in various senior management positions, being responsible for financial accounting, MIS & budgeting, reporting, financial control and tax planning amongst others. In addition he has also been involved in asset liability management, overseeing treasury back-office operations, financial strategy and has liaised with various rating agencies. Ramchandran Chellam was not an employee of the Bank in the last financial year.

Ravishankar, 34, Country Head – Direct Banking, has a Bachelors Degree in Economics from Madras Christian College, Chennai and a PGDBM from Institute of Management Development and Research, Pune. He presently handles all electronic channels for the Bank, covering Internet, Mobile, ATM, Card Products, Bill Pay and Call centre. He has approximately 10 years of professional retail banking experience. In his prior assignment with ABN AMRO, which spanned almost eight years, he set up and managed Internet, Mobile, Debit, ATM, Bill Pay and Call Centre services. He began his career in banking with HDFC Bank with an initial stint of almost two years in retail banking managing retail branches and software implementation processes. During the last financial year, Ravishankar was paid a gross compensation of Rs. 2,465,994, which includes deferred compensation accrued for the year.

Satishkumar G., 33, Vice President, Head – Trade and Corporate Operations, has a Masters in Financial Management and he has worked in the HDFC Bank Limited as Assistant Vice President, Head – Trade Finance. During the last financial year, Satishkumar G. was paid a gross compensation of Rs. 2,296,051, which includes deferred compensation accrued for the year.

Shravani Bagchi Chowdhury, 35, Vice President, Financial Institutions Group, has an MBA from the Darden School of Business, University of Virginia, USA and a MA in Economics from the Delhi School of Economics. She has worked in the Credit Risk Management and Advisory Group of Goldman Sachs and Company as a Vice President, and in Lazard India Limited as a Senior Manager, Capital Markets Group. During the last financial year, Shravani Bagchi Chowdhury was paid a gross compensation of Rs. 1,611,990, which includes deferred compensation accrued for the year.

Somak Ghosh, 37, Country Head, Corporate Finance, has an MBA in Finance from Faculty of Management Studies, Delhi and B.E Chemical Engineering from University of Mumbai. He is presently the Country Head Infrastructure of the Advisory and Finance Department. His current responsibilities include setting up the entire Infrastructure Banking Practice working in conjunction with other relevant Product teams within the Bank. He is also a key member of our Responsible Banking initiative. He is a Member of our Asset Liability Management Committee and the Credit Approval Committee. Prior to joining us, he was a senior executive with Rabo India and prior to that worked in various capacities in India and Europe with ICICI Limited, Reliance Industries Limited and Ispat Europe Limited. During the last financial year, Somak Ghosh was paid a gross compensation of Rs. 4,107,533, which includes deferred compensation accrued for the year.

Suhail Kazmi, 38, Country Head, Branch Banking and Wealth Management, is a management graduate from the Faculty of Management Studies, Delhi and an Economics (Honours) graduate from Delhi University. He joined us in July 2004 and has over 14 years of work experience, of which, the last 10 have been in banking. His current responsibilities include generating business revenues and delivering the targets for our retail banking business, through our branch banking and wealth management business. Previously, he was with ABN AMRO Bank as the West and South India, Retail Head and before that with the Bank of America in retail banking. During the last financial year, Suhail Kazmi was paid a gross compensation of Rs. 4,762,228, which includes deferred compensation accrued for the year.

Surendra Shetty, 35, Vice President, Information Technology Group. Prior to joining us, he worked for Flexcel International Private Limited as the CTO and Head – Implementations. Prior to that, he worked for CashTech Solutions Private Limited and Credit Lyonnais, as the Officer-Information Technology Implementations and in HDFC Bank Limited from 1995 until 1999, as the Senior Manager, Product Development Group. During the last financial year, Surendra Shetty was paid a gross compensation of Rs. 2,384,526, which includes deferred compensation accrued for the year.

Suresh Sethi, 40, Country Head – Transaction Banking Group and Corporate Services Group, has a Bachelor's degree in Electronics and Electrical Communication and an MBA from Faculty of Management Studies, Delhi. He has the responsibility for developing and implementing the business strategy for our cash management services, capital market services, trade finance,

commodities and food and agri-businesses. He has over fourteen years of prior banking experience with Citibank N.A., including seven years in various senior management positions. For the past three of those years he was based at Citibank Miami - as the Global Transaction Services Head for the Caribbean and Central America Division covering 12 countries and later managing the cash management business for the entire Latin America region covering 22 countries. He was a key member of the steering committee that defined Citibank's Corporate Direct Banking Channel strategy. During the last financial year, Suresh Sethi was paid a gross compensation of Rs. 5,426,828, which includes deferred compensation accrued for the year.

Viraal Balsari, 37 Head, Sustainability and Corporate Responsibility, has a Master of Science in Energy Management from the Norwegian School of Management. He worked in the Corporate Responsibility and Environment cell of TERI/TERI-Europe Consultant Energy. He has also worked for Dansk Energi Management A/S as the Country Manager, India. His other assignments include Programme Developer at the Forum for Energy and Development and a stint as a Researcher at the Folkcentre for Renewable Energy. During the last financial year, Viraal Balsari was paid a gross compensation of Rs. 859,131, which includes deferred compensation accrued for the year.

Yateesh Srivastava, 40, Chief Marketing Officer is a post graduate in History from University of Delhi and was Executive Director Strategic Planning with Triton Communications and was instrumental in conceptualizing our advertising and communications campaign. Yateesh has vast experience in advertising and market research in leading organisations like A C Nielsen, Gallup, Pathfinders and Lintas India. During the last financial year, Yateesh Srivastava was paid a gross compensation of Rs. 831,000, which includes deferred compensation accrued for the year.

Also, see the section titled "Our Management" on page 82 of this Prospectus for details in relation to Rana Kapoor.

As per the Bank's compensation policy, its employees (including Key Managerial Personnel) are entitled, purely on a discretionary basis, to an annual bonus the quantum of which, is determined based on performance during the year. The employees (including Key Managerial Personnel) are not entitled to any profit sharing. However, our Managing Director and Chief Executive Officer is not entitled to an annual bonus and is also not entitled to any profit sharing.

Joining Stock Option Scheme

We have instituted a stock option scheme to reward and retain our senior management and to enable our senior management, and our whole-time Directors to participate in our future growth and financial success. The Board Remuneration Committee is empowered to decide the basis of allocation of the stock options. We have granted stock options to select members of the senior management pursuant to the Scheme. As per the Scheme, the maximum number of options granted to any member of the senior management is limited to 0.5% of our issued Equity Shares at the time of the grant, and the aggregate of all such options is limited to 10 million Equity Shares, which amounts to 3.57% of our post-Issue share capital (including exercise of shares granted under options). See the section titled "Notes to Capital Structure – Joining Stock Option Plan" on page 16 of this Prospectus.

The Board of the Bank has also approved second phase of the Joining Stock Option Scheme wherein options shall be granted to employees joining the Bank during the fiscal year 2005-2006 and to independent directors on the Board of the Bank. The aggregate of all such options proposed to be granted shall be limited to 5,000,000 Equity Shares, which amounts to 1.75% of our post-Issue share capital of the Bank. The maximum number of options proposed to be granted under this scheme to any employee is limited to 10% of the total options available under this scheme. The exercise price for options granted under this scheme shall be the market price on the day immediately prior to the grant of the options. 50.0% of the options granted under this scheme shall vest at the end of third year from the grant of the options while the balance shall vest at the end of the 5th year from the date of the grant. The exercise period is 10 years from the date of grant. As of May 24, 2005, there have been no options granted under this scheme.

Transfer of 1.38% of the Promoters' shareholding to Employees

The Promoters have transferred 1.38% of their shareholding in the Bank to certain members of our senior management. For details in relation to the same, see Note 9 in the section titled "Notes to Capital Structure" on page 18 of this Prospectus.

Shareholding of the Key Managerial Personnel

Except as disclosed below, none of our Key Managerial Employees hold Equity Shares:

S. No.	Name	Number of Equity Shares	% shareholding
1.	Ajay Mahajan	1,000,000	0.50
2.	Munish Dayal	1,000,000	0.50
3.	Anuratna Chadha	750,000	0.38
4.	Aditya Sanghi	500,000	0.25
5.	Suresh Sethi	500,000	0.25

Changes in the Key Managerial Personnel since incorporation

The following have been appointed as key managerial personnel by the Bank since incorporation and no change have taken place thereafter:

Name and Designation of the Employee	Date of Appointment
Aditya Sanghi, Country Head – Investment Banking	June 21, 2004
Ajay Mahajan, Group President – Financial Markets and Private Banking	May 1, 2004
Alok Gupta, Country Head, Life Sciences and Biotechnology	July 7, 2004
Amandeep Singh Chahal, Regional Head, Retail Banking (North)	November 16, 2004
Amit Kumar, Senior Vice President	July 5, 2004
Anuratna Chadha, President – Corporate & Institutional Banking	March 1, 2005
Archana Shiroor, Country Head – Human Resources	March 1, 2005
Chandramouli B., Chief Operating Officer	June 9, 2004
Manish Sehgal, Assistant Vice President, Life Sciences and Biotechnology	July 31, 2004
Marina Kapur, Executive Vice President – Private Banking & Asset Management	February 21, 2005
Munish Dayal, President – Business Banking	March 1, 2005
Om Ahuja, Product Head – Investment Services	October 18, 2004
P. Kumar, Head – Business Services	June 9, 2004
Pankaj Gupta, Head – Business Banking Credit	March 1, 2005
Puneet Singh Kochar, Senior Vice President, Corporate Relationship Management	June 18, 2004
Rajat Monga, Director, Financial Markets (Balance Sheet Management and New Product Development),	April 24, 2004
Rajesh K. Lahori, Vice President, Head Payment Operations	June 2, 2004
Ramchandran Chellam, Chief Financial Officer	April 21, 2005
Ravishankar, Country Head – Direct Banking	August 5, 2004
Satishkumar G., Vice President, Head – Trade and Corporate Operations	June 9, 2004
Shravani Bagchi Chowdhury, Vice President, Financial Institutions Group	May 12, 2004
Somak Ghosh, Country Head, Corporate Finance	July 23, 2004
Suhail Kazmi, Country Head, Branch Banking and Wealth Management	July 8, 2004
Surendra Shetty, Vice President, Information Technology Group,	May 14, 2004
Suresh Sethi, Country Head – Transaction Banking Group and Corporate Services Group	September 2, 2004
Viraal Balsari, Head, Sustainability and Corporate Responsibility	July 26, 2004
Yateesh Srivastava, Chief Marketing Officer	February 1, 2005

OUR PROMOTERS

Promoters

The Promoters of our Bank are Mr. Ashok Kapur and Mr. Rana Kapoor.



Mr. Ashok Kapur

See the section titled "Our Management" on page 82 of this Prospectus for details.

His drivers licence number is 85121975-Delhi. His voters ID number is MUCITY0053708.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoter have been submitted to the BSE and the NSE at the time of filing the Draft Red Herring Prospectus with them.



Mr. Rana Kapoor

See the section titled "Our Management" on page 82 of this Prospectus for details.

His drivers licence number is 98050141-Delhi. His voters ID number is MT/04/024/045988.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoter have been submitted to the BSE and the NSE at the time of filing the Draft Red Herring Prospectus with them.

The Promoters have not disassociated themselves from any firm/company promoted by them in the last three years.

Promoter Group

Promoter Group

In terms of Clause 6.8.3 (m) Explanation II (b) of the DIP Guidelines, the following persons form part of our Promoter Group:

1. Ms. Madhu Kapur (wife of Mr. Ashok Kapur);
2. Mr. Gaurav Kapur (son of Mr. Ashok Kapur);
3. Ms. Shagun Kapur (daughter of Mr. Ashok Kapur);
4. Ms. Bindu Kapoor (wife of Mr. Rana Kapoor);
5. Ms. Radha Kapoor (daughter of Mr. Rana Kapoor);
6. Ms. Rakhee Kapoor (daughter of Mr. Rana Kapoor); and
7. Ms. Roshni Kapoor (daughter of Mr. Rana Kapoor).

Companies Promoted by the Promoter Group

Doit Capital (India) Private Limited

Doit was incorporated on May 8, 2003.

The main objects of Doit are as provided below:

- To carry on business of an investment company and to buy, purchase or otherwise acquire, become interested in, deal in, invest in, hold, sell, or otherwise dispose of, to turn to account or realise upon the security of, shares, debentures, stocks, units, bonds, mortgages, obligations and securities of any kind issued or guaranteed by any company, corporation or undertaking whether incorporated or otherwise and wheresoever constituted, including those issued or guaranteed by any government, sovereign ruler, commissioner, trust, municipal, local or other authorities of whatsoever nature in India or

abroad; and

- To carry on the business as financiers and to undertake, carry on and execute all kinds of financial operations (except banking and insurance business under the Banking Regulation Act, 1949 and Insurance Act, 1938).

The shareholders of Doit are as provided below:

S. No.	Shareholders	Percentage of holding
1.	Mr. Rana Kapoor	0.45
2.	Ms. Bindu Kapoor	3.62
3.	Ms. Radha Kapoor	95.93

The board of directors of Doit comprises Ms. Bindu Kapoor, Mr. Rakhee Kapoor and Ms. Radha Kapoor.

The financial highlights of Doit as per the latest available audited financial statements for the last financial years is as follows:

(in Rs.)

Particulars	Year Ended March 31, 2004
Sales and Other Income	192,307
Profit after tax	(44,946)
Equity Capital	11,050,000
Reserves and Surplus (excluding Revaluation Reserve)	(44,946)
Earnings Per Share	(0.04)
Net Asset Value Per Share	9.96

Doit is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

Mags Finvest Private Limited

Mags was incorporated on October 17, 2003.

The main objects of Mags are:

- To carry on business of an investment company and to buy, purchase or otherwise acquire, become interested in, deal in, invest in, hold, sell, or otherwise dispose of, to turn to account or realise upon the security of, shares, debentures, stocks, units, bonds, mortgages, obligations and securities of any kind issued or guaranteed by any company, corporation or undertaking whether incorporated or otherwise and whatsoever constituted, including those issued or guaranteed by any government, sovereign ruler, commissioner, trust, municipal, local or other authorities of whatsoever nature in India or abroad; and
- To carry on the business as financiers and to undertake, carry on and execute all kinds of financial operations (except banking and insurance business under the Banking Regulation Act, 1949, and Insurance Act, 1938).

The shareholders of Mags are as provided below:

S. No.	Shareholders	Percentage of holding
1.	Mr. Ashok Kapur	4.00
2.	Ms. Madhu Kapur	4.00
3.	Mr. Gaurav Kapur	46.00
4.	Ms. Shagun Kapur	46.00

The board of directors of Mags comprises of Ms. Madhu Kapur, Mr. Gaurav Kapur and Ms. Shagun Kapur.

The financial highlights of Mags as per the latest available audited financial statements for the last financial year is as provided below:

(in Rs.)

Particulars	Year Ended March 31, 2004
Sales and Other Income	-
Profit after Tax	(35,440)
Equity Capital	100,000
Reserves and Surplus (excluding Revaluation Reserve)	(35,440)
Earnings Per Share	(3.54)
Net Asset Value Per Share	6.46

Mags is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

Morgan Credits Private Limited

Morgan was incorporated on October 30, 1991.

The main objects of Morgan are:

- To act as financial consultant and adviser;
- To carry on the business of commission agents, broker, factors, attorneys, on salary, allowance, profit sharing or any other basis for various items, articles and things which may require the use of agents or to provide promotional services and to act as agents and brokers for sellers, buyers, exporters, manufacturers, merchants, tradesman, and others and to undertake and carry out agency work of any kind and transact all manners and commission business; and
- To carry on the business of and to act as agents, sub-agents, distributors, commission agents, representatives, and sale of service and merchandise.

The shareholders of Morgan are as provided below:

S. No.	Shareholders	Percentage of holding
1.	Mr. Rana Kapoor	4.50
2.	Ms. Bindu Kapoor	4.50
3.	Ms. Radha Kapoor	45.50
4.	Ms. Rakhee Kapoor	45.50

The board of directors of Morgan comprise Ms. Bindu Kapoor, Mr. Rakhee Kapoor and Ms. Radha Kapoor.

The financial highlights of Morgan as per the latest available audited financial statements for the last three financial years is as follows:

Particulars	Year Ended March 31 (Rs.)		
	2002	2003	2004
Sales and Other Income	-	-	-
Profit after Tax	-	-	(26,305)
Equity Capital	20,000	100,000	200,000
Reserves and Surplus (excluding Revaluation Reserve)	(35,600)	(35,600)	(61,905)
Earnings Per Share	-	-	(13.15)
Net Asset Value Per Share	(78.00)	64.40	69.05

Morgan is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

RELATED PARTY TRANSACTIONS

The list of related parties and the transactions entered into during the current period are as follows:

Individuals having significant influence

- Mr. Ashok Kapur
- Mr. Rana Kapoor

The following represent the significant transactions between the Bank and such related parties:

Payment of professional fee and remuneration to Mr. Ashok Kapur, Non Executive Part-time Chairman, during the period from November 21, 2003 to March 31, 2005 was Rs. 4,206 thousand. Further, he has also been provided a Bank-owned vehicle for his official and personal use.

Outstanding deposit balances as at March 31, 2005 from individuals having significant influence amounted to Rs. 725 thousand. The maximum outstanding deposit balance and interest accrued on deposits during the period November 21, 2003 to March 31, 2005 amounted to Rs. 8,580 thousand and Rs. 66 thousand respectively.

Key Management Personnel ('KMP') (Wholetime Director)

- Mr. Rana Kapoor, Managing Director & CEO

Transactions with the above parties:

Remuneration and professional fee paid to Wholetime Director of Yes Bank Limited for the period from November 21, 2003 to March 31, 2005 was Rs. 13,358 thousand. The Wholetime Director has also been provided a Bank-owned vehicle and rented accommodation for his official and personal use.

Remuneration and professional fee paid to the non-executive part-time Chairman and Managing Director & CEO are approved by the Bank's Board Remuneration Committee and the Board of Directors and is sent to RBI for approval.

CURRENCY OF PRESENTATION

In this Prospectus, all references to “Rupees” “Rs.” are to the legal currency of India, all references to “U.S. Dollars”, and “US\$” are to the legal currency of the United States.

Any percentage amounts, as set forth in “Risk Factors”, “Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Prospectus, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP.

Currency of Presentation

For your convenience, this Prospectus contains translations of some Rupee amounts into U.S. Dollars, which should not be construed as a representation that those Rupee or U.S. Dollar amounts could have been, or could be, converted into U.S. Dollars or Rupees, as the case may be, at any particular rate, the rate stated below, or at all. Except as otherwise stated in this Prospectus, all translations from Rupees to U.S. Dollars contained in this Prospectus have been based on the noon buying rate in the City of New York on March 31, 2005 for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate on March 31, 2005 was Rs. 43.62 per US\$1.00.

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. For further details on restrictions on dividend declaration, see the section titled “Regulations and Policies–Restrictions on Payment of Dividends” on page 70 of this Prospectus.

There has been no dividend declared by us to date.

FINANCIAL STATEMENTS

Auditors' Report on the Financial Statements

The Board of Directors
Yes Bank Limited
Nehru Centre
9th Floor, Discovery of India
Dr. A.B. Road, Worli
Mumbai 400 018

Dear Sirs,

We are engaged to report on the financial information of Yes Bank Ltd. ('Yes Bank' or the 'Bank') annexed to this report, which has been prepared in accordance with the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 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 ('the Banking Regulation Act'). The preparation and presentation of this financial information is the responsibility of the Bank's management. The financial information is proposed to be included in the Offer Circular of the Bank in connection with its issue of 70,000,000 equity shares of face value of Rs. 10 each ('initial public offering') for cash, at a price of 45, through a book building process.

Financial information as per audited financial statements

1. We are engaged to report on the annexed statement of assets and liabilities of the Bank as at March 31, 2005 and the annexed statement of profit and loss for the period from November 21, 2003 to March 31, 2005 ('the Summary Statements') (see Annexure A). The Summary Statements have been extracted from the financial statements drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act (in accordance with the provisions of section 29 of the Banking Regulation Act read with the provisions of sub-sections (1), (2) and (5) of section 211 and sub-section (5) of section 227 of the Companies Act, 1956), audited by us for the period from November 21, 2003 to March 31, 2005. Based on our audit of the financial statements for the period from November 21, 2003 to March 31, 2005, our examination of the restatements in the Summary Statements, we confirm that:
 - The Summary Statements have been stated to reflect the significant accounting policies adopted by the Bank as at March 31, 2005 (as disclosed in the audited financial statements for the period from November 21, 2003 to March 31, 2005 and which are presented as Annexure B to this report);
 - Since these are the first financial statements of the Bank, there are no prior period items and thus no adjustments need to be made in the Summary Statements;
 - There are no qualifications in the auditors' report on the financial statements for the period from November 21, 2003 to March 31, 2005.
2. The Bank did not have any subsidiaries within the meaning of section 4 of the Companies Act, 1956 as at March 31, 2005.
Other financial information
3. We have examined the following financial information, which has been prepared based on audited information, proposed to be included in the Offer Circular as approved by you and annexed to this report:
 - (i) Accounting ratios relating to earnings per share, net asset value and return on net worth, enclosed in Annexure C;
 - (ii) Capitalisation statement as at March 31, 2005, enclosed in Annexure D;
 - (iii) Summary of borrowings as at March 31, 2005, enclosed in Annexure E;
 - (iv) Statement of taxation, enclosed in Annexure F;
 - (v) Rates of dividend on equity shares, presented in Annexure G.

4. The 'Financial information as per audited financial statements' and 'Other financial information' are the responsibility of the Bank's management. With respect to 'Financial information as per audited financial statements' and 'Other financial information' annexed to this report, for our reporting to you, we have relied upon the audited financial statements for the period from November 21, 2003 to March 31, 2005, which were audited by us vide our report dated April 25, 2005.

We have performed such other 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. We did not perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated in paragraph 3 above and, accordingly, we express no opinion thereon.

Based on the above, we report that the 'Financial information as per audited financial statements' and 'Other financial information' mentioned above, have been prepared in accordance with the Guidelines, to the extent they are not inconsistent with the Banking Regulation Act.

5. 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 nor should this report be construed as a new opinion on any of the financial statements referred to herein.
6. This report has been issued solely in connection with the proposed offering of the initial public offering covered by the Offering Circular, and it is not to be used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent.

