सेन्ट्रल बैंक ऑफ़ इंडिया
Central Bank of India
CENTRAL TO YOU SINCE 1911

CENTRAL BANK OF INDIA

Constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 on July 19, 1969
(Central Bank of India was originally incorporated on December 21, 1911 under the provisions of the Indian Companies Act, 1882 as, "The Central Bank of India Limited" with its head office at Mumbai. For details of change of name and head office, see the section titled "History of our Bank and other Corporate Matters" on page 115 of the Draft Letter of Offer.)

Head Office: Chandermukhi, Nariman Point, Mumbai 400 021
Tel: +91 (22) 6638 7818 **Fax**: +91 (22) 2283 5198
Contact Person: Mr. S.C. Jhanwar, Compliance Officer
E-mail: investors@centralbank.co.in **Website**: www.centralbankofindia.co.in

FOR PRIVATE CIRCULATION TO THE EQUITY SHAREHOLDERS OF CENTRAL BANK OF INDIA (THE "BANK") ONLY

ISSUE OF [●] EQUITY SHARES OF A FACE VALUE OF ₹ 10 EACH ("RIGHTS EQUITY SHARES") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE INCLUDING A PREMIUM OF ₹ [●] PER EQUITY SHARE AGGREGATING UPTO ₹ 25,133.4 MILLION TO THE EXISTING EQUITY SHAREHOLDERS OF OUR BANK ON A RIGHTS BASIS IN THE RATIO OF [●] RIGHTS EQUITY SHARE FOR EVERY [●] EQUITY SHARE HELD ON THE RECORD DATE [●] ("RIGHTS ISSUE/THE ISSUE")

THE ISSUE PRICE FOR THE RIGHTS EQUITY SHARE IS [●] TIMES THE FACE VALUE OF THE EQUITY SHARE.

GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Rights 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 Rights Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Rights Issue including the risks involved. The securities being offered in the Rights Issue have not been recommended or approved by Securities and Exchange Board of India ("**SEBI**") nor does SEBI guarantee the accuracy or adequacy of this Draft Letter of Offer. **Specific attention of investors is invited to the chapter titled "Risk Factors" on page 13 of this Draft Letter of Offer**

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The existing Equity Shares of our Bank are listed on the Bombay Stock Exchange Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**"). Our Bank has received "in-principle" approvals from the BSE and the NSE for listing the Equity Shares arising from this Rights Issue vide their letters dated [●] and [●], respectively. For the purposes of the Rights Issue, [●] is the Designated Stock Exchange.

LEAD MANAGERS TO THE ISSUE						REGISTRAR TO THE ISSUE
ICICI Securities	citi	ENAM	IDBI capital	RBS The Royal Bank of Scotland	SBI Capital Markets Limited	LINK INTIME INDIA PVT LTD (Formerly INTIME SPECTRUM REGISTRY LTD)
ICICI Securities Limited	**Citigroup Global Markets India Private Limited**	**Enam Securities Private Limited**	**IDBI Capital Market Services Limited**	**RBS Equities (India) Limited**	**SBI Capital Markets Limited**	**Link Intime India Private Limited**
ICICI Centre, H.T. Parekh Marg, Churchgate Mumbai 400 020, India Tel: (91 22) 2288 2460 Fax: (91 22) 2282 6580 Email: cbi.rights@icicisecurities.com Investor Grievance Email: customercare@icicisecurities.com Website: www.icicisecurities.com Contact Person: Mr. Gaurav Gupta SEBI Registration No.: INM000011179	12th Floor, Bakhtawar, Nariman Point Mumbai 400 021, India Tel : (91 22) 6631 9999 Facsimile : (91 22) 6631 9897 Email : centralbank.rights@citi.com Investor Grievance Email: investors.cgmib@citi.com Website: http://www.online.citibank.co.in/rhtm/citigroupglobalscreen1.htm Contact Person : Mr. Vashistha Maheshwari SEBI Registration No. INM000010718	801, Dalamal Towers Nariman Point Mumbai 400 021, India Tel: (91 22) 6638 1800 Fax: (91 22) 2284 6824 Email: centralbank.rights@enam.com Investor Grievance Email: complaints@enam.com Website: ww.enam.com Contact Person: Mr. Anurag Byas SEBI Registration No.: INM000006856	5th Floor, Mafatlal Centre, Nariman Point Mumbai 400 021, India Tel : (91 22) 4322 1212 Fax: (91 22) 2283 8782 Email : cbi.rights@idbicapital.com Investor Grievance Email : redressal@idbicapital.com Website : www.idbicapital.com Contact Person : Mr. Subodh Mallya/ Mr. Keyur Desai SEBI Registration .No. INM000010866	83/84, Sakhar Bhavan, Behind Oberoi Towers, 230, Nariman Point, Mumbai 400 021, India Tel: (91 22) 6632 5535; Fax: (91 22) 6632 5541 Email: centralbankofindia.rights@rbs.com Investor Grievance Email: customercareecm@rbs.com Website: www.rbs.in Contact Person: Mr. Girichandra Kuchangi SEBI Registration No. INM000011674	202, Maker Tower 'E', Cuffe Parade, Mumbai 400 005, India Tel: (91 22) 2217 8300 Fax: (91 22) 2218 8332 Email: centralbank.rights@sbicaps.com Investor Grievance Email: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Mr. Nithin Kanuganti SEBI Registration No.: INM000003531	C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (West) Mumbai 400 078, India Tel: (91 22) 2596 0320 Fax: (91 22) 2596 0329 Email:centbank.rights@linkintime.co.in Website: www.linkintime.co.in Contact Person: Mr. Nilesh Chalke SEBI Registration No: INR000004058

ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS	ISSUE CLOSES ON
[●]	[●]	[●]

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DEFINITIONS AND ABBREVIATIONS

In this Draft Letter of Offer, all references to “Rupees”, “Rs.” , “₹”, ‘Re’ or “INR” refer to Indian Rupees, the official currency of India; references to the singular also refer to the plural and reference to a gender also refers to any other gender, wherever applicable, and the words “Lakh” or “Lac” mean “100 thousand” and the word “Millions” means “10 Lakh” and the word “Crores” means “10 Million” or “100 Lakhs” and the word “Billions” means “1,000 Million” or “100 Crores”.

BANK RELATED TERMS

“We”, “us”, “our”, “the Issuer”, “the Bank”, “our Bank”, “Central Bank of India” or “Central Bank”	Unless the context otherwise indicates or implies, refers to “Central Bank of India”, a Corresponding new bank constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 having its head office at Chandermukhi, Nariman Point, Mumbai 400 021
“Associate (s)”	The Bank’s associates are Indo-Zambia Bank Limited, a joint venture, and the following 7 regional rural banks sponsored by the Bank: 1. Satpura Narmada Kshetriya Gramin Bank 2. Surguja Kshetriya Gramin Bank 3. Uttar Bihar Gramin Bank 4. Vidharbha Kshetriya Gramin Bank 5. Ballia Etawaha Gramin Bank 6. Hadoti Kshetriya Gramin Bank 7. Uttarbanga Kshetriya Gramin Bank
Auditors	The central statutory auditors of our Bank namely M/s G.S.A and Associates , M/s Sagar & Associates, M/s K.S. Aiyar & Co., M/s. Ghiya & Co., M/s D. Rangaswamy & Co. and M/s. Samsand & Associates
Banking Acquisition Act	Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended
Bank Regulations	Central Bank of India (Shares and Meetings) Regulations, 1998, as amended, which have been made by the Board of Directors in exercise of powers conferred under section 19 of the Banking Acquisition Act after consultation with the RBI and with prior sanction of the Government of India
Banking Regulation Act	The Banking Regulation Act, 1949, as amended
Board/ Board of Directors	The Board of Directors of our Bank or the committee authorized to act on its behalf
CMD or Chairman and Managing Director	The Chairman and Managing Director of our Bank
Corresponding new bank	Banks as specified in column 2 of the first schedule of the Banking Acquisition Act
Subsidiaries	The subsidiaries of our Bank, namely: • Cent Bank Home Finance Limited; and • Centbank Financial Services Limited

CONVENTIONAL/ GENERAL TERMS

Constitutional Documents	The Banking Acquisition Act read with the Banking Regulation Act, Bank Regulations and the Nationalised Bank Scheme, 1970
Civil Procedure Code	Code of Civil Procedure, 1908, as amended
Depository	A depository registered with SEBI under the SEBI (Depository and Participant) Regulations, 1996, as amended from time to time
Depositories	NSDL and CDSL
Equity Shares	The issued, subscribed and paid up equity share capital of our Bank and the additional equity shares of our Bank offered pursuant to the Rights Issue

Head Office	The head office of the Bank being Chandermukhi, Nariman Point, Mumbai 400 021
ISIN	International Securities Identification Number allotted by the Depository
Mutual Fund	A mutual fund registered with the SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended
Securities Act	The United States Securities Act of 1933, as amended
Takeover Code	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended
U.S./ United States	United States of America
U.S. $	United States Dollar

ISSUE RELATED TERMS

Abridged Letter of Offer	The abridged letter of offer to be sent to Eligible Equity Shareholders of our Bank with respect to this Issue in accordance with SEBI ICDR Regulations
Allotment	Unless the context otherwise requires, the allotment of Rights Equity Shares pursuant to the Issue
Application	Unless the context otherwise requires, refers to an application for Allotment of the Rights Equity Shares in the Issue
Application Money	The aggregate amount payable in respect of the Equity Shares applied for in the Rights Issue at the Issue Price of ₹ [●]
Allottee(s)	Unless the context otherwise requires, an Investor(s) to whom Rights Equity Shares are allotted
ASBA/Application Supported by Blocked Amount	The application (whether physical or electronic) used by ASBA Investors to make an application authorizing the SCSB to block the Application Money payable on application in their specified ASBA Account
ASBA Account	An account maintained with the SCSBs and specified in the CAF for blocking the Application Money
ASBA Investor	An applicant who; a) holds the Equity Shares of our Bank in dematerialized form as on the record date and has applied for entitlements and / or additional Equity Shares in dematerialized form; b) has not renounced his/her entitlements in full or in part; c) is not a renouncee; d) is applying through a bank account maintained with SCSBs.
Banker(s) to the Issue	[•]
Citi / Citigroup Global Markets India Private Limited	Citigroup Global Markets India Private Limited, a company incorporated under the provisions of the Companies Act and having its registered office at 12th Floor, Bakhtawar, Nariman Point, Mumbai 400 021
CAF / Composite Application Form	The form used by an Investor to make an application for the Allotment of Equity Shares in the Issue
Controlling Branch(es)	Such branch(es) of the SCSBs which coordinate applications under the Issue by the ASBA Investors with the Registrar to the Issue and the Stock Exchanges and a list of which is available at http://www.sebi.gov.in
Designated Branch(es)	Such branch(es) of the SCSBs which shall collect CAF from ASBA investor and a list of which is available on http:// www.sebi.gov.in
Designated Stock Exchange	The Designated Stock Exchange shall be [●]
DLOF / Draft Letter of Offer	The draft letter of offer of our Bank dated January 25, 2011 for the Rights Issue of [●] Equity Shares of ₹ 10 each at a premium of ₹ [●] per Equity Share filed with SEBI
Enam / Enam Securities Private Limited	Enam Securities Private Limited, a company incorporated under the provisions of the Companies Act and having its registered office at 24,

	B.D. Rajabahadur Compound, Ambalal Doshi Marg, Fort, Mumbai 400 001, Maharashtra, India
Equity Shareholders/Eligible Equity Shareholders	Means a holder/beneficial owner of Equity Shares of our Bank as on the record date i.e. [●]
IDBI Caps / IDBI Capital Market Services Limited	IDBI Capital Market Services Limited, a company incorporated under the provisions of the Companies Act and having its registered office at 5th Floor, Mafatlal Centre, Nariman Point, Mumbai 400 021
Indian GAAP	Generally Accepted Accounting Principles In India
ISEC / ICICI Securities Limited	ICICI Securities Limited, a company incorporated under the provisions of the Companies Act and having its registered office at ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020
Investors	The Eligible Equity Shareholders of our Bank as on the Record Date and the Renouncees who have submitted an Application to subscribe to the Rights Issue
Issue/Rights Issue	Issue of [●] Equity Shares with a face value of ₹ 10 each ("Rights Equity Shares") for cash at a price of ₹ [●] per Equity Share including a premium of ₹ [●] per Equity Share aggregating upto ₹ 25,133.4 Million to the existing Equity Shareholders of our Bank on rights basis in the ratio of [●] Rights Equity Shares for every [●] Equity Shares held on the record date *i.e.* [●]
Issue Price	₹ [●]/- per Rights Equity Share
Issue Closing Date	[●]
Issue Opening Date	[●]
IT Act	The Income Tax Act, 1961 and amendments thereto
Issue Proceeds	The proceeds of this Issue that are available to our Bank
Lead Managers	ICICI Securities Limited, Citigroup Global Markets India Private Limited, Enam Securities Private Limited, IDBI Capital Market Services Limited, RBS Equities (India) Limited and SBI Capital Markets Limited
Letter of Offer	The letter of offer to be filed with the Stock Exchanges after incorporating SEBI comments on the Draft Letter of Offer
Listing Agreement	The listing agreements entered into between our Bank and the Stock Exchanges
RBS / RBS Equities (India) Limited	RBS Equities (India) Limited, a company incorporated under the provisions of the Companies Act and having its registered office at 83/84, Sakhar Bhavan, Behind Oberoi Towers, 230, Nariman Point, Mumbai 400 021
Record Date	[●]
Refund Bank	[●]
Renouncee(s)	Any person(s) who has / have acquired Rights Entitlements from the Eligible Equity Shareholders
Registrar to the Issue/ Registrar	Link Intime India Private Limited
Rights Entitlement	The number of Equity Shares that an Eligible Equity Shareholder is entitled to in proportion to his / her shareholding in our Bank as on the Record Date
SBI Caps / SBI Capital Markets Limited	SBI Capital Markets Limited, a company incorporated under the provisions of the Companies Act and having its registered office at 202, Maker Tower 'E', Cuffe Parade, Mumbai 400 005, India
Self Certified Syndicate Bank or SCSB	The banks which are registered with SEBI under SEBI (Bankers to an Issue) Regulations, 1994 and offers services of ASBA, including blocking of bank account and a list of which is available on http://www.sebi.gov.in/pmd/sccb.pdf
Share Certificate	The certificate in respect of the Equity Shares allotted to a folio with a split performance
Stock Exchanges	BSE and NSE where the Equity Shares of our Bank are presently listed
Working Day(s)	All days except Saturday, Sunday and any public holiday on which commercial banks in Mumbai are open for business

ABBREVIATIONS

AY	Assessment Year
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BPLR	Benchmark Prime Lending Rate
BSE	Bombay Stock Exchange Limited
CAF	Composite Application Form
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIT (A)	Commissioner of Income Tax (Appeals)
Companies Act	The Companies Act, 1956, as amended
DEMAT	Dematerialized (Electronic/Depository as the context may be)
DLOF	Draft Letter of Offer
DP	Depository Participant
FCNR	Foreign Currency Non Resident
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 and the subsequent amendments thereto
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended), registered with SEBI.
Financial Year / Fiscal Year/ FY/ F.Y. / Fiscal	Period of 12 months ended March 31 of that particular fiscal year
FVCI	Foreign Venture Capital Investor (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000, as amended), registered with SEBI
GoI / Government	Government of India
HUF	Hindu Undivided Family
H.Y./HY	Half year ended September 30 of that particular Fiscal Year
IFRS	International Financial Reporting Standards
IFSC	Indian Financial System Code
IPDI	Innovative Perpetual Debt Instrument
IT Act	Income-Tax Act, 1961, as amended
ITAT	Income Tax Appellate Tribunal
MICR	Magnetic Ink Character Recognition
NEFT	National Electronic Funds Transfer
NR	Non Resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB	Overseas Corporate Bodies
PAN	Permanent Account Number
PNCPS	Perpetual Non-Cumulative Preference Shares
RBI	Reserve Bank Of India
RBI Act	The Reserve Bank of India Act, 1934
Re./Rs./Rupees/INR/₹	Indian Rupees
RTGS	Real Time Gross Settlement
SAF	Split Application Form
SEBI	Securities and Exchange Board of India
SEBI (SAST) Regulations, 1997	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto
STT	Securities Transaction Tax

TECHNICAL AND INDUSTRY RELATED TERMS AND ABBREVIATIONS

ALCO	Asset Liability Management Committee
ATMs	Automated Teller Machines
bps	Basis points
CAR	Capital Adequacy Ratio
CASA	Current & Saving Accounts
CBS	Core Banking Solutions
CDR	Corporate Debt Restructuring
CRAR	Capital to Risk Weighted Assets Ratio
CRR	Cash Reserve Ratio
DBOD	Department of Banking Operations and Development
DRS	Disaster Recovery Site
DRT	Debt Recovery Tribunal
ECGC	Export Credit and Guarantee Corporation of India Limited
EPS	Earnings Per Share
GAAP	Generally Accepted Accounting Principles
HFT	Held for Trading
HTM	Held to Maturity
IRDA	Insurance Regulatory and Development Authority
IT	Income Tax
ITAT	Income Tax Appellate Tribunal
KYC	Know Your Customer Norms as stipulated by the RBI
LIC	Life Insurance Corporation of India
FCNR (Account)	Foreign Currency Non Resident (Account)
FCNR (Banks)	Foreign Currency Non Resident (Banks)
NAV	Net Asset Value
NECS	National Electronic Clearing Services
NIM	Net Interest Margin
NPA	Non-Performing Asset
NEFT	National Electronic Fund Transfer
MSME	Micro Small and Medium Enterprises. Micro Enterprise shall mean an enterprise where the investment in plant and machinery does not exceed ₹ 2.5 Million. Small Enterprise shall mean where the investment in plant and machinery is more than ₹ 2.5 Million but does not exceed ₹ 50 Million, and Medium Enterprise shall mean an enterprise where the investment in plant and machinery is more than ₹ 50 Million but does not exceed ₹ 100 Million
MFI	Micro Finance Institution
Nationalised Bank Scheme	The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 notified under section 9 of the Bank Acquisition Act
NBFC	Non Banking Financial Corporation
p.a.	Per annum
PAT	Profit After Tax
PIO	Persons of Indian Origin
RIDF	Rural Infrastructure Development Fund
RRB	Regional Rural Bank
RRB Act	Regional Rural Banks Act, 1976, as amended
RTGS	Real Time Gross Settlement
SARFAESI Act 2002/Securitisation Act	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests Act, 2002, as amended
SLR	Statutory Liquidity Ratio
Tier II Bonds	Unsecured, redeemable, non-convertible, subordinated (or otherwise) bonds in the nature of promissory notes issued by the Bank for augmenting Tier II capital for capital adequacy purposes
Tier I Capital	The core capital of a bank, which provides the most permanent and readily available support against unexpected losses. It comprises paid-up

	capital and reserves consisting of any statutory reserves, free reserves and capital reserves as reduced by equity investments in subsidiaries, intangible assets, and losses in the current period and those brought forward from the previous period
Tier II Capital	The undisclosed reserves and cumulative perpetual preference shares, revaluation reserves, general provisions and loss reserves, hybrid debt capital instruments, investment fluctuation reserves and subordinated debt
w.e.f	With effect from
YTM	Yield to Maturity

NOTICE TO OVERSEAS SHAREHOLDERS

The distribution of this Draft Letter of Offer and the issue of Rights Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Draft Letter of Offer may come are required to inform themselves about and observe such restrictions. The Bank is making this issue of Equity Shares on a rights basis to the shareholders of the Bank and the Letter of Offer/Abridged Letter of Offer and CAF will be dispatched to those shareholders who have an Indian address.

