

**AGREEMENT BETWEEN
ROYAL GOVERNMENT OF BHUTAN
AND
STATE BANK OF INDIA**

Jangchul This Agreement is made on the twenty eighth day of June 2002, between the Royal Government of Bhutan (hereinafter referred to as "RGOB") on the one part, and the State Bank of India (hereinafter referred to as "SBI") a corporation established under the State Bank of India Act 1955, of the Indian parliament, of the other part. *M. D. K.*

WHEREAS:

1. His Majesty the King of Bhutan, by a Royal Charter proclaimed on the 28th of May 1968, established in Bhutan, a bank known as the Bank of Bhutan (hereinafter referred to as "the Bank") since incorporated under the Companies Act of the Kingdom of Bhutan 1988, with effect from 1st May 1991:
2. Under an Agreement executed on behalf of the RGOB on 7th October 1971, and the SBI on 7th June 1972, it was agreed between the RGOB and the SBI that the SBI should participate in the capital and the management of the Bank. In accordance with the terms and conditions of the Agreement, the period of which would extend up to the 31st of December 1981, the authorized capital of the Bank which was Ngultrum 5 million was divided into five thousand shares of Nu.1000/- each. The initial issued capital of Nu.2.5 million was made up of Nu.1.5 million allotted to the RGOB and Nu.1 million to the SBI.
3. On the expiry of the aforesaid agreement, a new agreement was executed on behalf of the RGOB and the SBI on the 21st January 1982 whereby it was agreed that the SBI would continue its participation in the capital and management of the Bank. In accordance with the terms and conditions of this agreement, the period of which would extend up to the 31st of December 1986, the authorized capital of the Bank was Nu.5 million divided into five thousand shares of Nu.1000/- each. The issued capital of Nu.2.5 million was made up of Nu.1.875 million allotted to RGOB and Nu.0.625 million to the SBI.
4. On the expiry of the agreement mentioned in (3) above, a new agreement was executed on behalf of the RGOB and the SBI on the 22nd of June 1987 whereby it was agreed that the SBI would continue its participation in the capital and the management of the Bank. In accordance with the terms and conditions of the Agreement, the period of which would extend up to 31st December 1991, the authorized capital of the Bank was Nu.40 million divided into forty thousand fully paid shares of Nu.1000/- each. The issued capital of the Bank was Nu.10 million of which Nu.8 million was allotted to RGOB and Nu.2 million to the SBI; and,

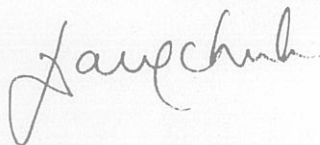
Jangchul

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5. On the expiry of the Agreement mentioned in (4) above, and its subsequent provisional extension up to 31st March 1992, and thereafter again up to 30th June 1992, a new agreement was executed on the behalf of the RGOB and the SBI on 7th July 1992 whereby it was agreed that the SBI would continue its participation in the capital and management of the Bank. In accordance with the terms and conditions of the Agreement, the period of which would extend up to 31st December 1996, the authorized capital of the Bank was Nu.40 million divided into forty thousand shares of Nu.1000/- each. The issued capital of the Bank was Nu.10 million of which Nu.8 million was allotted to RGOB and Nu.2 million to the SBI.
6. On the expiry of the agreement mentioned in (5) above, a new agreement was executed on the behalf of the RGOB and the SBI on 27th June 1997 whereby it was agreed that the SBI would continue its participation in the capital and management of the Bank. In accordance with the terms and conditions of the Agreement, the period of which was extended up to 31st December 2001, the authorized capital of the Bank was Nu.100 million, divided into one hundred thousand shares of Nu.1,000.00 each. The issued capital of the Bank was Nu.50 million of which Nu.40 million was allotted to RGOB and Nu.10 million to the SBI.