For S.R. Batliboi & Co.
Chartered Accountants

Per Viren H. Mehta
Partner

Membership No.: 048749

Place: Mumbai

Date: June 22, 2005

“Part I” of “Annexure A”
Statement of profit and loss

For the period from November 21, 2003 to March 31, 2005	(Rs. '000)
Interest earned	
Interest/discount on advances/bills	231,147
Income on investments	62,430
Interest on balances with Reserve Bank of India and other inter-bank funds	5,236
Others	974
Total interest earned	299,787
Other income	
Commission, exchange and brokerage	78,001
Profit on the sale of investments (net)	25,958
Profit on revaluation of investments (net)	(61)
Profit on exchange transactions (net)	70,179
Miscellaneous income	7,605
Total other income	181,682
Total income	481,469
Interest expended	
Interest on deposits	88,994
Interest on Reserve Bank of India / inter-bank borrowings	29,495
Total interest expended	118,489
Operating expenses	
Payments to and provision for employees	212,719
Depreciation on fixed assets	12,452
Other expenses	174,256
Total operating expenses	399,427
Total expenses	517,916
Net income before provisions	(36,447)
Less:	
Provision for taxes / (tax credit)	(17,890)
General provision against standard assets	19,030
Total provisions	1,140
Net profit after tax	(37,587)

“Part II” of “Annexure A”
Statement of assets and liabilities

As at March 31, 2005	(Rs. '000)
ASSETS	
Cash and balances with Reserve Bank of India	
Cash in hand	2,834
Balances with Reserve Bank of India	410,532
Total cash and balances with Reserve Bank of India	413,366
Balance with banks, money at call and short notice	
Balances with banks in current accounts in India	598
Balances with banks in current accounts outside India	16,332
Money at call and short notice	100,000
Total balance with banks, money at call and short notice	116,930
Investments	
Investments in India in Government Securities	2,687,040
Investments in India in debentures and bonds	1,256,602
Other investments in India	5,000
Total investments	3,948,642
Advances	
Bills purchased and discounted	278,385
Cash credits, overdrafts and loans repayable on demand	832,910
Term loans	6,498,495
Total advances	7,609,790
Fixed assets, net (including capital work in progress)	196,424
Other assets	
Interest accrued	79,263
Tax deducted at source	3,436
Deferred tax asset (net)	19,193
Balance in Profit and Loss account	37,587
Others	357,098
Total other assets	496,577
Total assets	12,781,729

Contd.....

**“Part II” of “Annexure A”
Statement of assets and liabilities**

As at March 31, 2005	(Rs. '000)
LIABILITIES	
Deposits	
Demand deposits in India	71,519
Savings deposits in India	19,765
Term deposits in India	6,539,061
Total deposits	6,630,345
Borrowings	
Borrowings from banks in India	2,070,000
Borrowings from other institutions and agencies	1,119,879
Borrowings outside India	507,532
Total borrowings	3,697,411
Other liabilities and provisions	
Bills payable	17,478
Interest accrued	28,354
Others (including provisions)	238,141
Total liabilities and provisions	283,973
Share Capital (issued, subscribed and paid-up)	2,000,000
Reserves and Surplus	
Share premium	170,000
Total reserves and surplus	170,000
Total liabilities, capital and reserves	12,781,729
Contingent liabilities	
Claims against the bank not acknowledged as debt	4,332
Liability on account of outstanding forward exchange & derivative contracts	63,881,988
Guarantees given on behalf of constituents	478,418
Acceptances, endorsements and other obligations	590,876
Other items for which the bank is contingently liable	
- On account of Government Securities	223,063
- Capital Commitments	43,477
Total contingent liabilities	65,222,154

“Part III” of “Annexure A”

Cash flow statement

For the period from November 21, 2003 to March 31, 2005	(Rs. '000)	(Rs. '000)
Net profit/(loss) before taxes	(55,764)	
Adjustment for:		
Depreciation for the period	12,452	
Amortization of premium investments	6,085	
General provision against standard assets	19,030	
Loss / (profit) from sale of scrap	(222)	
Dividend income on mutual funds	(20,148)	
Capital gains on sale mutual fund units	(23,434)	
Operating loss before working capital changes	(62,001)	
Changes in working capital		
Deposits accepted (net)	6,630,345	
Borrowings accepted (net)	3,697,411	
Other liabilities incurred	264,943	
Investments made (net)	(3,033,727)	
Advances disbursed (net)	(7,609,790)	
Other assets receivable	(439,797)	
Cash flow from operating activities	(552,616)	
Direct taxes paid	(1,016)	
Net cash flow from operating activities		(553,632)
Cash flow from investing activities		
Purchase of fixed assets	(175,901)	
Capital work in progress	(32,975)	
Investments made (net)	(921,000)	
Proceeds from sale of scrap	222	
Capital gains on sale of mutual fund units	23,434	
Dividend income on mutual funds	20,148	
Net cash flow from investing activities		(1,086,072)
Cash flow from financing activities		
Proceeds from issuance of share capital	2,000,000	
Share premium received thereon	170,000	
Net cash flow from financing activities		2,170,000
Net increase in cash and cash equivalents		530,296
Cash and cash equivalents as at November 21, 2003		-
Cash and cash equivalents as at March 31, 2005		530,296

"Annexure B"

Significant accounting policies

Background

YES BANK Limited (the 'Bank' or 'YES BANK') is a private sector Bank promoted by Mr. Ashok Kapur and Mr. Rana Kapoor. The Bank is financially supported by Rabobank, Nederland and three institutional private equity investors viz. CVC - Citigroup-New York, AIF Capital - Hong Kong and ChrysCapital - San Francisco.

The Bank was incorporated as a limited company under the Companies Act, 1956, on November 21, 2003 with its registered office at 9th Floor, Discovery of India Building, Nehru Centre, Dr. A.B. Road, Worli, Mumbai 400 018. The Bank received the licence to commence banking operations from the Reserve Bank of India ('RBI') on May 24, 2004. Further, YES BANK has been included to the Second Schedule of the Reserve Bank of India Act, 1934 with effect from August 21, 2004.

Basis of preparation

The accounting and reporting policies of YES BANK used in the preparation of these financial statements conform to Generally Accepted Accounting Principles ('GAAP') in India, the guidelines issued by the RBI from time to time and practices generally prevailing within the banking industry in India. The Bank follows the accrual method of accounting and historical cost convention.

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. The financial statements have been prepared as per Form A and B (revised) of the Third Schedule to The Banking Regulation Act, 1949.

Significant accounting policies

Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

- Interest income is recognised in the Profit and Loss Account on accrual basis, except in the case of non-performing assets. Interest on non-performing assets is recognised upon realization as per the prudential norms of the RBI. Revenue, in certain transaction so structured where interest income is partially receivable in advance on a non-refundable basis, is recognized on realisation.
- Dividend income is recognised when the shareholders'/unit holders' right to receive payment is established.
- Commission on guarantees issued by the Bank is recognized as income over the period of the guarantee.
- Commission on letters of credit ('LC') issued by the Bank is recognized as income at the time of issue of the LC.
- Other fees and commission income are recognised on accrual basis.

Investments

Investments are valued in accordance with the extant RBI guidelines on investment classification and valuation as under:

- (a) Investments are categorised into 'Held to Maturity', 'Available for sale' and 'Held for Trading'. Reclassifications, if any, between categories are accounted for as per the RBI guidelines. Under each category, the investments are further classified under (a) Government securities (b) other approved securities (c) shares (d) bonds and debentures (e) subsidiaries and joint ventures and (f) others.
- (b) 'Held to Maturity' securities are carried at their acquisition cost or at amortised cost if acquired at a premium over the face value. A provision is made for the other than temporary diminution in value.
- (c) 'Available for sale' and 'Held for Trading' securities are valued periodically as per RBI guidelines.

Securities are valued scrip-wise and depreciation/appreciation aggregated for each category. Net appreciation in each

category if any, being unrealized, is ignored, while net depreciation is provided for. For the purposes of determining market values, rates declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA'), have been used.

The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the Yield to Maturity ('YTM') rates, is with a mark-up (reflecting associated credit risk) over the YTM rates for government securities put out by FIMMDA. Equity shares are valued at their closing price on a recognized stock exchange. The unquoted equity shares are valued at the book value.

- (d) Costs such as brokerage, commission etc., pertaining to investments, paid at the time of acquisition are charged to revenue.

Advances

Advances are classified as performing and non-performing based on RBI guidelines. Advances are stated net of specific loan loss provisions, interest in suspense, ECGC claims received, Inter-bank participation certificates and bills rediscounted. Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of the advances, subject to the minimum provisioning level prescribed in RBI guidelines.

The Bank also maintains general provisions to cover potential credit losses, which are inherent in any loan portfolio, but not yet identified. These provisions have been made as per RBI guidelines.

Transactions involving foreign exchange

Monetary foreign currency assets and liabilities are translated at the balance sheet date at rates notified by the Foreign Exchange Dealers' Association of India ('FEDAI'). Foreign exchange contracts outstanding at the balance sheet date are revalued at rates notified by FEDAI for specified maturity and at interpolated rates for contract of in-between maturity and resulting profits or losses are included in the Profit and Loss Account.

Contingent liabilities at the balance sheet date on account of outstanding foreign exchange contracts are reported at contracted rates, except cross currency forward exchange contracts which are stated at year end rates.

Income and expenditure items are accounted for at exchange rates prevailing on the date of the transaction.

Accounting for derivative transactions

Derivative transactions comprise futures, forwards, swaps and option transactions. The derivative transactions are undertaken for trading or hedging purposes. Trading transactions are marked to market on a periodic basis and the unrealised gains/losses are recognised in the Profit and Loss Account. Premium is recorded as a balance sheet item and transferred to the Profit and Loss Account on maturity/cancellation. In the case of hedging transactions, the net interest receivable/ payable is accounted for on an accrual basis over the life of the swaps.

The requirement for collateral and credit risk mitigation on derivative contracts is assessed based on internal credit policy. Provisions for overdue customer receivables on derivative contracts are made as per the RBI provisioning guidelines.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment. Cost comprises the purchase price and any cost attributable for bringing the asset to its working condition for its intended use. The carrying amount of fixed assets are reviewed at each balance sheet date if there are any indications of impairment based on internal / external factors.

Depreciation

Depreciation is provided on straight line method, over the estimated useful lives of the fixed assets, at the rates mentioned below which are greater than or equal to the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956:

Class of asset	Rates of depreciation
Office equipment	16.21%
Computer Hardware	33.33%
Computer Software is greater	25.00% or over the period of the licence, whichever
Vehicles	20.00%
Leasehold improvements to premises	Over the lease period

Assets costing less than Rs. 5,000 are fully depreciated in the period of purchase.

Retirement and employee benefits

Gratuity

The Bank provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Bank accounts for liability of future gratuity benefits based on an external actuarial valuation carried out annually at the balance sheet date.

Provident fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Bank contribute monthly at a pre determined rate. The Bank has no liability for future provident fund benefits other than its annual contribution and recognises such contributions as an expense in the year incurred.

There exists no policy for encashment of unutilised leave balance or carry forward of unavailed leave.

The Bank has instituted a joining employee stock option scheme for all eligible employees. The intrinsic value of the options, if any, is expended on a straight line basis over the vesting period.

Leases

Leases where the lessor effectively retains substantially all risks and benefits of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight-line basis over the lease term.

Preliminary and other miscellaneous expenditure

Costs incurred prior to the date of incorporation are included under 'pre-incorporation expenses' and costs incurred for the purpose of incorporation of the Bank are included under 'Preliminary Expenses'. These items have been written off during the period.

Income taxes

Tax expense comprises both current and deferred taxes. Current income taxes are determined in accordance with the provisions of the Income Tax Act, 1961. Deferred income taxes reflect the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation, preliminary

expenses and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earning per equity share has been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period, except where the results are anti-dilutive.

Provisions

A provision is recognised when the Bank has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

Notes to Accounts

Deferred tax

The net deferred tax asset of Rs. 19,193 thousand for the period ended March 31, 2005, is included under other assets and the corresponding credit has been taken to the Profit and Loss Account.

The components that give rise to the deferred tax asset included in the balance sheet are as follows:

(Amount in Rs. '000s)

Particulars	
Deferred tax liability	
Depreciation	(7,601)
Sub-total	(7,601)
Deferred tax asset	
Preliminary and pre-incorporation expenses	7,645
Provision for gratuity	517
Tax loss carried forward	12,227
General provision against standard assets	6,405
Sub-total	26,794
Net deferred tax asset	19,193

Segment reporting

As per Accounting Standard (AS) 17 Segment Reporting, issued by the ICAI, the Bank's segment results are disclosed below:

(Amount in Rs. '000s)

Business Segments	Treasury	Other banking Operations	Residual Operations	Total
Revenue	117,966	314,257	49,246	481,469
Interest expense	(24,665)	(92,483)	(1,341)	(118,489)
Operating expenses and Provisions	(97,535)	(276,382)	(44,540)	(418,457)
Segment result	(4,234)	(54,608)	3,365	(55,477)
Taxes				17,890
Extraordinary profit				-
Net profit/ (loss)				(37,587)
Other information				
Segment assets	3,419,237	8,997,580	20,083	12,436,900
Unallocated assets				344,829
Total assets				12,781,729
Segment liabilities	7,202,820	3,391,107	-	10,593,927
Unallocated liabilities				2,187,802
Total liabilities				12,781,729

Since the Bank has commenced operations only in August 2004, all the proposed business segments have not been fully operational as at the Balance Sheet date. The segmental results disclosed, therefore, reflect the key business segments that are currently operational, as explained below:

Treasury: Includes all financial markets activities undertaken on behalf of the Bank's customers, proprietary trading, maintenance of reserve requirements and resource raising from other banks and financial institutions.

Other banking operations: Includes corporate banking activities, investment banking activities, transaction banking activities and to a limited extent retail banking and third party product distribution.

Residual operations: Includes investment of capital before the start of banking operations.

The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.

Related parties

As per AS 18, Related Party Disclosures, issued by the ICAI, the Bank's related parties are disclosed below:

Individuals having significant influence

- Mr. Ashok Kapur
- Mr. Rana Kapoor

The following represent the significant transactions between the Bank and such related parties:

Payment of professional fee and remuneration to Mr. Ashok Kapur, Non Executive Part-time Chairman, during the period from November 21, 2003 to March 31, 2005 was Rs. 4,206 thousand. Further, he has also been provided a Bank owned vehicle for his official and personal use.

Outstanding deposit balances as at March 31, 2005 from individuals having significant influence amounted to Rs. 725 thousand. The maximum outstanding deposit balance and interest accrued on deposits during the period November 21, 2003 to March 31, 2005 amounted to Rs. 8,580 thousand and Rs. 66 thousand respectively.

Key Management Personnel ('KMP') (Wholtime Director)

- Mr. Rana Kapoor, Managing Director & CEO

Transactions with the above parties:

Remuneration and professional fee paid to Wholtime Director of YES BANK Limited for the period from November 21, 2003 to March 31, 2005 was Rs. 13,358 thousand. The Wholtime Director has also been provided a Bank owned vehicle and rented accommodation for his official and personal use.

Remuneration and professional fee paid to the non-executive part-time Chairman and Managing Director & CEO are approved by the Bank's Board Remuneration Committee and the Board of Directors and is sent to Reserve Bank of India for approval.

Operating leases

Lease payments recognised in the Profit and Loss Account for the period aggregate Rs. 22,497 thousand.

As at March 31, 2005 the Bank has certain leasehold premises and information technology outsourcing contracts that are outstanding and non-cancellable for the purpose of disclosure. The future minimum lease obligations against the same are as follows:

(Amount in Rs. '000s)

Lease obligations	
not later than one year	38,007
later than one year and not later than five years	99,836
later than five years	1,898
Total	139,741

Earnings per share

Disclosures as required by AS 20, Earnings Per Share ('EPS') issued by the Institute of Chartered Accountants of India ('ICAI') are provided below:

Basic and diluted	
Net profit /(loss) for the period ended March 31, 2005 (Rs. '000)	(37,587)
Weighted average number of shares (Nos.) of face value Rs. 10	156,569,946
Earning per share – Basic (Rs.)	(0.24)

Provisions & Contingencies

Disclosures as required by AS 29, Provisions, Contingent Liabilities and Contingent Assets issued by ICAI are provided below:

As at the Balance Sheet date, there exists a claim against the Bank on account of municipal taxes due. Based on management's best estimates and management's assessment of underlying provisions of the Rent Control Act, relevant case laws and judgments on basis of determination of property tax, the amount of claim that is probable is provided for in the Profit and Loss Account. Management believes that the balance claim is a present obligation that will not require an outflow of resources in future. Accordingly, the same is reflected as a 'Contingent Liabilities' as part of Schedule 12 of the Financial Statements.

Joining Stock Option Plan

The Bank has formulated a Joining Employee Stock Option Plan ('JESOP' or 'the Plan') for its employees. The Plan has been reviewed and approved by the Board Remuneration Committee and subsequently adopted by the Board of Directors and shareholders. The Plan has been made effective from October 1, 2004. The JESOP grants an option to employees to acquire equity shares in a graded manner. The options need to be exercised within a specified time period. The intrinsic value of the options, if any, is expended on a straight line basis over the vesting period.

Share issue expenses and proposed initial public offering

At March 31, 2005, there exists a balance of Rs. 170,000 thousand in Share Premium account, as reflected in Schedule 2, "Reserves & Surplus". As stipulated by section 78(2)(c) of the Companies Act, 1956, the Share Premium may be applied by the Bank in writing off the expenses of, or the commission paid on, any issue of shares by the Bank.

As at March 31, 2005, the Bank has filed its Draft Red Herring Prospectus with the Securities Exchange Board of India (SEBI) for issue of 70,000 thousand shares. The Bank has incurred Rs 10,667 thousand towards IPO share issue expenses. The expenses have not been debited to the Profit and Loss Account but have been reflected under Schedule 11 "Other assets" and the same along with all other IPO share issue expenses to be incurred will be charged to Reserves & Surplus (Share Premium) on completion of all IPO proceedings.

Intangibles

During the period, the Bank has acquired licensed computer software aggregating Rs. 52,874 thousand. The software is being amortized on a straight line basis at the rate of 25 % per annum or over the period of the licence, whichever is greater. The accumulated amortization as at March 31, 2005 is Rs. 3,425 thousand.

Other expenditure

Includes preliminary and pre-incorporating expenses Rs 41,618 thousand, equipment hire charges Rs 9,026 thousand, travelling and conveyance expenses Rs 7,356 thousand and consultancy fee Rs 5,276 thousand exceeding 1% of the total income.

Prior period figures

This is the first financial statement of the Bank and therefore no prior period figures have been reported.

Statutory disclosures

Capital adequacy ratio

The Bank's Capital adequacy ratio as at March 31, 2005, calculated in accordance with the RBI guidelines, is as follows:

(Amount in Rs. '000s)

Tier I capital	2,102,600
Tier II capital	19,030
Total capital	2,121,630
Total risk weighted assets	11,279,422
Capital ratios (per cent)	
Tier I	18.64
Tier II	0.17
Total capital	18.81

Business Ratios as at March 31, 2005

Business Ratios	
Interest income as a percentage to working funds	4.49%
Non interest income as a percentage to working funds	2.72%
Operating profit/(loss) as a percentage to working funds	(0.83)%
Return on assets	(0.29)%
Business (deposits + net advances) per employee (Rs. '000's)	68,793
Profit/(loss) per employee (Rs. '000's)	(182)
Net non-performing advances (funded) to net advances (percent)	-

Maturity Pattern

Rupee denominated assets and liabilities as at March 31, 2005:

(Amount in Rs. '000s)

Maturity Buckets	Loans & Advances	Investment Securities	Deposits	Borrowings
1 to 14 days	470,571	-	28,601	2,539,879
15 to 28 days	273,771	-	1,575,195	-
29 days to 3 months	962,573	621,418	2,090,227	150,000
Over 3 to 6 months	403,720	97,652	2,051,155	500,000
Over 6 to 12 months	2,020,202	1,154,699	692,751	507,532
Over 1 year to 3 years	2,538,864	506,602	192,416	-
Over 3 years to 5 years	784,890	750,000	-	-
Over 5 years	155,200	818,271	-	-
Total	7,609,791	3,948,642	6,630,345	3,697,411

Foreign currency denominated assets and liabilities as at March 31, 2005:

(Amount in Rs. '000s)

Maturity Buckets	Assets	Liabilities
1-14 Days 16,332	-	-
15-28 Days	-	-
29 days to 3 months	-	-
Over 3 months to 6 months	-	-
Over 6 months to 12 months	-	507,676
Over 1 year to 3 yrs	-	-
Over 3 years to 5 yrs	-	-
Over 5 years	32,809	-
Total	49,141	507,676

The Bank has lending to sectors, which are sensitive to asset price fluctuations. Such sectors include capital market, real estate and commodities. The net position of lending to sensitive sectors as at March 31, 2005 is given in the table below:

(Amount in Rs. '000s)

Capital market sector *	105,000
Real estate sector	-
Commodities sector	-
Total	105,000

* Includes loans to NBFCs.

There were no non-performing and restructured assets as at March 31, 2005 or during the period ended on that date.

Investments as at March 31, 2005

(Amount in Rs. '000s)

Particulars	In India
Gross value	3,948,642
Less: Provision for depreciation and fair value provision	-
Net value	3,948,642

Issuer composition of Non SLR investments:

(Amount in Rs. '000s)

No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
1	PSUs	5,000	5,000	-	5,000	-
2	Financial Institutions	400,000	400,000	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	106,602	106,602	-	-	-
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	750,000	750,000	-	-	750,000
7	Provision held towards depreciation	-	-	-	-	-
	Total	1,261,602	1,261,602	-	5,000	750,000

Details of the repos/reverse repos done during the period November 21, 2003 to March 31, 2005.

(Amount in Rs. '000s)

	Minimum outstanding during the period	Maximum outstanding during the period	Daily average outstanding during the period *	As on March 31, 2005
Securities sold under repos	-	154,321	3,002	-
Security purchased under reverse repo	-	-	-	-

* The period considered above is from the start of operations of the Bank in August 2004 to March 2005.

Investment in Equity and other Equity like investments:

(Amount in Rs. '000s)

	As on March 31, 2005
Equity shares *	5,000
Equity related mutual funds	-
Convertible debentures	-
Others (loans against collateral, advances to brokers)	-

* equity shares subscribed for, pending allotment

Disclosures on risk exposures in derivatives

As per RBI circular No. DBOD.No.BPBC. 72/21.04.018/2004-05, the following disclosures have been made with respect to risk exposure in derivatives of the Bank:

- (a) Structure: The Board of Directors have constituted a Board level sub-committee, the Risk Monitoring Committee and delegated to it all functions and responsibilities relating to the Risk Policy and its supervision thereof.
- (b) There is an independent Mid-Office, reporting to the Chief Financial Officer or equivalent, which is responsible for monitoring, measurement and analysis of treasury related risk.
- (c) The Mid-Office prepares various MIS and Regulatory Risk reports and monitors the risk limits as laid down in the Policy.
- (d) All trading positions are reported daily to the management. The trading position is revalued on a daily basis for reporting purposes and is recorded in the books on a monthly basis. The Bank does not have any hedge position as of March 31, 2005.
- (e) In addition to the above, the potential credit exposure on account of all derivative transactions is evaluated independently, where risk limits are specified separately for each product, in terms of both credit exposure and tenor. As recommended in the Credit Policy, the Bank has an approval structure in place for all treasury related credit exposures.

(Amount in Rs. '000s)

No	Particular	Currency derivatives	Interest rate derivatives
1	Derivatives (Notional Principal Amount)		
	a) For hedging	-	-
	b) For trading (Note 1)	-	250,000
2	Marked to market positions		
	a) Asset (+)	-	1,228
	b) Liability (-)	-	-
3	Credit exposure (Note 2)	-	11,250
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	-	-
	b) on trading derivatives	-	10,048
5	Maximum and minimum of 100*PV01 observed during the period		
	a) on hedging	-	-
	b) on trading		
	Maximum	-	30,616
	Minimum	-	-

Note 1:

There is no trading position in foreign currency swaps. All the foreign currency swaps outstanding in the books are customer transactions which are fully covered on a back to back basis, except for the deal disclosed above which is an Indian Rupee swap.

Note 2:

The credit exposure is being calculated on Original Exposure Method as per RBI circular DBOD.No.Dir.BC.17/13.03.00/2002-03 dated August 22, 2003.