No action has been or will be taken to permit the Issue in any jurisdiction where action would be required for that purpose. Accordingly, the Rights Entitlement may not be offered or sold, directly or indirectly, and the Draft Letter of Offer may not be distributed, in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of the Draft Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, the Draft Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of the Draft Letter of Offer should not, in connection with the issue of the Equity Shares or the Rights Entitlements, distribute or send the Draft Letter of Offer in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If the Draft Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Rights Equity Shares or the Rights Entitlements referred to in the Draft Letter of Offer.

Neither the delivery of the Draft Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in the Bank's affairs from the date hereof or that the information contained herein is correct as at any time subsequent to the date of the Draft Letter of Offer.

No Offer in the United States

Neither the Rights Entitlements nor entitlements to apply for the issue of Equity Shares that may be purchased pursuant thereto have been, and will be, registered under the Securities Act, or any U.S. state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof or to, or for the account or benefit of, U.S. Persons, except in a transaction exempt from, or in a transaction not subject to, the registration requirements of the Securities Act. The Equity Shares referred to in this Draft Letter of Offer are being offered in India but not in the United States of America. The offering to which this Draft Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States of America, the territories or possessions thereof, or as a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, the Letter of Offer, Abridged Letter of Offer and the CAF should not be forwarded to or transmitted in or to, and the Letter of Offer, Abridged Letter of Offer and the CAF shall not be dispatched to, the United States of America at any time, except in a transaction exempt from, or in a transaction not subject to, the registration requirements of the Securities Act. None of our Bank, the Registrar, the Lead Managers or any other person acting on behalf of our Bank will accept subscriptions from any person, or the agent of any person, who appears to be, or who our Bank, the Registrar, the Lead Managers or any other person acting on behalf of our Bank has reason to believe is, a resident of the United States of America and to whom an offer, if made, would result in requiring registration of the Letter of Offer with the United States Securities and Exchange Commission.

United Kingdom.

The Lead Managers:

(a) have not offered or sold, and prior to the expiry of a period of six months from the issue date of any Equity Shares, will not offer or sell any securities of the Bank to persons in the United Kingdom except to "qualified investors" as defined in section 86(7) of the Financial Services and Markets Act 2000 ("FSMA") or otherwise in circumstances which have not resulted in an offer to the public in the United Kingdom;

(b) have complied and will comply with an applicable provisions of FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom; and

(c) in the United Kingdom, will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) to persons that are qualified investors within the meaning of Article 2(J)(e) of the Prospectus Directive who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"); and/or (ii) are high net worth entities falling within Article 49(2)(a) to (d) of the Order; and (iii) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). The Draft Left of Offer and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

European Economic Area. In relation to each Member State of the European Economic Area which has implemented Prospectus Directive 2003/71/EC (each, a “Relevant Member State”), the Lead Managers have represented, warranted and agreed that they have not made and will not make an offer of any Equity Shares in the Issue to the public in that Relevant Member State prior to the publication of the Draft Letter of Offer in relation to the Equity Shares in the Issue which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the Relevant Member State, all in accordance with the Prospectus Directive, other than the offers contemplated in the Draft Letter of Offer in a Relevant Member State after the date of such publication or notification, and except that it may make an offer of any Equity Shares to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose in solely to invest in securities;

b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual turnover of more than €50,000,000, as shown in its last annual or consolidated account; and

c) to fewer than 100 natural or legal persons (other than qualified investors as defined below); or

d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, subject to obtaining the prior consent of the Lead Managers for any such offer, provided that no such offer of Equity Shares issued pursuant to the Issue shall result in a requirement for the publication by the Bank or the Lead Managers of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of Equity Shares described in the Draft Letter of Offer located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression “an offer of any Equity Shares to the public” in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Issue and any Equity Shares to be issued pursuant to the Issue so as to enable an investor to decide to acquire any such Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

In the case of any Equity Shares in the Issue being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the Lead Managers will use their reasonable endeavour, by the inclusion of appropriate language in the Draft Letter of Offer, to procure that such financial intermediary will be deemed to have represented, acknowledged and agreed that the Equity Shares acquired by it in the Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Equity Shares in the Issue to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined who are not financial intermediaries or in circumstances in which the prior consent of the Lead Managers have been obtained to each such proposed offer or resale.

PRESENTATION OF FINANCIAL INFORMATION

Our Bank maintains its financial books and records and prepares its financial statements in Rupees in accordance with generally accepted accounting principles in the Republic of India which differs in certain respects from generally accepted accounting principles in other countries. The Indian GAAP differs in certain significant respects from IFRS. The Balance Sheet and the Profit and Loss Account have been drawn up in Form 'A' and 'B' respectively of the Third Schedule to the Banking Regulation Act.

Unless stated otherwise, the financial data in this Draft Letter of Offer is derived from our Bank's audited consolidated and standalone financial statements as of March 31, 2010 and unaudited consolidated financial statements for the six months ended as of September 30, 2010, prepared in accordance with Indian GAAP and SEBI ICDR Regulations.

Our Fiscal/Financial Year commences on April 1 and ends on the March 31 of the next year. Unless stated otherwise, references herein to a particular fiscal year (e.g. Fiscal 2009) or a Financial Year or to "F.Y.", are to the twelve-month period ended March 31 of that year.

In this Draft Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures.

Unless otherwise stated, throughout this Draft Letter of Offer all figures have been expressed in INR.

FORWARD LOOKING STATEMENTS

This Draft Letter of Offer contains certain "forward-looking statements". These forward-looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "shall", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant statement.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have our businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- Volatility in interest rates and other market conditions;
- Our ability to reduce or maintain the level of our non-performing advances;
- Our ability to restrict the credit losses on large borrowers and group exposures;
- Our ability to maintain our income from treasury operations;
- Our ability to sustain the growth of our retail banking business;
- The ability of the borrowers of our restructured loans to perform as expected;
- Competition in the Indian and global banking industry;
- The current worldwide economic recession;
- Conditions in the Indian securities market affecting the price or liquidity of Equity Shares;
- Restrictions on daily movements in the price of the Equity Shares that may affect the price/ability to sell such shares;
- Taxes payable in India on income arising from capital gains;
- Dilution of holdings by additional issuances of equity;
- Significant change in the Government's economic liberalization and deregulation policies;
- Financial difficulty and other problems in certain financial institutions in India;
- Decline in India's foreign exchange reserves; and
- Change in laws and regulation that applies to banking industry in India.

For further discussion of factors that could cause our actual results to differ from our expectations, see "Risk Factors" and "Our Business" on pages 13 and 70 of this Draft Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Bank, its Directors, nor the Lead Managers or any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof. In accordance with SEBI requirements our Bank and the Lead Managers will ensure that investors in India are informed of material developments until the time of 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 Draft Letter of Offer, including the risks and uncertainties described below, before making an investment in our Rights Equity Shares. The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However there are a few risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors. The ordering of the risk factors has been done to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk factor over the other.

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer 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 Rights Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by SEBI nor does SEBI guarantee the accuracy or adequacy of this document.

The occurrence of any of the following events could have a material adverse effect on our business, results of operations, financial condition and prospects and cause the market price of our Equity Shares to fall significantly, and you may lose all or part of your investment. Additionally, our business operations could also be affected by additional factors that are not presently known to us or that we currently consider as immaterial to our operations. The following factors have been considered for determining the materiality:

1. Some events may not be material individually but may be found material collectively;
2. Some events may have material impact qualitatively instead of quantitatively;
3. Some events may not be material at present but may have material impact in future.

INTERNAL RISK FACTORS AND RISK FACTORS RELATING TO OUR BUSINESS

A. INTERNAL RISK FACTORS

1. We are involved in certain legal, tax and other proceedings in India. If any of the cases pending is decided against us, it may have a material adverse effect on our businesses, reputation, financial condition and results of operations.

Our Bank is involved in various civil, criminal, consumer and tax related litigations which are at different stages of adjudications before various forums. We are involved in litigations for a variety of reasons, which generally arise in the normal course of business, for example, when we seek to recover our dues from borrowers who default in payment of the loans or when customers seek claims against us during the process of recovery of our dues or for other service related issues.

Litigation against our Bank as of December 31, 2010:

Sr. No.	Brief Description	No. of Cases	Amount Involved (In ₹ Millions)
1.	Proceedings filed against our Bank on disputed tax claims	9	102.88
2.	Civil proceedings filed against the Bank	90	1463.33
3.	Consumer proceedings filed against the Bank	313	49.37
4.	Criminal proceedings initiated against the Bank*	8	--
5.	Labour Cases against the Bank*	1,138	--
6.	Securities related cases against the Bank	2	0.50
7.	Government of India has levied penalties on our Bank for the delay in remittance of the amounts under the various collection scheme	--	27.76

** cannot be quantified.*

Litigation by our Bank as of December 31, 2010:

Sr. No.	Brief Description	No. of Cases	Amount Involved (In ₹ Millions)
1.	Suits filed by our Bank against the defaulting borrowers	14,446	23,632.79
2.	Proceedings filed by our Bank on disputed tax claims	8	7166.18

Litigation against/by our Subsidiaries as of December 31, 2010:

Sr. No.	Brief Description	No. of cases	Amounts Involved (In ₹ Millions)
1.	Suits filed against Cent Bank Home Finance Limited	85	33.54
2.	Suits filed by Cent Bank Home Finance Limited	382	60.08
3.	Suits filed against Centbank Financial Services Limited	Nil	Nil
4.	Suits filed by Centbank Financial Services Limited	Nil	Nil

Litigation against/by our Associates as of December 31, 2010:

Sr. No.	Brief Description	No. of Cases	Amounts Involved (In ₹ Millions)
Satpura Narmada Kshetriya Gramin Bank ("**Satpura Narmada**")			
1.	Suits filed against Satpura Narmada	3	0.75
2.	Suits filed by Satpura Narmada	4	31.40
Surguja Kshetriya Gramin Bank ("**Surguja Kshetriya**")			
1.	Suits filed against Surguja Kshetriya	29	30.8
2.	Suits filed by Surguja Kshetriya	--	--
Uttar Bihar Gramin Bank ("**Uttar Bihar**")			
1.	Suits filed against Uttar Bihar	61	--
2.	Suits filed by Uttar Bihar	2	0.59
Vidharbha Kshetriya Gramin Bank ("**Vidharbha Kshetriya**")			
1.	Suits filed against Vidharbha Kshetriya	6	3.0
2.	Suits filed by Vidharbha Kshetriya	126	12.15
Ballia Etawaha Gramin Bank ("**Ballia Etawaha**")			
1.	Suits filed against Ballia Etawaha	114	18.21
2.	Suits filed by Ballia Etawaha	40	7.67
Hadoti Kshetriya Gramin Bank Uttarbanga ("**Hadoti Kshetriya**")			
1.	Suits filed against Hadoti Kshetriya	53	Not quantifiable
2.	Suits filed by Hadoti Kshetriya	6	6.30
Uttar Banga Kshetriya Gramin Bank ("**Uttar Banga**")			
1.	Suits filed against Uttar Banga	16	--
2.	Suits filed by Uttar Banga	--	--
Indo- Zambia Bank Limited ("**Indo- Zambia**")			
1.	Suits filed against Indo- Zambia	5	K265.00*
2.	Suits filed by Indo- Zambia	27	K1,420.00*

**Amounts expressed as per the currency of Indo-Zambia*

If any of the cases pending is decided against us or our officers, it may have a material adverse effect on our businesses, reputation, financial condition and results of operations. For further details, see the section titled "Legal and Other Information" on page 130 of this DLOF.

2. Restrictive or penal order may be passed against us by SEBI in ongoing and / or future proceedings.

During September 30, 2009 to October 09, 2009, SEBI had conducted an inspection in relation to debenture trustee operations carried by our Bank. In view thereof, SEBI has alleged certain non-compliances and discrepancies in terms of SEBI (Debenture Trustees) Regulations, 1993 (the "Regulations"), code of conduct under the Regulations, SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and SEBI (Disclosure and Investor Protection) Guidelines, 2000. Further, in terms of Section 19 and Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for holding inquiry and imposing penalties by adjudication officer) Rules, 1995 (the "Rules") an adjudicating officer was appointed**.** Further, the adjudicating officer informed that in the inspection report, SEBI had alleged violation of certain regulations by our Bank, which if established will make our Bank liable for penalty under Section 15HB of the SEBI Act, 1992. There can be no assurance that SEBI will not pass an order that could restrict, stop or hamper our operations or services, or a part thereof, or levy penalties in connection therewith, which may in turn adversely affect our operations and profitability. For details of the ongoing proceedings by SEBI against our Bank, please refer to the section titled "Legal and Other Information" beginning on page 130 of this Draft Letter of Offer.

3. ***We could be subject to volatility in income from sale of investments through our treasury operations that could materially and adversely impact our financial results.***

Our income from sale of investments (net) through our treasury operations for the period ended September 30, 2010, March 31, 2010 and March 31, 2009 was ₹ 1,025.21 Million, ₹ 7,723.82 Million and ₹ 4,097.66 Million respectively constituting 1.36%, 5.59% and 3.56% of our total income for the respective periods. Our income from sale of investments through our treasury operations is sensitive to changes in government policies, interest rates, exchange rates, equity prices and other factors. In particular, if interest rates rise, we may not be able to realise the same level of income from sale of investments through our treasury operations as we have in the past. Any decrease in our income through our treasury operations could materially and adversely affect our business if we cannot offset the same by increasing returns on our loan assets.

4. ***We may fail to obtain certain regulatory approvals in the ordinary course of our business in a timely manner or at all, or to comply with the terms and conditions of our existing regulatory approvals and licenses which may have a material adverse effect on the continuity of our business and may impede our effective operations in the future.***

We require certain statutory and regulatory permits and approvals to augment our business growth. We have submitted certain applications to various regulatory authorities seeking approvals and licenses. For details please refer to section titled "Government Approvals" at page 141 of this Draft Letter of Offer.

In future, we will be required to obtain new permits and approvals for our proposed operations including obtaining licenses to establish branches, acting as a corporate agent, etc. While we believe that we will be able to obtain such permits and approvals as and when required, there can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by us or at all. Failure by us to maintain or obtain the required permits or approvals, including those set forth above, may result in the interruption of our operations or delay or prevent our expansion plans and may have a material and adverse effect on our business, financial conditions and results of operations.

5. ***We have entered into an interim agreement with Cholamandalam MS General Insurance Company Limited which is subject to IRDA approval.***

We hold a license bearing No.1115568 of IRDA to act as a corporate agent for procuring/soliciting both life and non- life (general) insurance business. We have entered into an interim agreement with Cholamandalam MS General Insurance Company Limited to act as their corporate agent. We have received NOC from the insurance company with whom we had previous agency tie-up. With a view to enter into a corporate agency agreement we require an approval from IRDA. We have submitted an application dated August 14, 2010, to IRDA to seek approval for termination of the arrangement with the previous insurance company and to enter into a fresh agreement with Cholamandalam MS General Insurance Company. However, IRDA may or may not approve our application and in the event if IRDA does not give its approval, we may be unable to execute a definitive agreement which may retard our growth plans including penetration of our insurance products among our customers which may in turn affect our business, financial conditions and results of operations.

6. ***We have previously been penalized for not complying with the RBI circulars and may face further penalties from the RBI and/or other regulatory bodies that govern us in cases of non-compliance in future.***

In FY 2010, we have been penalized by the RBI with a total penalty of ₹ 4.36 Million for certain deficiencies noticed by RBI on account of detection of fake/mutilated currency and shortages during the course of audit/ inspection /remittance/ diversions at Gorakhpur, Basti, Varanasi and Lucknow currency chests during the said period. We cannot assure you that we will not be subject to such penalties in the future.

7. ***We may not be able to grow our retail banking business in line with our expectations which could adversely impact our financial results.***

We have achieved significant growth in our advances in recent years. Between March 31, 2007 and September 30, 2010, our net advances grew at a CAGR of 25.09% from ₹ 519,547.94 Million to ₹ 1,137,373.38 Million. As of September 30, 2010, retail loans represented 11.08% of our gross advances. One of our present business strategies reflects continued focus on further growth in this sector and we intend to grow our income from the retail loans segment by offering new products and services. Additionally, we wish to leverage our existing customers in this segment to cross-sell other products and services through aggressive marketing. While we anticipate continued demand in this area, our retail portfolio may not grow at the rates anticipated by us, which could materially and adversely affect our business, financial condition and results of operations.

8. There has been a significant increase in the level of our restructured loans from 3% of our standard assets as of March 31, 2010 to 4.47% of our standard assets as of September 30, 2010. Any failure in their performance as expected or a significant increase in the level of restructured loan in our portfolio could materially and adversely affect our business, results of operations and financial conditions.

Our standard assets of ₹ 1,131,138.51 Million at September 30, 2010 included restructured standard loans of ₹ 48,692.20 Million, constituting 4.47% of our standard assets, compared to our standard assets of ₹ 1,046,560.99 Million at March 31, 2010 which included restructured standard loans of ₹ 31,492.60 Million, constituting 3.00% of our standard assets, at that date. Our borrowers' need to restructure their loans, which are attributed to several factors including the recent economic downturn and tightening of liquidity in the money markets, increased competition arising from economic liberalization in India, variable industrial growth, the high proportion of debt in financing of projects and the high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings. The failure of these borrowers to perform as expected or a significant increase in the level of restructured loans in our portfolio could materially and adversely affect our business, results of operations and financial condition

9. We are exposed to possible losses arising out of derivative transactions which would have a material adverse effect on our business, financial condition and results of operations.

We enter into derivative transactions on behalf of our clients wherein they may suffer losses on maturity or unwinding of such transactions. In addition, our Bank also undertakes exchange-traded derivative transactions in its proprietary capacity. As at September 30, 2010, we have outstanding forward exchange contacts aggregating to ₹ 340,253.6 Million on behalf of our clients and have undertaken derivative transactions aggregating to ₹ 56,603.02 Million in the proprietary capacity of our Bank. In case, any of our clients or our Bank fails to honor its commitment to bear losses arising out of such transactions, if any, we may have to bear such losses which would have a material adverse effect on our business, financial condition and results of operations.

10. Recent media reports alleging the involvement of our former Part-time Non Official Director in receiving illegal gratification from certain intermediaries may have an adverse impact on our reputation, business, financial condition and results of operations.

Recently there have been certain news releases about Central Bureau of Investigation unearthing a racket wherein a private financial services company and its other associates were allegedly bribing senior officials of a few public sector banks and financial institutions in order to facilitate sanctioning of large-sized corporate loans. Certain officers of top management and middle management of some public sector banks and financial institutions were named in such press releases. One of the former members of our board of directors had also been named in such news releases for his alleged involvement, while as Part-time Non Official Director of the Bank, in receiving illegal gratifications from the pertinent private financial services company which was acting as an intermediary for facilitating corporate loans and other facilities from financial institutions.

As on the date of DLOF, no legal proceedings have been initiated against us, nor have we received any legal notices from RBI, SEBI or Ministry of Finance, except that we have duly furnished information relating to certain loan accounts as required by the Central Bureau of Investigation, RBI and Ministry of Finance.

Further, there have been media reports about SEBI probing the possibility of insider trading activity in shares of few companies including our Bank. The RBI had written to all commercial banks including our Bank to seek details of their lending to firms named by the Central Bureau of Investigation in an investigation into violations in sanctioning of loans by executives in return for bribes.

In the context of any such press releases or media reports, there cannot be any assurance that in future show cause notices or legal proceedings will not be issued or initiated by any regulator in respect of the subject matter mentioned in these press releases or media reports or otherwise. Any such legal proceedings if and when initiated against our bank will require us to incur additional costs. These media reports may adversely impact our reputation, business, financial condition and results of operations.