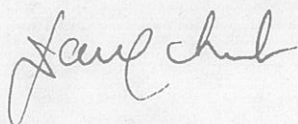
NOW THEREFORE

7. On the expiry of the agreement of 27th June 1997, the RGOB and the SBI hereby agree that SBI shall continue its participation in the capital of the Bank on the following terms and conditions:
 - i) The authorized capital of the Bank shall be Nu.250 million divided in to two hundred fifty thousand shares of Nu.1000/- each. The issued capital of the Bank shall be Nu.100 million out of which Nu.80 million shall be allotted to RGOB and Nu.20 million to SBI. In the event of further issues of capital, SBI shall be allotted 20% of the new issue. in case of reduction in the issued capital, the share holdings of the SBI shall be maintained at 20% of the issued capital.
 - ii) The Bank shall be an autonomous corporation and its management shall be vested in its Board of Directors.
 - iii) The SBI may, from time to time, depute to the Bank such officers and other employees as may be desired by the Board to work on deputation, or on other basis, and on such terms and conditions as may be mutually agreed between the SBI and the Bank.
 - iv) The SBI shall provide training in its offices or training establishments to such officers and employees of the Bank on



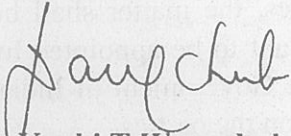
such terms and conditions as may be mutually agreed upon between the SBI and the Bank.

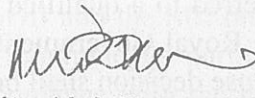
- v) On the expiry of this Agreement or any renewed term or terms thereof, the RGOB shall acquire the entire interest of the SBI in the capital of the Bank for a consideration to be mutually agreed upon, which in consideration shall represent the real value of the shares held by the SBI in the Bank. The real value of the shares shall be determined on the basis of the value of the assets minus liabilities, which shall be computed in accordance with accepted accounting principles and practices. In case the parties are unable to agree as to the real value of the shares, the matter shall be referred to a qualified Chartered Accountant to be appointed by the Royal Government of Bhutan and the Government of India, whose decision shall be final and binding on the parties.
- vi) In the event of the Bank being placed in liquidation, the amounts payable to the SBI, if any, in respect of the shares held by it in the Bank, shall be allowed to be repatriated to India in Indian currency.
- vii) The Royal Government of Bhutan agrees that necessary exemptions shall be given to the Bank from the relevant provisions of the Companies Act of the Kingdom of Bhutan so as to allow the SBI, a foreign company, to participate in the equity of the Bank, and also to allow upto two Directors of the Indian nationality to be nominated by the SBI, to be the member of the Board of Directors of the Bank, and such other exemption as may be necessary, to give effect to the provision of this Agreement. The Royal Government of Bhutan assures the SBI that when new rules and regulations or legislation in respect of, or in connection with the capital, management, working and other affairs of the Bank are promulgated in the future, the interest of the SBI shall not be adversely affected.
- viii) The SBI shall continue to act as an agent of the Bank in the Union of India on the same terms and conditions as are now applicable or on those that may be mutually agreed upon. In the event of the two parties not being able to agree on the terms and conditions of such agency, the matter shall be referred to the decision of a person to be appointed by the Royal Government of Bhutan and the Government of India, whose decision shall be final and binding on the parties.
- ix) This Agreement shall come into operation on the 1st of January 2002, and shall be in force till 31st December 2006 and may be renewed for a period or periods and on such terms and conditions as may be mutually agreed upon.


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IN WITNESS WHEREOF:

Aum Yanki T. Wangchuk being the accredited representative of the Royal Government of Bhutan, and **Shri Alok Kumar Batra** of the State Bank of India have set their respective hands on the day, month and year first written above.


By **Yanki T Wangchuk**
(Name)


By **Alok Kumar Batra**
(Name)

Title: Director General
Ministry of Finance

Title Deputy Managing Director &
Group Executive
(International Banking)
State Bank of India

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