"Annexure C "

Summary of accounting ratios

For the period from November 21, 2003 to March 31, 2005	(Rs. '000)
Earnings per share	
Profit / (loss) after tax	(37,587)
Weighted average number of equity shares (in '000)	156,570
Earnings per share (in rupees)	(0.24)
Net asset value	
Share capital	2,000,000
Add: Reserves and surplus	170,000
Less: Net loss	(37,587)
Less: Deferred tax asset	(19,193)
Net asset value	2,113,220
Number of shares (in '000)	200,000
Net asset value per share (in rupees)	10.57
Return on net worth (%)	
Profit / (loss) after tax	(37,587)
Net asset value	2,113,220
Return on net worth	-1.78%

“Annexure D ”
Capitalization statement

As at March 31, 2005	Pre-issue as at 31-Mar-2005 (Rs. '000)	As adjusted for issue (Rs. '000)
Debt funds		
Long term	-	-
Short term (refer note 1)	3,697,411	3,697,411
Total Debts	3,697,411	3,697,411
Shareholders' funds		
Share capital (refer note 2)	2,000,000	2,700,000
Reserves and surplus (refer note 3)	113,220	2,562,220
Total shareholders' funds	2,113,220	5,263,220
Long term debt / equity ratio	-	-

Notes

- 1) Short-term debt comprises borrowings from Banks in India (Rs. 2,070,000 thousand), borrowings from other institutions and agencies (Rs 1,119,879) and borrowings from outside India (Rs. 507,532 thousand). These borrowings are repayable within a period of one year. Short-term debt does not include deposits placed with the Bank.
- 2) Share capital does not include potential equity shares issued at fair value of Rs. 10 each, pertaining to the Joining Employee Stock Option Plan granted and not lapsed as at March 31, 2005.
- 3) Debit balance in Profit and Loss account and deferred tax asset has been considered in determination of reserves and surplus.

"Annexure E "

Summary of borrowings

As at March 31, 2005	(Rs. '000)
From other banks in India	2,070,000
From Collateralized Borrowing and Lending Obligation	769,879
From other institutions and agencies	350,000
From other banks outside India	507,532
Total borrowings	3,697,411

Notes

- 1) Of the total borrowings above, borrowings of Rs. 769,879 thousand are secured.

"Annexure F "

Statement of Tax shelter

For the period from November 21, 2003 to March 31, 2005	(Rs. '000)
Tax rate (%)	33.66
Profit / (loss) before taxes as per Profit and Loss Account	(55,477)
Permanent differences	
Dividend income exempt from income-tax	(20,148)
Preliminary and pre-incorporation expenses disallowed under income-tax	13,230
Depreciation disallowed under income-tax	228
Expenses disallowed under income tax	7,861
Total (A)	1,171
Timing differences	
Difference between book depreciation and tax depreciation	(22,579)
Preliminary and pre-incorporation expenses	22,710
Standard provision against standard assets	19,030
Provision for gratuity	1,536
Total (B)	20,697
Total differences (A + B)	21,868
Taxable profit / (loss)	(33,609)
Tax payments disallowed under income-tax	994
Tax effect on carry forward tax losses	(12,227)
Tax savings on timing differences	(6,966)
Total tax savings	(18,199)
Total taxation	
Current year	-
Tax relating to previous assessment year	994994
Deferred tax asset (net)	(19,193)
Debited to provisions and contingencies as per profit and loss account	(18,199)

"Annexure G"

Statement of dividend declared

For the period from November 21, 2003 to March 31, 2005	(Rs. '000)
Dividend declared	-
Total dividend declared	-

For and on behalf of the Board of Directors
Yes Bank Limited

Rana Kapoor
Managing Director & CEO

Danish Shah
Company Secretary

Mumbai
June 22, 2005

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Prospectus. You should also read the Section titled "Risk Factors" beginning on page (i) of this Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to Yes Bank Limited on a stand-alone basis. Our financial statements have been prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act, the other applicable provisions of the Companies Act and RBI guidelines. The following discussion is also based on internally prepared statistical information and information publicly available from RBI and other sources.

Introduction

Yes Bank is a new bank. We received our license to commence commercial banking business on May 24, 2004. We launched our wholesale and business banking operations in August 2004, our financial markets operations in September 2004 and our transaction banking business in October 2004. Since March 2004, we commenced the hiring of our management and other employees, developing and institutionalizing our policies and procedures, implementing and integrating our information technology systems and establishing our brand in the market place. Since August 2004, we commenced opening our branches, developing and rolling out our products, building our customer base, obtaining funding and making loans. As of May 20, 2005, we had 226 employees.

We offer products and services to large corporate and institutional clients, small and medium sized businesses and retail customers. We take deposits and make loans to our customers as well as offer them a variety of value-added products and services, including financial markets products and services, transactional banking products and services, investment banking advisory services and wealth management products.

Our financial statements are for the period from November 21, 2003, the date of our incorporation, to March 31, 2005. Accordingly, our financial statements for the period ended March 31, 2005 predominantly reflect our investment of start-up capital and our banking operations that commenced in August 2004. As such, they are unlikely to be indicative of our future results of operations or financial condition. Since March 31, 2005, there has been no event, which materially and adversely affects or is likely to affect the trading or profitability of the Bank, or the value of its assets, or its ability to pay its liabilities within the next twelve months.

The foregoing discussion includes information as to our expectations on how our results of operations and financial condition will be presented in our future financial statements and elsewhere. We make no assurance that our future financial presentation will not differ in material respects from what is described or that we will be able to earn the income from, or will incur the expenses on, any particular business or product or service as anticipated by our business plan.

Critical Accounting Policies

Critical accounting policies are those that are important to both the portrayal of the financial condition and results of operations and that also require management's most subjective and complex judgments. In order to provide an understanding about how management forms its judgment about the most appropriate accounting policy to be followed for complex transactions and future events, we identify the following critical accounting policies:

- classification of assets;
- provisioning and write-offs;
- revenue recognition;
- valuation of investments;
- transactions involving foreign exchange;
- pre-incorporation and preliminary expenses;
- depreciation;

- accounting for derivative transactions; and
- income taxes.

Classification of Assets

We classify our assets in accordance with RBI guidelines. Under these guidelines, an asset is classified as non-performing if any amount of interest/principal remains overdue for more than 90 days in respect of term loans. In respect of overdraft/cash credit, an asset is classified as non-performing if the account remains out of order for a period of 90 days and in respect of bills, if the account remains overdue for more than 90 days. Agriculture loans will be treated as non-performing if the installment of principal or interest remains overdue for two crop seasons, in respect of short duration crops, and one crop season, in respect of long duration crops.

As of March 31, 2005, we had nil non-performing assets.

Assets are classified as described below:

Classification	Description of Assets
Standard Assets	Assets that do not disclose any problems or which do not carry more than normal risk attached to the business are classified as standard assets.
Sub-standard Assets	Sub-standard assets comprise assets that are non-performing for a period not exceeding 12 months.
Doubtful Assets	Doubtful assets comprise assets that are non-performing for more than 12 months.
Loss Assets	Loss assets comprise assets (1) the losses for which are identified or (2) that are considered uncollectible.

The following table sets forth the various categories of our advances.

Classification	Outstanding as of March 31, 2005 (Rs. million)
Standard Assets	7,609.79
Sub-standard Assets	-
Doubtful Assets	-
Loss Assets	-
Total Advances	7,609.79

For further details, see “Regulations and Policies–Asset Classification and Provisioning” beginning on page 61 of this Prospectus.

Provisioning and Write-Offs

Our provisioning and write-offs policy, which is in compliance with or more conservative or stringent than RBI guidelines, is as follows:

Classification	Description of Assets
Standard Assets	A general provision of 0.25%.
Sub-standard Assets	A general provision of 10.0% for secured assets and 20.0% for unsecured assets.
Doubtful Assets	A 100.0% write-off is made of the unsecured portion of the doubtful asset and charged against income. The value assigned to the collateral securing a loan is that reflected on the borrower's books or that determined by third party appraisers to be realizable. In cases where a portion of the asset is secured, depending upon the period for which the asset remains doubtful. 20.0% to 100.0% provision on such secured assets are made as follows: Up to one year - 20.0% provision; One to three years - 30.0% provision; More than three years - 100.0% provision.
Loss Assets	The entire asset is written off/provided for.

Loss assets and the unsecured portion of doubtful assets will be fully provided for/written off. Additional provisions will be made against specific non-performing assets if considered necessary by our management. We do not intend to distinguish between provisions and write-offs while assessing the adequacy of our loan loss coverage, as both provisions and write-offs represent a reduction of the principal amount of a non-performing asset.

As of March 31, 2005, we hold Rs. 19.03 million of general provisions against standard assets and hold nil provisions against sub-standard, doubtful or loss assets.

Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

- Interest income is recognised in the Profit and Loss Account on an accrual basis, except in the case of non-performing assets. Interest on non-performing assets is recognised upon realization as per the prudential norms of the RBI. Revenue, in certain transactions so structured where interest income is partially receivable in advance on a non-refundable basis, is recognized on receipt.
- Dividend income is recognised when the shareholders'/unit holders' right to receive payment is established.
- Commission on guarantees issued by the Bank is recognized as income over the period of the guarantee.
- Commission on letters of credit ("LC") issued by the Bank is recognized as income at the time of issue of the LC.
- Other fees and commission income are recognised on an accrual basis.

Valuation of Investments

Investments are valued in accordance with the extant RBI guidelines on investment classification and valuation as under:

- Investments are categorised into 'Held to Maturity', 'Available for Sale' and 'Held for Trading'. Reclassifications, if any, between categories are accounted for as per RBI guidelines. Under each category, the investments are further classified under (a) Government securities, (b) other approved securities, (c) shares, (d) bonds and debentures, (e) subsidiaries and joint ventures, and (f) others.
- 'Held to Maturity' securities are carried at their acquisition cost or at amortised cost if acquired at a premium over the face

value. A provision is made for the other than temporary diminution in value.

- 'Available for Sale' and 'Held for Trading' securities are valued periodically as per RBI guidelines.
- Securities are valued scrip-wise and depreciation/appreciation aggregated for each category. Net appreciation in each category if any, being unrealized, is ignored, while net depreciation is provided for. For the purposes of determining market values, rates declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA"), have been used.
- The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the Yield to Maturity ("YTM") rates, is with a mark-up (reflecting associated credit risk) over the YTM rates for government securities put out by FIMMDA. Equity shares are valued at their closing price on a recognized stock exchange. Unquoted equity shares are valued at book value.
- Costs pertaining to investments paid at the time of acquisition, such as brokerage and commission, are charged to revenue.

Transactions Involving Foreign Exchange

Monetary foreign currency assets and liabilities are translated at the balance sheet date at rates notified by the Foreign Exchange Dealers' Association of India ("FEDAI"). Foreign exchange contracts outstanding at the balance sheet date are revalued at rates notified by FEDAI for specified maturity and at interpolated rates for contracts of in-between maturity and resulting profits or losses are included in the Profit and Loss Account.

Contingent liabilities at the balance sheet date on account of outstanding foreign exchange contracts are reported at contracted rates, except cross currency forward exchange contracts, which are stated at year end rates.

Income and expenditure items are accounted for at exchange rates prevailing on the date of the transaction.

Accounting for Derivative Transactions

Derivative transactions comprise futures, forwards, swaps and option transactions. Derivative transactions are undertaken for trading or hedging purposes. Trading transactions are marked to market on a periodic basis and the unrealised gains/losses are recognised in the Profit and Loss Account. Premium is recorded as a balance sheet item and transferred to the Profit and Loss Account on maturity/cancellation. In the case of hedging transactions, the net interest receivable/ payable is accounted for on an accrual basis over the life of the swaps.

The requirement for collateral and credit risk mitigation on derivative contracts is assessed based on our internal credit policy. Provisions for overdue customer receivables on derivative contracts are made as per the RBI provisioning guidelines.

Depreciation

Depreciation is provided on straight line method, over the estimated useful lives of the fixed assets, at the rates mentioned below, which are greater than or equal to the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956:

Class of asset	Rates of depreciation
Office equipment	16.21%
Computer Hardware	33.33%
Computer Software	25.00% or over the period of the licence, whichever is greater
Vehicles	20.00%
Leasehold improvements to premises	Over the lease period

Assets costing less than Rs. 5,000 are fully depreciated in the period of purchase.

Pre-incorporation and Preliminary Expenses

Costs incurred prior to the date of the incorporation of the Bank are included under "pre-incorporation expenses" and costs incurred for the purpose of incorporation of the Bank are included under "preliminary expenses". We decided on a conservative

basis to charge the entire pre-incorporation and preliminary expenses to our profit and loss account for the period ended March 31, 2005.

Income taxes

Tax expense comprises both current and deferred taxes. Current income taxes are determined in accordance with the provisions of the Income Tax Act, 1961. Deferred income taxes reflect the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation, preliminary expenses and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

Results of Operations

November 21, 2003 to March 31, 2005

Net Interest Income

The following table sets forth the components of our net interest income for the period ended March 31, 2005:

	From November 21, 2003 to March 31, 2005 (Rs. in thousands)
Interest earned	299,787
Interest expended	(118,489)
Total net interest income	181,298

As of March 31, 2005, our average interest earning assets and interest earning liabilities were as follows:

Interest earning assets	Average assets in Rs. Million
Advances	4,809
Investments	1,382
Balances with RBI and Banks	203
Total interest earning assets	6,394
Interest bearing liabilities	Average liabilities in Rs. million
Deposits	3,054
Borrowings	1,420
Total interest bearing liabilities	4,474

Interest earned. For the period ended March 31, 2005, interest / discount on advances / bills was Rs. 231.15 million, interest on investments, comprising of mainly investments in Government of India securities and treasury bills, corporate bonds and in liquid schemes of Mutual Funds was Rs. 62.43 million and interest on balances with RBI and other inter bank funds was Rs. 5.24 million. The interest / discount on advances / bills was on account of Rs. 7.61 billion of outstanding advances through disbursements done between the months of August 2004 to March 2005. In the half year ended March 31, 2005, which was our first full half-year of operations, our advances portfolio increased by Rs. 6.17 billion. The average yield on our advances portfolio based on daily averages for the half year ended March 31, 2005 was 8.39%.

Interest expended. As of March 31, 2005, the interest expense on deposits, comprising primarily of interest on certificates of deposits and corporate deposits amounting Rs. 88.99 million. The interest on RBI and inter-bank borrowings was Rs. 29.50 million.

The net interest margin during the period ended March 31, 2005 was 2.84%.

The following table sets forth key details/financial ratios relating to our net interest income:

	From November 21, 2003 to March 31, 2005	
	(Rs. in millions)	%
Average Interest Earning Assets	6,394.05	
Interest Income	299.79	
Average Interest Bearing Liabilities	4,470.02	
Interest Expense	118.45	
Ratio of Average Interest Earning Assets to Average Interest Bearing Liabilities		143.04%
Interest Expense Apportioned to Income Earning Assets		1.85%
Net Interest Income	181.34	
Net Interest margin (%)		2.84%
Gross Yield (%) (not annualized)		4.69%
Average Cost of Loan Funds (%) (not annualized)		2.65%
Yield Spread (%)		2.04%
Return on Average Assets		-0.29%
Average share capital & reserves		32.51%

Non-Interest Income (Other income)

The following table sets forth the components of our non-interest income for the period ended March 31, 2005, all of which, was earned in the ordinary course of business:

	From November 21, 2003 to March 31, 2005
	(Rs. in thousands)
Commission, exchange and brokerage	78,001
Profit on sale/revaluation of investments (net)	25,897
Profit on exchange transactions (net)	70,179
Miscellaneous income	7,605
Total non-interest income	181,682

Commission, exchange and brokerage. For the period ended March 31, 2005, commission, exchange and brokerage, comprising mainly of income from financial advisory services, processing fees on loans disbursed during the period, transaction banking services in the form of letters of credit and bank guarantees and fees from wealth management advisory services, was Rs.78.00 million.

Profit on sale/revaluation of investments. For the period ended March 31, 2005, we made a profit of Rs. 25.90 million as a result of the sale and revaluation of our investment in mutual funds and Government of India securities.

Profit on exchange transactions. For the period ended March 31, 2005, we made a profit of Rs. 70.18 million on exchange transactions, comprising mainly of client and inter-bank foreign exchange transactions and interest rate and cross currency derivative contracts.

Miscellaneous income. For the period ended March 31, 2005, our miscellaneous income of Rs. 7.61 million was primarily contributed by Rs. 6.77 million of income from derivative transactions.

For the half year ended March 31, 2005, which was our first half year of operations, our non interest income to total income ratio was 48.88%

Operating Expenses

For the period ended March 31, 2005, our total operating expenses, which are comprised of staff costs and other operating expenses, were Rs. 399.43 million.

Payments to and provision for employees. Our staff costs, which are comprised of salary and other employee benefits, were Rs. 212.72 million for the period ended March 31, 2005.

Establishment expenses. Our expenses for rent, taxes and lighting for our premises and repairs and maintenance were Rs. 31.63 million for the period ended March 31, 2005.

Depreciation. Depreciation on our fixed assets during the period was Rs. 12.45 million. We did not have any significant fixed assets on account of premises on our books as of March 31, 2005.

Advertisement and publicity Advertisement and publicity expenses were Rs. 24.82 million, mainly comprised of expenses incurred by us towards our brand development.

Preliminary and pre-incorporation expenses. During the period ended March 31, 2005, we conservatively decided to write-off the entire pre-incorporation and preliminary expenses involved in establishing the Bank. The preliminary and pre-incorporation expenses were Rs. 41.62 million.

Other operating expenses. Our other operating expenses, comprising mainly of legal charges, printing and stationery expenses, postage and telegraph, information technology expenses, insurance, travel and conveyance and professional and consultancy fees, were Rs. 76.19 million for the period ended March 31, 2005.

For the half year ended March 31, 2005, which was our first full half year of operations, our cost to income ratio was 86.54%.

Operating Profit/(Loss)

For the period ended March 31, 2005, our operating loss (loss before provisions towards standard assets and taxation) was Rs. 36.45 million. However, for the half year ended March 31, 2005, which was our first half year of operations, our operating profit was Rs. 40.57 million.

Provisions and Contingencies

For the period ended March 31, 2005, we had a net deferred tax benefit of Rs. 19.19 million and a tax expense of Rs. 1.02 million. As of March 31, 2005, we did not create specific provisions for non-performing assets during the period as all assets were classified as standard assets as per RBI regulations. We have, however, created a general provision of 0.25% as prescribed by RBI on outstanding standard assets as of March 31, 2005. During the period ended March 31, 2005, we created general provisions towards standard assets of Rs. 19.03 million.

Net Profit/(Loss)

Our net loss for the period ended March 31, 2005 was Rs. 37.59 million. However, for the half year ended March 31, 2005, which was our first half year of operations, our net profit was Rs. 6.13million.

During the period ended March 31, 2005, our net loss per Equity Share on both a basic and fully diluted basis was Rs. 0.24 per Equity Share and return on average assets was (0.29)%.

Financial Condition

The following table sets forth the principal components of our assets as of March 31, 2005:

	As of March 31, 2005
	(Rs. in thousands)
Cash and balances with RBI	413,366
Balances with banks and money at call and short notice	116,930
Investments	3,948,642
Advances	7,609,790
Fixed assets	196,424
Other assets	496,577
Total assets	12,781,729

Our total assets as of March 31, 2005, were Rs. 12.78 billion. We commenced our C&IB and Business Banking operations in the last week of August 2004 and as of March 31, 2005, we had an advances portfolio of Rs. 7.61 billion. Our total advances of Rs. 7.61 billion included Rs. 0.99 billion of floating rate loans. We have Rs. 6.62 billion of fixed rate advances.

Further, the total approvals and disbursement undertaken by us as of March 31, 2005 are as follows:

Rs. in Million	Approvals	Disbursements
Corporate loans	12.6 billion	9.37 billion
Retail loans	-	-
Staff loans	0.02 billion	0.02 billion
Total	12.62 billion	9.39 billion

The profile of our top 10 borrowers depicting the net exposure and percentage of total advance is as follows:

Client Name	Sector	Net Balance	% of total advances
Borrower A	TMT	400,000,000	5.26%
Borrower B	Others	300,000,000	3.94%
Borrower C	Infrastructure	298,794,190	3.93%
Borrower D	TMT	250,000,000	3.29%
Borrower E	Others	250,000,000	3.29%
Borrower F	Lifesciences	250,000,000	3.29%
Borrower G	F&A	250,000,000	3.29%
Borrower H	Lifesciences	247,214,284	3.25%
Borrower I	F&A	246,253,779	3.24%
Borrower J	Infrastructure	215,161,692	2.83%
Total			35.6%

The classification of our assets as of March 31, 2005 was as follows:

Total Loans and Advances (in Rs. million)	7,610
Of which:	
Standard assets	100%
Substandard assets	-
Doubtful assets	-
Loss assets	-

As of March 31, 2005, our investments of Rs. 3.95 billion comprised predominantly of Government of India securities acquired for the purpose of meeting the SLR requirements on account of our Demand and Time liabilities and Corporate Bonds. We had Rs. 413.37 million of Cash and Balances with RBI as of March 31, 2005 for meeting the CRR requirements arising on account of our Net Demand and Time liabilities. Since our premises are leased and most of our technology requirements are outsourced, we do not have significant fixed assets. As of March 31, 2005, our fixed assets were Rs. 196.42 million comprised predominantly of leasehold improvements, vehicles and office equipment. Our other assets of Rs. 496.58 million comprised predominantly of accrued interest, deferred tax assets, accumulated losses and security deposits for leased premises of corporate offices and employee residences.

The following table sets forth the principal components of our liabilities as of March 31, 2005:

	As of March 31, 2005 (Rs. in thousands)
Capital	2,000,000
Reserves and surplus	170,000
Deposits	6,630,345
Borrowings	3,697,411
Other liabilities and provisions	283,973
Total liabilities	12,781,729

As of March 31, 2005, our shareholders funds were Rs. 2.17 billion and our average share capital and reserves to average total assets was 32.51%. We started accepting deposits in the month of October 2004. As of March 31, 2005, our deposits of Rs. 6.63 billion comprised primarily of certificates of deposits and deposits from our corporate customers. Approximately 98.62% of our deposits were term deposits. Of the remaining 1.38%, which are essentially low-cost deposits, savings bank deposits contributed 21.65% and demand deposits contributed 78.35%. As of March 31, 2005, we had no floating rate liabilities.

Our borrowings of Rs. 3.70 billion comprised of inter-bank borrowings and borrowings from other institutional agencies.