11. One of our former employees had alleged certain irregularities during the tenure of our former chairman and managing director. While we have entered into a settlement agreement with this former employee subsequently, there can be no assurance that in the future any appropriate authority or the Ministry of Finance will not question the validity of such settlement and the settlement will not be challenged in writ petition before appropriate authorities. If any such event occurs, it could require us to incur additional costs and may adversely impact our reputation, business, financial condition and results of operations.

One of our former employees had alleged certain irregularities during the tenure of our former chairman and managing director. We had taken disciplinary action against this former employee and suspended him. However, we have entered into a settlement agreement with him in respect thereof on September 10, 2010. In terms of the settlement, we have dropped the charge sheet against him and paid his dues, while the writ petition filed by him before Delhi High Court was disposed of. Subsequently, we have received a communication vide letter dated October 28, 2010 from Ministry of Finance suggesting our Bank to examine as to whether our action attracts any contempt of court notwithstanding the facts or whether there may be some misunderstanding in respect of the terms of settlement or otherwise and we have replied thereto vide our letter dated October 29, 2010. Further, we have received a notice dated December 12, 2010 from the legal counsel of our former employee alleging contravention of the order of the Court. However, there cannot be any assurance that Ministry of Finance will not seek further information or clarifications from the Bank or will not question the validity of the settlement or such settlement will not be challenged in writ before appropriate authority/court. In case such proceedings are initiated against our Bank, it could require us to incur additional costs and may adversely impact our reputation, business, financial condition and results of operations.

12. As of September 30, 2010, 65.58% of deposits held with us were through term deposits, and if depositors do not roll over deposited funds on maturity or if we are unable to continue to increase deposits held with us, our business could be materially and adversely affected.

As of September 30, 2010, term deposits represented 65.58% of our total deposits. Savings deposits and current deposits constituted 34.42%, of total deposits held with us. We currently fund our business in significant part through deposits that have shorter maturities than the maturities of some of our new loan assets and we may be required to obtain deposits in order to repay our indebtedness and grow our business. As of September 30, 2010, ₹ 453,426.70 Million amounting to 21.07% our total assets had a long term maturity profile, which we define as a maturity profile of over five years. In the event that a substantial number of our depositors do not roll over deposited funds on maturity and we are unable to replace those deposits, our liquidity position and business could be materially and adversely affected. If we are unable to maintain or increase our base of low-cost deposits, our overall cost of funds could increase, which could have a material and adverse effect on our business, financial condition and results of operations.

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

We have substantial exposure to loans and advances to agriculture and micro and small enterprises, which are included in as “priority sectors”. As of September 30, 2010, priority sector credit constituted 33.38% of our adjusted net bank credit, and loans to agricultural and micro and small enterprises borrowers constituted 16.48% and 9.12% respectively, of our adjusted net bank credit.

We are required to extend at least 18.00% of the adjusted net bank credit to the agriculture sector. We have in the past in Fiscal 2007, 2008 and 2009 failed to meet the respective priority sector lending sub targets. The position as of March 31, 2010 and September 30, 2010 are given below:

Sub Sector	Year ended March 31, 2010 (₹ in Millions)	Six months ended September 30, 2010 (In ₹ Millions)

Agriculture Sector:		
% Target set (A)	190,050	203,070
% Target achieved (B)	183,090 (96%)	174,920 (86%)
Shortfall (A) – (B) (%)	**6,960 (4%)**	**28,150 (14%)**
Weaker Sections:		
% Target set (C)	85,930	106,150
% Target achieved (D)	86,970 (101%)	92,560 (87%)
Shortfall (C) – (D) (%)	**--**	**13,590 (13%)**

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

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

Historically, NPAs tend to be higher in priority sector lending compared with non-priority sector lending. Our internal policies limit set out the limit of our credit exposure to any particular industry, depending on the nature of that industry. As of September 30, 2010, the percentage of our priority sector gross NPAs to total priority sector advances was 2.61%, higher than the percentage of total gross NPAs to total gross advances of 2.28%.

The top five industries accounted for 34.97% of our funded exposure as of September 30, 2010. Based on funded exposures as of September 30, 2010, our five largest industry exposures were to the (I) Infrastructure (II) Basic Metals (III) Constructions (IV) Engineering and (V) Textiles industries and which in the aggregate constituted ₹ 404,773.60 Million (34.97%) of our total funded exposures the details of which is given below:

Serial No:	Industrial Sector	Amount outstanding as of September 30, 2010 (in ₹ Millions)	% to total funded exposure
1.	Infrastructure	289,295.60	24.99%
2.	Basic Metals	34,539.60	2.98%
3.	Constructions	30,952.60	2.67%
4.	Engineering	18,412.20	1.60%
5.	Textiles	31,573.60	2.73%
	Total	**404,773.60**	**34.97%**

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

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

As on September 30, 2010, we had a contingent liabilities amounting to ₹ 455,749.60 Million. Most of the liabilities have been incurred during the normal course of business. If these contingent liabilities were to fully materialize or materialize at a level higher than we expect, it may materially and adversely impact our business, financial conditions, result of operations and prospects.

(in ₹ Millions)

	Year ended March 31, 2010	Six months ended September 30, 2010
Claims against the Bank not acknowledged as debt	16,824.40	1,660.20
Liability for partly paid investments	276.40	--
Liability on account of outstanding forward exchange contracts	265,299.80	340,253.60

	Year ended March 31, 2010	Six months ended September 30, 2010
Guarantees given on behalf of constituents in India	56,500.70	54,347.80
Guarantees given on behalf of constituents outside India	1,275.10	1,851.00
Acceptance, endorsements & other obligations	47,224.40	51,437.80
Other items for which the Bank is contingently liable	--	6,199.20
Total liabilities	**387,400.80**	**455,749.60**

15. Non-compliance with RBI inspections/observations may have a material adverse effect on our business, financial condition or results of operations

We are subject to annual financial inspection by RBI. In the past certain observations were made by RBI during the inspection regarding our business and operations. In case we are not able to meet the requirements suggested by RBI, RBI may impose strict enforcement of its observations on us which may have a material adverse effect on our business, financial condition or results of operations.

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

In Fiscal 2009, the Government implemented the "Agricultural Debt Waiver and Debt Relief Scheme 2008" under which agricultural loans (including principal and interest) amounting to ₹ 9,748.28 Million was waived off and ₹ 1,477.70 Million was paid as debt relief. Correspondingly, this impacted our profits and financial condition. During the implementation stage an eligible amount of debt waiver and debt relief were first passed onto such borrowers and the total amount later was claimed as reimbursement from the GoI. This may to some extent affect the liquidity position of our Bank. Further, in the year 2010, the Government implemented the "Coffee Debt Relief Package, 2010" under which waiver of 50.00% of the total liability subject to a maximum benefit of ₹ 0.50 Million per farmer will be borne by Government of India and an additional 25.00% shall be waived by the banks and balance shall be rescheduled. In view of this scheme, the loans may be waived off by our Bank which may have an effect on our liquidity. In the future, the Government may propose such waiver schemes to reduce the outstanding amount due on loans provided by the Bank to its customers in certain sectors, in particular the agricultural sector, to serve the larger socio-economic interests of India which could be implemented by the Banks in the country, including ours, which could affect our liquidity and our financial condition

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

17. Our results of operations depend to a great extent on our net interest income which to a great extent depends on the interest rate movements. We will be impacted by volatility in interest rates in our operations and may be adversely affected by either declining or rising interest rates.

We will be impacted by volatility in interest rates in our operations. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political and other conditions and other factors. Due to these factors, interest rates in India have historically experienced and may continue to experience a relatively high degree of volatility.

Volatility and changes in market interest rates could disproportionately affect the interest we earn on our assets as compared to the interest we pay on our liabilities. The difference could result in an increase in the interest expense relative to interest income leading to a reduction in net interest income. When interest rates rise, we may be more susceptible to such increases than our competitors that have access to lower cost funds, particularly if we have a higher portion of floating rate borrowings or borrowings with shorter durations than that of our competitors. Unstable interest rates may also adversely affect the growth rate of important sectors of the Indian economy such as the corporate, retail and agricultural sectors, which may adversely impact our business.

Also, under the regulations of the RBI, we are required to maintain a minimum specified percentage in the form of SLR, currently 24.00%, of our net demand and time liabilities in Government or other approved securities or in cash. Yields on these investments are dependent to a large extent on interest rates. In a rising interest rate environment, especially if the increase was abrupt and/or sharp, we could be adversely affected by the decline in the market value of our Government securities portfolio and other fixed income securities and may be required to further provide for depreciation in the Available For Sale ("**AFS**") and Held For Trading ("**HFT**") categories, which may adversely impact our business and financial performance of our Bank.

18. In order to grow our business, we are required to maintain our capital adequacy ratio at the minimum level required by the RBI. There is no guarantee that we will be able to access capital as and when it is needed for growth. If we fail to meet capital adequacy requirements, the RBI may take certain actions, including restricting our lending and investment activities, and the payment of dividends by us. These actions could materially and adversely affect our reputation and financial results.

We are required by the RBI to maintain a minimum capital adequacy ratio of 9.00% in relation to our total risk-weighted assets. We must maintain this minimum capital adequacy level to support our growth. Our capital adequacy ratio was 10.89% (Basel I) and 11.65% (Basel II) as of September 30, 2010. We are exposed to the risk of the RBI increasing the applicable risk weightage for different asset classes from time to time. Although we currently meet the applicable capital adequacy requirements, certain adverse developments could affect our ability to continue to satisfy the capital adequacy requirements, including deterioration in our asset quality, decline in the values of our investments and changes in the minimum capital adequacy requirements. Furthermore, our ability to support and grow our business could be limited by a declining capital adequacy ratio if we are unable to access or have difficulty accessing the capital markets or have difficulty in obtaining capital in any other manner. If we fail to meet capital adequacy requirements, the RBI may take certain actions, including restricting our lending and investment activities and the payment of dividends by us. These actions could materially and adversely affect our reputation, results of operations and financial condition. The Basel II guidelines for the capital adequacy framework also require maintenance of Tier-1 capital at 6.00%. The implementation of Basel II norms which became effective from March 31, 2009 and which introduced the concept of capital for operational risk as well as risk rating based approach to manage credit risk may increase our capital requirements. As at September 30, 2010, the Tier-I capital of the Bank was 6.08%. There can be no assurance that we will be able to raise adequate additional capital in the future on terms favourable to us.

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

Our credit exposure to borrowers is dispersed across various sectors including, cotton and jute, infrastructure, gems and jewellery, iron and steel, food and food products, chemicals and chemical products, construction and other industries. As of September 30, 2010, our funded exposure in the infrastructure sector, the industry in which we have the largest funded exposure, was ₹ 289,295.60 Million which constituted 24.99% of our total funded exposure. Any significant deterioration in the performance of a particular sector, including due to regulatory action or policy announcements by Government or State government authorities, could adversely impact the ability of borrowers in that industry to service their debt obligations owed to us.

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

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

Our exposure to the real estate market in India, including our housing finance loans was ₹ 262,274.90 Million which constituted 22.65% of our total advances. As of September 30, 2010, the NPAs in our real estate industry portfolio amounted to ₹ 5,738.70 Million which constituted 2.19 % of our exposure to real estate market. Any significant downturn in the real estate sector may lead to an increase in non-performing loans, which may materially and adversely affect our results of operations and financial condition.

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

Our exposure to our largest single borrower (excluding food credit) as of September 30, 2010, accounted for approximately 1.93% of our total gross credit exposure and 18.12% of our capital funds (comprising Tier I and Tier II capital as defined by the Reserve Bank of India). Our exposure to our largest borrower group (excluding food credit) as of September 30, 2010 accounted for approximately 2.69% (including non-funded exposure) of our total gross credit exposure and 25.33% of our capital funds. Credit losses on these large borrowers and group exposures could materially and adversely affect our business, results of operations and financial condition.

22. The value of the collateral our Bank holds towards its advances may decrease or we may experience delays in enforcing our collateral if borrowers default on their obligations, which may result in failure to recover the expected value of collateral security exposing us to a potential loss. This can adversely affect our business and the financial performance of our Bank.

A substantial portion of our loans are secured by collateral, including real estate assets such as property, plant, equipment, inventory, receivables, current assets and pledges of financial assets such as marketable securities and corporate guarantees. The loans to corporate customers also include working capital credit facilities that are typically secured by a first lien on inventory, receivables and other current assets. In certain cases, we may have taken further security of a first or second lien on fixed assets and a pledge of financial assets like marketable securities, corporate guarantees and personal guarantees. In the event of our borrowers defaulting on the repayment of the loans, we may not be able to realize the full value of the collateral due to various reasons, including a possible decline in the realisable value of the collateral, defective title, prolonged legal proceedings and fraudulent actions by borrowers.

Foreclosure on collateral generally requires a written petition to an Indian court or tribunal. An application, when made, may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. In the event a corporate borrower makes a reference to a specialised quasi-judicial authority called the Board for Industrial and Financial Reconstruction ("**BIFR**"), foreclosure and enforceability of collateral is stayed. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests Act, 2002 ("**SARFAESI Act**"), has strengthened the ability of lenders to resolve NPAs by granting them greater rights as to enforcement of security and recovery of dues from corporate borrowers. There can be no assurance that the legislation will have a favourable impact on our efforts to resolve NPAs. There can be no assurance that we will be able to realize the full value on the collateral, as a result of, among other factors, delays in bankruptcy and foreclosure proceedings, defects in the perfection of collateral and fraudulent transfers by borrowers. A failure to recover the expected value of collateral our Bank holds as security could expose us to a potential loss. Any unexpected losses could adversely impact our business, financial condition and the price of the Equity Shares.

The Bank is a member of the RBI Corporate Debt Restructuring ("CDR") mechanism. In addition, the RBI's guidelines on corporate debt restructuring specify that for debt amounts of ₹ 100 Million and above, 60.00% of the creditors by number and 75.00% of creditors by value can decide to restructure the debt and that such a decision would be binding on the remaining creditors. If we own 25.00% or less of the debt of a borrower, we could be forced to agree to an extended restructuring of debt which may not be in our interests.

In situations where we have exposure of ₹ 100 Million or more, we could be forced to agree to a restructuring of debt which may not be in our interests or which may be time consuming or require us to reduce interest rates or write-off portions of outstanding amounts, in preference to foreclosure of security or a one-time settlement. As of September 30, 2010, we had 24 accounts under CDR restructuring mechanism and the total amount of loan assets under CDR was ₹ 9,457.30 Million which constituted 0.81% of our total loan assets.

Such difficulties in realizing the collateral which our Bank holds as security, fully or at all, including if we are instead compelled to restructure our loans, could adversely affect our business and financial results.

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

As a result of the statutory reserve requirements stipulated by the RBI, we may be more exposed structurally to interest rate risk than banks in many other countries. Under the RBI's regulations, we are subject to a CRR requirement under which we are currently required to keep 6.00% of our net demand and time liabilities in current account with the RBI. We do not earn interest on cash reserves maintained with the RBI. The RBI may further increase the CRR requirement as a monetary policy measure and has done so on numerous occasions. Increases in the CRR requirement would reduce availability of funds for lending, thereby resulting in reduction in interest income and hence could materially and adversely affect our business, results of operations and financial condition. In addition, under the RBI's regulations, we are required to maintain a SLR, according to which 24.00% of our net demand and time liabilities need to be invested in Government securities, state government securities and other securities approved by the RBI from time to time. In our experience, these securities generally carry fixed coupons. When the interest rate rises, the value of these fixed coupon securities depreciates thereby having an adverse impact on our interest income. Hence any increase in the CRR and the SLR requirements could materially and adversely affect our business, financial condition and results of operations.

24. A significant reduction in the credit rating of our lower Tier II subordinated bonds could materially and adversely affect our business, financial condition and results of operations.

As of September 30, 2010, our lower Tier II subordinated bonds were valued at ₹ 21,373 Million (discounted value for the purpose of computation of capital adequacy was ₹ 19,416.60 Million, which constituted 32.93% of our total Tier II capital of ₹ 58,969.65 Million. These lower Tier II bonds are currently rated LAA+ by ICRA and for upper Tier II bonds the current rating is LAA by ICRA and AA+/stable by CRISIL. A downgrade in our credit ratings may negatively affect our ability to raise funds and increase our financing costs by increasing the interest rates of our outstanding debt or the interest rates at which we are able to refinance existing debt or incur new debt, which may materially and adversely affect our business, financial condition and results of operations.

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

We have a network of 3,656 branches as on December 31, 2010, many of which are in rural and semi-urban areas. Several of our older legacy branches are undergoing renovation to modernize them which will involve substantial capital expenditure. Because we have these legacy branches, the productivity rate of our employees is lower than many of our private competitors, which have newer infrastructure. We are also in the process of rationalizing our branch network which will involve closing or merging some branches and opening others, which we may not be able to fully accomplish within the expected time frames or at the expected cost. This may adversely affect our business, financial condition and results of operation.

26. Most of our business premises are on lease basis and non-renewal of lease of the same may have an adverse effect on our business operations.

As at September 30, 2010, we had 3,814 leased premises which included branch offices, zonal offices, regional offices and other offices out of which 114 are under disputes with the landlords and reported to RBI. The lease deeds of 699 business premises have expired and 180 are in the process of renewal. There may be certain irregularities in title in relation to some of our leased properties. We cannot assure you that all the leases will be renewed on similar terms or at all. Any failure to renew lease agreements for these premises on terms and conditions favorable to us may require us to shift the concerned branch offices, regional offices or the zonal offices to new premises. This may have adverse effect on our business operations.

27. We may face labour disruptions that may interfere with our operation which could adversely affect our business, financial condition and results of operations.

We are exposed to the risk of strikes and other industrial action. As at October 31, 2010, out of our total employees, 33,737 employees were members of a trade union. Since September 12, 2007, there have been ten strikes which have lasted for a day or a two and in which one at a bank level, eight industry wide strikes, one at state level and one at all India level. Our employees may continue to participate in strikes, work stoppages and other industrial action in the future. Any such event may have a material adverse effect on our business, financial condition and results of operation.

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

Our performance and success depends largely on our ability to nurture and retain the continued service of our management team and skilled personnel. There is significant competition for management and other skilled personnel in the banking industry. We are dependent on our key personnel. Further, we do not have a key-man insurance policy to cover for loss of our skilled personnel. We are dependent on our key personnel for smooth operations of our business activities. Attracting and retaining talented professionals is a key element of our strategy and we believe it to be a significant source of competitive advantage. Our inability to attract and retain talented professionals or the loss of key management personnel could have a material and adverse impact on our business, our future financial performance and the price of our Equity Shares.

29. There are operational risks associated with the banking industry, including the risk of fraud or other misconduct by employees etc., which when realised may have an adverse impact on our results.

We are exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees or operational errors, including clerical or recordkeeping errors or errors resulting from faulty computer or telecommunications systems. Though we carefully recruit all our employees, we have in the past been held liable for the fraudulent acts committed by our employees. We cannot guarantee you that such events will not recur in the future. Any such event could adversely affect our reputation, operations, or otherwise have a material adverse effect on our business, financial condition or results of operation. Given the high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond its control (including, for example, computer viruses or electrical or telecommunication outages), which may lead to a deterioration in customer service and to loss or liability. We also face the risk that the design of our controls and procedures prove to be inadequate, or may be circumvented, thereby causing delays in detection of errors in information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, there can be no assurance that we will not suffer losses from operational risks in the future.