Our borrowings consist of deposits from our customers, borrowings pursuant to our certificate of deposit program, borrowing in the call money market from other banks and financial institutions and term borrowings. The details of our top 25 borrowings as of March 31, 2005 are as follows:

S. No.	Nature of Borrowing /Deposits	Amount	Interest rate Outstanding	Tenor
1.	Certificate of Deposit – 1	971,351,000	5.92%	6 months
2.	Certificate of Deposit – 2	881,532,350	5.67%-6.07%	111 days – 181 days
3.	CBLO [#]	769,878,656	1.00%- 3.55%	4 Days

S. No.	Nature of Borrowing /Deposits	Amount	Interest rate Outstanding	Tenor
4.	Borrowing I*	507,532,000	0.10%	1 year
5.	Deposit A	500,000,000	6.15%	6 months
6.	Certificate of Deposit – 3	478,942,750	5.87%	9 months
7.	Certificate of Deposit –4	345,132,200	5.72%	3 months
8.	Deposit B	330,000,000	7.05%	6 months
9.	Deposit C	320,000,000	7.05%	6 months
10.	Deposit D	320,000,000	5.70%	1 year
11.	Deposit E	300,000,000	5.40%	1 month
12.	Borrowing II	250,000,000	7.00%	5 months
13.	Borrowing III	250,000,000	6.65%	6 months
14.	Borrowing IV	250,000,000	4.90%	4 Days
15.	Borrowing V	250,000,000	4.85%	4 Days
16.	Deposit F	250,000,000	6.00%	3 months
17.	Certificate of Deposit – 5	246,463,000	5.82%	3 months
18.	Certificate of Deposit – 6	246,355,000	5.87%	3 months
19.	Borrowing VI	200,000,000	4.85%	4 Days
20.	Borrowing VII	200,000,000	4.85%	4 Days
21.	Borrowing VIII	200,000,000	4.85%	2 Days
22.	Borrowing IX	150,000,000	5.85%	7 months
23.	Deposit G	150,000,000	6.80%	6 months
24.	Deposit H	150,000,000	6.00%	3 months
25.	Borrowing X	150,000,000	4.95%	4 Days

Collateralized Borrowing and Lending Obligation (secured borrowing).

* Foreign Currency borrowing (the amount stated is the Rupee equivalent as of March 31, 2005).

Other liabilities and provisions of Rs. 283.97 million comprised predominantly of bills payable amounting to Rs. 17.49 million, accrual of interest payable amounting to Rs. 28.35 million, and other items aggregating Rs. 238.14 million towards provision for performance bonus to employees and general provisions on standard assets.

Off-Balance Sheet Items

As of March 31, 2005, our contingent liabilities were Rs. 65.22 billion. We provide financial guarantees, enter into foreign exchange and derivative transactions for our customers and for our own account.

As of March 31, 2005, we had issued guarantees for Rs. 478.42 million. The guarantees are for periods ranging from 6 to 18 months. We earn fees and commissions from our customers for the issue of such guarantees. The amounts of guarantees outstanding as of March 31, 2005 are set out below:

Guarantees	As of March 31, 2005 in Rs. Million
Financial Guarantees	478.42
Performance Guarantees	Nil
Total	478.42

Our foreign exchange contracts arise out of spot and forward foreign exchange transactions with corporate and non-corporate customers and interbank counterparties. Our derivative contracts include rupee-based derivatives and cross-currency derivatives for corporate customers and for our own hedging activities. We earn profit on interbank and customer transactions by way of a spread between the purchase rate and the sale rate. As of March 31, 2005, liability on account of outstanding foreign exchange and derivative contracts was Rs. 63.88 billion.

In addition to the above, our contingent liabilities as of March 31, 2005 also included Rs. 590.88 million of acceptances, endorsements and other obligations and Rs. 266.54 million of other items for which we were contingently liable.

Capital Adequacy

We are subject to the capital adequacy requirements of RBI, which are primarily based on the capital adequacy accord reached by the Basel Committee of the Bank of International Settlements in 1988. As determined by a specified formula, we are required to maintain a minimum ratio of total capital to risk adjusted assets of 10.0%. Tier II capital cannot be more than 100% of Tier I capital. For further information on our capital adequacy requirements, see "Regulations and Policies—Capital Adequacy Requirements" on page 61 of this Prospectus.

As of March 31, 2005, our total capital adequacy ratio was 18.81%. Our Tier I capital adequacy ratio was 18.64% and our Tier II capital adequacy ratio was 0.17%.

Liquidity and Funding

Liquidity

Liquidity risk is the risk that we are unable to meet our financial commitments when they fall due. These commitments include the repayment of deposits on-demand or at their contractual maturity dates, the repayment of borrowings and loan capital as they mature, the payment of operating expenses and taxation, and the ability to fund new and existing loan and contractual commitments.

Our principal sources of liquidity are:

- customer deposits, including certificates of deposits;
- daily and term borrowings from other Indian banks and financial institutions;
- balances with banks and money at call at short notice;
- interest received from customer loans;
- available-for-sale securities;
- fee, commission and brokerage income; and
- interest from investments.

Through our treasury operations, we seek to manage our interest rate and liquidity profile of our balance sheet, including the maintenance of required regulatory reserves and to optimize profits by taking advantage of market opportunities.

Under RBI's statutory liquidity ratio requirement, we are required to invest 25.0% of our total demand and time liabilities in Government of India securities and other approved securities. We maintain the statutory liquidity ratio through a portfolio of Government and other approved securities that we actively manage to optimize the yield and benefit from price movements. Under RBI's cash reserve ratio requirements, we are required to maintain 5.0% of our net demand and time liabilities in a current account with RBI. RBI pays no interest on these cash reserves up to 3.0% of the net demand and time liabilities and pays interest at 3.5% on the 2.0% remaining eligible balance. For further discussion of these regulatory reserves, see "Supervision and Regulation—Legal Reserve Requirements" beginning on page 68 of this Prospectus.

Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the cash reserve ratio requirement. The objective is to ensure the smooth functioning of our operations and at the same time avoid the holding of excessive cash. Our treasury seeks to maintain a balance between interest-earning liquid assets and cash to optimize earnings.

The following tables sets forth the maturity profile of our assets and liabilities as of March 31, 2005:

Rupee denominated assets and liabilities as of March 31, 2005:

(Amount in Rs. '000s)

Maturity Buckets	Loans & Advances	Investment Securities	Deposits	Borrowings
1 to 14 days	470,571	-	28,601	2,539,879
15 to 28 days	273,771	-	1,575,195	-
29 days to 3 months	962,573	621,418	2,090,227	150,000
Over 3 to 6 months	403,720	97,652	2,051,155	500,000
Over 6 to 12 months	2,020,202	1,154,699	692,751	507,532
Over 1 year to 3 years	2,538,864	506,602	192,416	-
Over 3 years to 5 years	784,890	750,000	-	-
Over 5 years	155,200	818,271	-	-
Total	7,609,791	3,948,642	6,630,345	3,697,411

Foreign currency denominated assets and liabilities as of March 31, 2005:

(Amount in Rs. '000s)

Maturity Buckets	Assets	Liabilities
1-14 Days	16,332	-
15-28 Days	-	-
29 days to 3 months	-	-
Over 3 months to 6 months	-	-
Over 6 months to 12 months	-	507,676
Over 1 year to 3 yrs	-	-
Over 3 years to 5 yrs	-	-
Over 5 years	32,809	-
Total	49,141	507,676

Funding

Our current sources of funding (other than equity capital) are primarily interbank borrowings, certificates of deposit sold in the Indian market and term deposits from our corporate customers. As of March 31, 2005, we sold Rs. 3,405.35 million of our Rs. 5,000 million certificate of deposit program. The amount of customer deposits is currently relatively small because we only started taking deposits from customers in October 2004. However, we expect that customer deposits will become an increasingly important source of our funding.

Our current sources of funding are primarily short-term borrowings. The cost of funds obtained is sensitive to interest rate fluctuations, which exposes us to the risk that increasing interest rates will reduce our "spread," or the difference between the returns we earn on our products and services, as well as our investments, and the amounts that we must pay to fund them. The pricing on our issuances of debt will also be negatively impacted by any downgrade or potential downgrade in our credit ratings. As of March 31, 2005, the rating by ICRA (an affiliate of Moody's) for our Rs. 5,000 million certificate of deposit program was A1+. In addition, attracting customer deposits in the Indian Market is competitive. The rates that we must pay to attract deposits will be determined by numerous factors like interest rates, Indian monetary policy, inflation and demand.

Factors that may affect our Future Results of Operations

Please see the section the titled "Forward Looking Statements" on page i of this Prospectus.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there is no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Bank, and its Directors, that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits, or proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) against the Bank, its Directors, and the Promoter Group, that would have a material adverse effect on our business.

I. Litigation against our Bank

There is no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against us.

II. Litigation against Our Directors

Except as disclosed below, there is no outstanding litigations against our towards tax liabilities, criminal/civil prosecution for any offences (irrespective of whether they are offences in the nature of those specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non payment of statutory dues, proceedings initiated for economic offences, in their individual capacity or in connection with our Bank and other companies with which the Directors are associated.

Litigation against Mr. Bharat Patel

- (a) An appeal has been filed by Mr. Bharat Patel in Gujarat High Court, Ahmedabad against the decision of Income Tax Appellate Tribunal (ITAT), Ahmedabad which concluded that Stock Appreciation Rights (SARs) are capital assets but has some costs attributable to it. The ITAT had rejected the decision of the income tax department and Commissioner Income Tax (Appeal), Baroda that SARs are perquisites. The department has also filed an appeal against the order of the ITAT.
- (b) The Supreme Court has admitted a special leave petition against the decision of Gujarat High Court rejecting Mr. Bharat Patel's challenge to the validity of the notice issued under Section 148 of Income Tax Act reopening Mr. Patel's income tax returns for assessment year 2000-2001. Mr. Bharat Patel has also filed an appeal against the order of Assistant Commissioner of Income Tax, Baroda treating non compete fee received as income and not capital receipt as contended in Mr. Patel's income tax return for assessment year 2000-2001.

III. Litigation against Promoters and Promoter Group

There is no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against us.

IV. Other Material Development

The Brihanmumbai Municipal Corporation ('BMC') vide their letter dated March 7, 2005 directed the Bank to make the payment of property tax of Rs 5,900,823 in relation to the floors occupied by the offices of the Bank at Nehru Centre, Discovery of India Building, Worli, Mumbai during financial year 2004 – 2005. As of March 31, 2005 the Bank has made a payment of Rs. 857,790/- disputing the basis of the calculation of property tax payable to the BMC.

We have received a notice dated May 27, 2005 from the Office of the Regional Labour Commissioner Central, in relation to contract workers at the site of our Chennai branch.

LICENSES AND APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any Government authority/RBI is required to continue these activities.

Approvals from the Reserve Bank of India

1. Approval No. DBOD.PSBS.917/16.13.200/2001-02 dated February 7, 2002 granting "in principle approval" to promote a new banking company. This approval was valid for one year. Letters no DBOD.PSBS.No. / 1020/16.01.137/2002-03 dated February 25, 2003, DBOD.PSBS.648/16.01.137/2003-04 dated August 6, 2003, and DBOD/No.PSBS.648/16.01.137/2003-04 dated December 29, 2003, extending the validity period of the aforementioned "in principle approval".
2. Approval No. DBOD.PSBS.894/16.13.200/2003-04 dated February 26, 2004 from RBI granting "no objection" to participation of the three private equity investors, Citicorp International Finance Corporation/CVC International, Chrys Capital LLC II, AIF Capital Inc. in the equity of the Yes Bank Limited to the extent of 10.0%, 7.5% and 7.5%, respectively.
3. Approval No. PSBS 1164/16.01.137/03-04 dated May 24, 2004 from RBI and the corresponding License no. 74 dated May 24, 2004 to carry on banking business in India.
4. Letter DBS.CO.OSMOS.No.10/33.01.001/2004-05 to the Managing Director and Chief Executive Officer, Yes Bank Limited advising that inter alia Yes Bank Limited has been categorised as a New Private Sector Bank.
5. Approval No. DBOD.BL(M) No. 204/22.03.070/2004-2005 dated July 29, 2004 and corresponding Branch License No. BLM-1511 from RBI under Section 23, RBI Act for the opening of a branch at 4th Floor, Nehru Centre, Discover of India Building, Worli, Mumbai.
6. Approval No. FMD/206/5.01.03/(02/2004)/ 2004-2005 dated August 6, 2004 and corresponding License No. 02/2004 to deal in foreign exchange business.
7. Letter DBOD No. 125/08.147/001/2004-05 dated August 10, 2004 approving the appointment of Mr. Ashok Kapur as non-executive-part time Chairman and Mr. Rana Kapoor as the Managing Director and Chief Executive Officer of the Bank for a period of five years from the date of taking charge, i.e., September 1, 2004.
8. Approval No. DBOD/BL.552/22.03.067/2004-2005 dated August 28, 2004 allowing Yes Bank Limited to open 11 branches as provided below:
 - Mumbai (A);
 - Mumbai (B);
 - New Delhi (Nyaya Marg);
 - New Delhi (A);
 - Gurgaon;
 - Chennai;
 - Kolkata;
 - Bangalore;
 - Ahmedabad;
 - Hyderabad; and
 - Pune.
9. Approval No. DBOD/BL.2221/22.03.067/2004-2005 dated February 8, 2005 allowing Yes Bank Limited to open branches at 4 branches at Goa, Nashik, Nagpur and Baroda.
10. Letter No. DAD/CA/316/2004-2005 dated August 31, 2004 from RBI permitting the opening of a current account with RBI.
11. Approval No. DBOD.CO.BC. 36/12/ 2004-2005 dated September 2, 2004 from RBI including Yes Bank Limited in the Second Schedule to the RBI Act, pursuant to Notification No. PSBS.BC. 30/16.01.137/2004-05 dated August 16, 2004 published in the Gazette of India on August 21, 2004 notifying the inclusion of Yes Bank Limited in the in the Second Schedule to the RB Ain pursuance of Clause (a) sub-section (6) of Section 42 of the RBI Act, 1934.

12. Letter No. DBOD/342/12.06.120/2004-05 to the Chief executive Officer, Yes Bank Limited dated September 3, 2004 approving inclusion of Yes Bank Limited in the Second Schedule to the RBI Act with effect from August 21, 2004.
13. Approval No. PDO/SGL/Account/07.03.01/704/2004-05 dated September 7, 2004 from RBI granting membership of the Negotiated Dealing in Securities network.
14. Letter No. PDD/SGL/ACCOUNT/07.03.01/703/2004-2005 dated September 7, 2004 permitting the opening of the Subsidiary General Ledger Account for conducting business in the securities of Central and State Government.
15. Approval No. EC.FE.CO.FMD.429/02.03.129/2004-05 dated September 14, 2004 from RBI approving a Net Overnight Position Limit subject to the guidelines prescribed by the Department of Banking Operations and Development, RBI.
16. Letter No. DIT.CO.761/09/63.41/2004 dated September 22, 2004 from RBI recommending Yes Bank Limited for the membership of SWIFT User Group in India subject to it complying with the condition that all information relating to operation of SWIFT shall be made available to RBI for regulatory and supervisory requirements.
17. Approval No. DBS.BL.No.1102/04.02.02.42/2004-05 dated September 30, 2004 and corresponding Branch License No. BLD-6985 from RBI under Section 23, RBI Act for the opening of a branch at 48, Nyaya Marg, Chanakyapuri, New Delhi.
18. Approval No. DBS.BL.No.1101/04.02.02.42/2004-05 dated September 30, 2004 and corresponding Branch License No. BLD-6984 from RBI under Section 23, RBI Act for the opening of a branch at Fortune Global Arcade, Gurgaon, Haryana.
19. Approval No. FE.CO.FMD/644/02.03.76/2004-2005 dated November 1, 2004 from RBI granting permission for writing cross currency option in accordance with Master Circular on Risk Management and Inter Bank Dealings.
20. Approval No. DAD/CA/RTGS/611/24.02.01/2004-2005 dated November 3, 2004 from RBI granting membership of RTGS.
21. Approval No. EC.FE.CO.FMD/428/02.03.131/2004-05 from RBI granting an Aggregate Gap Limit on the condition that the Gap be marked to market everyday.
22. Approval No. DBOD No. PSBS 835/ 16.01.137/ 2004-05 dated January 25, 2005 from RBI for the Issue.
23. Approval No. DBOD.No.2972/22.03.067/2004-2005 dated April 13, 2005 from RBI allowing Yes Bank to open 10 branches as provided below:
 - Mumbai
 - New Delhi
 - Ludhiana
 - Noida
 - Chandigarh
 - Srinagar
 - Faridabad
 - Margao
 - Gobindgarh
 - Surajpur
24. Approval No. DBOD No. PSBS 272/ 16.01.137/ 2004-05 dated May 5, 2005 from RBI granting its no objection to Rabobank International Holding increasing its shareholding to 20% through the IPO and through subsequent market purchases, subject to the promoters complying with the licensing condition pertaining to the dilution of their shareholding to 49%.
25. Approval No. DBOD.No.BL.3266/22.03.067/2004-2005 dated May 9, 2005 from RBI allowing Yes Bank to open 4 branches as provided below:
 - Jaipur
 - Surat
 - Lucknow
 - Manesar

Registrations/approvals for carrying on banking related businesses

26. Letter No. ADM/1908 dated August 19, 2004 from the Indian Banks Association admitting Yes Bank Limited as a member.
27. Letter No. 1349/M/2004 dated September 1, 2004 from the Foreign Exchange Dealers Association admitting Yes Bank Limited as a member.
28. AR Circular No. D5/04 dated September 1, 2004, notifying Yes Bank Limited as an Authorised Dealer in foreign exchange.
29. Letter No. TA/LCT/Pvt N.W-107/IDRBT-III/2004-2005 dated September 9, 2004 from BSNL granting addition of Yes Bank Limited Circuit in the CUG data network.
30. Letter No. IDRBT/IFN/NR/6.8/1891/2004-05 dated September 10, 2004 from the Institute for Development and Research in Banking Technology granting Network Approval for the Yes Bank Limited Circuit for connectivity to INFINET.
31. Letter No. CCI/MCM/04/0861 dated October 4, 2004 from the Clearing Corporation of India Limited granting membership of the Securities Segment of Clearing Corporation of India Limited with effect from October 7, 2004.
32. Letter dated October 5, 2004 from the Association of Mutual Funds in India granting Certificate of Registration bearing ARN No. 23017.
33. Letter No. CCI/MCM/04/0877 dated October 7, 2004 from the Clearing Corporation of India Limited granting membership of the Forex Segment of Clearing Corporation of India Limited with effect from October 7, 2004.
34. Letter No. DIT.CO/06.1638/2004-2005 dated September 9, 2004 from RBI to Brihan Mumbai Bankers' Clearing House stating the allotment of All India Bank Code No. "532" and alpha code "532" to the Bank.
35. Letter No. DR2\SI\VTI\YBL\30565\2005 dated January 10, 2005 from SEBI granting us registration to act as Category I Merchant Bankers by registration No. INM 000010874.
36. Letter No. DR2\SI\VTI\YBL\30555\2005 dated January 10, 2005 from SEBI granting us registration to act as Bankers to an Issue by registration No. INBI 00000935.

Taxation and other statutory approvals

37. Certificate of Registration No. BFS/MI/480 dated August 6, 2004, under Section 69 of the Finance Act, 1994 from the Ministry of Finance, Government of India in relation to payment of service tax on services of banking and other financial services. This certificate is valid till the above-mentioned services continue to be provided by Yes Bank Limited or it is surrendered.
38. Approval No. V/STC/14-33/02 dated August 11, 2004 from the Commissioner of Central Excise, Mumbai allotting Service Tax Code Number AAAC2068DST001.
39. Approval No. DICGC(DID)/1305/05.113354/2004-05 dated August 12, 2004 granting registration to Yes Bank Limited as an insured bank in terms of Section 11 of Deposit Insurance and Credit Guarantee Corporation Act, 1961 with effect from the date of the commencement of banking business.
40. Certificate of Registration No. PT/E/27/18/4626 dated April 29, 2004 under the Maharashtra State Tax on Professional, Trades Callings and Employments Act, 1974.
41. Letter No. MH/BAN/47 249/Zone V/444 dated September 9, 2004 from the Employee Provident Fund Organisation granting registration with effect from May 2004.
42. Approval No. Co.143249/TA dated September 23, 2004 from the Registrar of Companies, Government of India granting permission under Section 210(4) of the Companies Act, 1956 for extending financial year up to March 31, 2005 subject to the Bank complying with requirements of Section 166 of the Companies Act, 1956.
43. Registration No. GS- II/ 011124 dated July 19, 2004 granting registration under the Shops and Establishments Act, 1948 for the establishment of the Bank situate at 4th floor, Nehru centre, Discovery of India Building, Dr. A.B. Road, Worli, Mumbai – 400 018.

Miscellaneous

44. BVQI ISO 9001:2000 certificate number 166551 dated February 17, 2005 awarded to the Bank for back-office operations related to trade finance, credit administration, liability, treasury, clearing and cash management services.

Pending applications

45. Application dated November 10, 2004 requesting the approval of the re-stated Articles of Association of the Bank.
46. Applications dated June 29, 2004 and April 27, 2005 from the Bank to RBI requesting for permission for launching Internet banking services.
47. Application dated May 16, 2005 from the Bank to SEBI seeking permission to undertake underwriting activities.
48. Applications dated June 30, 2004 and February 10, 2005 to RBI for approval of appointment of Mr. H. Srikrishnan as executive director.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The issue of Equity Shares in this Issue by the Bank has been authorised by the resolution of the Board of Directors passed at their meeting held on December 17, 2004, subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act. The shareholders approved the Issue at the general meeting of the shareholders of the Company held on December 17, 2004 at New Delhi.

We have also obtained the approval from RBI on January 25, 2005 for the Issue. In terms of RBI Circular dated March 20, 2002, we are allowed to freely price the Equity Shares in this Issue based on the BRLMs recommendation.

Prohibition by SEBI/ RBI

Neither we, nor our Directors or our Promoters or their relatives or the Promoter Group Companies, or companies with which our Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

Neither we, nor our Promoters or their relatives or the Promoter Group Companies, have been declared as wilful defaulters by RBI or any other governmental authority and there have been no violations of securities laws committed by them in the past or no such proceedings are pending against us or them.

Eligibility for the Issue

As a banking company set up under the Banking Regulation Act, which has received a license from RBI, we are exempt from the eligibility norms specified under clause 2.2 and 2.3 of the SEBI Guidelines to make a public issue of equity shares. The relevant extract of the SEBI Guideline is set out below:

" 2.4 Exemption from Eligibility Norms

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

- i) a banking company including a Local Area Bank (hereinafter referred to as Private Sector Banks) set up under sub-section (c) of Section 5 of the Banking Regulation Act, 1949 and which has received license from the Reserve Bank of India. ..."

Therefore, we are exempt from the eligibility norms as prescribed under the Guidelines.

Disclaimer Clause

AS REQUIRED, A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, DSP MERRILL LYNCH LIMITED AND ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, DSP MERRILL LYNCH LIMITED AND ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE FURNISHED TO SEBI, DUE DILIGENCE CERTIFICATES DATED MARCH 16, 2005 AND JUNE 1, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READ AS FOLLOWS:

1. **"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION**

WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE.

2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.
3. WE CONFIRM THAT:
 - THE PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;
 - THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;
 - BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND
 - WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."
4. WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE PROSPECTUS.

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

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

Note:

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

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLMs and us dated January 29, 2005 and the Underwriting Agreement entered into among the Underwriters and us.

All information shall be made available by us and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at Bidding centres.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

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

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

Accordingly, the Equity Shares are only being offered or sold in the United States to “qualified institutional buyers”, as defined in Rule 144A under the U.S. Securities Act of 1933 (the “Securities Act”), in reliance on Rule 144A under the Securities Act and outside the United States to certain Persons in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

DISCLAIMER CLAUSE OF THE BSE

As required, a copy of this Prospectus has been submitted to BSE. BSE has given vide its letter dated April 7, 2005, permission to the Bank to use BSE's name in this Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. BSE has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

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

and it should not for any reason be deemed or construed to mean that this Prospectus has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

DISCLAIMER CLAUSE OF THE NSE

As required, a copy of this Prospectus has been submitted to NSE. NSE has given in its letter dated April 11, 2005 permission to us to use NSE's name in this Prospectus as one of the stock exchanges on which our further securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 100 million and the market capitalization shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the

financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF RBI

A license authorising the Bank to carry on banking business has been obtained from the Reserve Bank of India in terms of Section 22 of the Banking Regulation Act, 1949. It must be distinctly understood, however, that in issuing the license the Reserve Bank of India does not undertake any responsibility for the financial soundness of the Bank or for the correctness of any of the statements made or opinion expressed in this connection.

Filing

A copy of the Draft Red Herring Prospectus dated March 16, 2005 has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act has been delivered for registration with RoC.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of our Equity Shares. BSE will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Bank will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight (8) days after our Bank become liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Bank, and every Director of the Bank who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15.0% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Bank shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven (7) working days of finalization of the basis of allocation for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or*
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."*

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Banker to the Issue and Escrow Collection Bank(s); and (b) Book Running Lead Managers, Syndicate Members and Registrar to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Prospectus with the RoC and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

S.R. Batliboi & Co., Chartered Accountants, our Auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for filing with the RoC.

Expert Opinion

Except as stated elsewhere in this Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

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

Activity	Expense (in Rs. millions)
Lead management, underwriting commission	70.88
Advertising and Marketing expenses	25.00
Printing and stationery	11.00
Others (Registrars fee, legal fee, etc.)	25.00
Total estimated Issue expenses	131.88

Fees Payable to the BRLMs, Brokerage and Selling Commission

The total fees payable to the BRLMs including brokerage and selling commission for the Issue will be as per the memorandum of understanding executed between the Bank and the BRLMs dated January 29, 2005 a copy of which are available for inspection at our Head Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar' memorandum of understanding dated January 31, 2005 copies of which is available for inspection at our Head Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post or speed post or under certificate of posting.

Bidding Period / Issue Period

BID / ISSUE OPENED ON : JUNE 15, 2005

BID / ISSUE CLOSED ON : JUNE 21, 2005

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

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

In case of revision in the Price Band, the Bidding Period/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 13 days. Any revision in the Price Band and the

revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate.

Designated Date and allotment of Equity Shares

- (a) We will ensure that the allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders depository account within two working days of the date of allotment.
- (b) As per SEBI Guidelines, **Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

Letters of allotment or refund orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. We shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for the purpose shall be made available to the Registrar by us.

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

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Issue Closing Date; and
- We shall pay interest at 15.0% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders are not despatched and/or demat credits are not made to Bidders within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the demat credit.

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

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

Companies Under The Same Management

There are no companies under the same management.

Particulars Regarding Public Issues During The Last Five Years

We have has not made any public issue during the last five years.

Promise vs. Performance

This is the initial public Issue of the Bank.

Issues otherwise than for cash

We have not issued any Equity Shares for consideration otherwise than for cash.

Purchase of Property

Except as stated in the section titled "Objects of the Issue" and elsewhere in this Prospectus, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts

were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or

- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Prospectus.

Except as stated in the section titled "Related Party Transactions" on page 102 of this Prospectus, we have not purchased any property in which any Directors, Promoters or Promoter Group Companies, have any direct or indirect interest in any payment made thereof.

Servicing Behaviour

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

Stock Market Data For Our Equity Shares

This being the initial public Issue, the Equity Shares are not listed on any stock exchange.

Mechanism For Redressal Of Investor Grievances

Investor grievance will be settled expeditiously and satisfactorily by us. The agreement between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Karvy Computershare Private Limited at Karvy House, 46 Avenue 4, Street No. 1, Banjara Hills, Hyderabad 500 034, India, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the respective member of the Syndicate or collection centre where the application was submitted.

Disposal Of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue to address routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Danish Shah, Manager, Legal and Compliance and Assistant Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Nehru Centre
9th Floor, Discovery of India Building
Dr. Annie Besant Road
Worli
Mumbai 400 018
India
Tel: (91 22) 2492 0650
Fax (91 22) 2492 0314

Changes in Auditors

Since the appointment of the Auditors on November 28, 2003, there have been no changes of the auditors in the last three years.

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time.

Revaluation of Assets

We have not revalued our assets in the past five years.

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, Banking Regulation Act, the Memorandum and the Articles of Association of the Bank, the terms of the Red Herring Prospectus, this Prospectus, the Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government, Stock Exchanges, RBI, and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, the Memorandum and the Articles of Association of the Bank and shall rank *pari passu* in all respects with the existing Equity Shares of the Bank, including rights in respect of dividends. See the section titled "Main Provisions of the Articles of Association" on page 175 of this Prospectus.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Prospectus at a total price of Rs. 45 per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The face value of the shares is Rs. 10 and the Issue Price is 4.5 times of the face value.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled "Main Provisions of the Articles of Association" on page 175 of this Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of 150 Equity Shares.

Nomination Facility to the Investor

In the nature of the rights specified in Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A Person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any Person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the Person

nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Head Office of our Bank or at the Registrar and Transfer Agents of our Bank.

In the nature of the rights stated in Section 109B of the Companies Act, any Person who becomes a nominee in the manner stated above, shall upon the production of such evidence as may be required by the Board of Directors, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board of Directors may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, the Board of Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Bank. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue to the public to the extent of the amount payable on application, including devolvement on Underwriters, if any, within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e., 60 days from the Bid Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

Subscription by Non-Residents, NRI, FIIs

There is no reservation for any Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

As per RBI regulations, OCBs cannot participate in the Issue.

Application in Issue

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only.

Withdrawal of the Issue

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

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A under the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

ISSUE STRUCTURE

The present Issue of 70,000,000 Equity Shares Rs. 10 each, at a price of Rs. 45 for cash aggregating Rs. 3,150 million is being made through the 100% Book Building Process.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Up to 35,000,000 Equity Shares or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum of 17,500,000 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 17,500,000 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	Up to 50% of Issue or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum 25% of Issue or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum 25% of Issue or Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Discretionary	Proportionate	Proportionate
Minimum Bid	In multiples of 150 Equity Shares such that the Bid Amount exceeds Rs. 50,000.	In multiples of 150 Equity Shares such that the Bid Amount exceeds Rs. 50,000.	150 Equity Shares.
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue subject to applicable limits.	Multiples of 150 Equity Shares whereby the Bid Amount does not exceed Rs. 50,000.
Mode of allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Bidding Lot	150 Equity Shares	150 Equity Shares	150 Equity Shares
Who can Apply	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds	NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 50,000 in value.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
	with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.		
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the member of the Syndicate.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the member of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the member of the Syndicate.
Margin Amount	Nil	100%	100%

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, would be allowed to be met with spillover from any other portions at the discretion of the Bank, in consultation with the BRLMs.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue to the public shall be available for allocation on a discretionary basis to QIB Bidders. Further not less than 25% of the Issue to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 25% of the Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Our Bank, in consultation with the BRLMs, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate, without assigning any reason thereof. In case of Non-Institutional Bidders and Retail Individual Bidders, we would have a right to reject the Bids only on technical grounds.

Investors should note that allotment to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment in physical form. The Equity Shares, on allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the application form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Bank to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public including resident QIBs, Non Institutional Bidders and Retail Individual Bidders and NRIs applying on non-repatriation basis	White
NRIs applying on a repatriation basis and FIIs	Blue

Who can Bid?

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Indian Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who

are authorised under their constitution to hold and invest in equity shares;

- NRIs and FIIs subject to applicable laws;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Multilateral and Bilateral Development Financial Institutions; and
- Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Note: The BRLMs, the Syndicate Members and any associate of the BRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary and will not be eligible in the QIB Portion. Further, the BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Application by Mutual Funds

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Application by NRIs

Bid cum application forms have been made available for NRIs at the registered office of the Bank.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

As per applicable SEBI guidelines, the issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e., 10% of 270,000,000 Equity Shares of Rs. 10 each) Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital, in case such sub-account is a foreign corporate or an individual. As of now, in accordance with the decision of the Government of India, being a private sector bank, the aggregate foreign investment in us cannot exceed 74% of our total issued capital. As of now, the aggregate FII holding in the Bank cannot exceed 24% of the total issued capital of the Bank. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 49%. However, as on this date, no such resolution has been recommended to the shareholders of the Bank for adoption. Further, an investor looking to subscribe to more than 5.0% of the paid up capital of the Bank through this issue shall not be allotted such equity shares unless an acknowledgement from RBI is obtained for the same.

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor.

Maximum and Minimum Bid Size

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of 150 Equity Shares and in multiples of 150 Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 50,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 50,000. In case the Bid Amount is over Rs. 50,000 due to revision of the Bid or revision of the Price Band or on exercise of cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders portion. The cut-off option is an option given only to the Retail Individual Bidders, indicating their agreement to Bid and purchase at the final Issue Price, as determined at the end of the Book Building Process.
- (b) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be in multiples of 150 Equity Shares ensuring that the Bid Amount exceeds Rs. 50,000. A Bid cannot be submitted for more than the Issue to the public. However, the maximum Bid by a QIB Bidder should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid Closing Date/Issue Closing Date.**

In case of revision in Bids, the Non Institutional Bidders who are individuals, have to ensure that the Bid Amount is greater than Rs. 50,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 50,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'cut-off'.

Information for the Bidders

- (a) We filed the Red Herring Prospectus with the RoC at least three days before the Bid Opening Date/ Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares according to the terms of the Red Herring Prospectus and applicable law) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our Head Office or from any of the members of the Syndicate.
- (d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms which do not bear the stamp of the members of the Syndicate will be rejected

Method and Process of Bidding

- (a) Our Bank and the BRLMs shall declare the Bid Opening Date/Issue Opening Date, Bid Closing Date/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the RoC and also publish the same in two widely circulated newspapers (one each in English, Hindi and Marathi). This advertisement shall contain the salient features of the Red Herring Prospectus in the nature of the specifications under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLMs and the Syndicate Members and their bidding centers. The members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- (b) Investors who are interested in subscribing for the Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.
- (c) The Bidding Period shall be a minimum of five days and not exceeding 10 days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English, Hindi and Marathi)

and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 13 days.

- (d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see the section titled "Issue Procedure-Bids at Different Price Levels" on page 159 of this Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure-Build up of the Book and Revision of Bids" on page 162 of this Prospectus.
- (f) The member of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS") for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- (g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- (h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled "Issue Procedure-Terms of Payment and Payment into the Escrow Accounts" on page 160 of this Prospectus.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. 38 to Rs. 45 per Equity Share of Rs. 10 each, Rs. 38 being the Floor Price and Rs. 45 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re. 1.
2. In accordance with SEBI Guidelines, the Bank reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.
3. In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 13 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English, Hindi and Marathi), and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.
4. Our Bank, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
5. Bidders can bid at any price within the Price Band. Bidders have to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 50,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders and such Bids from QIB Bidders and Non Institutional Bidders shall be rejected.**
6. Retail Individual Bidders who bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price shall deposit the Bid Amount based on the Cap Price in the respective Escrow Accounts. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut-off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut off Price, shall receive the refund of the excess amounts from the respective Escrow Accounts/refund account(s).

7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 50,000 if the Bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 50,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to the revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Escrow Accounts/refund account(s).
9. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 150 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Escrow Mechanism

We shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the respective Escrow Account. The Escrow Collection Bank(s) will act in terms of this Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the monies from the Escrow Accounts to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Accounts/refund account(s) as per the terms of the Escrow Agreement and this Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, who is required to pay Margin Amount greater than 0% shall, with the submission of the Bid cum Application Form, draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details see the section titled "Issue Procedure-Payment Instructions" on page 166 of this Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Accounts, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date/ Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders, i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders, would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" on page 154 of this Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the

Bidder not later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the appropriate Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the bid form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had Bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid Closing Date/Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

- (a) The member of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the member of the Syndicate and their authorised agents during the Bidding Period/Issue Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on an half hourly basis. On the Bid Closing Date/ Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on an half hourly basis, consolidated and displayed on-line at all bidding centers. A graphical representation of the consolidated demand and price would be made available at the bidding centers and the websites of the Stock Exchanges during the Bidding Period/Issue Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the investor;
 - Investor Category –Individual, Corporate, FII, NRI or mutual fund, etc.;
 - Numbers of Equity Shares Bid for;
 - Bid price;
 - Bid cum Application Form number;
 - Whether payment is made upon submission of Bid cum Application Form; and
 - Depository Participant identification no. and client identification no. of the demat account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Bank.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) In case of QIB Bidders, the members of the Syndicate also have the right to accept the Bid or reject it without assigning any reason. In case of Bids under the Non-Institutional Portion and Bids under the Retail Portion, Bids would not be rejected except on the technical grounds listed in this Prospectus.
- (h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by us or the BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Bank, our Promoter, our management or any scheme or project of our Bank.

- (i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a half hourly basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLMs on a half hourly basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Prospectus. In case of QIB Bidders, the members of the Syndicate may, at their sole discretion, waive the payment requirement at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

- (a) After the Bid Closing Date/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.
- (b) Our Bank, in consultation with the BRLMs, shall finalise the "Issue Price", the number of Equity Shares to be allotted in each portion and the allocation to successful QIB Bidders. The allocation will be decided based *inter alia*, on the quality of the Bidder, and the size, price and time of the Bid.
- (c) The allocation for QIB Bidders for up to 50% of the Issue would be discretionary. The allocation to Non-Institutional Bidders of not less than 25% of the Issue and to Retail Individual Bidders of not less than 25% each of the Issue would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Allocation to QIBs, Non Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by RBI, while granting permission for allotment of Equity Shares to them.
- (e) The BRLMs, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

- (f) We reserve the right to cancel the Issue any time after the Bid Opening Date/Issue Opening Date without assigning any reasons whatsoever.
- (g) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid Closing Date/Issue Closing Date.

Signing of Underwriting Agreement and Filing with the RoC

- (a) Our Bank, the BRLMs and the Syndicate Members have entered into an Underwriting Agreement after finalising of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, we have updated and filed the updated Red Herring Prospectus with the RoC, which then has been termed 'Prospectus'. The Prospectus has details of the Issue Price, Issue size, underwriting arrangements and is complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by the Bank after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

- (a) The BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.
- (b) The BRLMs or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Accounts at the time of bidding shall pay in full the amount payable into the Escrow Accounts by the Pay-in Period specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

- Check if you are eligible to apply;
- Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), as the case may be;
- Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;
- Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- Ensure that you have been given a TRS for all your Bid options;
- Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more and attach a copy of the PAN Card and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN along with the

application for the purpose of verification of the number, with the Bid cum Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I.T. Act along with the application; and

- Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.

Don'ts:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the Price Band;
- Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- Do not pay the Bid Amount in cash;
- Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders, for whom the Bid Amount exceeds Rs. 50,000);
- Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- Do not submit Bid accompanied with Stockinvest.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for FIIs and NRIs and applying on repatriation basis).
- Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- The Bids from the Retail Individual Bidders must be for a minimum of 150 Equity Shares and in multiples of 150 thereafter subject to a maximum Bid Amount of Rs. 50,000.
- For Non-institutional Bidders and QIB Bidders, Bids must be in multiples of 150 Equity Shares ensuring that the Bid Amount exceeds Rs. 50,000. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- Thumb impressions and signatures other than in the languages specified in the Eighth Schedule of the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidder's sole risk and neither the BRLMs nor the Bank shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository, demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorise the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither we nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension

fund must be lodged along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we and the BRLMs may deem fit.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by NRIs on Non-Repatriation Basis

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the Registrar to the Issue or BRLMs whose addresses are printed on the cover page of this prospectus.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids by NRIs on a Repatriation Basis and FIIs

Bids and revision to Bids must be made:

- On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three).
- By FIIs, in multiples of 150 Equity Shares, such that the Bid Amount exceeds Rs. 50,000. For further details see section titled "Issue Procedure-Maximum and Minimum Bid Size" on page 158 of this Prospectus.
- In the names of individuals, or in the names of FIIs but not in the names of minors, firms or partnerships, foreign nationals (including NRIs) or their nominees, foreign venture capital investors.
- Refunds, dividends and other distributions, if any, will be payable in Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Rupee drafts purchased abroad, such payments in Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for NRIs and FIIs. All NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

(a) Payment into Escrow Account

- The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

- In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN, which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
- The payment instruments for payment into the Escrow Account should be drawn in favour of:
 - In case of Resident Bidders and Non-Resident Bidders on a non-repatriation basis: **“Escrow Account- Yes Bank Limited Public Issue - R”**
 - In case of Non Resident Bidders on a repatriation basis: **“Escrow Account- Yes Bank Limited Public Issue- NR”**

In case of bids by NRIs applying on a repatriation basis, the payments must be made through Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in the NRE Accounts or the Foreign Currency Non-Resident Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Account of the Non Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to the NRE Account or the Foreign Currency Non-Resident Account.

In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

- Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Accounts.
- The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account with the Banker to the Issue.
- On the Designated Date and no later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank(s) shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all portion.

PAN Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

Unique Identification Number - MAPIN

In terms of SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time and SEBI Notification dated November 25, 2003 and July 30, 2004, circular dated August 16, 2004 and press release dated December 31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor, its promoters and directors have been allotted unique identification numbers (UIN) save and except: (i) those promoters or directors who are persons resident outside India, who are required to obtain UIN before December 31, 2005; and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until the disposal of his application or, where he has filed an appeal, till the disposal of the appeal, as the case may be.

In terms of the above it shall be compulsory for specified investor being a body corporate making application in this issue/Offer to give their UIN. In case where a body corporate has made an application for such number before December 31, 2004 but the same has not been allotted, or where an appeal has been filed, but not disposed off, the investor shall indicate the same in the space provided in the Application form.

Application forms from specified investors, being body corporate, not providing their UIN or UIN application status in cases which have applied for such UIN before December 31, 2004, shall be liable to be rejected.

Our right to Reject Bids

We and the BRLMs reserve the right to reject any Bid without assigning any reason therefor in case of QIB Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, we have a right to reject Bids on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
- Age of First Bidder not given;
- In case of partnership firms, shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
- Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- PAN photocopy/ PAN Communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
- UIN Number not given for Body Corporates;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
- Bids for number of Equity Shares, which are not in multiples of 150;
- Category not ticked;
- Multiple Bids as defined in this Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and /or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLMs or the Syndicate Members;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid Opening Date/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure–Bids at Different Price Levels" at page 159 of this Prospectus;
- Bids by OCBs; and
- Bids by US Persons other than "qualified institutional buyers" as defined in Rule 144A under the Securities Act.

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional Bidders and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this portion is less than or equal to 17,500,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 17,500,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 150 Equity Shares and in multiples of 1 Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 17,500,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 17,500,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 150 Equity Shares and in multiples of 1 Equity Share thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allocation would be decided by us in consultation with the BRLMs and would be at our sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The aggregate allocation to QIB Bidders shall not be more than 35,000,000 Equity Shares.

Method of proportionate basis of allocation in the Retail and Non-Institutional Portions

Bidders will be categorized according to the number of Equity Shares applied for by them.

- (a) The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- (c) If the proportionate allotment to a Bidder is a number that is more than 150 Equity Shares but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (d) In all Bids where the proportionate allotment is less than 150 Equity Shares per Bidder, the allotment shall be made as

follows:

- Each successful Bidder shall be allotted a minimum of 150 Equity Shares;
 - The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
- (e) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

Equity Shares in Dematerialised Form with NSDL or CDSL

The allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Bank, the respective Depositories and the Registrar to the Issue:

- a tripartite agreement dated June 9, 2004 with NSDL, us and Registrar to the Issue; and
- a tripartite agreement dated March 17, 2005 with CDSL, us and Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- The trading of the Equity Shares of the Bank would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue, quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or*
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”*

Undertakings by the Bank

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the successful Bidders shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through the Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

We shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Utilisation of Issue Proceeds

The Board of Directors of the Bank certifies that:

- all monies received out of the Issue to the public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Bank indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Bank indicating the form in which such unutilised monies have been invested;
- The Bank shall not have any recourse to the Issue proceeds until the approval for trading the Equity Shares is received from the Stock Exchanges.

Disposal of Applications and Applications Money and Interest in Case of Delay in Despatch of Allotment Letters/Refund Orders

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalisation of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post only at the sole or First Bidder’s sole risk and adequate funds for the purpose shall be made available to the Registrar by us.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalisation of the basis of allotment.

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

- Allotment shall be made only in dematerialised form within 15 days of the Bid Closing Date/Issue Closing Date;
- dispatch refund orders within 15 days of the Bid Closing Date/Issue Closing Date would be ensured; and
- we shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the private banking sector is permitted up to 74% under the automatic route. The aggregate FII holding in a private sector bank cannot exceed 24% of the total issued capital. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 49%. By way of Circular No. 53 dated December 17, 2003, RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles.

Articles of Association

Capitalised terms used in this section have the meaning that has been given to such terms in the Articles of Association of Yes Bank Limited.

Pursuant to Schedule II of the Companies Act and SEBI Guidelines, the main provisions of the Articles of Association of Yes Bank Limited are set forth below:

We have applied to RBI for an amendment to our Articles. The Articles as approved by RBI will be updated as and when RBI approval is received. See the section titled "Notes to Risk Factors" on page (xi) of this Prospectus.

Capital

- b) The Company has power from time to time to increase or reduce its capital and to divide the Shares into several classes and to attach thereto, respectively, such preferential, cumulative, convertible, guarantee, qualified or other special rights, privileges, conditions or restrictions, as may be determined by or in accordance with these presents and to vary, modify or abrogate any such right, privileges or conditions or restrictions in such manner as may for the time being be permitted by these presents or the said Acts or any other legislative provisions for the time being in force in that behalf.
 - c) Subject to the provisions of the Banking Act and the provisions of Section 80(1) of the Act, the Company shall have the power to issue preference shares which are, or at the option of the Company are to be, liable to be redeemed in accordance with the provisions of the Act.
 - d) Subject to the rights of the holders of any other shares entitled by the terms of issue, to preferential repayment over the equity Shares in the event of winding up of the Company the holders of the equity Shares shall be entitled to be repaid the amounts of capital paid up or credited as paid up on such equity Shares and all surplus assets thereafter shall belong to the holders of the equity Shares in proportion to the amount paid up or credited as paid up on such equity Shares respectively at the commencement of the winding up.
7. In accordance with the provisions of the Act:
 - a) The Shares, or other interest of any Member in the Company shall be movable property, transferable in the manner provided hereunder.
 - b) The Company shall be entitled to dematerialise any or all of its Shares, debentures and other marketable securities pursuant to the Depositories Act and, subject to these presents, to offer its Shares, debentures and other securities for subscription in a dematerialised form.
 - c) A certificate under the Seal of the Company specifying any Shares held by any Member or the entry of the name of the Member as Beneficial Owner in the records of the Depository shall, subject to and for the purposes of these Articles, be prima facie evidence of the title of the Member to such Shares.