30. Any increase in the level of NPAs in the portfolio of our Bank may adversely affect our business.

As per the financial statements for six months ending September 30, 2010, our Bank's gross NPAs represented 2.28% of gross loans and advances and the NPAs of our Bank, net of provisions represented 0.68% of net loans and advances. As per the audited financial statements on March 31, 2010 and September 30, 2010, our Bank provided for 70.40% and 70.50% of its total NPAs based on applicable regulatory guidelines, the quality of the security on these NPAs available to our Bank and additional provisions consistent with our Bank's floating provision policy. If there is any deterioration in the quality of our Bank's security or further aging of the assets after being classified as non-performing or additional assets become non-performing, an increase in provisions will be required. This increase in provisions would adversely affect our Banks financial performance and the market price of our Bank's equity shares.

31. Banks are subject to restrictions on payments of dividends under Indian law. We may not be able to pay dividends without writing off capitalized expenses.

Under Section 15 of the Banking Regulation Act, no banking company may pay any dividend on its shares until all its capitalized expenses (including preliminary expenses, organizational 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. Ministry of Finance, Government of India has exempted us vide notification F.No. 11/17/2003-BOA dated May 17, 2007 that Banking Regulation Act shall not apply for a period of five years from the date of notification. We cannot assure that such exemption will continue to be available in future and as result we may not be able to pay dividends without writing off capitalized expenses.

32. Our Bank's failure to manage growth effectively may adversely impact our business

In the past, our Bank has witnessed growth in both its office infrastructure and its business. The number of branches of our Bank, excluding the head office, and service branch, has grown from 3,308 as of March 31, 2008 to 3,656 as of December 31, 2010. From March 31, 2008 to September 30, 2010, our Bank's total business has grown from ₹ 1,846,070 Million to ₹ 2,835,610 Million. Our Bank's ability to sustain growth depends primarily upon its ability to manage key issues such as selecting and retaining skilled manpower, maintaining an effective technology platform that can be continually upgraded, developing a knowledge base to face emerging challenges, and ensuring a high standard of customer service. Efforts of sustained growth also put pressure on our Bank's ability to raise capital required to fund their growth to effectively manage and control historical and emerging risks. The inability of our Bank to effectively manage any of these issues may adversely affect our Bank's business growth and as a result, impact future financial performance and the market price of our Bank's Equity Shares.

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

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

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

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

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

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

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

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

Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. Our Bank's computer systems and network infrastructure have recently achieved 100% coverage of its branches under Core Banking Solution ("**CBS**") platform. Certain parts of the system may not be properly protected from security breaches and other attacks. Our Bank employs security systems including firewalls and password encryption, designed to minimise the risk of security breaches. Although our Bank intends to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be adequate or successful or be sufficient to prevent frauds, break-ins, damage and failure. A failure of security measures could have a material adverse effect on our Bank's business, its future financial performance and the trading price of the Equity Shares. We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to deterioration in customer service and to loss or liability to us.

37. New products/services offered by us may not be successful and we may not grow in any new business area which may have a material adverse effect on our business, financial condition or results of operations.

We introduce new products/services to explore new business opportunities on a regular basis. We cannot assure you that all our new products/services will gain customer acceptance and this may result in our incurring pre-operative expenses and launch costs without any assurance that such products will be successful or may fail market penetration. Further, our inability to grow in any new business areas could adversely affect our business and financial performance.

38. The base rate system is a new method for pricing loans, and its impact on the future results of our Bank is unclear.

As of July 1, 2010, RBI guidelines replacing the benchmark prime lending rate regime with a base rate regime became effective. The Bank has implemented the new base rate regime and has declared that its initial base rate, the lending rate that banks can charge customers, is set at 8.50% p.a. w.e.f October 20, 2010. Because the base rate regime is newly implemented, its long-term effects on the lending practices of our Bank and other banks are unclear as of the date of this Draft Letter of Offer. If the base rate regime is successful in promoting transparency and enhancing competition in the bank lending markets in India, our Bank may lose some portion of its business to its competitors who may benefit more from the new regime than our Bank does. As banks are unable to lend at rates below their base rate, regardless of the creditworthiness of the borrower, it is possible that the Bank will be restricted from making loans that would otherwise result in a profit, thereby adversely affecting the Bank's results of operations. It is also possible that the base rate regime will increase deposit rates, which would raise our Bank's cost of funding, lower the Bank's net interest margin and adversely affect its financial condition and results of operations

39. Renunciation by any shareholder in favour of a non-resident or FII may require prior approval of the RBI. There can be no certainty as to the conditions subject to which the approval will be granted or if the approval will be granted at all.

Renunciation of rights entitlement in our Bank by any shareholder in favour of a non-resident or a FII may require prior approval of the RBI. There can be no certainty as to the conditions subject to which the approval will be granted or if the approval will be granted at all. For more details on the restrictions applicable to non residents or FIIs please refer to the Chapter titled "*Terms and Procedure of the Issue*" beginning on page 151 of this Draft Letter of Offer.

40. Recent Reserve Bank of India requirements that all Indian banks increase their provisioning coverage as a percentage of gross NPAs could adversely affect the Bank's business.

Indian banks are being required by a new RBI policy to increase their total provisioning coverage ratio, including floating provisions and prudential/technical write-offs, to 70.00% by September 30, 2010. The RBI has granted the Bank an extension of this deadline up to September 30, 2011, subject to the fulfilment of certain specified conditions. The Bank‘s net provisioning coverage ratio at March 31, 2010, computed as per the RBI guidelines was 70.40%. Increased provisioning by the Bank in order to comply with the recently mandated increase in provisions against the Bank‘s NPA portfolio or any future RBI-mandated increases or changes to its policy could lead to an adverse impact on the Bank‘s business, future financial performance and the price of our Equity Shares.

41. There may be possible conflicts of interest between us and our subsidiaries Cent Bank Home Finance Limited and Centbank Financial Services Limited, in which we have a 59.5% and 100% ownership interest respectively.

The object clause contained in the memorandum of association of, Centbank Home Finance Limited enables it to carry on the business of providing long term finance for the purpose of construction or purchase of residential properties and Centbank Financial Services Limited to carry on activities to offer all type of financial services including merchant banking activities. Currently, Cent Bank Home Finance Limited is engaged in providing housing finance and Centbank Financial Services Limited is engaged in carrying merchant banking activities. The Bank may compete with Cent Bank Home Finance Limited and Centbank Financial Services Limited for such business. As a result, there may be conflicts of interest between the Bank and Cent Bank Home Finance Limited & Centbank Financial Services Limited in addressing business opportunities and strategies.

42. The Government will continue to hold a majority interest in the Bank following the Issue and will therefore be able to determine the outcome of shareholder voting.

Under Section 9 of the Banking Acquisition Act, the Government has the power to appoint Directors on our Board. After the completion of the Issue, the Government will continue to have a controlling interest in the Bank and will also be able to determine a majority of our Board of Directors. This requirement could result in restrictions in the equity capital raising efforts of the Bank as the Government may not be able to fund any further investments that would allow it simultaneously to maintain its stake at a minimum of 51.00% and seek funding from the capital markets. If the Bank is unable to grow its capital base in step with demand, its business, financial prospects and profitability may be materially and adversely affected

At times, the Government’s interests may conflict with our interests or those of our other shareholders. Furthermore, the Banking Acquisition Act provides that no shareholder of the corresponding new bank other than the Government shall be entitled to exercise voting rights in respect of any shares held by such person in excess of 1% of the total voting rights of all the shareholders of the corresponding new bank. Therefore, the outcome of most proposals for corporate action requiring the approval of our shareholders will be controlled by the Government unless and until such time its shareholding is diluted to below a controlling majority.

43. Before we pay any dividends on the Equity Shares, we must first pay the dividend on the perpetual non-cumulative preference shares of the Bank issued by us.

Before we pay any dividends on the Equity Shares, we must first pay the dividend due on the perpetual non-cumulative preference shares of the Bank, the rate of which is the prevailing repo-rate plus 100 basis points on relevant date. Since the coupon rate is benchmarked to the repo rate, any future upward revision in the repo rate will adversely impact our ability to make dividend payments.

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

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

We intend to increase our fee-based income by expanding our third party product offerings and by increasing our fee-based services. We have entered into an agreement with, ICICI Prudential Asset Management Company Limited, Reliance Capital Asset Management Limited, Franklin Templeton Asset Management (India) Private Limited, TATA Asset Management Company Limited, Kotak Mahindra Asset Management Company Limited, L&T Investment Management Limited, IDFC Asset Management Company Limited, Principal PNB Asset Management Company Private Limited and DSP BlackRock Investment Managers Private Limited for the distribution of units of the scheme of the fund to our customers from our various branch offices throughout India. We also market and sell the general insurance products of Cholamandalam MS General Insurance Company Limited in conjunction with certain of our savings account and term deposit products and we have also entered into an agreement with Birla Sun Life Insurance Company for providing life insurance and other allied services. We earn fees and commissions for the distribution and sale of these products. However, termination of these agencies or distribution agreements with such third party business associates or any weakening of our relationship with these third party associates may have an adverse impact on our fee based revenues and results of operations.

45. We have relied on bulk deposits in past and such reliance in future may adversely affect the profitability and Net Interest Margins of our Bank.

Our Bank had in the past relied on bulk deposits to the tune of ₹ 309,080 Million and ₹ 278,320 Million for period ending March 31, 2010 and September 30, 2010, respectively, for its business growth. We may resort to such bulk deposits in future which may adversely affect the liquidity, profitability and Net Interest Margins of our Bank.

46. The regional rural banks sponsored by us may have operations in locations which may be common to those branches where we have our branches resulting in potential conflict of interest which may adversely affect our revenues and results of operations.

We have sponsored seven regional rural banks in the state of Madhya Pradesh, Chattisgarh, Bihar, Maharashtra, Uttar Pradesh and Rajasthan. The Regional Rural Banks are as follows: (i) Satpura Narmada Kshetriya Gramin Bank; (ii) Surguja Kshetriya Gramin Bank; (iii) Uttar Bihar Gramin Bank; (iv) Vidharbha Kshetriya Gramin Bank; (v) Ballia Etawaha Gramin Bank; (vi) Hadoti Kshetriya Gramin Bank; and (vii) Uttar Banga Kshetriya Gramin Bank. The regional rural banks may compete with us at locations where we also have our branches; this may result in conflict of interest and may adversely affect our revenues and results of operations.

47. Our shareholders may not have certain significant rights which are available to the shareholders of a company registered under the Companies Act, 1956.

We are regulated and have to comply with the provisions of our Constitutional Documents. The Act does not provide significant rights to Shareholders compared to the Companies Act, 1956. For details refer, the Comparative Table of Rights of Shareholders under Companies Act, 1956 compared to rights available to a shareholder under the Bank Regulations, Banking Regulation Act, Banking Acquisition Act and Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, as applicable to our Bank in the section titled “Regulations and Policies” on page 75 of this Draft Letter of Offer.

B. EXTERNAL RISK FACTORS

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

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

Additionally, the RBI has recently indicated that it intends to issue new banking licenses in order to expand the banking sector which would lead to higher competition amongst the banks. In August 2010, RBI released a discussion paper on “Entry of New Banks in the Private Sector” which, inter alia, includes discussion on the minimum capital requirements for new banks and promoters contribution, foreign shareholding in the new banks, whether industrial or business houses should be permitted to promote banks and whether non-banking financial companies should be entitled to convert to banks. Further, the GoI is also encouraging banks and other financial institutions to significantly increase their lending to the agriculture sector, which will make this segment more competitive.

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

2. *Investing in securities that carry emerging market risks can be affected generally by volatility in the emerging markets.*

The markets for securities bearing emerging market risks, such as risks relating to India, are, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions differ in each country, investors' reactions to developments in one country may affect securities of issuers in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India, which could adversely affect the Indian financial sector in particular. Any such disruption could have an adverse effect on our Bank's business, future financial performance, financial condition and results of operations, and affect the price of our Bank's Equity Shares. Accordingly, the price and liquidity of our Equity Shares may be subject to significant fluctuations, which may not necessarily be directly or indirectly related to our financial performance.

3. *Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.*

The Indian securities markets are smaller and may be more volatile than securities markets in more developed economies. The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in the U.S. and Europe. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have, in the past, experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and increased margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

There can be no assurance that an active trading market for our Equity Shares will be sustained after this Issue, or that the prices at which our Equity Shares have historically traded will correspond to the price at which the Equity Shares are offered in this Issue or the prices at which our Equity Shares will trade in the market subsequent to this Issue. The Indian stock markets have witnessed significant volatility in the past and our Equity Share price may be volatile and may decline post listing.

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

We may be subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The BSE and NSE halted trading due to the index-based market-wide circuit breaker on May 18, 2009 after the index crossed the threshold of such circuit breaker. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of the Equity Shares.

The circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

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

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

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

6. *You may be subject to Indian taxes arising out of capital gains. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and as result of which no STT has been paid, will be subject to capital gains tax in India.*

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian bank are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the STT has been paid on the transaction. The STT will be levied on and collected by a domestic stock exchange on which equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and as result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to capital gains tax in India.

Capital gains arising from the sale of our Equity Shares will be exempt from tax in India in cases where such exemption is provided under the tax treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of certain countries may be liable for tax in India, as well as in their own jurisdictions on gain upon a sale of our Equity Shares.

7. *You will be subject to market risks until the Equity Shares credited to your demat account are listed and permitted to trade.*

You can start trading the Equity Shares Allotted to you only after they have been credited to your demat account, and are listed and permitted to trade on the Stock Exchanges. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. The investors' book entry or "demat" accounts with Depository Participants in India are expected to be credited within two

Working Days of the date of allotment. Thereafter, upon receipt of final approval from the Stock Exchanges trading in the Equity Shares is expected to commence within seven Working Days of the date on which the basis of allotment is approved by the Designated Stock Exchange. Since our Equity Shares are currently traded on the Stock Exchanges, you will be subject to market risk from the date you pay for the Equity Shares to the date when trading approval is granted for the same. Further, there can be no assurance that the Equity Shares Allocated to you will be credited to your demat account or that trading in the Equity Shares will commence in a timely manner. This risk factor is for the information of investors and does not in any way dilute the right of investors and our obligations.

8. *Future issues or sales of Equity Shares may significantly affect the trading price of the Equity Shares.*

The future issue of Equity Shares or the disposal of Equity Shares by any of our major Equity Shareholders or the perception that such issues or sales may occur may significantly affect the trading price of the Equity Shares. There is no restriction on our ability to issue Equity Shares or the relevant Equity Shareholders' ability to dispose of their Equity Shares, and there can be no assurance that we will not issue Equity Shares or that any such Equity Shareholder will not dispose of, encumber, or pledge, it's Equity Shares.

9. *The Issue Price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Issue.*

The Issue Price of the Equity Share may not be indicative of the market price for our Equity Shares after the Issue. The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. There can be no assurance that the investor will be able to resell their shares at or above the Issue Price. Among the factors that could affect our share price are:

- quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;
- changes in revenue or earnings estimates or publication of research reports by analysts;
- speculation in the press or investment community;
- Domestic and international economic, legal and regulatory factors unrelated to our performance; and
- general market conditions;

10. *A significant change in the Government's economic liberalization and deregulation policies could adversely affect our business and the price of our Equity Shares.*

Our business and customers are predominantly located in India or are related to and influenced by the Indian economy. The Indian government has traditionally exercised, and continues to exercise, a dominant influence over many aspects of the economy. Government policies could adversely affect business and economic conditions in India, our ability to implement our strategy and our future financial performance. Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector and encouraging the development of the Indian financial sector. For the past several years, coalition governments have governed India. The leadership of India and the composition of the coalition in power are subject to change and election results are sometimes not along expected lines. It is difficult to predict the economic policies that will be pursued by the GoI. The rate of economic liberalization could change and specific laws and policies affecting banking and finance companies, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. Any significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

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

Civil unrest, acts of violence including terrorism or war, may negatively affect the Indian markets where our Equity Shares will be traded and also materially and adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately materially and adversely affect our business. Diplomatic relations between the GoI and neighbouring countries have suffered post the terrorist attacks on November 26, 2008. While the GoI has been trying to engage in conciliatory efforts any further tension or deterioration of relations might result in investor concern about stability in the region, which could materially and adversely affect the price of the Equity Shares.

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

12. *Trade deficits could materially and adversely affect our Bank's business and the price of our Bank's Equity Shares.*

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

13. *Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our Equity Shares.*

As an Indian bank, we are exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is sometimes referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on a daily basis and who may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and hence adversely affect our business. As the Indian financial system operates within an emerging market, it faces risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme.

14. *A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact us.*

The direct adverse impact of the global financial crisis on India has been the reversal of capital inflows and decline in exports, leading to pressures on the balance of payments and a sharp depreciation of the Indian Rupee *vis-à-vis* the US Dollar. Any increased intervention by the RBI in the foreign exchange market to control the volatility of the exchange rate may result in a decline in India's foreign exchange reserves and reduced liquidity and higher interest rates in the Indian economy, which could adversely affect our business and our future financial performance.

15. *Any downgrading of India's debt rating by an international rating agency could adversely affect our business and the price of our Equity Shares.*

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

16. *Investors may not be able to enforce a judgment of a foreign court against us.*

The enforcement by investors in our Equity Shares of civil liabilities, including the ability to affect service of process and to enforce judgments obtained in courts outside of India may be affected adversely by the fact that we are incorporated under the laws of the Republic of India and almost all of our executive officers and directors reside in India. Nearly all of our assets and the assets of our executive officers and directors are also located in India. As a result, it may be difficult to enforce the service of process upon us and any of these persons outside of India or to enforce outside of India, judgments obtained against us and these persons in courts outside of India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments are provided for under Section 13 and Section 44A of the Civil Procedure Code respectively. The Government of India has under Section 44A of the Civil Procedure Code notified certain countries as reciprocating countries, as discussed below. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction, (ii) where the judgment has not been given on the merits of the case, (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable, (iv) where the proceedings in which the judgment was obtained were opposed to natural justice, (v) where the judgment has been obtained by fraud, or (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Procedure Code provides that where a foreign judgment has been rendered by a court in any country or territory outside India, which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalties and does not include arbitration awards. The United Kingdom and some other countries have been declared by the Government to be a reciprocating territory for the purposes of Section 44A. However, the United States has not been declared by the Government to be a reciprocating territory for the purposes of Section 44A. A judgment of a court in the United States may be enforced in India only by a suit upon the judgment, subject to Section 13 of the Civil Procedure Code and not by proceedings in execution.

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Generally, there are considerable delays in the disposal of suits by Indian courts. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy in India. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under FEMA to repatriate any amount recovered pursuant to execution and any such amount may be subject to income tax in accordance with applicable laws. Any judgment or award in a foreign currency would be converted into Indian Rupees on the date of the judgment or award and not on the date of the payment. Generally, there are considerable delays in the processing of legal actions to enforce a civil liability in India, and therefore it is uncertain whether a suit brought in an Indian court will be disposed off in a timely manner or be subject to considerable delays.

17. ***A third party could be prevented from acquiring control of our Bank because of the takeover regulations under Indian law.***

There are provisions in Indian law that may discourage a third party from attempting to take control of our Bank, even if it would result in the purchase of our Equity Shares at a premium to the market price or would otherwise be beneficial to our Bank's shareholders. Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control so as to ensure that the interests of shareholders are protected. Any person acquiring either "control" or an interest (either on its own or together with parties acting in concert with it) in 15.00% or more of our Bank's voting Equity Shares must make an open offer to acquire at least another 20.00% of our Bank's outstanding voting Equity Shares. A takeover offer to acquire at least another 20.00% of our Bank's outstanding voting Equity Shares also must be made if a person (either on its own or together with parties acting in concert with it) holding between 15.00% and 55.00% of our Bank's voting Equity Shares has entered into an agreement to acquire or decided to acquire additional voting Equity Shares in any financial year that exceed 5.00% of our Bank's voting Equity Shares. These and other applicable provisions may discourage or prevent certain types of transactions involving an actual or threatened change in control.

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

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

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

- We can increase our paid-up capital only with the consent of the Government and in consultation with the RBI and the shareholding of the Government cannot go below 51.00% of the paid-up capital.
- The Government has control over policy matters and has the power to caution or prohibit us from entering into any particular transaction or class of transactions.
- Foreign investment is subject to an overall statutory limit of 20.00% of our paid-up capital. The RBI has fixed a cut-off point at 18.00% for the purpose of effective monitoring. Once the aggregate net purchases of equity shares of the respective bank by FIIs/NRIs/PIOs reaches the cut-off point, which is 2.00% below the overall limit of 20.00%, the RBI cautions all designated bank branches so as not to purchase any more equity shares in the respective bank on behalf of FIIs/NRIs/PIOs without prior approval of the RBI.
- No shareholder, other than the Government, is entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the total voting rights of all of our shareholders.
- There are restrictions on payment of dividends and on rights relating to unclaimed dividends.
- Certain restrictions on opening a new place of business and transferring an existing place of business require the approval of the RBI, which may hamper the operational flexibility of the Bank.
- We have to maintain assets in India equivalent to not less than 75.00% of our net demand and time liabilities in India, which in turn may restrict us from building overseas asset portfolios and exploiting overseas business opportunities.
- There are no provisions requiring us to send compulsory statutory reports to our shareholders prior to a general meeting of the shareholders and our shareholders do not have the right to approve our accounts, the report of our Board of Directors on our activities for the period covered by the accounts and the auditors' report on our accounts. However, we are required by our listing agreements with the Stock Exchanges to send annual reports to our shareholders prior to our annual general meeting.
- The GoI and the RBI have the right to appoint a majority of our Directors and to nominate the chairman of our Audit Committee.
- Rights of minority shareholders statutorily available in the case of a company incorporated under the Companies Act are not available to our shareholders.
- Any change in the laws and regulations governing the banking sector in India may materially and adversely affect our business, financial condition and results of operations.

19. *There may be less information available in the Indian securities markets than securities markets in more developed countries.*

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants than that of markets in more developed economies. The SEBI is responsible for monitoring disclosure and other regulatory standards for the Indian securities market. The SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed countries. As a result, investors may have access to less information about Bank's business, financial condition, cash flows and results of operation, on an ongoing basis, than investors may in the case of companies subject to reporting requirements of other more developed countries.

20. *There is no guarantee that the Rights Equity Shares will be listed on the Stock Exchanges in a timely manner and any trading closures at the Stock Exchanges may adversely affect the trading price of the Rights Equity Shares.*

Subject to the Indian law and practice, permission for listing of the Rights Equity Shares will not be granted until after those Rights Equity Shares have been issued and allotted. Approval will require all other relevant documents authorizing the issuing of Rights Equity Shares to be submitted. There could be a failure or a delay in listing the Rights Equity Shares on the BSE and NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Rights Equity Shares. The exchanges have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies. A closure of, or trading stoppage on, either of the exchanges could adversely affect the trading price of the Right Equity Shares. Further, the Equity Shares will be listed on the BSE and NSE. The shares allotted shall be listed with the Stock Exchanges within stipulated time period as per SEBI ICDR Regulations.

Prominent Notes:

1. RBI conducts regular inspection of banking companies under the provisions of the Banking Regulation Act. The reports of the RBI are strictly confidential. The Issuer 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 RBI does not permit disclosure of its inspection report. All disclosures in this Draft Letter of Offer are based on management and audit reports of the Bank.

2. This Issue is of [●] Rights Equity Shares for cash at a premium of ₹ [●]/- per Rights Equity Share aggregating upto ₹ 25,133.40 Million on rights basis to the existing Equity Shareholders of our Bank in the ratio of [●] Rights Equity Share for every [●] Equity Share held on the Record Date i.e. [●] in terms of this Draft Letter of Offer.

3. Net worth of our Bank as on March 31, 2010 was ₹ 57, 281.80 Million and as on September 30, 2010 is ₹ 66, 842.10 Million.

4. The book value per Equity Share as of March 31, 2010 and September 30, 2010 was ₹ 107.91 and ₹ 125.38 per Equity Share respectively.

5. Our Bank has entered into certain related party transactions as disclosed in the section titled "Financial Statements" on page 126.

6. None of our directors and their relatives has financed the purchase by any other person of securities of our Bank other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of filing this Draft Letter of Offer with SEBI.

7. The investors shall have an option to get the Equity Shares in physical or dematerialized form.

8. Trading in equity shares for all investors shall be in dematerialised form only.

9. Except as stated in this Draft Letter of Offer under section titled "Our Management" on page 119 of this Draft Letter of Offer, the Directors have no interest other than to the extent of Equity Shares of our Bank held or reimbursement of expenses incurred or normal remuneration or benefits.

10. The Lead Managers and our Bank shall make any information relating to the Issue available to the investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.

11. The Lead Managers and our Bank shall update this Draft Letter of Offer and keep the shareholders/public informed of any material changes till the listing and trading commencement and our Bank shall continue to make all material disclosures as per the terms of the listing agreement.

12. Investors may contact Lead Managers or Compliance Officer of our Bank for any queries/ complaints pertaining to the Issue.

SUMMARY OF THE ISSUE

Our Board of Directors at its meeting held on July 29, 2010 decided to make the offer to the Eligible Equity Shareholders of our Bank, with a right to renounce.

The Ministry of Finance, Government of India vide its letter dated June 22, 2010 and January 18, 2011 has given its approval to the Bank to raise capital through Rights Issue. Further, the Reserve Bank of India has through its letter dated December 21, 2010 granted its approval for the Rights Issue.

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in the chapter titled "Terms and Procedure of the Issue" beginning on page 151 of this Draft Letter of Offer.

Rights Equity Shares proposed to be issued	[●] Rights Equity Shares
Rights Entitlement for Equity Shares	[●] Rights Equity Shares for every [●] Equity Shares held on the Record Date
Record Date	[●]
Issue Price per Rights Equity Share	₹ [●]
Face Value per Rights Equity Share	₹ 10
Equity Shares outstanding prior to the Issue	404,141,460 Equity Shares
Equity Shares outstanding after the Issue	[●] Equity Shares
Use of Issue Proceeds	Please refer to the chapter titled "Objects of the Issue" beginning on page 59 of this Draft Letter of Offer.

Payment terms

The payment terms available to the Investors are as follows:

Due Date	Amount
On Rights Issue application	₹ [●] which constitutes 100% of the full amount of the Issue Price of ₹ [●].

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth the summary financial information derived from the financial statements of our Bank as on and for Fiscal 2010 and six months period ended September 30, 2010, prepared in accordance with Indian GAAP.

The summary financial information of our Bank presented below, is in Millions and should be read in conjunction with the financial statements and the notes (including the significant accounting principles) thereto included in the chapters "Financial Statements" of this Draft Letter of Offer.

AUDITED STANDALONE FINANCIALS

BALANCE SHEET AS ON MARCH 31, 2010

₹ Millions

Particulars	AS ON	AS ON
	31-Mar-10	31-Mar-09
CAPITAL & LIABILITIES		
Capital	17,711.42	13,211.42
Reserves and Surplus	59,211.05	50,909.10
Sub-Total	76,922.47	64,120.52
Deposits	1,621,074.69	1,312,718.49
Borrowings	73,266.37	46,585.51
Other Liabilities and Provisions	55,452.71	53,127.72
TOTAL	**1,826,716.24**	**1,476,552.24**
ASSETS		
Cash and Balances with Reserve Bank of India	170,119.29	110,369.06
Balances with Banks and Money at Call and Short Notice	22,050.85	12,143.36
Investments	505,628.67	430,607.17
Advances	1,053,834.86	854,831.96
Fixed Assets	23,432.88	22,779.87
Other Assets	51,649.69	45,820.82
TOTAL	**1,826,716.24**	**1,476,552.24**
Contingent Liabilities	387,400.77	234,041.97
Bills for Collection	54,002.41	28,330.28

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED MARCH 31, 2010

₹ Millions

Particulars	YEAR ENDED 31-Mar-10	YEAR ENDED 31-Mar-09
I. INCOME		
Interest Earned	120,643.06	104,551.89
Other Income	17,352.45	10,699.71
TOTAL	**137,995.51**	**115,251.60**
II. EXPENDITURE		
Interest Expended	95,190.13	82,267.15
Operating Expenses	22,220.17	18,617.00
Provisions and Contingencies	10,002.94	8,655.02
TOTAL	**127,413.24**	**109,539.17**
III. PROFIT/ LOSS		
Net Profit for the year	***10,582.27***	***5,712.43***
Profit brought forward	11.28	5.83
TOTAL	**10,593.55**	**5,718.26**
IV.APPROPRIATIONS		
Transfer to :		
Statutory Reserve	2,645.57	1,428.11
Investment Reserve	466.23	1,407.20
Staff Welfare Fund	150.00	150.00
Revenue Reserve	5,659.08	980.00
Proposed Dividend - Preference Capital	530.94	680.39
Proposed Dividend - Equity Capital	889.11	808.28
Dividend Tax	241.33	253.00
Balance Carried Over to Balance Sheet	11.29	11.28
TOTAL	**10,593.55**	**5,718.26**
EPS (Basic & Diluted)	24.65	12.17

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

₹ Millions

Sr. No.	Particulars	31- 03- 2010	31-03-2009
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit before taxes	13,317.00	9,249.80
I	**Adjustments for:**	-	-
	Depreciation on fixed assets	680.90	744.40
	Depreciation on investments (including on matured debentures)	647.90	905.30
	Bad Debts written off/Provision in respect of nonperforming assets	2,584.00	3,223.40
	Provision for Standard Assets	299.10	448.30
	Provision for Other items (Net)	1,258.70	540.60
	Profit / Loss on sale of fixed assets (Net)	3.20	3.50
	Payment/ provision for interest on subordinated debt (treated separately)	3,623.20	2,197.40
	Dividend received from subsidiaries / others (treated separately)	(14.60)	(14.30)
	Sub total	22,399.40	17,298.40
II	**Adjustments for :**	-	-
	Increase / (Decrease) in Deposits	308,356.10	209,521.80
	Increase / (Decrease) in Borrowings	65,223.90	3,551.50
	Increase / (Decrease) in Other Liabilities and Provisions	(50,923.60)	9,698.90
	(Increase) / Decrease in Advances	(199,002.90)	(128,081.10)
	(Increase) / Decrease in Investments	(75,669.30)	(116,960.60)
	(Increase) / Decrease in Other Assets	(10,734.70)	(2,384.40)
	Direct Taxes paid (Net of Refund etc)	4,905.80	(3,537.40)
	Net Cash from operating activities	42,155.30	(28,191.30)
	NET CASH FLOW FROM OPERATING ACTIVITIES	**64,554.70**	**(10,892.90)**
B	**CASH FLOW FROM INVESTING ACTIVITIES**	-	-
	Sale / Disposal of Fixed Assets	82.00	99.80
	Purchase of Fixed Assets	(1,419.00)	(722.10)
	Income earned by way of Dividend etc. from subsidiaries and associates	14.60	14.30
	Change in Trade related investments (subsidiaries & Others)	-	-
	NET CASH FLOW FROM INVESTING ACTIVITIES	**(1,322.40)**	**(608.00)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**	-	-
	Share Capital	4,500.00	1,170.00
	Proceeds / Redemption of Subordinated Debts Tier II Capital	7,210.00	8,390.00
	Dividend	(1,420.00)	(1,488.70)
	Dividend Tax	(241.30)	(253.00)
	Interest on Subordinated Debt	(3,623.20)	(2,197.40)
	NET CASH FLOW FROM FINANCING ACTIVITIES	**6,425.50**	**5,620.90**
D	**Net increase in cash & cash equivalents (A + B + C) or (F - E)**	**69,657.80**	**5,880.00**
E	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		
	Cash and Bank Balance with RBI	110,369.00	115,371.90
	Balance with Banks and Money at Call and Short Notice	12,143.40	13,020.50
	Net cash and cash equivalents at the beginning of the year	122,512.40	128,392.40

Sr. No.	Particulars	31- 03- 2010	31-03-2009
F	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**		
	Cash and Bank Balance with RBI	170,119.30	110,369.00
	Balance with Banks and Money at Call and Short Notice	22,050.90	12,143.40
	Net cash and cash equivalents at the end of the year	**192,170.20**	**122,512.40**

STANDALONE LIMITED REVIEW STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES FOR PERIOD ENDED SEPTEMBER 30, 2010

₹ Millions

Particulars	30-Sept-2010 Reviewed
CAPITAL AND LIABILITIES	
Capital	20,211.42
Reserve and Surplus	66,204.43
Deposits	1,678,125.44
Borrowings	83,204.14
Other Liabilities and provisions	60,407.70
Total	**1,908,153.13**
	-
ASSETS	-
Cash and Balances with Reserve Bank of India	124,566.00
Balances with Banks and Money at Call and Short Notice	18,247.23
Investment	508,954.83
Advances	1,137,373.38
Fixed Assets	23,821.03
Other Assets	95,190.66
Total	**1,908,153.13**

STANDALONE FINANCIAL RESULTS FOR HALF YEAR ENDED SEPTEMBER 30, 2010

₹ Millions **

		Particulars	30-Sep-10
1	Interest earned (a)+(b)+(c)+(d)		70,552.11
	a)	Interest/ discount on advances/ Bills	51,850.44
	b)	Income on Investments	18,341.50
	c)	Interest on balances with Reserve Bank of India and other interbank funds.	240.36
	d)	Others	119.81
2	Other Income		4,925.97
3	Total Income (1+2)		75,478.08
4	Interest Expended		45,899.74
5	Operating Expenses (i)+(ii)		15,124.52
	i)	Employees cost	10,184.11
	ii)	Other Operating Expenses	4,940.41
6	Total Expenditure (4+5) excluding provisions and contingencies		61,024.26
7	Operating Profit before Provisions and contingencies (3-6)		14,453.82
8	Provisions (other than tax) and Contingencies		4,362.70
9	Exceptional Items		-
10	Profit (+)/ Loss (-) from Ordinary Activities before Tax (7-8-9)		10,091.12
11	Tax expense		2,929.20
12	Net Profit(+) / Loss (-) from Ordinary Activities after tax(10-11)		7,161.92
13	Extraordinary items (net of tax expense)		-
14	Net Profit (+)/ Loss (-) for the period (12-13)		7,161.92
15	Paid up equity share capital (Face Value of the Share ₹ 10/-).		4,041.41
16	Reserves excluding revaluation reserves and PNCPS (as per balance sheet of previous accounting year).		39,590.83
17	Analytical Ratios :		
	i)	Percentage of shares held by Government of India	80.20
	ii)	Capital Adequacy Ratio	
		As per Basel –I	10.89
		As per Basel –II	11.65
	iii)	Earnings Per share (EPS)	
	a)	Basic and diluted EPS before Extraordinary items	*16.42
	b)	Basic and diluted EPS after Extraordinary items	*16.42
	ii)	NPA Ratios :	
	a)	i) Gross NPA	26,337.00
		ii) Net NPA	7,763.50
	b)	i) % of Gross NPA	2.28
		ii) % of Net NPA	0.68
	c)	Return on Assets	0.82
18	Public Shareholding :		
	- No. of shares		80,000,000
	-Percentage of shareholding		19.80
19	Promoters & Promoter Group Shareholding		
	a)	Pledged/Encumbered	Nil
		Number of Shares	Nil
		Percentage of shares (as a percentage of total shareholding of promoter and promoter group)	Nil
		Percentage of shares (as a percentage of total share capital of the company)	Nil
	b)	Non-encumbered	
		Number of Shares	324,141,460
		Percentage of shares (as a percentage of total shareholding of promoter and promoter group)	100.00
		Percentage of shares (as a percentage of total share capital of the company)	80.20

* Not annualised ** Except for per share data and number of shares

AUDITED CONSOLIDATED FINANCIALS

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

₹ Millions

Balance Sheet	31-Mar-2010	31-Mar-2009
CAPITAL & LIABILITIES		
Capital	17,711.42	13,211.42
Reserves and Surplus	61,419.03	52,066.44
Minorities Interest	197.69	175.90
Deposits	1,621,298.39	1,312,792.71
Borrowings	73,256.37	47,300.75
Other Liabilities and Provisions	55,538.66	53,157.77
TOTAL	**1,829,421.56**	**1,478,704.99**
ASSETS		
Cash and Balances with Reserve Bank of India	170,120.82	110,370.31
Balances with Banks and Money at Call and Short Notice	22,052.81	12,143.36
Investments	507,400.11	431,442.65
Loans & Advances	1,054,625.31	856,027.65
Fixed Assets	23,436.72	22,783.81
Other Assets	51,727.78	45,879.20
Goodwill on Consolidation	58.01	58.01
TOTAL	**1,829,421.56**	**1,478,704.99**
Contingent Liabilities	387,497.10	234,195.10
Bills for Collection	54,002.41	28,330.28

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

₹ Millions

Particulars	31-Mar-2010	31-Mar-2009
I. INCOME		
Interest and Dividend Earned	120,786.64	104,715.56
Other Income	17,419.47	10,694.17
TOTAL	138,206.11	115,409.73
II. EXPENDITURE		
Interest Expended	95,229.93	82,361.53
Operating Expenses	22,254.16	18,658.04
Provisions and Contingencies	10,061.64	8,686.00
TOTAL	127,545.73	109,705.57
III. PROFIT/ LOSS		
Consolidated Net Profit	10,660.38	5,704.16
Add: Share of earnings in Associates	975.70	655.90
Consolidated Net Profit for the year before deducting Minorities' Interest	11,636.08	6,360.06
Add/Less: Minorities Interest	(10.56)	(1.56)
Consolidated Profit for the year attributable to the Group	11,625.52	6,358.50
Add: Brought forward consolidated Profit attributable to the Group	1,460.03	809.01
Consolidated Net Profit	13,085.55	7,167.51
IV. APPROPRIATIONS		
Transfer to :		
Statutory Reserve	2,659.47	1,428.61
Investment Reserve	466.23	1,407.20
Revenue Reserve	5,659.08	980.00
Staff Welfare Fund	150.00	150.00
Proposed Dividend -Preference Share Capital	530.94	680.39
Proposed Dividend -Equity Share Capital @ 22.00%	909.11	808.28
Tax on Dividend	244.75	253.00
Balance Carried over to the Balance Sheet	2,465.97	1,460.03
TOTAL	13,085.55	7,167.51
EPS (₹)	**27.23**	**13.76**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