- d) Subject to these presents the Shares in the capital of the Company shall be numbered progressively according to their several denominations and except in the manner mentioned in these presents, no Share shall be subdivided.
8. Subject to the provisions of the said Acts and in compliance with the provisions of Section 79 of the Act and these presents, the Shares in the capital of the Company for the time being (including any Shares forming part of any increased capital of the Company) shall be under the control of the Board who may issue, allot or otherwise dispose of the same or any of them to such persons in such proportion and on such terms and conditions and either at a premium or at par or at a discount and at such times as it may from time to time think fit and proper.
 9. Subject to the provisions of the said Acts and these presents, the Board may issue and allot Shares as payment or part payment for any property sold or goods transferred or for services rendered to the Company and any Shares which may be so allotted may be issued as fully paid-up or partly paid-up Shares and; if so issued shall be deemed to be fully paid-up Shares or partly paid-up Shares.
 10. Any unclassified Shares (whether forming part of the original capital or of any increased capital of the Company) may, subject to the provisions of the said Acts and these presents, be issued and in particular such Shares may be issued with a preferential or qualified right as to dividends and in the distribution of the assets of the Company.
 11. In addition to and without derogating from the powers for this purpose conferred on the Board under Article 8, the Company, in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or holder of debentures of the Company or not) in such proportion and on such terms and conditions and either at a premium or at par or at a discount (subject to compliance with the provisions of Section 79 of the Act and subject to the provisions of the Banking Act), as such General Meeting may determine and with full power to give to any person (whether a Member or holder of debentures of the Company or not) the option to call for or be allotted Shares of any class of the Company either at par or at a premium or subject as aforesaid at discount, such option being exercisable at such time and for such consideration as may be directed by such General Meeting or the Company in General Meeting may subject to the provisions of Section 81 of the Act, make any other provisions whatsoever for the issue, allotment or disposal of any Shares.
 12. Any application signed by or on behalf of an applicant for Shares in the Company, followed by an allotment of any Share therein shall be an acceptance of Shares within the meaning of these presents and every person who thus or otherwise accepts any Share(s) and whose name is entered in the Register of Members shall, for the purpose of these presents, be a Member.
 13. The money (if any) which the Board shall on the allotment of any Share(s) being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any Share(s) allotted by them, shall immediately on the insertion of the name of the allottee in the Register of Members as the name of the holder of such Shares, become a debt due to and recoverable by Company from the allottee thereof and shall be paid by him accordingly.
 14. If by the conditions of allotment of any Shares the whole or part of the amount or issue price thereof shall be payable by installments, every such installment shall, when due be paid up to the Company by or on behalf of the person who for the time being and from time to time shall be the registered holder of the Share or his legal representative.
 15. Save as herein otherwise provided or as provided by Law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any Share as the absolute owner thereof and, accordingly shall not (except as ordered by a court of competent jurisdiction or as by Law required) be bound to recognize any trust or equity or equitable, contingent or other claim to or interest in such Share on the part of any other person whether or not it shall have express or implied notice thereof.
 16. Except to the extent allowed by Section 77 and Section 77A of the Act and the provisions of the Banking Act, no part of the funds of the Company shall be employed/lent for acquiring the Shares.

Underwriting Commission

17. The Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any Shares, debentures or other securities of the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any Shares, debentures or other securities of the Company but so that

if the commission in respect of the Shares, debentures or other securities shall be paid or payable out of the capital, the statutory conditions and requirements shall be observed and complied with and the amount or rate of commission shall not exceed the rates prescribed by the said Acts. The commission may be paid or satisfied in cash or in Shares, debentures or other securities of the Company or partly in one and partly in the other. The Company may also, on any issue of Shares, debentures or other securities pay such brokerage as may be lawful.

Certificates

18. a) The certificates of Shares shall be issued in accordance with the provisions of the Companies (Issue of Share Certificates) Rules, 1960.
 - b) Unless prohibited by any provision of Law or of any order of any court, tribunal or other authority, the Company shall, within three months or such extended period may be permitted pursuant to the provisions of the Act after the allotment of any of its Shares, debentures, debenture stock and within two months alter the application for the registration of the transfer of any such Shares, debentures, debentures stock, deliver the certificates of all Shares, debentures, debenture stock allotted or transferred. Where however, the Company is issuing such securities in a dematerialised form, the Company shall comply with the provisions of the Depositories Act in this regard.
19. A certificate of Shares may be renewed or a duplicate may be issued if such certificate:
 - a) is proved to have been lost or destroyed; or
 - b) having been defaced or mutilated or torn is surrendered to the Company; or
 - c) has no further space on the back thereof for endorsement of transfer.
20. a) If and whenever, as a result of issue of new shares, the consolidation or subdivision of shares, any Member becomes entitled to any fractional part of a share, the Directors may subject to the provisions of the Act and these presents and to the directions if any, of the Company in General Meeting:
 - i) issue to such Member fractional certificate or certificates representing such fractional part. Such fractional certificate or certificates shall not be registered, nor shall they bear any dividend until exchanged with other fractional certificates for an entire share. The Directors may, however, fix the time within which such fractional certificates are to be exchanged for an entire share and may extend such time and if at the expiry of such time, any fractional certificates shall be deemed to be cancelled and the Directors shall sell the shares represented by such cancelled fractional certificates for the best price reasonably obtainable; or
 - ii) sell the shares represented by all such fractional parts for the best price reasonably obtainable.
- b) In the event of any shares being sold, in pursuance of sub-article (a) (ii) above, the Directors shall pay and distribute to and amongst the persons entitled, in due proportion the net sale proceeds thereof.
- c) For the purpose of giving effect to any such sale, the Directors may authorize any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and he shall not be bound to see the application of purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the same.

Calls

21. The Board may from time to time make such calls as they think fit upon the Members in respect of all moneys unpaid on the Shares held by them, respectively, and not by the conditions of allotment thereof made payable at fixed times and each Member shall pay the amount of every call so made on him to the person and at the times and places appointed by the Board. A call may be made payable by installments.
22. A call shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed and may be made payable by Members on such date or at the discretion of the Board on such subsequent date as shall be fixed by the Board.
23. Not less than 14 days notice of every call shall be given specifying the time and place of payment, provided that before the time for payment of such call, the Board may by notice in writing to the Members revoke or postpone the same.

24. The Board may from time to time at their discretion, extend the time fixed for the payments of any call by such Member(s) for such cause as the Board may deem fit.
25. If by the terms of issue of any Share or otherwise any amount is made payable at any fixed time or by installments at fixed times, whether on account of the amount of the Share or by way of premium, every such amount or installment shall be payable as if it were a call duly made by the Board and of which due notice has been given and all the provisions herein contained in respect of calls shall relate to such amount or installment accordingly.
26. If the sum payable in respect of any call or installment be not paid on or before the day appointed for payment thereof, the holder for the time being or the allottee of the Share in respect of which a call shall have been made or the installment shall be due, shall pay interest on the same at such rate as the Board shall fix from time to time from the day appointed for the payment thereof to the date of actual payment, but the Board may, in its absolute discretion, waive payment of such interest wholly or in part.
27. Neither a judgement nor a decree in favour of the Company for calls or other moneys due in respect of any Shares nor any part payment or satisfaction there under nor the receipt by the Company of a portion of any money which shall from time to time be due from any Member in respect of any Shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any money shall preclude the forfeiture of such Shares as herein provided.
28. The Board may, if it thinks fit receive from any Member willing to advance all or any part of the money due upon the Shares held by him beyond the sums actually called up, and upon the moneys so paid in advance or so much thereof as from time to time exceeds the amount of the calls then made upon the Shares in respect of which such advance has been made, the Company may pay interest at such rate as the Member paying such sum in advance and the Board agrees upon and the Board may at any time repay the amount so advanced upon giving to such Member one month's notice in writing.
29. No Member shall be entitled to receive any dividend or to exercise any privilege as a Member until he shall have paid all calls for the time being due and payable on every Share held by him whether alone or jointly with any person, together with interest and expenses, if any.
30. On the trial or hearing of any action or suit brought by the Company against any Member or his legal representatives for the recovery of any moneys claimed to be due to the Company in respect of his Shares it shall be sufficient to prove that the name of the Member in respect of whose Shares the money's are sought to be recovered, is entered in the Register of Members as a Member/one of the Members at or any subsequent date on which the moneys sought to be recovered are alleged to have become due on the Shares and that the resolution making the call is duly recorded in the Minute book and the notice of such call was duly given to the Member, holder or joint-holder or his legal representatives sited in pursuance of these presents. It shall not be necessary to prove the appointment of Directors who made such call nor that the quorum of Directors was present at the Board at which any such call was made nor that the meeting at which any such call was made had been duly convened or constituted nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Forfeiture, Surrender and Lien

31. If any Member fails to pay the whole or any part of any call or installment or any money due in respect of any Share(s) either by way of principal or interest on or before the day appointed for the payment of the same, the Board may at any time thereafter, during such time as the call or installment or any part thereof or other moneys remain unpaid or a judgement or a decree in respect thereof remains unsatisfied in whole or in part serve a notice on such Member or on the person (if any) entitled to the Share(s) by transmission requiring him to pay such call or installment or part thereof or other moneys as remain unpaid together with any interest that may accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non-payment.
32. The notice shall name a day not being less than 14 days from the date of the notice and the place or places on and at which such call or installment or such part or other moneys as aforesaid and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed the Share(s) in respect of which the call was made or installments is payable will be liable to be forfeited.
33. If the requirement of any such notice as aforesaid is not complied with, any of the Share(s) in respect of which such notice has been given may, at any time thereafter before payment of all calls or installments, interest and expenses or the money

due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited Share(s) and not actually paid before the forfeiture.

34. When any Share(s) shall have been so forfeited, a notice of 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 be made in the Register of Members.
35. Any Share(s) 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 such manner as the Board shall think fit.
36. The Board may, at any time before any Share(s) so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.
37. The forfeiture of Share(s) shall involve the extinction at the time of the forfeiture, of all interest in and all claims and demand against the Company in respect of the Share(s) and all other rights incidental to the Share(s) except only such of those rights as by these presents are expressly saved.
38. Any Member whose Share(s) has/have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company all calls, installments, interest, expenses and other moneys owing upon or in respect of such Shares at the time of the forfeiture together with further 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 of the whole or a portion thereof if it thinks fit but shall not be under any obligation to do so.
39. A certificate in writing under the hand of any Director or the Secretary or such other person as may be authorized from time to time that the call in respect of Share(s) was made and that the forfeiture of Share(s) was made, by a resolution of the Board to that effect, shall be conclusive evidence of the fact stated therein as against all persons entitled to such Share.
40. The Company may receive consideration, if any, given for the Share(s) on any sale, re-allotment or other disposition thereof and the person to whom such Share(s) is sold, re-allotted or disposed of may be registered as the holder of the Share(s) and shall not be bound to see to the application of the consideration, if any, nor shall his title to the Share(s) be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the Share(s).
41. Upon sale, re-allotment or other disposal of the forfeited Shares under the provisions of these presents, the certificate or certificates originally issued in respect of the relative Share(s) shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled automatically and become null and void and of no effect and the Board shall be entitled to issue a new certificate or certificates in respect of such Share(s) to the person(s) entitled thereto. If the forfeited Shares are in a de-materialised form then the provisions of this Article shall apply as provided for in the Depositories Act and the rules and regulations made thereunder.
42. The provisions of these Articles as to the forfeiture shall apply in the case of non-payment of any sum which by terms of issue of Share(s) become payable at a fixed time as if the same had been payable by virtue of a call duly made or notified.
43. The Company shall have no lien on its fully-paid Shares. In the case of partly paid-up Shares, the Company shall have a first and paramount lien on every Share for all moneys that remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of non-payment of calls. Any such lien shall extend to all dividends from time to time declared in respect of such Shares. 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.
44. For the purpose of enforcing such lien the Board may sell the Shares subject thereto, in such manner as they think fit, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until notice in writing of the intention to sell shall have been served on such Member or the person (if any) entitled by transmission to the Shares and default shall have been made by him in payment of the sum presently payable for 14 days after such notice.
45. The net proceeds of any such sale after payment of the costs of such sale shall be applied in or towards the satisfaction of the debt or liability in respect whereof the lien exists so far as the same is presently payable and the residue (if any) paid to the Member or the person (if any) entitled by transmission to the Shares so sold. Provided that the amount so paid to such Member or person shall not exceed the amount received by the Company from such Member or person towards such Shares.

46. The Board may, subject to the provisions of the Act accept a surrender of any Share(s) from or any Member desirous of surrendering on such terms as it thinks fit.

Transfer and Transmission of Shares

47. The Company shall keep a book to be called the "Register of Transfers and Transmissions" and therein shall fairly and distinctly enter the particulars of every transfer or transmission of any Share.
48. A transfer of the Shares or other interest in the Company of a deceased Member thereof made by his legal representative shall although the legal representative is not himself a Member, be as valid as if he had been a Member at the time of the execution of the instrument of transfer.
49. a) An application for the registration of a transfer of any Share(s) debenture(s) or any other securities or other interest of a Member in the Company may be made either by the transferor or by the transferee.
- b) 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.
- c) For the purpose of sub-article (b) above, notice to the transferee shall be deemed to have been duly given if it is dispatched 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.
- d) Acquisition of Shares by a person/group which would take in the aggregate his/her/its holding to a level of 5.0% or more of the total issued capital of the Bank (or such other percentage as may be prescribed by the Reserve Bank from time to time) should be effected by such buyer(s) after obtaining prior approval of the Reserve Bank. The term 'group' will have the same meaning as contained in Section 2(e) of the Monopolies and Restrictive Trade Practices Act, 1969 or any statutory enactment amending, modifying or repealing it.
- e) Neither Rabo nor the Indian Partners shall Transfer or cause a Transfer of their respective shareholding in the Company to the extent of 4,00,00,000 (Four Crore) Equity Shares of the Company for a period of five years from May 24, 2004. Notwithstanding anything to the contrary contained in these presents, Article 49 (e) shall be subject to any guideline/instruction/direction whether oral or written issued/recommended/approved by the Reserve Bank with respect to the capital structure of the Company. Provided further that in the event that the Reserve Bank relaxes its requirement for the promoters lock-in then the release of the aforesaid locked-in shares shall be effected in a manner that is proportionate to the shareholding of the Indian Partners and Rabo in the Company.
50. Nothing in these presents shall prejudice the powers of the Company to refuse to register the transfer of any Shares in accordance with the provisions of the Act or the Banking Act.
51. The transferor shall be deemed to remain the holder of such Shares until the name of the transferee is entered in the Register of Members in respect thereof.
52. a) Notwithstanding anything contained in Articles 48 and 49 but subject to the provisions of Section 111A of the Act and the provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules and Regulations made there under and other applicable laws and the Banking Act, the Board may at its absolute and uncontrolled discretion decline to register or acknowledge any transfer of Shares and by giving reasons for such refusal, in respect of the Shares upon which the Company has a lien or whilst any moneys due to the Company in respect of the Shares desired to be transferred or any of them remain unpaid and such refusal shall not be affected by the fact that the proposed transferee is already a Member. Provided that registration of any transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever.
- b) Notwithstanding anything to the contrary the Board may, at its absolute and uncontrolled discretion refuse to register the Transfer of any Shares or other securities of the Company being Shares or securities issued by the Company in favour of any transferee whether individual firm, group constituent of a group, Body Corporate or Bodies Corporate under the same management or otherwise and whether in his or its own name or in the name of any other person if the same is not in accordance with Article 49 (e) of the Articles and/or if such a Transfer a not approved/acknowledged by the Reserve Bank, wherever such approval/ acknowledgement is required.

53. If the Company refuses to register the transfer of any Shares, it shall, within two months from the date on which the instrument of transfer is delivered to the Company, send to the transferee and the transferor notice of the refusal.
54. Subject to the provisions of the Act, no transfer shall be made to a person who is unsound mind.
55. The instrument of transfer shall, after registration, be retained by the Company and shall remain in its custody. All the instruments of transfer which the Board may decline to register shall on demand be returned to the persons depositing the same. The Board may cause to be destroyed all transfer deeds lying with the Company after such period as may be prescribed.
56. The executors or administrators of a deceased Member or a holder of a succession certificate or other legal representative in respect of Shares of a deceased Member where he was a sole or only surviving holder shall be the only person whom the Company will be bound to recognize as having any title to the Shares registered in the name of such Member and the Company shall not be bound to recognize such executors, administrators or holder unless such executors or administrators shall have first obtained probate or Letters of Administration or such holder is the holder of a succession certificate or other legal representation as the case may be, from a court of competent jurisdiction. Provided that in any case where the Board, at its absolute discretion, thinks fit, the Board may dispense with production of probate or letters of administration or succession certificate or other legal representation and under Article 57 register the name of any person who claims to be absolutely entitled to the Share standing in the name of a deceased Member as a Member.
57. Any person becoming entitled to any Share in consequence of the death, lunacy, bankruptcy or insolvency of any Member or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Board shall require, either be registered as a Member in respect of such Shares or may subject to the Regulations as to transfer contained in these presents transfer such Shares to some other person. This Article is in these present, referred to the "Transmission Clause".
58. The Board shall have the same right to refuse to register a person entitled by transmission to any Shares or his nominee as if he were the transferee named in an ordinary transfer presented for registration.
59. Every transmission of a Share shall be verified in such manner as the Board may require and the Company may refuse to register any transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Board at its discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Board to accept any indemnity.
60. A fee not exceeding the prescribed amount may be charged in respect of the transfer or transmission to the same party of any number of Shares of any class or denomination subject to such maximum on any one transfer or transmission as may from time to time be fixed by the Board. Such maximum may be a single fee payable on any one transfer or on transmission of any number of Shares of one class or denomination or may be on a graduated scale varying with the number of Shares of any one class comprised in one transfer or transmission or may be fixed in any other manner as the Board may, at its discretion, determine. The Board in its absolute discretion may reduce or waive any fee payable.
61. The Company shall incur no liability or responsibility whatever in consequence of their registering or giving effect to any transfer of Shares made or purporting to be made by the 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 same Shares notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibition registration of such transfer, and may have entered such notice or referred thereto in any books of the Company and the Company shall not be bound or required to regard or attend to give effect to any notice which may be given to them of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so 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 shall so think fit.

62. Conversion of Shares into Stock

The Company may, by Ordinary Resolution:

- a) Convert any paid-up Shares into stock; and
 - b) Reconvert any stock into paid-up Shares of any denomination.
63. The holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same Regulations under which the Shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit.
- Provided that the Board may from time to time fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the Shares from which the stock arose.
64. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters, as if they held the Shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in Shares, have conferred that privilege or advantage.
65. Such of the Regulations of the Company (other than those relating to share warrants) as are applicable to paid up Shares shall apply to stock and the words, "Share" and "Shareholder" in those Regulations shall include "stock" and "stockholder" respectively.

Increase, Reduction and Alteration of Capital

66. The Company may from time to time increase its Share capital by issuing new Shares, subject to the provision of the Banking Act.
67. The new Shares (except such of them as shall be unclassified Shares subject to the provisions of Article 10) shall, subject to the provisions of the Act and these presents, be issued upon such terms and conditions and with such rights and privileges annexed and in particular such Shares may be issued with a preferential or qualified right to dividends and in distribution of the assets of the Company.
68. The Shares (resulting from an increase of capital as aforesaid) may, subject to and in compliance of the provisions of the said Acts, and these presents be issued or disposed of by the Company in General Meeting or by the Board under its powers in accordance with the provisions of Articles 8, 9, 10.
69. In addition to and without derogating from the powers for the purpose conferred on the Board under Article 11, the Company in General Meeting may, in accordance with the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or holders of debentures of the Company or not) in such proportion and on such terms and conditions and either at a premium or at par or at a discount (subject to compliance with the provisions of Section 79 of the Act) as such General Meeting shall determine.
70. Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new Shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise and shall rank pari passu in all respects with any existing Shares of the same class.
71. The Company may from time to time by Special Resolution reduce its Share capital (including the Capital Redemption Reserve Account, if any) in any way authorized by Law and, in particular, may pay off any paid-up share capital upon the footing that it may be called up again or otherwise and may if and so far as necessary alter its Memorandum and Articles of Association reducing the amount of its Share capital and or its Shares accordingly.
72. The Company may in General Meeting alter the condition of the Memorandum and Articles of Association as follows:
- a) Consolidate and divide all or any of its Share capital into Shares of larger amount than its existing Shares.
 - b) Subdivide Shares or any of them into Shares of smaller amount than originally fixed by the Memorandum, subject nevertheless to the provisions of the Act in that behalf.

- c) Cancel Shares which at the date of such General Meeting have not been taken or agreed to be taken by any person and diminish the amount of its Share capital by the amount of the Shares so cancelled.
73. a) The Board may at its absolute discretion, refuse applications for the subdivision of Share certificates, debenture or bond certificates into denominations of less than the marketable lot except when such subdivision is required to be made to comply with a statutory provision or an order of a competent court of Law.
- b) The Company may purchase its own Shares in the manner provided for in Section 77A of the Act.

Modification of Class Rights

74. a) If, at any time the share capital of the Company is divided into different classes of shares, the rights and privileges attached to the shares of any class may, subject to the provisions of the Act and whether or not the Company is being wound up, be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the issued shares of that class.
- b) This Article is not to derogate from any power the Company would have had if this Article were omitted and the right of the dissentient shareholders being holders of not less in the aggregate than 10 percent of the issued shares of that class, being persons who did not consent to or vote in favour of the Resolution for the variation, to apply to the Court to have the valuations or modifications cancelled as provided in Section 107 of the Act.

Joint-Holders

75. Where two or more persons are registered as the holders of any Share, they shall be deemed to hold the same as joint tenants with benefits of survivorship, subject to the following and other provisions contained in these presents:
- a) The Company shall be entitled to decline to register more than three persons as the joint-holders of any Share.
 - b) The joint-holders of any Share shall be liable severally as well as jointly for in respect of all calls and other payments which ought to be made in respect of such Share.
 - c) On the detail of any such joint-holder, the survivor or survivors shall be the only persons recognized by the Company as having any title to the Share but the Board may require such evidence of death as it deems fit and nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on Shares held by him jointly with any other person.
 - d) Any one of such joint-holders may give effectual receipts for any dividends or other moneys payable in respect of such Share.
 - e) Only the person whose name stands first in the Register of Members as one of the joint-holders of any Share shall be entitled to delivery of the certificate relating to such Share or to receive notice (which expression shall be deemed to include all documents mentioned in the Article 179 from the Company) and any notice given to such person shall be deemed to be notice to all the joint holders.
 - f) Any one of two or more joint-holders may vote at any meeting, either personally or by attorney or by Proxy, in respect of such Share as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by Proxy or by attorney then, that one of such persons so present whose name stands first or higher (as the case may be) in the Register in respect of such Share shall alone be entitled to vote in respect thereof but the other or others of the joint-holders shall be entitled to be present at the meeting, provided always that a joint-holder present at any meeting personally shall be entitled to vote in preference to a joint-holder present by attorney or by Proxy although the name of such joint-holder present by attorney or Proxy stands first or higher (as the case may be) in the Register in respect of such Shares. Several executors or administrators of a deceased Member in whose (deceased Member's) sole name any Share stands shall, for any purpose of this Article be deemed joint-holders.

Borrowing Powers

76. Subject to the relevant provisions of the said Acts, the Board may from time to time, by a resolution passed at its meeting, borrow moneys and may generally raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of bonds, perpetual or redeemable

debentures or debenture stock or any mortgage or charge or other Security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being. Provided that no charge shall be created on the uncalled capital of the Company except with the prior approval of the Reserve Bank.