₹ Millions

Sr. No.	Particulars	31- 03- 2010	31-03-2009
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit before taxes	14,429.60	9,909.30
I	**Adjustments for:**	-	-
	Depreciation on fixed assets	681.00	745.60
	Depreciation on investments (including on matured debentures)	647.90	905.30
	Bad Debts written off/Provision in respect of nonperforming assets	2,597.30	3,241.00
	Provision for Standard Assets	299.70	448.30
	Provision for Other items (Net)	1,258.70	540.60
	Profit / Loss on sale of fixed assets (Net)	3.20	3.50
	Payment/ provision for interest on subordinated debt (treated separately)	3,623.20	2,197.40
	Sub total	23,540.60	17,991.00
II	**Adjustments for :**	-	-
	Increase / (Decrease) in Deposits	308,505.70	209,537.40
	Increase / (Decrease) in Borrowings	64,488.70	3,361.50
	Increase / (Decrease) in Other Liabilities and Provisions	(50,888.40)	3,940.00
	(Increase) / Decrease in Advances	(198,597.70)	(127,925.70)
	(Increase) / Decrease in Investments	(76,605.40)	(117,600.20)
	(Increase) / Decrease in Other Assets	(10,788.40)	(2,462.30)
	Direct Taxes paid (Net of Refund etc)	4,939.80	(3,550.80)
	Net Cash from operating activities	41,054.30	(34,700.10)
	NET CASH FLOW FROM OPERATING ACTIVITIES	**64,594.90**	**(16,709.10)**
B	**CASH FLOW FROM INVESTING ACTIVITIES**	-	-
	Sale / Disposal of Fixed Assets	82.20	99.70
	Purchase of Fixed Assets	(1,419.40)	(722.70)
	NET CASH FLOW FROM INVESTING ACTIVITIES	**(1,337.10)**	**(623.00)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**	-	-
	Share Capital	4,500.00	1,170.00
	Proceeds / Redemption of Subordinated Debts Tier II Capital	7,210.00	8,390.00
	Innovative Perpetual Debt Instrument	-	5,830.00
	Dividend	(1,440.00)	(1,488.60)
	Dividend Tax	(244.70)	(253.00)
	Interest on Subordinated Debt	(3,623.20)	(2,197.40)
	NET CASH FLOW FROM FINANCING ACTIVITIES	**6,402.10**	**11,451.00**
D	**Net increase in cash & cash equivalents (A + B + C) or (F - E)**	**69,659.90**	**(5,881.10)**
E	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		
	Cash and Bank Balance with RBI	110,370.31	115,374.30
	Balance with Banks and Money at Call and Short Notice	12,143.36	13,020.50
	Net cash and cash equivalents at the beginning of the year	122,513.67	128,394.80
F	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**	-	-

Sr. No.	Particulars	31- 03- 2010	31-03-2009
	Cash and Bank Balance with RBI	170,120.82	110,370.31
	Balance with Banks and Money at Call and Short Notice	22,052.81	12,143.36
	Net cash and cash equivalents at the end of the year	**192,173.63**	**122,513.67**

CONSOLIDATED LIMITED REVIEW STATEMENTS

STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES

₹ Millions

Particulars	30-Sep-2010 Reviewed
CAPITAL AND LIABILITIES	
Capital	20,211.42
Reserve and Surplus	68,951.48
Minorities Interest	212.33
Deposits	1,677,972.03
Borrowings	104,874.14
Other Liabilities and provisions	39,326.86
Total	**1,911,548.27**
ASSETS	
Cash and Balances with Reserve Bank of India	124,566.00
Balances with Banks and Money at Call and Short Notice	18,248.60
Investments	511,002.65
Loans & Advances	1,138,168.77
Fixed Assets	23,826.80
Other Assets	95,677.43
Goodwill on Consolidation	58.01
TOTAL	**1,911,548.27**
Contingent Liabilities	450,368.24
Bills for Collection	37,755.36

CONSOLIDATED FINANCIAL RESULTS FOR HALF YEAR ENDED SEPTEMBER 30, 2010

₹ Millions *

Particulars			30-Sep-10
1	**Interest earned (a)+(b)+(c)+(d)**		**71,016.57**
	a)	Interest/ discount on advances/ Bills	51,920.17
	b)	Income on Investments	18,347.46
	c)	Interest on balances with Reserve Bank of India and other interbank funds.	240.37
	d)	Others	508.57
2	Other Income		4,928.40
3	**Total Income (1+2)**		**75,944.97**
4	Interest Expended		45,922.29
5	Operating Expenses (i)+(ii)		15,137.87
	i)	Employees cost	10,195.67
	ii)	Other Operating Expenses	4,942.21
6	**Total Expenditure (4+5) excluding provisions and contingencies**		**61,060.17**
7	Operating Profit before Provisions and contingencies(3-6)		14,884.80
8	Provisions (other than tax) and Contingencies		4,362.70
9	Exceptional Items		-
10	**Profit (+)/ Loss (-) from Ordinary Activities before Tax (7-8-9)**		**10,522.10**
11	Tax expense		3,067.85
12	**Net Profit(+) / Loss (-) from Ordinary Activities after tax(10-11)**		**7,454.25**
13	Extraordinary items (net of tax expense)		-
14	Add/Less: Share of Earnings from Associates		261.38
15	Add/Less Minorities Interest		(14.64)
14	**Net Profit (+)/ Loss (-) for the period (12-13+14+15)**		**7,700.99**
15	Paid up equity share capital (Face Value of the Share ₹ 10/-).		4,041.40
16	Reserves excluding revaluation reserves and PNCPS		41,798.81
17	**Analytical Ratios :**		
	i)	Percentage of shares held by Government of India	80.20
	ii)	**Capital Adequacy Ratio:(Parent Bank)**	
		As per Basel-I(%)	10.89
		As per Basel-II(%)	11.65
	iii)	**Earnings Per share (EPS)**	
	a)	Basic and diluted EPS before Extraordinary items	17.75
	b)	Basic and diluted EPS after Extraordinary items	17.75
	ii)	**NPA Ratios :**	
	a)	i) Gross NPA	26,698.80
		ii) Net NPA	7,920.50
	b)	i) % of Gross NPA	2.30
		ii) % of Net NPA	0.69
	c)	Return on Assets (%)	0.85
18	**Public Shareholding :**		
	-No. of shares		80,000,000
	-Percentage of shareholding		19.80
19	**Promoters & Promoter Group Shareholding**		
	a)	Pledged/Encumbered	Nil
		Number of Shares	Nil
		Percentage of shares (as a percentage of total shareholding of promoter and promoter group)	Nil
		Percentage of shares (as a percentage of total share capital of the company)	Nil
	b)	Non-encumbered	
		Number of Shares	324,141,460
		Percentage of shares (as a percentage of total shareholding of promoter and promoter group)	100.00

Particulars			30-Sep-10
		Percentage of shares (as a percentage of total share capital of the company)	80.20
**** Except for per share data and number of shares***			

GENERAL INFORMATION

Dear Equity Shareholder(s),

Our Board of Directors at its meeting held on July 29, 2010 decided to make the offer to the Eligible Equity Shareholders of our Bank, with a right to renounce.

The Ministry of Finance, Government of India vide its letter dated June 22, 2010 and January 18, 2011 has given its approval to the Bank to raise capital through Rights Issue. Further, the Reserve Bank of India has through its letter dated December 21, 2010 granted its approval for the Rights Issue.

Issue of [●] Equity Shares of ₹ 10 each for cash at a premium of ₹ [●] per Equity Share for an amount aggregating to ₹ 25,133.4 Million on rights basis to the existing Equity Shareholders of our Bank, in the ratio of [●] Rights Equity Share for every [●] fully paid Equity Shares held as on the record date i.e. [●], 2011.

Head Office of the Bank

Central Bank of India
Chandermukhi
Nariman Point
Mumbai 400 021
Tel: (91 22) 6638 7818
Fax: (91 22) 2283 5198
E-Mail: investors@centralbank.co.in
Website: www.centralbankofindia.co.in

The Equity Shares are listed on the BSE and the NSE.

Company Secretary

Mr. A.K. Das
Company Secretary
Assistant General Manager
Chandermukhi
Nariman Point
Mumbai 400 021
Tel: (91 22) 6638 7818
Fax: (91 22) 2283 5198
E-Mail: compsec@centralbank.co.in

Compliance Officer

Mr. S.C. Jhanwar
Compliance Officer
Central Bank of India
Government Business Department,
Maker Towers E, Cuffe Parade,
Mumbai-400 005
Tel: (91 22) 2218 8425
Fax: (91 22) 2215 3821
E-mail: complianceofficer@centralbank.co.in

Investors may contact the Compliance Officer for any pre-issue /post-issue related matter. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount blocked, ASBA Account number and the Designated Branch of the SCSB where the CAF was submitted by the ASBA Investors.

Lead Managers to the Issue

ICICI Securities Limited
ICICI Centre
H.T. Parekh Marg
Churchgate
Mumbai 400 020
Tel: (91 22) 6637 7284
Fax: (91 22) 2282 6580
Email: cbi.rights@icicisecurities.com
Investor Grievance Email: customercare@icicisecurities.com
Website: www.icicisecurities.com
Contact Person: Mr. Gaurav Gupta
SEBI Registration No. INM000011179

Citigroup Global Markets India Private Limited
12th Floor, Bakhtawar
Nariman Point
Mumbai 400 021
Tel: (91 22) 6631 9999
Fax: (91 22) 6631 9897
Email: centralbank.rights@citi.com
Investor Grievance Email: investors.cgmib@citi.com
Website: www.citibank.co.in
Contact Person: Mr. Vashistha Maheshwari
SEBI Registration No. INM000010718

ENAM Securities Limited
801, Dalamal Towers
Nariman Point
Mumbai 400 021
Tel: (91 22) 6638 1981
Fax: (91 22) 2284 6824
Email: centralbank.rights@enam.com
Investor Grievance Email: complaints@enam.com
Website: www.enam.com
Contact Person: Mr. Anurag Byas
SEBI Registration No. INM000006856

IDBI Capital Market Services Limited
5th Floor, Mafatlal Centre
Nariman Point
Mumbai 400 021
Tel: (91 22) 4322 1212
Fax: (91 22) 2283 8782
Email: cbi.rights@idbicapital.com
Investor Grievance Email : redressal@idbicapital.com
Website: www.idbicapital.com
Contact Person: Mr. Subodh Mallya / Mr. Keyur Desai
SEBI Registration .No. INM000010866

RBS Equities (India) Limited
83/84, Sakhar Bhavan,
Behind oberoi Towers, 230,
Nariman Point, Mumbai- 400 021
Tel: (91 22) 6632 5535
Fax: (91 22) 6632 5541
Email : centralbankofindia.rights@rbs.com
Investor Grievance Email: customercareecm@rbs.com
Website : www.rbs.in
Contact Person : Mr. Girichandra Kuchangi
SEBI Registration No. INM000011674

SBI Capital Markets Limited
202, Maker Tower 'E',
Cuffe Parade,
Mumbai 400005
Tel: (91 22) 2217 8300
Fax: (91 22) 2218 8332
Email: centralbank.rights@sbicaps.com
Investor Grievance Email: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Mr. Nithin Kanuganti
SEBI Registration No.: INM000003531

Domestic Legal Counsel to the Issue

Khaitan & Co
One Indiabulls Centre
13th Floor, 841 Senapati Bapat Marg
Elphinstone Road
Mumbai 400 013, India
Tel: + 91 22 6636 5000
Fax: + 91 22 6636 5050

International Legal Counsel to the Lead Managers

Jones Day
3, Church Street
#14-02 Samsung Hub
Singapore 040483
Tel: + 65 6538 3939
Fax: + 65 6536 3939

Registrar to the Issue

Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West)
Mumbai 400 078
Tel: (91 22) 2596 0320
Fax: (91 22) 2596 0328
Email: centbank.rights@linkintime.co.in
Contact Person: Mr. Nilesh Chalke

Auditors

M/s G.S.A and Associates
16 DDA Flat, Ground Floor
Panchsheel Shivalik Mor
Near Malviya Nagar
New Delhi 110017

M/s Sagar & Associates
Chartered Accountants
H.No.6-3-244/5, Saradadevi Street,
Premnagar, Hyderabad – 500004

M/s K.S. Aiyar & Co.
F-7, Laxmi Mills,
Shakti Mills Lane,
(Off Dr. E. Moses Road)
Mahalaxmi,
Mumbai – 400011

M/s. Ghiya & Co.
D-23, Indrapuri Colony,
Lal Kothi, Pankaj Singhvi Marg,
Jaipur - 302005

M/s D. Rangaswamy & Co.
RC Towers, II Floor,
New 82, Old No 27,
Josier Street, Nungambakkam
Chennai – 600034

M/s. Samsand & Associates
4800/24, Bharat Ram Road
Daryaganj
New Delhi – 110002

Bankers to the Issue

[•]

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on www.sebi.gov.in/pmd/scsb.pdf.

Statement of responsibility of the Lead Managers

ICICI Securities Limited, Citigroup Global Markets India Private Limited, Enam Securities Private Limited, IDBI Capital Market Services Limited, RBS Equities (India) Limited and SBI Capital Markets Limited are the Lead Managers to the Rights Issue and all the responsibilities relating to coordination and other activities in relation to the Issue shall be performed by them. The various activities have been set forth below:

Statement of *inter se* allocation of responsibilities among the Lead Managers for the Issue

No.	Activity	Responsibility	Coordinator
1	Capital structuring with the relative components and formalities such as type of instruments, etc.	ISEC, Citi, Enam, IDBI Caps, RBS, SBI Caps	ISEC
2	Due diligence of the Bank's operations/management/business plan/legal documents. Drafting and Design of the Offer Document and ensure compliance with stipulated requirements and completion of prescribed formalities (including finalization of Letter of Offer) with Stock Exchanges and SEBI. Liaison with stock exchanges and SEBI, including obtaining in-principle listing approval and completion of prescribed formalities with the Stock Exchanges and SEBI.	ISEC, Citi, Enam, IDBI Caps, RBS, SBI Caps	ISEC
3	Co-ordinate with the Bank including its statutory auditors to arrange the financial information to be included in the draft offer document and the final letter of offer by ensuring compliance with SEBI Regulations and/or other stipulated requirements. To also include co-ordination for any other deliverables related to auditors.	ISEC, Citi, Enam, IDBI Caps, RBS, SBI Caps	IDBI Caps
4	Drafting, Design and approval of Abridged Letter of Offer, CAF, all publicity material such as statutory and non-statutory advertisements / publicity material including newspaper advertisements, brochure, corporate film, etc.	ISEC, Citi, Enam, IDBI Caps, RBS, SBI Caps	Enam
5	Selection and appointment of intermediaries namely Registrar, printers, advertising agency, Banker(s) to the Issue and review of agreement appointing these agencies.	ISec, Citi, Enam, IDBI Caps, RBS, SBI Caps	RBS
6	Institutional marketing strategy which will cover, inter alia: • Finalising the list of institutional investors for one to one meetings; • Finalizing road show schedule and investor meeting schedules; • Preparation of Investor Presentation, FAQs and other marketing materials for road show.	ISEC, Citi, Enam, IDBI Caps, RBS, SBI Caps	Citi
7	Retail/Non-institutional marketing strategy which will cover, inter alia, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii)collection centres, (iii)distribution of publicity and issue material including CAF and the Abridged Letter of Offer and the Draft Letter of Offer to the extent applicable.	ISEC, Citi, Enam, IDBI Caps, RBS, SBI Caps	Enam
8	Recommend the pricing for the Issue.	ISEC, Citi, Enam, IDBI Caps, RBS, SBI Caps	RBS
9	The post-issue activities including management of escrow accounts, co-ordination of allocation, finalisation of basis of allotment / weeding out of multiple applications, intimation of allocation and dispatch of refunds to bidders, dealing with the various agencies connected with the work such as Registrar to the Issue, bankers to the issue, Self Certified Syndicate Banks and bank handling refund business. Follow-up with bankers to the issue to get quick estimates of collection and advising the Issuer about closure of the issue, based on the correct figures. Even if many of these post-issue activities would be handled by other intermediaries, the designated co-ordinating Lead Manager shall be responsible for ensuring that these	ISEC, Citi, Enam, IDBI Caps, RBS, SBI Caps	SBI Caps

	intermediaries fulfill their functions and enable him to discharge this responsibility through suitable agreements with the Issuer.		

Issue Programme

Issue Opening Date:	[●], 2011
Last date for receiving requests for split forms:	[●], 2011
Issue Closing Date:	[●], 2011

Trustees

As this is an issue of equity shares, the appointment of trustees is not required.

Monitoring Agency

Our Bank is not required to appoint a monitoring agency pursuant to Regulation 16 of the SEBI ICDR Regulations. Our Board and the Audit Committee will monitor the use of the proceeds of this Issue as per clause 49 of the Listing Agreement.

Underwriting

This Issue is not underwritten and our Bank has not entered into any underwriting arrangement with the Lead Managers in connection with the Issue.

Principal Terms of Loans and Assets charged as security

Our Bank has not created any charge or security on our assets against the loans availed by us.

CAPITAL STRUCTURE

The capital structure of our Bank and related information as on date of this Draft Letter of Offer is set forth below:

(₹ in Millions)

		Aggregate value at Face value	Aggregate value at Issue price
A.	***Authorized Share Capital**	30,000	
	Total	**30,000**	
B.	**Issued, Subscribed and Paid-up Capital before the Issue** #		
	404,141,460 Equity Shares of ₹ 10 each	4,041.415	
	1,617,000,000 Perpetual non-cumulative Preference Shares of ₹ 10 each **	16,170	
	Total	**20,211.415**	
Present Issue being Offered to the Equity Shareholders through the Draft Letter of Offer			
C.	Equity Capital after the Issue	[●]	
	[●] Equity Shares of ₹ [●] each		
D.	Securities Premium Account		
	Before the Issue	7,360	
	After the Issue	[●]	

**The Board of Directors vide resolution dated July 27, 2009 recommended to increase the Authorized Capital of our Bank from ₹ 15,000 Million to ₹ 30,000 Million for the approval of shareholders of our Bank. The Annual General Meeting held on August 04, 2009 approved the same subject to the Government of India's approval. The Government of India by its official Gazette Notification dated November 27, 2009 increased the Authorized Capital of our Bank from ₹ 15,000 Million to ₹ 30,000 Million.*

***On November 13, 2006, March 30, 2009, March 31, 2010 and on June 3, 2010, our Bank has issued and allotted 800,000,000, 117,000,000, 450,000,000 and 250,000,000 respectively aggregating to 1,617,000,000 Perpetual Non-Cumulative Preference Shares ("**PNCPS**") of ₹ 10 each amounting to ₹ 16,170 Million issued to the GoI as a part of capital infusion by the Government of India.*

 # 40,868 Equity Shares of our Bank have been transferred to a Demat Suspense Account in accordance with Clause 5A of the Listing Agreement in respect to the unclaimed shares.

Note: Our Bank, for the purpose of maintaining the regulatory capital, had issued the following capital instruments:
- 5,830 Innovative Perpetual Debt Instruments of value ₹ 1 Million each, aggregating to ₹ 5,830 Million; and
- Non-convertible bonds in the form of promissory notes (under Tier I and Tier II Capital) from various investors aggregating to ₹ 50,223 Million.

The following table sets forth the details of the outstanding bonds as on the date of filing this Draft Letter of Offer

Issue Date	Date of Redemption	Amount (₹ In Millions)	Interest Rate (%) p.a.	ISIN No.
October 08, 2004	June 08, 2014	2,000	7.05	INE483A09138
March 28, 2006	June 28, 2015	5,782	8.15	INE483A09146
October 04, 2006	October 04, 2016	7,000	8.95	INE483A09153
March 03, 2008	May 03, 2017	3,891	9.20	INE483A09161
February 10, 2009	April 10, 2018	2,700	9.35	INE483A09187
November 14, 2008	November 14, 2023	3,000	11.45 (step up 50bps from 11th year) (11.95 till maturity)	INE483A09179
February 17, 2009	February 17, 2024	2,850	9.40 (step up of 50bps from 11th year) (9.90 till maturity)	INE483A09195
June 23, 2009	June 23, 2024	5,000	8.80 (step up of 50bps from	INE483A09203

Issue Date	Date of Redemption	Amount (₹ In Millions)	Interest Rate (%) p.a.	ISIN No.
			11th year) (9.13 till maturity)	
January 20, 2010	January 20, 2025	5,000	8.63 (step up of 50bps from 11th year) (9.13 till maturity)	INE483A09211
June 11, 2010	June 11, 2025	10,000	8.57 (step up 50bps from 11th year) (9.07 till maturity)	INE483A09229
January 21, 2011	January 21, 2026	3,000	9.20	INE483A08015

This Issue of Equity Shares has been approved and authorised by our Board of Directors pursuant to the resolution passed in its meeting held on July 29, 2010.

Shareholding Pattern

a) The shareholding pattern of our Bank as on December 31, 2010

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
(A) Shareholding of Promoter and Promoter Group							
(1) Indian							
Central Government / State Government(s)	1	324,141,460	324,141,460	80.20	80.20	-	-
Sub Total	**1**	**324,141,460**	**324,141,460**	**80.20**	**80.20**	**-**	**-**
(2) Foreign							
Total shareholding of Promoter and Promoter Group (A)	**1**	**324,141,460**	**324,141,460**	**80.20**	**80.20**	**-**	-
(B) Public Shareholding							
(1) Institutions							
Mutual Funds / UTI	19	1,840,969	1,840,969	0.46	0.46	-	-
Financial Institutions / Banks	16	29,380,690	29,380,690	7.27	7.27	-	-
Insurance Companies	5	1,949,209	1,949,209	0.48	0.48	-	-
Foreign Institutional Investors	77	15,656,386	15,656,386	3.87	3.87	-	-
Sub Total	**117**	**48,827,254**	**48,827,254**	**12.08**	**12.08**	**-**	**-**
(2) Non-							

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
Institutions							
Bodies Corporate	1,343	6,404,359	6,404,359	1.58	1.58	-	-
Individuals							
Individual shareholders holding nominal share capital up to ₹ 1 Lakh	160,394	20,010,491	20,008,717	4.95	4.95	-	-
Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	99	3,297,699	3,297,699	0.82	0.82	-	-
Any others (Specify)							
Clearing Members	407	794,650	794,650	0.20	0.20	-	-
Non Resident Indians	1,176	606,025	606,025	0.15	0.15	-	-
Directors & their Relatives & Friends	2	300	300	-	-	-	-
Trusts	27	36,659	36,659	0.01	0.01	-	-
Hindu Undivided Families	2	22,563	22,563	0.01	0.01	-	-
Sub Total	**163,450**	**31,172,746**	**31,170,972**	**7.71**	**7.71**	-	-
Total Public shareholding (B)	**163,567**	**80,000,000**	**79,998,226**	**19.80**	**19.80**	-	-
Total (A)+(B)	**163,568**	**404,141,460**	**404,139,686**	**100.00**	**100.00**	-	-
(C) Shares held by Custodians and against which Depository Receipts have been issued	-	-	-	-	-	-	-
Promoter and Promoter Group	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-
Sub Total							
Total (A)+(B)+(C)	**163,568**	**404,141,460**	**404,139,686**	**100.00**	**100.00**	-	-

b) Shareholding of Promoter in our Bank as of December 31, 2010

Sl. No.	Name of the Shareholder	Total Shares held		Shares pledged or otherwise encumbered		
		Number	As a % of grand total (A)+(B)+(C)	Number	% of Total shares held	As a % of grand total (A)+(B)+(C)
1.	President of India	324,141,460	80.20	-	-	-
	Total	324,141,460	80.20	-	-	-

None of the aforesaid shares have been pledged or locked in or encumbered.

Our promoter has not acquired any equity shares in the last one year immediately preceding the date of filing of this Draft Letter of Offer.

c) Statement showing Shareholding of persons belonging to the category "Public" and holding more than 1% of the total number of shares as of December 31, 2010.

Name of the shareholder	No. of Shares	% of shareholding
LIC	12,247,090	3.03
LIC – Market Plus	9,997,512	2.47
LIC Money Plus	4,210,341	1.04
Total	26,454,943	6.55

Notes:

1. No further issue of capital by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner which will affect the equity capital of our Bank, shall be made during the period commencing from the filing of the Draft Letter of Offer with the SEBI to the date on which the Rights Issue Shares issued under the Letter of Offer are listed or application moneys refunded on account of the failure of the Issue.

2. Further, our Bank has no intention to alter the equity capital structure by way of split/consolidation of the denomination of the shares, or issue of shares on preferential basis or issue of bonus rights or public issue of shares or any other securities for a period of six months from the date of the opening of the Issue.

3. We have not issued any Equity Shares or granted any options under any employee stock option scheme or employee stock purchase scheme.

4. The present Issue being a rights issue, as per regulation 34(c) of the SEBI ICDR Regulations, the requirement of the promoters contribution and lock-in are not applicable.

5. The Issue will remain open for 15 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

6. Section 3(2E) of Banking Acquisition Act states that: "No shareholder of the corresponding new bank, other than the Central Government shall be entitled to exercise voting rights in respect of any shares held by him in excess of 1% of the total voting rights of all the shareholders of the corresponding new bank.

7. At any given time, there shall be only one denomination of the Equity Shares of our Bank.

OBJECTS OF THE ISSUE

We are constituted under the provisions of Banking Acquisition Act and are regulated by the RBI. The RBI guidelines require us to maintain a minimum capital adequacy ratio of 9% of net weighted assets subject to a minimum Tier I capital adequacy ratio of 6%. As per the six month financial statements for period ended September 30, 2010, our total capital adequacy ratio under Basel I was 10.89 % and under Basel II was 11.65 %. However, considering the future growth plans and increase in risk weighted assets, our Bank would require additional capital to meet the Basel II norms.

The objects of the Issue are to augment our capital base to meet the future capital requirements arising out of growth in our assets, primarily our loan and investment portfolio, compliance with regulatory requirements including meeting the expenses of the Issue.

Requirement and Sources of Funds

Particulars Amount	(₹ in Millions)
Augment our capital base to meet our capital adequacy requirements arising out of growth in our business	[●]
Estimated Issue expenses	[●]
Net Proceeds *	**[●]**

* Will be incorporated at the time of filing of Letter of Offer.

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

The stated objects of the Issue are proposed to be financed entirely from the proceeds of the Issue. Therefore, excluding the amount to be raised through proposed Rights issue, there is no requirement of firm arrangement of finance.

(a) Augment our capital base to meet our capital adequacy requirements arising out of growth in our businesses

The objects of the Issue are to augment the Bank's capital base to meet the capital requirements arising out of future asset growth and compliance with regulatory requirements. As we are engaged in the banking business, we are seeking to strengthen our capital base to support the future growth in our assets and comply with the capital adequacy requirements applicable to us.

(b) Estimated Issue Expenses

The total expenses of the Issue are estimated to be approximately ₹ [●] Million. The issue related expenses include, among others, issue management fees, Registrar fees, printing and distribution expenses, fees of the legal counsels, advertisement, listing fees to the stock exchanges etc. The break-up of total issue expenses is as under:

Category	Estimated expenses (₹ In Millions)	% of the issue expenses	% of total issue size
Fees to the Intermediaries	[●]	[●]	[●]
Advertising and Publicity Expenses	[●]	[●]	[●]
Printing, Postage, Stationery Expenses	[●]	[●]	[●]
Contingency, Stamp duty, Listing Fees, etc	[●]	[●]	[●]

*Will be incorporated at the time of filing the Letter of Offer.

Monitoring of Utilisation of Funds

Pursuant to Regulation 16 of the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency. Our Board and audit committee will monitor the use of the proceeds of this Issue as per clause 49 of the Listing Agreement.

Interest of Directors or Key Management Personnel in the Objects of the Issue

No part of the proceeds of the Issue will be paid by us as consideration to our directors or key management personnel except in the usual course of business.

STATEMENT OF TAX BENEFITS

Statement of Income-tax Benefits available to Central Bank of India ("the Bank") and its Shareholders

January 21, 2011

To,

The Board of Directors,
The Central Bank of India
Chandermukhi,
Nariman Point,
Mumbai-400021

Statement of Tax Benefits

Dear Sirs,

We enclose the statement of Tax Benefits for the proposed rights issue by Central Bank of India.

We hereby confirm that the information provided therein states the general direct tax benefits available to Central Bank of India ("The Bank") and its shareholders under the current direct tax laws in force in India. Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant provisions of the tax law. Hence, the ability of the Bank or its shareholders to derive tax benefits is dependent upon fulfilling such conditions, which based on business imperatives, the Bank or its shareholders may or may not choose to fulfill.

The benefits discussed in the enclosed Statement are not exhaustive. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences and the changing tax provisions, 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.
Unless otherwise specified, Sections referred to below are Sections of the Income-tax Act. 1961 ("The Act").The Income-tax rates referred here are the existing tax rates based on the rates prescribed in the Finance Act, 2010 for the Financial Year 2010-11. All the provisions set out below are subject to conditions specified in the respective Sections.

The contents of the enclosed Statement 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 and the interpretation of tax laws presently in force in India.

The above statement of possible direct tax benefits set out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

M/s GSA & Associates	**M/s Sagar & Associates**	**M/s D. Rangaswamy & Co**
Chartered Accountants	Chartered Accountants	Chartered Accountants
FRN 000257 N	FRN. 003510S	FRN. 003073S
(CA Sunil Aggarwal)	(CA B Srinivasa Rao)	(CA Janani Radhakrishan)
Partner	Partner	Partner
M.No. 83899	M.No. 202352	M.No. 27037

M/s K.S. Aiyar & Co
Chartered Accountants
FRN 100186W

(CA Raghuvir M. Aiyar)
Partner
M.No. 38128

M/s Ghiya & Co
Chartered Accountants
FRN. 1088C

(CA. Amit Mehta)
Partner
M.No. 403467

M/s Samsand & Associates
Chartered Accountants
FRN. 003708N

(CA Milan Shrimali)
Partner
M.No. 088578

Place: Mumbai

Date: January 21, 2011

STATEMENT OF TAX BENEFITS

Statement of Income-tax Benefits available to Central Bank of India ("the Bank") and its Shareholders

To the Bank

Specific Tax Benefits to a bank

1. Under Section 36(1)(viia) of the Act in respect of any provision made for bad and doubtful debts, a Scheduled Bank is entitled to a deduction not exceeding:

   a. 7.5% of the total income (computed before making any deductions under this clause and Chapter VIA) and

   b. 10% of the aggregate average advances made by the rural branches of the Bank computed in the prescribed manner.

   Also the Bank shall, at its option, be allowed a further deduction in excess of the limit specified above, for an amount not exceeding the income derived from redemption of securities in accordance with a scheme framed by the Central Government provided such income has been disclosed in its return of income under the head "Profits and gains of business or profession".

2. In addition to the deduction available under Section 36(1)(viia) of the Act, the Bank is entitled to claim a deduction under Section 36(1)(vii) of the Act for the amount of bad debts written off as irrecoverable in the accounts. The deduction shall be limited to the amount by which such debt or part thereof, which exceeds the credit balance in the provision for bad and doubtful debts account made under Section 36(1)(viia) of the Act and subject to the compliance of provisions of Section 36(2)(v) of the Act. The amount subsequently recovered would be chargeable to income-tax in the year of recovery in accordance with the provisions of Section 41(4) of the Act.

3. Under Section 36(1)(viii) of the Act, the Bank is entitled to claim deduction for amount transferred to special reserve account subject to maximum 20% of profit derived from providing long term finance in India for industrial or agriculture development or development of infrastructure facility in India or development of housing in India.

   However, where the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and of general reserves of the bank, no allowance under this Section shall be made in respect of such excess.

4. Under the provisions of Section 43D of the Act interest income on certain categories of bad or doubtful debts as specified in Rule 6EA of the Income Tax Rules, 1962 having regard to the guidelines issued by Reserve Bank of India in relation to such debts shall be chargeable to tax, only in the year in which it is actually received or the year in which it is credited to the Profit and Loss Account by the Scheduled Bank, whichever is earlier.

General Tax Benefits

1. Under Section 10(15)(i) of the Act, income by way of interest, premium on redemption or other payment on securities, bonds, etc. issued by the Government and deposits notified by the Government is exempt from tax, subject to such conditions and limits as may be specified by Government in this behalf.

2. Under Section 10 (33) of the Act, any income arising from the transfer of a capital asset, being a unit of the Unit Scheme, 1964 referred to in Schedule I to the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002) is exempt.

3. In accordance with Section 10(34) of the Act, any dividend income as referred to in Section 115-O of the Act which is declared, distributed or paid by any domestic company is exempt from tax in the hands of the Bank.

4. In accordance with Section 10(35) of the Act, the following income shall be exempt in the hands of the Bank:

   a) Income received in respect of the units of a Mutual Fund specified under Section 10(23D) the Act; or
   b) Income received in respect of units from the Administrator of the specified undertaking; or
   c) Income received in respect of units from the specified company;

   Provided that this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case maybe.

5. By virtue of Section 10(36) of the Act, any long term capital gain arising to the Bank from the transfer of a long term capital asset being an eligible equity share (as defined) in a company purchased on or after 1st day of March 2003 and before 1st day of March 2004 and held for a period of 12 months or more would not be liable to tax in the hands of the Banks.

6. In accordance with Section 10(38) of the Act, long-term capital gains arising from the transfer of a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund is exempt in the hands of the Bank provided such transaction is chargeable to securities transaction tax under that chapter.

7. Under Section 32 of the Act, the Bank is entitled to claim depreciation on tangible and intangible assets owned by it and used for the purpose of its business.

8. In accordance with and subject to the provisions of Section 35 of the Act, the Bank would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business not being in the nature of capital expenditure. Further the Bank also would be entitled to a weighted deduction in respect of any sum paid to a scientific research association which has as its object the undertaking of scientific research or to a university or college or company or other institution to be used for scientific research subject to the conditions specified therein or in certain cases to be used for research in social science or statistical research.

9. Any payment of securities transaction tax in respect of taxable securities transactions which are taxable under the head "profits and gains of business or profession" shall be allowed as deduction under Section 36 (1) (xv) of the Act against such income.

10. In accordance with Section 47(viaa) of the Act, any transfer of a capital asset by a banking company to the banking institution, in a scheme of amalgamation of a banking company with a banking institution sanctioned and brought into force by the Central Government would not be liable to capital gains under Section 45 of the Act.

11. Under the provisions of Section 54EC of the Act and subject to conditions specified therein, the Bank is eligible to claim exemption from the tax arising on long-term capital gains, on investment of capital gains on or after 01.04.2007 in certain specified assets not exceeding Rupees fifty lakhs per year, within six months from the date of transfer of capital asset. If only a portion of the capital gains is invested, then the exemption is proportionately available. If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax

was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred or converted into money.

For this purpose, long term specified asset means, any Bond redeemable after three years but issued on or after 01.4.2007, by the National Highways Authority of India or by the Rural Electrification Corporation Limited.

12. In terms of the provisions of Section 111A of the Act, short-term capital gains arising from the transfer of a short-term capital asset, being an equity share in a company or a unit of an equity oriented mutual fund is chargeable to tax at the rate of 15% in the hands of the Bank, provided the transaction is chargeable to securities transaction tax under that chapter.

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

    The short term capital gains not eligible for the concessional rate under Section 111 A of the Act, are chargeable to tax as per the relevant tax rate applicable to the bank of 30% plus applicable surcharge and education cess.

To the Resident Shareholders of the Bank

The following are the benefits as per the current tax laws to shareholders in the Bank. However, in view of the individual nature of the tax consequences, prospective investors are advised to consult his/her/their own tax advisor with respect to the specific tax consequences of his/her/their purchasing shares in the Issue:

1 Under Section 10 (32) of the Act, any income of minor children clubbed with the total income of the parent under Section 64 (1A) of the Act, will be exempt from tax to the extent of Rs. 1500 per minor child.

2 In accordance with Section 10(34) of the Act, any dividend income as referred to in Section 115-O of the Act which is declared, distributed or paid by any domestic company on or after April 1, 2003 is exempt from tax in the hands of the shareholders.

3 In accordance with Section 10(38) of the Act, long-term capital gains arising from the transfer of a long-term capital asset, being the equity share of the Bank is exempt from tax provided the transaction is chargeable to securities transaction tax under that chapter. However, minimum alternate tax (MAT) of 18% (plus applicable surcharge and education cess) on book profits (which would include such long term capital gains) is payable by the shareholder company under Section 115JB of the Act, if 18% of book profit computed as per provision of Section 115JB of the Act is higher than the total income tax payable as per normal provision of the Act.

4 In terms of the provisions of Section 111A of the Act, short-term capital gains arising from the transfer of a short-term capital asset, being the equity share of the Bank is chargeable to tax at the rate of 15% in the hands of the shareholder, provided such transaction is chargeable to securities transaction tax under that chapter.

5 The benefit of exemption from tax under Section 10(38) of the Act on long term capital gains, or, concessional rate of tax under Section 111-A on short-term capital gains will not be available, where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the Act, taxable long-term capital gains, if any, on sale of listed shares of the Bank should be charged to tax at the concessional rate of 20% (plus applicable surcharge and education cess), after considering indexation benefits, or at 10% (plus applicable surcharge and education cess) without indexation benefits in accordance with and subject to the provision of Section 48 of the Act. Under Section 48 of the Act, the

long-term capital gains arising out of sale of capital assets ***excluding*** bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/improvement.

The short term capital gains not eligible for the concessional rate under Section 111-A of the Act, are chargeable to tax as per the relevant rate applicable to the shareholder plus applicable surcharge and education cess.

6 Renunciation of rights should be considered as taxable transfer with Nil cost of acquisition. The short-term capital gains arising on such renunciation should be taxable at normal rate of tax applicable to the shareholder plus applicable surcharge and education cess.

7 Any payment of securities transaction tax in respect of taxable securities transactions which are taxable under the head “profits and gains of business or profession” shall be allowed as deduction under Section 36 (1) (xv) of the Act against such income.

8 Under Section 54EC of the Act, exemption from capital gain tax is available in respect of long term capital gains arising on transfer of the Bonds/securities of the Bank if the assessee at any time within a period of six months from the date of such transfer, invests the whole of the capital gains in specified assets subject to maximum of Rupees fifty lakhs per year made on or after 01.04.2007. If only a portion of capital gains is so invested, then the exemption is proportionately available.

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

For this purpose the term assessee would include various types of persons like Individual, Hindu undivided Family, Association of Persons, Body of Individuals, Firm, Company etc.

For the meaning of the term “specified asset” kindly refer Para no. 13 under the section “General Tax Benefits” above.

9 As per the provisions of Section 54F of the Act, long term capital gains arising in the hands of an individual or HUF on transfer of shares of the Bank shall be exempt if the net consideration is invested in purchase of residential house within a period of one year before or two years from the date of transfer or constructs a residential house within a period of three years from the date of transfer. The exemption is available proportionately if only a portion of the net consideration is invested as above. The exemption is subject to other conditions specified in that Section.

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

Benefits to Non-Resident Shareholders including NRI’s, OCB’s & FII

1. In accordance with Section 10(34) of the Act, any dividend income as referred to in Section 115-O of the Act which is declared, distributed or paid by any domestic company on or after April 1, 2003 is exempt from tax in the hands of the shareholders.

2. In accordance with Section 10(38) of the Act, long-term capital gains arising from the transfer of a long-term capital asset, being an equity share in a company is exempt from tax provided the transaction is chargeable to securities transaction tax.

3. In terms of the provisions of Section 111A of the Act, short-term capital gains arising from the transfer of a short-term capital asset, being an equity share in a company or a unit of an equity oriented fund is chargeable to tax at the rate of 15% in the hands of the shareholder, provided such transaction is chargeable to securities transaction tax.

4. In accordance with and subject to the provisions of Section 48 of the Act, in order to compute capital gains, the following amounts would be deductible from the full value of consideration:
   (i) Cost of acquisition/improvement of the shares as adjusted by the Cost Inflation Index notified by the Central Government; and

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

   Further, the aforesaid manner of computation of capital gains shall be applicable in respect of every reinvestment thereafter in and sale of, shares in, or debentures of an Indian company.