77. Any bonds, debentures, debenture stock or other securities issued or to be issued by the Company shall be under the control of the Board, who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.
78. Debentures, debenture stock, bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
79. Subject to the provision of the said Acts any bonds, debentures, debenture stock or other securities may be issued at a discount, premium or at par and with any special privileges as to redemption, surrender, drawing, allotment of Shares, appointment of Directors or otherwise.
80. If any uncalled capital of the Company is included in or charged by any mortgage or other Security, the Board may authorize the person in whose favour such mortgage or security is executed or any other person in trust for him to make calls on the Members in respect of such uncalled capital and the provisions hereinbefore contained in regard to calls shall mutatis mutandis apply to calls made under such authority and such authority may be made exercisable either conditionally or unconditionally and either presently or contingently and either to the exclusion of the Directors' power or otherwise and shall be assignable if expressed so to be.
81. The Board shall cause a proper register to be kept in accordance with the provisions of Section 143 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to registration of mortgages and charges and in regard to inspection to be given to creditors or Members of the Register of Charges and of copies of instruments creating charges. Such sum as may be prescribed by the Act shall be payable by any person other than a creditor or Member of the Company for each inspection of the Register of Charges.

Meeting

82. All General Meetings other than Statutory Meeting and the Annual General Meetings shall be called Extra Ordinary General Meetings.

Proceedings at General Meeting

83. Five Members personally present shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the requisite quorum be present when the meeting proceeds to business.
84. No business shall be discussed at any General Meeting except the election of a Chairman, whilst the Chair is vacant.
85.
 - a) The Chairman, if any, of the Board shall preside as Chairman at every General Meeting of the Company.
 - b) If there be no Chairman or, if at any meeting he shall not be present within 15 minutes after the time appointed for holding such meeting, or is unwilling to act, the CEO and Managing Director shall be entitled to take the chair and, if there the CEO and Managing Director is not present in fifteen minutes or is not willing to act, the Members present shall choose one of the Directors to take the Chair and if no Directors present be willing to take the Chair, the Members present shall choose one of their number to be the Chairman of the meeting.
86. If within half an hour from the time appointed for the General Meeting, a quorum be not present the meeting, if convened on the requisition of Members, shall be dissolved and in any other case shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place as the Board may determine. If at such adjourned meeting also a quorum is not present within half an hour from the time appointed for holding the meeting the Members present shall be a quorum and may transfer the business for which the meeting was called.
87.
 - a) The Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting adjourn any meeting from time to time, and from place to place.
 - b) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
 - c) When a meeting is adjourned for more than 30 days, notice of the adjourned meeting shall be given as in the case of an original meeting.

- d) Save as aforesaid, it shall not be necessary to give any notice of the adjournment or of the business to be transacted at an adjourned Meeting.
88. At any General Meeting a Resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of show of hands) demanded in the manner hereinafter mentioned and unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried unanimously or by a particular majority or lost and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.
89. a) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by the Member or Members present in person or by Proxy and holding Shares in the Company
- i) which confer a power to vote on the resolution not less than one-tenth of the total voting power in respect of the resolution; or
- ii) on which an aggregate sum of not less than Rs.50,000/- has been paid up.
- b) The demand for a poll may be withdrawn at any time by the person who made the demand.
90. a) If a poll is demanded on the election of a Chairman or on a question of adjournment, it shall be taken forthwith and without adjournment.
- b) A poll demanded on any other question shall be taken at such time not being later than 48 hours from the time when the demand was made, as the Chairman may direct.
91. On a poll taken at a meeting of the Company, a Member entitled to more than one vote or his Proxy or other person entitled to vote for him as the case may be need not, if he votes, use all his votes or cast in the same way all the votes he uses.
92. a) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the votes given to the poll and to report thereon to him.
- b) The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and to fill vacancies in the office of the scrutineer arising from such removal or from any other cause.
- c) Of the two scrutineers appointed under this Article one shall always be a Member (not being an officer or employee of the Company) present at the meeting, provided that such a Member is available and willing to be appointed.
93. a) Subject to the provisions of the Act, Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.
- b) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.
94. In the case of any equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a casting vote in addition to his own votes to which he may be entitled as a Member.
95. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
96. Notwithstanding anything contained in the provisions of these presents, the provisions of Section 192A of the Act and the rules made thereunder, shall apply in relation to passing of resolutions by postal ballot.

Votes of Members

97. Subject to the provisions of the Act;
- a) On a show of hands, every Member present in person shall have one vote; and
- b) On a poll, the voting rights of Members shall be as provided in Section 87 of the Act but will be subject to the ceiling, if any, prescribed by the Banking Act.

98. Any Member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction to lunacy may vote whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or guardian may, on a poll, vote by Proxy.
99. A Body Corporate (whether a company within the meaning of the Act or not) may, if it is a Member, by resolution of its Board or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company in accordance with the provisions of Section 187 of the Act. The production at the meeting of a copy of such resolution duly signed by one Director or such Body Corporate or by a member of its governing body and certified by him as being a true copy of the resolution shall on production at the meeting be accepted by the Company as sufficient evidence of the validity of his appointment.
100. Any person entitled under the Transmission Clause to transfer any Shares may vote at the General Meetings in respect thereof as if he was the registered holder of such Shares provided that at least 48 hours before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the Board of his right to transfer such Shares unless the Board has previously admitted his right to vote at such meeting in respect thereof.
101.
 - a) Any Member who is entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (whether a Member or not) as his Proxy to attend and vote instead of himself. A Proxy so appointed shall not have any right to speak at the meeting.
 - b) In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and that a Proxy need not be a Member.
102. Votes may be given either personally or by attorney or by Proxy or in the case of a Body Corporate by a representative duly authorized as aforesaid.
103. Every instrument of proxy whether for a specified meeting or otherwise shall be in writing under the hand of the appointer or his attorney authorized in writing or if such appointer is a Body Corporate under its Seal or the hand of an officer or an attorney duly authorized by it and shall, as nearly as circumstances will admit, be in the form specified in Schedule IX of the Act.
104. No person shall act as Proxy unless the instrument of his appointment and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall have been deposited at the Registered Office of the Company at least 48 hours before the time for holding the meeting at which the person named in the instrument of Proxy proposes to vote and in default the instrument appointing the Proxy shall not be treated as valid. No attorney shall be entitled to vote unless the power of attorney or other instrument appointing him as attorney or a notarially certified copy thereof has either been registered in the records of the Company at any time not less than 48 hours before the time of the meeting at which the attorney proposes to vote or is deposited at the Registered Office not less than 48 hours before the time of such meeting as aforesaid. Notwithstanding that a power of attorney of that authority has been registered in the records of the Company, the Company may by- notice in writing addressed to the Members or the attorney at least seven days before the date of a meeting require him to produce the original Power of Attorney or authority and unless the same is thereupon deposited with the Company not less than 48 hours before the time fixed for the meeting, the attorney shall not be entitled to vote at such meeting unless the Board, at its absolute discretion, excuse such non-production and deposit. Every Member entitled to vote at a meeting of the Company or on any resolution to be moved thereat shall be entitled, during the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged at any time during the business hours of the Company provided that not less than three days notice in writing of the intention to inspect is given to the Company.
105. If any such instrument of appointment be confined to the object of appointing a Proxy or substitute for voting at meetings of the Company, it shall remain permanently or for such time as the Board may determine, in the custody of the Company and if embracing other objects a copy thereof, examined with the original, shall be delivered to the Company to remain in the custody of the Company.
106. A vote given in accordance with the terms of an instrument of Proxy shall be valid notwithstanding the previous death of the principal or revocation of the Proxy or of any Power of Attorney under which such Proxy was signed or the transfer

of Share in respect of which the vote is given, provided that no intimation in writing of the death, revocation or transfer shall have been received at the Registered Office before meeting.

107. No objection shall made to the validity of the vote except at the meeting or poll at which such vote shall be tendered and every vote whether given personally or by Proxy not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.
108. The Chairman of any meeting shall be the sole judge of the validity of every vote cast at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote cast at such poll.
109. Any Member whose name is entered in the Register of Members shall enjoy the same right and be subject to the same liabilities as all other Members of the same class.

Directors

110. a) Until otherwise determined by a General Meeting the number of Directors shall not be less than 3 (Three) and no more than 15 (Fifteen).
- b) So long as the Indian Partners hold along with any of their Affiliates directly or indirectly, at least 10% of the issued and paid up share capital of the Company, the Indian Partners shall have the right to recommend the appointment of three directors collectively referred to as the "IP Representative Directors". So long as Rabo holds along with any of its Affiliates directly or indirectly, at least 10% of the issued and paid up share capital of the Company, Rabo shall have the right to recommend the appointment of one director referred to as the "Rabo Representative Director".
- c) Apart from the IP Representative Directors and the Rabo Representative Director, the other directors shall be independent ("Independent Directors"). The Indian Partners shall propose the names of the first three Independent Directors, who upon approval by Rabo, shall be appointed as such by the Board. Rabo and the Indian Partners may, recommend the names of the remaining Independent Directors to the nominations Committee of the Company.

For the purpose of this Article the expression "independent directors" means Directors who apart from receiving Director's remuneration, do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries which in judgement of the Board may affect independence of judgement of the Director.

111. a) The Board may appoint an Alternate Director to act for a Director (hereinafter in this Article called the "Original Director"), at his suggestion or otherwise, during his absence for a period of not less than three months from the state in which meetings of the Board are ordinarily held. The person to be appointed, as an Alternate Director shall be nominated by the Shareholder for whose representation the Director was appointed.
- b) An Alternate Director appointed under sub-article (a) above, shall not hold office as such for period longer than permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to the state in which meetings of the Board are ordinarily held.
- c) If the term of office of the Original Director is determined before he so returns to the state aforesaid, any provision for the automatic re-appointment of retiring Directors in default of another appointment shall apply to the Original and not to the Alternate Director.
112. a) No Director shall be required to hold any qualification Shares of the Company.
- b) No person shall be qualified to be a Director if his appointment is in contravention of any Law or guidelines in force or if by amendment by any Law or guidelines, his continuance in office is in contravention of such Law or guideline, registration, he shall immediately vacate his office and on such vacation he shall not be entitled to any compensation.
113. The fees payable to a Director for attending a meeting of the Board or Committee thereof shall be decided by the Board from time to time within the limits as may be prescribed by the Act or the Central Government.
114. The Board may allow and pay to any Director who is not a bona fide resident of the place where a meeting is held and who shall come to such place for the purpose of attending a meeting such sum as the Board may consider fair compensation for travelling, hotel and other expenses in addition to his remuneration as above specified and the Board may fix the

remuneration to be paid to any member or members of their body constituting a Committee appointed by the Board in terms of these presents and may pay the same.

115. Subject to the provision of the said Acts if any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going out or residing at a particular place or otherwise for any of the purposes of the Company, the Company may remunerate such Directors either by a fixed sum or otherwise as may be determined by the Board and such remuneration may be either in addition to or in substitution for his remuneration above provided above.
116. The Board shall have the power, at any time and from time to time, to appoint, subject to the provisions of these presents, a person as an Additional Director to the Board but so that the total number shall not at any time exceed maximum number fixed for the Board but any Director so appointed shall hold office only up to the date of the next Annual General Meeting of the Company and shall then be entitled for re-election.
117. Subject to the provisions of the Act, the continuing Directors may act notwithstanding any vacancy in their body but so that if the number falls below the minimum number fixed the Directors shall not, except in emergencies or for the purpose of filling the vacancies or for summoning a General Meeting of the Company act so, long as the number is below the minimum and they may so act notwithstanding the absence of a necessary quorum.
118. a) The office of a Director shall become vacant as per the provisions contained in Section 283 of the Act and where:
- i) he resigns office by notice in writing addressed to the Company or to the Board; or
 - ii) he becomes disqualified under Article 112 (b): or
 - iii) he is disqualified for being appointed as a Director under any of the provisions of either of the said Acts.
- b) If the office of any Director appointed by the Company is vacated before his term of office expires in the normal course, the resulting casual vacancy may be filled by the Board of Directors at a meeting of the Board and the Directors so appointed shall hold office only upto the date on which the Director in whose place he is appointed would have held office if it had not been vacated. Such vacancy if that of the Rabo Representative Director or the IP Representative Directors shall be filled by individual(s) who shall be recommended for appointment by Rabo or the Indian Partners as the case may be.
119. a) No Director of the Company shall, as a Director take part in the discussion of, or vote on, any contract or arrangement entered into or to be entered into, by Board's proceedings or on behalf of the Company, if he is in any way whether directly or indirectly concerned, or interested in the contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void.
- b) Sub-article (a) above shall not apply to:
- i) Any contract of indemnity against any loss which the Directors or any one or more of them may suffer by reason of becoming or being sureties or a surety for the Company;
 - ii) Any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company, in which the interest of the Director aforesaid consists solely;
 - (1) In his being a Director of such company and the holder of not more than Shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company, or
 - (2) In his being a Member holding not more than 2.0% of the paid-up share capital of such other company.
120. a) Subject to the provisions of the said Acts, these presents and any other Law for the time being in force, a Director of the Company may be or become a Director of any company promoted by the Company or in which he may be interested as vendor, member or otherwise and no such Director shall be accountable for any benefits received as Director or member of such other company.
- b) A Director shall, within 20 days of his appointment to or relinquishment of his office as director, managing director, manager or secretary in any other Body Corporate, disclose to the Company the particulars relating to his office in the other Body Corporate which are required to be specified under Section 303(1) of the Act.

- c) The Company shall enter the aforesaid particulars in a Register kept for the purpose in conformity with Section 303 of the Act.
- d) A Director shall give notice in writing to the Company of his holding of shares and debentures (if the Company or its subsidiary, together with such particulars as may be necessary to enable the Company to comply with the provision of Section 307 of the Act. If such notice be not given at a meeting of the Board, the Director shall take all reasonable steps to secure that it is brought up and read at the next meeting of the Board after it is given. The Company shall enter particulars of a Director's holding of Shares and debentures as aforesaid in a Register kept for the purpose in conformity with Section 307 of the Act.
- e) If any Director has any interest in any other company, institution, financial intermediary or any Body Corporate by virtue of his position as director or partner or with which he may be associated in any other capacity, then he shall disclose his interest to the Board.
- f) Unless authorised by the Board, none of the Directors shall be empowered to bind the Company individually.

Rotation of Directors

- 121. Two of the IP Representative Directors as well as the Rabo Representative Director shall not liable to retire by rotation. The other Directors shall be persons whose period of office is liable to determination by rotation and, subject to the provisions of the Act, shall be appointed by the Company in General Meeting.
- 122. At every Annual General Meeting of the Company other than the first Annual General Meeting, one-third of such of the Directors for the time being as are liable to retire by rotation or if their number is not there or a multiple of three, then the number nearest to one-third, shall retire from office.
- 123. 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 persons who became Directors on the same day, those who are to retire shall (unless they otherwise agree among themselves) be determined by lot.
- 124. A retiring Director shall be eligible for re-election.
- 125. Any increase in the number of Directors except an increase which is within the permissible maximum shall not have any effect unless approved by the Regulatory Authorities whose approval is required under any Law for the time being in force.
- 126. The Company shall ensure that the appointment of Directors of the Company in General Meeting and their retirement shall be in accordance with the provisions of the said Acts.

Non-Executive Chairman and CEO and Managing Director

- 127. a) Subject to the provisions of the said Acts and these presents, the Board shall include a Non-Executive Chairman (the "Chairman") and a CEO and Managing Director.
- b) The Indian Partners shall have the right to recommend the name of the Chairman. Ashok Kapur shall be the first Chairman. The Indian Partners shall have the right to recommend the name of the CEO and Managing Director of the Company. Rana Kapoor shall be the first CEO and Managing Director. Rabo shall cause the Rabo Representative Director to vote along with the IP Representative Directors for the appointment of the Chairman and the CEO and Managing Director to the relevant Committees of Directors (as indicated by the Indian Partners).
- c) The CEO and Managing Director shall be entrusted with the management of the affairs of the Company subject to the Act and these Articles and he shall exercise his powers subject to the superintendence, control and direction of the Board.
- d) The Chairman if he possesses qualification, knowledge, experience or expertise useful to the Company, may, in addition to the duties as Chairman, be called upon, if he is willing, to render such extra services on day to day basis, or by way of special assignment or in any other manner as the Board may decide.
- e) The term for the Chairman, the CEO and Managing Director shall not exceed five years at a time, provided that the Chairman, the CEO and Managing Director should be eligible for reappointment.

- f) Notwithstanding anything to the contrary, the Chairman and the CEO and Managing Director shall not be subject to retirement by rotation under Article 122 but shall, subject to the provisions of any contracts between them and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and shall ipso facto immediately cease to be the Chairman, CEO and Managing Director as the case may be if he ceases to hold the office of Director for any cause.
- g) The remuneration of the Chairman, CEO and Managing Director or whole-time Director shall (subject to Section 309 of the Act and other applicable provisions of the said Acts and these presents and of any contract between him and the Company) be fixed by the Board, from time to time and may be by way of fixed salary and/or perquisites or by any or all these modes or any other mode not expressly prohibited by the Act.
- h) The appointment, reappointment, termination of appointment, remuneration payable to and other terms and conditions of service of the Chairman and the CEO and Managing Director shall be subject to the approval of the Reserve Bank and also subject to such approval as may be necessary under the Act.

Proceedings of Board Meetings

128. The Board may meet for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit.

Provided, however, that the meeting of the Board shall be held at least once in every quarter and at least four (4) such meetings shall be held in every calendar year. The gap between any of the two meetings shall not be more than four months. The Directors may adjourn and otherwise regulate their meetings as they think fit. The meetings of the Board may be called by the secretary of the Company on instructions of any member of the Board or by any member of the Board or by the Chairman. If permitted by Law, the Directors may attend a Board meeting through telephone or any other means of communication.

129. The Chairman may, at any time, and the Manager, Secretary or such other officer of the Company as may be authorized by the Board shall, upon the requisition of a Director, convene a meeting of the Board.

130. At least twenty one (21) calendar days' notice of every meeting of the Board shall be given in writing to every Director. Such notice shall be accompanied by the agenda setting out in sufficient detail, the business proposed to be transacted at the meeting of the Board and the relevant documents therein provided, however, that a meeting of the Board may be convened at a shorter notice in the case of an emergency or if special circumstances so warrant. Notice of Board Meetings to all Directors shall be given in writing by facsimile transmission and by e-mail and confirmation copy by courier and a copy of such notice shall also be served at the address specified by such Directors in writing to the Company.

Notice of every meeting of the Board shall be given in writing to every Director at his usual address.

131. The quorum for a meeting of the Board shall be one-third of its total strength excluding Directors, if any, whose places may be vacant at the time and any fraction contained in that one-half being rounded off as one or two Directors.

Provided that where at any time the number of interested Directors exceeds or is equal to two thirds of the total strength of the number of remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time.

For the Purpose this Article:

- i) "total strength" means the total strength of the Board as determined in pursuance of the Act, after deduction therefrom the number of Directors, if any, whose places may be vacant at the time;
 - ii) "interested Director" means any Director whose presence cannot by reason of Article 120 count for the purpose of forming a quorum at a meeting of the Board at the time of the discussion or vote on any matter.
132. a) If a meeting of the Board could not be held for want of quorum, then, unless the Directors present at such meeting otherwise decide, the meeting shall automatically 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.

- b) The provisions of Article 129 shall not be deemed to have been contravened merely by reason of the fact that a meeting of the Board which had been called in compliance with the terms of that Article could not be held for want of a quorum.
133. a) The Board may, subject to the provisions of the Act, delegate any of its powers to Committees consisting of Directors, and it may from time to time revoke and substitute such delegation. Any Committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such Committee in conformity with such regulations and in fulfilment of the purposes of its appointment but not otherwise, shall have the force and the effect as if done by the Board.
- b) The quorum for a meeting of the Committee shall be one half of the total strength of the Committee for the time being and any fraction contained in that half being rounded off as one member. The Committees shall be entitled to appoint consultants, to assist the Committees in discharge of their functions. Provided that all the decisions of the Committees shall be taken only by the vote of the Directors as members of the Committees.
- c) All meetings of the Committees shall be presided over by a chairman, who shall be any one of the Directors of the relevant Committee.
134. The meetings and proceedings of any such Committee shall be governed by the provisions of these presents for regulating the meetings and proceedings of the Board, so far as the same are applicable thereto and are not superseded by any regulations made by the Board under Article 133 (a).
135. a) All meetings of the Board shall be presided over by the Chairman and in his absence the CEO and Managing Director. If at any meeting the Chairman and the CEO and Managing Director are not present within fifteen minutes of the time appointed for holding the same, the Directors present shall choose one of the other Directors to be the Chairman of such meeting.
- b) Each member of the Board of Directors shall be entitled to cast one vote with respect to any matter to be decided by the Board of Directors. A resolution of the Board of Directors shall be adopted by the affirmative vote of the majority of the Directors present at a meeting at which a quorum of the Board of Directors is present.
136. The meeting of the Board for the time being at which quorum is present, shall be able to exercise all or any of the authorities, powers and discretion which by or under the Act or these presents are vested in or exercisable by the Board generally.
137. All acts done by any meeting of the Board or of a Committee thereof or by any person acting as a Director, shall be valid notwithstanding that it may be afterwards discovered that the appointment of any one or more of such Directors or of any person acting as aforesaid was invalid by reason of defect or disqualification or had terminated by virtue of any provision contained in the Act or these presents. Provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.
138. No Resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation unless the Resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors or to all the Members of the Committee, (not being less in number than the quorum fixed for a meeting of the Board or Committee as the case may be) and has been approved by such of the Directors or by a majority of such of them, as are entitled to vote on the Resolution.

Save as required by applicable law and notwithstanding anything contained hereinbefore or hereinafter, a resolution by circulation, or a resolution passed at a video / audio conference which has been confirmed subsequently as a resolution by circulation, shall be as valid and effectual as a resolution duly passed at a meeting of the Directors called and held in accordance with the provisions of the Act and the Articles of Association of the Company, provided it has been circulated in draft form, together with the relevant papers, if any, to all the Directors, whether resident in India or abroad, and has been approved by a majority of the Directors entitled to vote thereon

139. a) 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.
- b) If, for the purpose of reconstituting the Board under sub-article (a) above, 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 any such decision shall be binding on every Director.

- c) Every Director, if he is appointed under any casual or other vacancy, shall hold office until the date up to 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.
 - d) No act or proceeding of the Board 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 fulfill the requirements of this Article.
140. a) Subject to the provisions of the said Acts, the Board shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorized to exercise and do.

Provided that the Board shall not exercise any power to do any act or thing which is directed or required, by any act or by the Memorandum or Articles of the Company or otherwise, to be exercised or done by the Company in General Meeting.

Provided further that in exercising any such power or doing any such act or thing the Board shall be subject to the provisions contained in that behalf in an Act or in the Memorandum or Articles of the Company or in any Regulations not inconsistent therewith and duly made thereunder including Regulations made by the Company in General Meeting.

- b) No Regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that Regulation had not been made.

The Seal

141. a) The Board shall provide a Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof and the Board shall provide for the safety custody of the Seal.
- b) The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a Committee of the Board authorized by it on that behalf and except in the presence of at least two Directors and the Secretary or such other person as the Board may appoint for the purpose and the said Director and the Secretary or such other person as aforesaid shall sign every instrument to which the Seal of the Company is so affixed in their presence.
- c) The Company may have, for use in any territory, district or place situated outside India an official Seal which shall be a facsimile of the Seal of the Company, with the addition of, on its face, of the name of the territory, district or place where it is to be used. The Company may authorize any person appointed for the purpose in that territory, district or place to affix the official Seal to any deed or other document to which the Company is a party in that territory district or place. The deed or other document to which an official Seal is duly affixed shall bind the Company as if it had been sealed with the Seal of the Company.

Establishment of Reserve Fund

142. The Company shall create a Reserve Fund and shall, out of the balance of profit of each year as disclosed in the Profit and Loss Account and before any dividend is declared, transfer to the Reserve Fund a sum equivalent to not less than a percentage of profit as may be specified by the Banking Act.

Dividends

143. The profit of the Company, subject to the provisions of the Act, the Memorandum and these presents, shall be divisible among the Members in proportion to the amount of capital paid-up on the Shares held by them, respectively. Provided that the dividend payable on any Preference Shares issued by the Company shall be in accordance with the terms of issue of such Preference Shares.
144. 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 dividend or to participate in profits.
145. 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.

146. a) The Company, before declaring any dividend on its Shares for each year, shall transfer to Reserve Fund an amount specified in these presents and required by or under any directions issued under the said Acts and shall also completely write off all its capitalized expenses (including preliminary expenses, share selling commission, brokerage, amount of losses incurred and any other item of expenditure not represented by tangible assets).
- b) 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 capitalized 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.
147. The Company, in General Meeting may, subject to the provisions of the said Acts, declare a dividend to be paid to the Members according to their respective rights and interests in the profits and may fix the time for payment.
148. No larger dividend shall be declared than is recommended by the Board but the Company in General Meeting may declare a smaller dividend. Subject to the provisions of Section 205 of the Act, no dividend shall be payable except out of the profits of the year or any other undistributed profits. The declaration of the Board as to the amount of the net profits of the Company shall be conclusive.
149. Subject to the provisions of the said Acts and these presents, the Board may, from time to time, pay to the Members such interim dividends, as in their judgment the position of the Company justifies. Such interim dividend may be declared at any time.
150. Subject to the provisions of the said Acts, the Board may retain the dividends payable in respect of which any person is, under the Transmission Clause, entitled to become a Member or which any person under that Article is entitled to transfer until such person shall become a Member in respect of such Shares or shall duly transfer the same.
151. 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 or otherwise, howsoever either alone or jointly with any other person or persons and the Board may deduct from the interest or dividend payable to any Member all sums of money so due from him to the Company.
152. Where any instrument of transfer of Shares has been delivered to the Company for registration and the transfer of such Shares has not been registered by the Company, it shall, notwithstanding anything contained in any other provision of the Act.
- a) Transfer the dividend in relation to such Shares to the special account referred to in Section 205-A of the Act unless the Company is authorized by the registered holder or such Shares in writing to pay such dividend to the transferee specified in such instrument of transfer; and
 - b) Keep in abeyance in relation to such Shares any offer of rights Shares under clause (a) of sub section (1) of Section 81 of the Act and any issue of fully paid up bonus Shares in pursuance of sub section (3) of Section 205 of the Act.
153. Unless otherwise directed, any dividend may be paid by cheque electronic clearance system or warrant sent through the post to the registered address of the Member or person entitled thereto 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 by 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.
154. a) Subject to the provisions of Section 205A of the Act, if the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration to any Shareholder entitled to the payment of the dividend, the Company shall, within seven days from the date of expiry of the said period of 30 days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days to a special account in that behalf in any scheduled bank called the "Unpaid Dividend Account of Yes Bank Limited."

- b) Any money transferred to the Unpaid Dividend Account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the Shareholders to whom the money is due. No unclaimed dividend shall be forfeited till the claim thereto becomes barred by Law.
155. Any General Meeting declaring a dividend may make a call on the Members in respect of moneys unpaid on Shares 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 call.
156. No dividend shall be payable except in cash.
- Provided that nothing in this Article shall be deemed to prohibit the capitalization of profits or reserves of the Company for the purpose of issuing fully paid up bonus Shares or paying up any amount for the time being unpaid on any Shares held by the Members of the Company.
157. a) Any General Meeting may resolve that any moneys, investments or other assets forming part of the dividend profits standing to the credit of the reserve or reserve fund or any other fund of the Company or in the hands of the Company and available for dividend or representing premiums received on the issue of Shares and standing to the credit of the share premium account be capitalized.
- i) by the issue and distribution as fully paid up Shares, debentures, debenture stock, bonds or other obligations of the Company; or
- ii) by crediting Shares of the Company which may have been issued to and are not fully paid up, with the whole or any part of the sum remaining unpaid thereon.
- b) Such issue and distribution under (i) above and such payment to the credit of unpaid share capital under (ii) above shall be made to among and in favour of the Members or any claim of them or any of them entitled thereto and in accordance with their respective rights and interest and in proportion to the amount of capital paid up on the Shares held by them, respectively, in respect of which such distribution under (i) or payment under (ii) above shall be made on the footing that such Members become entitled thereto as capital. The Board shall give effect to any such solution and apply such portion of the profits or reserve or reserve fund or any other fund on account as aforesaid as may be required for the purpose of making payment in full for the Shares, debentures or debenture stock, bonds or other obligations of the Company so distributed under (i) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the Shares which may have been issued and are not fully paid up under (ii) above.
- c) Provided that no such distribution or payment shall be made unless recommended by the Board and, if so recommended, such distribution and payment shall be accepted by such Members as aforesaid in full satisfaction of their interest in the said capitalized sum.
- d) For the purpose of giving effect to any such resolution, the Board may settle any difficulty which may arise to the distribution or payment as aforesaid as they think expedient and, in particular, they may issue fraction certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any Members on the footing of the value so fixed and may vest any such cash, Shares, debentures, debenture stock, bonds or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Board and generally may make such arrangements for the acceptance, allotment and sale of such Shares, debentures, debenture stock, bonds or other obligations and fractional certificates or otherwise as they may think fit. Subject to the provisions of the Act and these presents, in cases where some of the Shares of the Company are fully paid and others are partly paid, only such capitalization may be effected by the distribution of further Shares in respect of the fully paid Shares and by crediting the partly paid Shares with the whole or part of the unpaid liability thereon but so that as between the holders of the fully paid Shares and the partly paid Shares the sums so applied in the payment of such further Shares and in the extinguishments or diminution of the liability on the partly paid Shares shall be so applied pro rata in proportion to the amount then already paid or credited as paid on the existing fully paid and partly paid Shares, respectively. When deemed requisite, a proper contract shall

be filed in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the holders of the Shares of the Company which shall have been issued prior to such capitalization and such appointment shall be effective.

Accounts

158. a) The Board shall cause true accounts to be kept of:
- i) all sums of money received and expended by the Company and the matters in respect of which such receipt and expenditure takes place;
 - ii) the assets, credits and liabilities of the Company and generally of all its commercial, financial and other affairs, transactions and engagements and of all other matters, necessary for showing the true financial state and condition of the Company and the accounts shall be kept in English in such manner as the Board may deem fit and the books of accounts shall be kept at the Registered Office and/or at such other place or places in India as the Board thinks fit and shall be open to inspection by any of the Directors and such other persons authorized under the Act during business hours.
- b) If the Company shall have a branch office, whether in or outside India, proper books of account relating to the transactions effected at the office shall be kept at that office and proper books of accounts relating to the transactions effected at the office shall be kept at that office and proper summarized returns, made upto date at intervals of not more than three months, shall be sent by the branch office to the Company at its Registered Office or other place in India as the Board thinks fit, where the main books of the Company are kept.
159. Once at least in every calendar year the Board shall lay before the Company in Annual General Meeting, a Profit and Loss Account for the Financial Year of the Company immediately preceding the Financial Year in which such meeting is held and a balance sheet containing a summary of the assets and liabilities of the company made up as at the end of the last working day of that Financial Year or in case where an extension of time has been granted for holding the meeting up to such extended time and every such Balance Sheet, shall as required by Section 217 of the Act, be accompanied by a report (to be attached thereto) of the Board as to the state and condition of the Company and as to the amount (if any) which they recommend to be paid out of the profits by way of dividend and the amount (if any) set aside by them for the reserve fund, general reserve or reserve account shown specifically in the Balance Sheet or to be shown specifically in a subsequent Balance Sheet.
160. Every Balance Sheet and Profit and Loss Account of the Company shall give a true and fair view of the state of affairs of the Company or its branch office and shall, subject to the provisions of Section 211 of the Act and to the extent they are not inconsistent with the Act, be in the forms set out in the Third Schedule of the Banking Act or as near thereto as circumstances admit.
161. The Balance Sheet and the Profit and Loss Account shall be signed by at least three Directors, one of whom shall be a Managing Director or when only one Director is for the time being in India, by such Director and by the Manager or Secretary. The Balance Sheet and the Profit and Loss Account shall be approved by the Board before they are signed on behalf of the Board in accordance with provisions of this Article and before they are submitted to the Auditors of their Report thereon. The Auditors' Report shall be attached to the Balance Sheet and the Profit and Loss Account or there shall be inserted at the foot of the Balance Sheet and the Profit and Loss Account a reference to the Report. A copy of such Balance Sheet and the Profit and Loss Account so audited together with a copy of the Auditors' Report and every other document required by Law to be annexed or attached to the Balance Sheet shall not less than 21 days before meeting at which the same are to be laid before the Members of the Company, be subject to provisions of Section 219 of the Act, sent to every trustee for the holders of any debenture and all persons other than such members or Trustees, being so entitled.

Audit

162. At least once in every year, the accounts of the Company shall be balanced and audited and the correctness of the Profit and Loss Account and Balance Sheet ascertained by one or more Auditor or Auditors to be appointed as required by the said Acts.

163. The Company, at each Annual General Meeting, shall appoint an Auditor or Auditors to hold office from the conclusion of that Meeting until the conclusion of the next to Annual General Meeting. The appointment and the removal of Auditors and the person who may be appointed as the Auditors shall be as provided in Sections 224, 224A, 225 and 226 of the Act and the relevant provisions of the Banking Act.
164. The Auditor of the branch office, if any, of the Company shall be, by and in the manner provided by Section 228 of the Act.
165. The remuneration of the Auditors of the Company shall be fixed by the Company in General Meeting or by the Board, if so authorized by the Company in General Meeting except that the remuneration of any Auditors appointed to fill any casual vacancy, may be fixed by the Board and where his appointment has been made by the Central Government, pursuant to Article 163, may be fixed by the Central Government.
166. Every Auditor of the Company shall have a right of access at all times to the book and accounts and vouchers of the Company and shall be entitled to require from the Board and officers of the Company such information and explanations as may be necessary for the performance of the duties of the Auditors and the Auditors shall make a Report to the Shareholders, of the accounts examined by them and on every Balance Sheet and the Profit and Loss Account and every other document declared by the Act to be part of or annexed to the Balance Sheet and the Profit and Loss Account which are laid before the Company in General Meeting during their tenure of office and the Report shall state whether in their opinion and to the best of their information and according to the explanations given to them the said accounts give the information required by the said Acts in the manner so required and give a true and fair view;
- a) in the case of the Balance Sheet, of the state of the Company's affairs as at the end of its Financial Year; and
 - b) in the case of the Profit and Loss Account of the profit or loss for Financial Year. The Auditor's Report shall also state;
 - i) whether they had obtained all the information and explanations which to the best of their knowledge and belief were necessary for the purpose of their audit;
 - ii) whether, in their opinion, proper books or accounts as required by Law have been kept by the Company so far as it appears from the examination of those books and proper returns adequate for the purpose of their Audit have been received from the branches not visited by them; and
 - iii) whether the Company's Balance Sheet and the Profit and Loss Account dealt with by the Report are in agreement with the books of accounts and returns.

Whether any of the matters referred to in items (i) and (ii) aforesaid are answered in the negative or with qualifications, the Auditor's Report shall state the reason for the same. The Auditor's Report shall be attached to the Balance Sheet and the Profit and Loss Account or set out at the foot thereof and such Report shall be read before the Company in General Meeting and shall be open to inspection by any Member of the Company.

167. All notices of and other communications relating to any General Meeting of a Company which any Member of the Company is entitled to have sent to him shall also be forwarded to Auditors of the Company; and the Auditors shall be entitled to attend any General Meeting and to be heard at any General Meeting which they attend or any part of the business which concerns them as Auditors.
168. In addition to the matter which under the preceding Article the Auditor is required to state in his Report he shall also state in his Report:
- i) whether or not the information and explanation required by him have been found to be satisfactory;
 - ii) whether or not the transactions of the Company which have come to his notice have been within the powers of the Company;
 - iii) whether or not the returns received from branch offices of the Company have been found adequate for the purpose of his Audit;
 - iv) whether the Profit and Loss Account shows a true balance (profit or loss) for the period covered by such accounts; and
 - v) any other matter which he considers should be brought to the notice of the Shareholders of the Company.

169. Where any of the matters referred in the Act hereof is answered in the negative or with a qualification, the Auditor's Report shall state the reason for the answer.
170. The accounts of the Company shall not be deemed as not having been approved and the Auditors Report shall not state that those accounts have not been properly drawn up on the ground merely that the Company has not disclosed certain matters if;
- i) those matters are such as the Company is not required to disclose by virtue of any provisions contained in the said Acts; and
 - ii) those provisions are specified in the Balance Sheet and the Profit and Loss Account of the Company.
171. Every account, when audited and approved by a General Meeting shall be conclusive except as regard any error discovered therein within three months after the approval thereof. Whenever any such error is discovered within that period, the account shall forthwith be corrected and henceforth shall be conclusive.

Notices

172. a) A notice (which expression for the purposes of these presents, shall be deemed to include and shall include any summon, notice, process, order, judgment or any other document in relation to or in the winding up of the Company) may be given by the Company to any Member either personally or by sending it by post to him to his registered address.
- b) Where a notice is sent by post, the service of such notice shall be deemed to be effected by properly addressing, pre-paying and posting a letter containing the notice.

Provided that where a Member has intimated to the Company in advance that documents should be sent to him under a certificate of posting or by registered post with or without acknowledgement due and has deposited with the Company a sum sufficient to defray the expenses of doing so, no service of the document or notice shall be deemed to be effected unless it is sent in the manner intimated by the Member.

173. If a Member has no registered address in India and has not supplied to the Company an address within India for the giving of notices to him, a notice advertised in a newspaper circulating in the neighbourhood of the Registered Office shall be deemed to be duly given to him on the day on which the advertisement appears.
174. A notice may be given by the Company to the persons entitled to a Share in consequence of the death or insolvency of a Member by sending it through the post in a pre paid letter addressed to them by name or by the title of representatives of the deceased or assignee of the insolvent by any like description at the address (if any) in India supplied for the purpose by the persons claiming to be so entitled or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or insolvency had not occurred.
175. Subject to the provisions of the Act and these presents, notice of every General Meeting shall be given in any manner hereinbefore authorized to:
- i) every Member of the Company;
 - ii) every person entitled to a Share in consequence of the death or insolvency of all Members who but for his death or insolvency, would be entitled to receive notice of the meeting; and
 - iii) the Auditor or Auditors of the Company.
176. Any notice to be given by the Company shall be signed by the Secretary or by such Director or officer as the Board may appoint. Such signature may be written, printed or lithographed.
177. Every person who, by operation of Law, transfer or other means whatsoever, shall become entitled to any Share, shall be bound by every notice in respect of such Share, which previously to his name and address and title to the Share being notified to the Company shall have been duly given to the person from whom he derives his title to such Share.
178. Subject to the provisions of the Act and these presents, any notice given in pursuance of these presents or document delivered or sent by post to or left at the registered address of any Member or at the address given by him in pursuance of these presents, shall notwithstanding that such Member be then deceased and whether or not the Company have notice of his decease, be deemed to have been duly served in respect of any registered Share, whether held solely or

jointly by other persons by such Member until some other person be registered in his stead as the holder or the joint holder thereof and such service shall, for all purposes of these presents, be deemed sufficient service of such notice or document on his or her heirs, executors or administrators and all persons, if any jointly interested with him or her in any such Share.

Winding Up

179. For winding up of the Company, the provisions contained in Banking Act will apply and the provisions of the Act will also apply to the extent to which they are not varied or inconsistent with the Banking Act.
180. If the Company shall be wound up and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding up and the Shares held by them, respectively. And if in a winding up, the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the capital, at the commencement of the winding up, paid up or which ought to have been paid up on the Shares held by them, respectively. But this Article is to be without prejudice to the rights of the holders of Shares issued upon special terms and conditions.
181. a) If the Company shall be wound up whether voluntarily or otherwise, the liquidators may, with the sanction of a Special Resolution and any other sanction required by the Act, divide amongst the contributories in specie or kind, the whole or any part of the assets of the Company and may, with like sanction, vest the whole or any part of the assets of the Company, in trustee upon such trusts for the benefit of the contributories or any of them, as the liquidators with the like sanction shall think fit.
- b) If thought expedient any such distribution may subject to the provisions of the Act, the Memorandum and these presents, be otherwise than in accordance with the legal rights of the contributories and in particular any class may be given preference or special rights or may be excluded altogether or in part but in ease any distribution otherwise than in accordance with the legal rights of the contributories shall be determined on, any contributory who would be prejudiced thereby shall have a right to dissent and ancillary rights as if such determination were a Special Resolution passed pursuant to Section 494 of the Act.
- c) In case any Share to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said Share may within 10 days after the passing of the Special Resolution by notice in writing direct the liquidators to sell his portion and pay him the net proceeds and the liquidators shall, if practical, act accordingly.
182. A Special Resolution sanctioning a sale to any other company duly passed pursuant to Section 494 of the Act may, in like manner as aforesaid determine that any Shares or other consideration receivable by the liquidators be distributed amongst the Members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the Members subject to the rights of dissent and consequential rights conferred by the said Section.

Secrecy Clause

183. No Member or other person (not being a Director) shall be entitled to visit or inspect any property or premises or works of the Company without the permission of the Board or to require discovery of or any information respecting any detail of the Company's trading or any matter which may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the Company and which, in the opinion of the Board of Directors, will be inexpedient in the interest of the Company to communicate the same.

Every Director, Manager, Secretary, auditor, trustee, member of committee, agent, officer, servant, accountant or other person employed in the business of the Company shall, when required, sign a declaration pledging himself to observe strict secrecy respecting all transactions of the Company with the customers and the state of accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties, except when required so to do by the Board or by any meeting of the Share holders or by a Court of Law, or by the person to whom the matters relate and except so far as may be

necessary in order to comply with any of the provisions in these Articles contained.

Indemnity and Responsibility

184. a) Subject to the provisions of Section 201 of the Act, every Director of the Company, officer (whether Managing Director, Manager, Secretary or other officer) or employee or any person employed by the Company as Auditor shall be indemnified by the Company against and it shall be the duty of the Board, out of the funds of the Company to pay all costs, losses and expenses (including traveling expenses) which any such Director, officer, other employee, or Auditor may incur or become liable to by reason of any contract entered into or act or deed done by him as such Director, officer, other employee or Auditor or in any way in the discharge of his duties.
- b) Subject to as aforesaid, every Director, officer, other employee or Auditor of the Company shall be indemnified against any liability incurred by him in defending any proceedings whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or discharged in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Bank or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by our Bank. These contracts, copies of which have been attached to the copy of this Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, were available for inspection at the Registered Office of our Bank between 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid Closing Date/Issue Closing Date.

Material Contracts to the Company

1. Master Investment Agreement dated November 25, 2003 among the Promoters, Mags, Morgan, Doit, and the Private Equity Investors.
2. Share Subscription Agreement dated November 5, 2003 among the Promoters, the Promoter Group Companies and Rabobank International Holding.
3. Deed of Adherence dated March 8, 2004 among the Company, Promoters, the Promoter Group Companies and the Private Equity Investors.
4. Letters of appointment dated December 20, 2004, December 20, 2004 and February 7, 2005 between us and our Chairman, Managing Director and Chief Executive Officer, and Executive Director (Designate), respectively, and the relevant Board resolutions.

Material Contracts to the Issue

1. Letters of appointment dated January 3, 2005 to DSP Merrill Lynch Limited, and Enam Financial Consultants Private Limited, from our Bank appointing them as BRLMs.
2. Letter of appointment dated January 31, 2005 for the Registrar to the Issue.
3. Memorandum of Understanding amongst our Bank and the BRLMs dated January 29, 2005.
4. Memorandum of Understanding executed by our Bank and the Registrar to the Issue dated January 31, 2005,
5. Escrow Agreement dated June 2, 2005 among the Bank, the BRLMs, Escrow Collection Bank(s) and the Registrar to the Issue.
6. Syndicate Agreement dated June 2, 2005 among the Bank, the BRLMs and the Syndicate Members.
7. Underwriting Agreement dated June 22, 2005 among the Bank, the BRLMs and the Syndicate Members.

Material Documents

8. Certified true copies of the Memorandum and Articles of Association of the Bank as amended from time to time, Certificate of Incorporation date November 21, 2003 and Certificate of Commencement of Business dated January 21, 2004.
9. Shareholders' special resolution dated December 17, 2004 in relation to this Issue and other related matters.
10. Resolutions of the Board of Directors dated December 17, 2004 in relation to this Issue and other related matters.
11. Reports of the statutory Auditors dated June 22, 2005 on the Financial Statements prepared as per Indian GAAP and Report of the statutory Auditors dated April 25, 2005 on the Statement of Tax Benefits, as mentioned in this Prospectus.
12. Copies of annual reports of Mags, Morgan and Doit.
13. Consents of the Auditors being S.R. Batliboi & Co., Chartered Accountants, for inclusion of their auditor's report in the form and context in which they appear in this Prospectus.
14. General Power of Attorney executed by the Directors of our Bank in favour of Person(s) for signing and making necessary changes to the Prospectus and other related documents.
15. Consents of BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, domestic legal counsel to the Issue, international legal counsel to the Issue, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.

16. Initial listing applications dated March 17, 2005 filed with NSE and BSE respectively.
17. In-principle listing approvals dated April 11, 2005 and April 7, 2005 from NSE and BSE, respectively.
18. Tripartite agreement between NSDL, our Bank and Registrar to the Issue dated June 9, 2004
19. Tripartite agreement between CDSL, our Bank and the Registrar to the Issue dated March 17, 2005.
20. Due diligence certificates dated March 16, 2005 and June 1, 2005 to SEBI from DSP Merrill Lynch Limited and Enam Financial Consultants Private Limited.
21. Letter No. DBOD No. PSBS 835/16.01.137/2004-05 dated January 25, 2005 from RBI approving the Issue.
22. SEBI observation letter no. CFD/DIL/ISSUES/PB/PR/40910/2005 dated May 19, 2005 and our reply to the same dated May 25, 2005.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Bank or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

DECLARATION

We, the Directors of the Bank, hereby declare that all relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government or the guidelines issued by the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Prospectus are true and fair.

SIGNED BY ALL DIRECTORS

Ashok Kapur
Chairman (Non-Executive Director)

Rana Kapoor
Managing Director and Chief Executive Officer

Wouter Kolff*

Hans ten Cate*

Ajay Relan*

Ashish Dhawan*

Ajay Lal*

Kashi Memani*

Bharat Patel*

Surrinder L. Kapur*

H. Srikrishnan**

Arun K. Mago*

Appointment subject to RBI approval.

* Signed through their respective duly constituted power of attorney holder Mr. Rana Kapoor.

SIGNED BY

MR. RANA KAPOOR

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

MR. RAMCHANDRAN CHELLAM

CHIEF FINANCIAL OFFICER

Date: June 24, 2005

Place: Mumbai

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