5. The benefit of exemption from tax under Section 10(38) of the Act on long term capital gains, or, concessional rate of tax under Section 111-A on short-term capital gains will not be available, where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities would be charged to tax at the concessional rate of 20% (plus applicable surcharge and education cess) without indexation benefits in accordance with and subject to the provision of Section 48 of the Act.

   The short term capital gains not eligible for the concessional rate under Section 111-A of the Act, are chargeable to tax as per the relevant rate applicable to the shareholder plus applicable surcharge and education cess.

6. Renunciation of rights should be considered as taxable transfer with Nil cost of acquisition. The short-term capital gains arising on such renunciation should be taxable at normal rate of tax applicable to the shareholder plus applicable surcharge and education cess.

7. Any payment of securities transaction tax in respect of taxable securities transactions which are taxable under the head "profits and gains of business or profession" shall be allowed as deduction under Section 36 (1) (xv) of the Act against such income.

8. Under Section 54EC of the Act, exemption from capital gain tax is available in respect of long term capital gains arising on transfer of shares of the Bank if the assessee at any time within a period of six months from the date of such transfer, invests the whole of the capital gains in specified assets subject to maximum of Rupees fifty lakhs per year made on or after 01.04.2007. If only a portion of capital gains is so invested, then the exemption is proportionately available.

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

   For the meaning of the term "specified asset" kindly refer Para no. 11 under the Section "General Tax Benefits" above.

9. Capital gains arising to Non Resident Indians (NRIs) on sale of shares on which securities transaction tax is not paid, is governed by Chapter XII-A of the Act, subject to fulfilling the conditions stipulated therein.

   (i) In accordance with and subject to the provisions of Section 115D read with Section 115E of the Income-tax Act, long-term capital gains arising on transfer of specified capital assets (including bank's Equity Shares) acquired out of convertible foreign exchange, are taxable at the rate of 10% (plus applicable surcharge and education cess). Cost indexation benefits will not be available in such case.

(ii) In accordance with and subject to the provisions of Section 115F of the Act, long-term capital gains arising on sale of shares acquired by a NRI shareholder out of convertible foreign exchange shall be exempt from income tax entirely/proportionately, if the entire/part of the net consideration is invested for a period of three years in any savings certificates specified under Section 10(4B) or specified assets as defined in Section 115C(f) of the Act, within six months from the date of transferring the shares. The amount so exempted will be chargeable to tax under the head "Capital Gains" if these new assets are transferred or converted (otherwise than by way of transfer) into money within three years from the date of its acquisition in accordance with the provisions of Section 115F(2) of the Act.

(iii) As per Section 115G of the Act, a NRI would not be required to file a return of income under Section 139(1) of the Act, where the total income consists only of investment income and/or long-term capital gains and tax deductible at source has been deducted from such income as per provisions of Chapter XVIIB of the Act.

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

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

11. In accordance with and subject to the provisions of Section 115AD read with Section 196D(2) of the Act, no deduction of tax at source is applicable in respect of capital gains arising from the transfer of the equity shares payable to FIIs.

12. 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, subject to fulfillment of conditions prescribed there under.

Benefits available to Mutual Funds which are shareholders of the Bank

As per the provisions of Section 10(23D) of the Act, any income of a Mutual Fund registered under the SEBI Act or Regulations made there under, mutual funds set up by the Public Sector Banks or Public Financial Institutions and Mutual Funds authorized 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, would be exempt from income-tax.

WEALTH TAX

Shares are not treated as assets within the meaning of Section 2(ea) of the Wealth Tax Act, 1957 and accordingly, the Bank's equity are not liable to Wealth-tax in the hands of the shareholders.

Notes:

All the above benefits are as per the current tax law and will be available only to the sole/first names holder in case the shares are held by joint holders. The above benefits have not been analyzed from the perspective of Direct Tax Code Bill 2010 which is proposed to be implemented from April 01, 2012.

In view of the individual nature of tax consequences, each investor is advised to consult their own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

The above statement of possible direct tax benefits set out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

LIMITATIONS

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

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N**	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S
(CA Sunil Aggarwal) Partner M.No. 83899	(CA B Srinivasa Rao) Partner M.No. 202352	(CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N
(CA Raghuvir M. Aiyar) Partner M.No. 38128	(CA. Amit Mehta) Partner M.No. 403467	(CA Milan Shrimali) Partner M.No/ 088578

Place: Mumbai
Date: January 21, 2011

OUR BUSINESS

Overview

We are a public sector banking institution with branches in 29 States and 3 Union Territories in India. According to RBI's report on trend and progress of banking in India 2009-10, we are the third largest bank in India based on the number of branches. As at December 31, 2010, we had 3,656 branches (all of them under Core Banking Solution "**CBS**" platform) with 16 zonal offices, 74 regional offices, 7 sponsored RRBs, 178 extension counters, 912 ATMs, 34 satellite offices and 20 non-business office. As at December 31, 2010, we have a workforce of 33,561 employees (including part-time employees) serving over 27 Million customers.

Central Bank of India was founded on December 21, 1911 by Sir Sorabji Pochkhanawala with Sir Pherozesha Mehta as the first Chairman. It was the first fully Indian owned and managed commercial bank. The Bank was nationalised in 1969 along with 13 other major commercial banks and the Bank was then wholly-owned by the Government of India. After the public Issue amounting to ₹ 8,160 Million in 2007, the Government of India's shareholding in the Bank was reduced to 80.20%.

As on September 30, 2010 based on RBI data, the Bank's estimated market share of aggregate deposits of all scheduled commercial banks in India was 3.56% and the Bank estimated market share of domestic advances was 3.38%. We made a net profit of ₹ 10,582.30 Million in Fiscal 2010 and as at March 31, 2010 we had assets of ₹ 1,826,716 Million approximately and a net worth of ₹ 57,281.80 Million. We have experienced growth in deposits and advances, with deposits growing at a compounded annual rate of 25.11% during the last three Fiscal Years and net advances growing at a compounded annual rate of 26.71% during the same period.

As at December 31, 2010, the CBS, which is a suite of software applications that facilitate centralised operations through a central database, had been implemented at all 3,656 branches and 178 extension counters, covering 100% of our business (i.e., total deposits and gross advances) i.e. 100% of our business had been computerized at the end of calendar year 2010.

Our head office (central office) is located at Chandermukhi, Nariman Point, Mumbai 400 021. As at December 31, 2010, our domestic branch network of 3,656 branches comprised of 1,402 rural, 912 semi-urban, 704 urban and 638 metropolitan branches. We have specialized branches catering to the needs of the treasury, corporate finance, mid-corporate, agricultural branch, SME, etc. Additionally, there are nine offices providing specialized services such as cash management and central clearing and 109 currency chests. As at September 30, 2010, we have 3,814 properties that are leased and 826 properties that are owned by our Bank including the head office, zonal offices, regional offices, branches, other offices, residential property, chests and vacant sites.

Products

The Bank's main business is taking deposits, lending money and making investments. The range of products offered by the Bank includes fund-based products, non fund-based products, fee and commission-based products and services, deposits and foreign exchange and derivative products. Our deposit taking and lending business is divided into three main areas: corporate; retail and agriculture. Our retail banking business provides financial products and services to our retail customers. In the retail banking business, the Bank's products and services include retail lending and deposits, fee and commission-based products and services, as well as alternative payment products.

We provide loans and advances for housing, retail trade, automobiles, consumer durables, education and other personal loans and deposit services, such as current, savings and fixed deposits for our customers. Our agricultural banking business offers direct financing to farmers for production and investment, as well as indirect financing for infrastructure development and credit to suppliers of agricultural inputs through agencies. In consonance with national policies and priorities, we have given considerable thrust to lending to the priority sector, including the agriculture sector. We provide commercial banking products and services to corporate and commercial customers, including mid-sized and small businesses and government entities. Our loan products include term loans for acquisition, construction or improvement of assets as well as short-term loans, cash credit, export credit and other working capital financing and bill discounting. We act as an agent for various state governments and the Government of India on numerous matters including the collection of taxes and the payment of pensions.

We also provide credit substitutes, such as letters of credit and guarantees.

As per RBI guidelines, we are required to lend at least 40% of our net bank credit to the priority sector, which includes a minimum lending of 18% of our adjusted net bank credit to the agriculture sector, and lending to small scale industries, among others.

The following table sets forth the geographic distribution of our domestic deposits, advances and branch network as at the end of Fiscal 2008, Fiscal 2009 and Fiscal 2010:

	As at March 31, 2008			As at March 31, 2009			As at March 31, 2010		
Distribution	**Number of branches**	**Deposits (₹ in Millions)**	**Advances (₹ in Millions)**	**Number of branches**	**Deposits (₹ in Millions)**	**Advances (₹ in Millions)**	**Number of branches**	**Deposits (₹ in Millions)**	**Advances (₹ in Millions)**
Rural	1,349	182,592	79,572	1,380	190,650	88,114	1,391	184,027	98,662
Semi Urban	810	156,043	70,164	887	180,473	79,076	902	202,953	90,685
Urban	616	220,109	93,408	679	262,182	107,781	685	289,181	166,602
Metropolitan	566	517,587	500,783	605	633,746	591,225	632	690,110	716,587
Total	3,341	1,076,331	743,927	3,551	1,267,051	866,196	3,610	1,366,271	1,072,536

The following table sets forth the segment wise break-up of the loans and advances at the end of Fiscal 2009 and Fiscal 2010:

Type of Advance	**As of 31 March 2009 (₹ in Millions)**	**As on 31 March 2010 (₹ in Millions)**	**Year on Year growth (In %)**
Total Loans and Advances	867,400	1,071,180	23.50%
Corporate Credit	552,440	678,350	22.80%
Agriculture	141,390	183,090	29.92%
-Direct Agriculture	89,550	116,070	29.61%
-Indirect Agriculture	51,840	67,020	29.29%
MSE	58,330	93,170*	59.72%
Retail Credit	90,700	111,900	23.37%

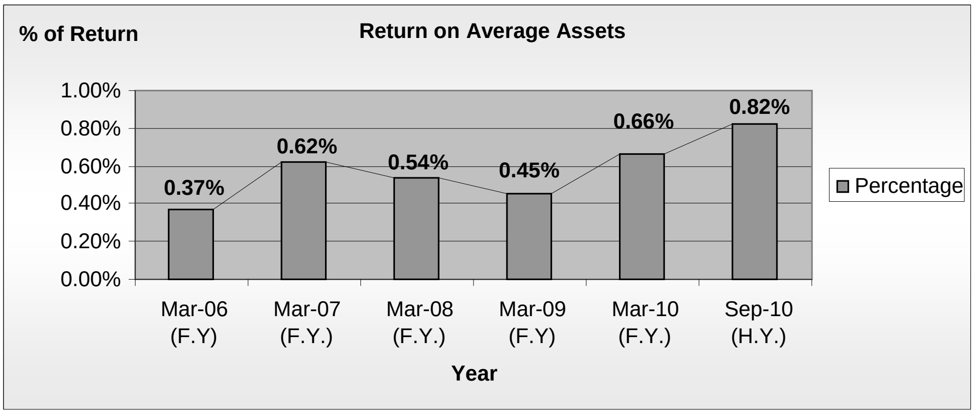
**This figure includes advances under retail trade as per RBI guidelines*

Strategic Alliances

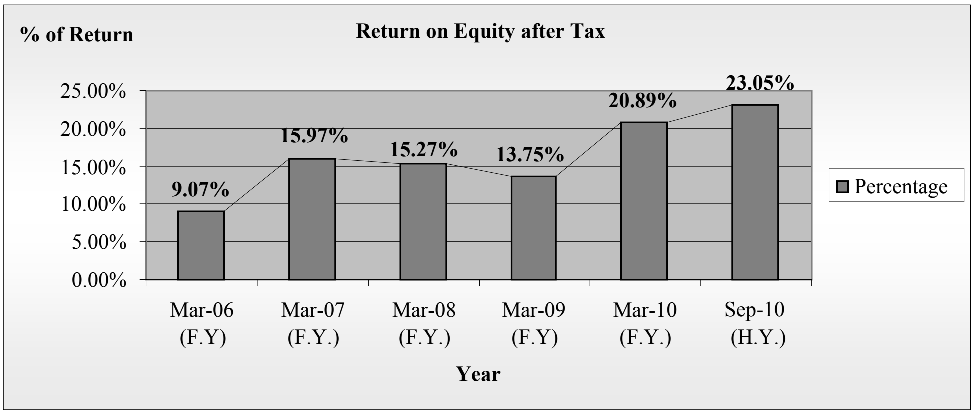
We also offer a wide range of general banking services to our customers, including: credit cards; debit cards; cash management and remittance services; and collection services. With a view to diversify our banking activities we distribute third party life and non-life insurance policies and mutual funds on an agency basis. We have entered into various agreements with Asset Management Companies like ICICI Prudential Asset Management Company limited, Franklin Templeton Asset Management (India) Private Limited, TATA Asset Management Company Limited, Reliance Capital Asset Management Limited, DSP Blackrock Investment Managers Private Limited, Kotak Mahindra Asset Management Company Limited, L&T Investment Management Limited, IDFC Asset Management Company Limited and Principal PNB Asset Management Company Private Limited for the distribution of units of the scheme of the Fund to our customers from our various branches throughout India. We have also entered into an interim agreement with Cholamandalam MS General Insurance Company Limited for providing services in relation to the sale of the general insurance products and simultaneously we have also entered into an agreement with Birla Sun Life Insurance Company Limited for providing life insurance and allied services. Our Bank had appointed a business correspondent namely i25 Rural Mobile Commerce Service vide agreement dated December 30, 2009, which was valid for a period of one year to enable and provide services for enrollment of customers for no-frills zero balance saving accounts through technology enabled devices in the rural and remote districts of Maharashtra, Assam and Gujarat. The same is under process of renewal.

We have experienced growing demand for our financial products, and therefore have demonstrated consistent growth in our business.

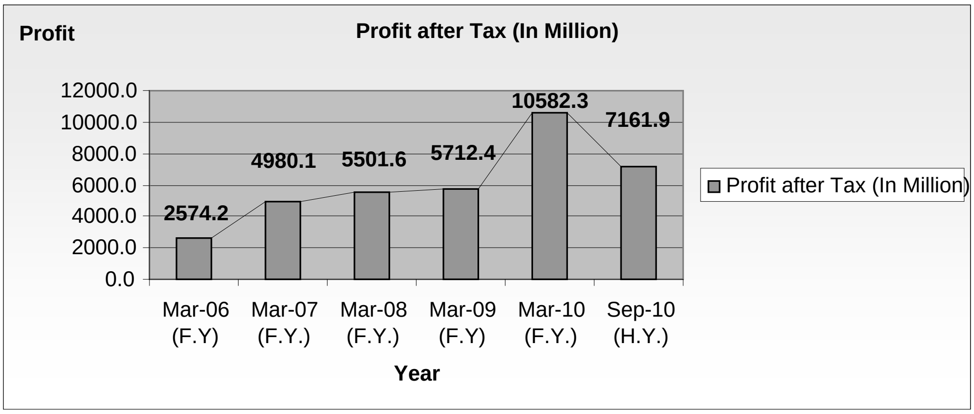
- Return on Assets (RoA) trend from FY 06 to FY 10:



- Return on Equity (RoE) trend from FY 06 to FY 10:



- Net Profit trend from FY 06 to FY 10:



Our Subsidiaries

Centbank Financial Services Limited, our 100% owned subsidiary, provides various types of financial services. For Fiscal 2010, Centbank Financial Services Limited made a profit after tax of ₹ 43.28 Million and as at March 31, 2010, it had net current assets of ₹ 120.14 Million.

We have another subsidiary engaged in Housing Finance named Cent Bank Home Finance Limited wherein our Bank holds 59.50% ownership interest. Cent Bank Home Finance Limited has a network of 12 branches and one extension counter in each of the seven states in India. For Fiscal 2010, Cent Bank Home Finance Limited made a profit after tax of ₹ 54.49 Million and as at March 31, 2010, it had net current assets of ₹ 2523.23

Million.

Our Associates including regional rural banks

We have one overseas joint venture bank in Zambia, Indo-Zambia Bank Limited, in which we have a 20.0% ownership interest. It has jointly been promoted by Government of Republic of Zambia, Central Bank of India, Bank of India and Bank of Baroda and is involved in banking operations in Zambia.

Additionally, we have sponsored seven Regional Rural Banks ("**RRBs**"), spread over 7 states in 55 districts in collaboration with the state governments of Madhya Pradesh, Chattisgarh, Bihar, Maharashtra, Uttar Pradesh and Rajasthan. The Regional Rural Banks sponsored by us are as follows: (i) Satpura Narmada Kshetriya Gramin Bank; (ii) Surguja Kshetriya Gramin Bank; (iii) Uttar Bihar Gramin Bank; (iv) Vidharbha Kshetriya Gramin Bank; (v) Ballia Etawaha Gramin Bank; (vi) Hadoti Kshetriya Gramin Bank; and (vii) Kshetriya Gramin Bank. There are about 1,745 branches amongst our 7 RRBs, with 79% of the Branches in Rural Areas, 17% in Semi-urban areas and rest 4% in Urban Centers. As at September 30, 2010, the profit and loss account of the RRBs stood as follows;

Name of the RRB	Profit (₹ in Millions)
Satpura Narmada Kshetriya Gramin Bank (Satpura Narmada)	(-)135.81
Surguja Kshetriya Gramin Bank (Sarguja)	123.23
Uttar Bihar Gramin Bank (Uttar Bihar)	712.00
Vidharbha Kshetriya Gramin Bank (Vidharbha)	(-)65.65
Ballia Etawaha Gramin Bank (Ballia-Etawaha)	60.17
Hadoti Kshetriya Gramin Bank (Hadoti)	12.26
Uttarbanga Kshetriya Gramin Bank (Uttarbanga)	15.86

Further, as at March 31, 2010, following was the position of the deposit, advance, net profit, net worth and CRAR of each of the RRBs:

(₹ in Millions)

Sr. No	Name of RRB	Deposit		Advances		Net Profit		Net Worth	CRAR
		31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.10
1	Satpura-Narmada	29,422.03	25,202.82	13,648.05	11,266.94	483.28	386.04	1,320.58	8.66
2	Sarguja	8,514.90	6,866.45	2,555.95	2,116.18	283.60	216.52	625.11	20.94
3	Uttar Bihar	72,332.50	63,453.40	26,191.10	20,319.10	1,802.60	1,041.90	3,262.20	10.40
4	Vidharbha	6,094.20	5,251.40	3,116.32	2,516.37	62.19	60.56	436.50	13.08
5	Balia-Etawah	11,930.03	10,832.49	4,334.28	4,120.68	39.23	123.72	679.61	16.01
6	Hadoti	7,640.80	6,414.09	4,400.87	3,367.82	71.85	93.35	245.46	5.54
7	Uttarbanga	10,068.89	8,213.84	5,466.35	4,825.65	160.52	123.16	365.09	6.26

Awards and Accolades

2011

In January 2011, our Bank has been awarded with the SKOCH Award for its outstanding performance in 'Jeevika Project' in Bihar for its major contribution in socio-economic growth of underprivileged population living below the poverty line in the State through self help group.

2010

In the year 2010, our Bank has been awarded with the IMM Award for Eminent Organization, Rotary International District 3050 for professional excellence and the SKOCH Challenger Award for Best Business Model. The Skoch Challenger Awards cover the best of efforts in the area of digital, financial and social inclusion. In the year 2010, our Bank has also been rated among the top five most trusted banks by a survey conducted by AC Nielsen and Economic Times. Our Bank has also been awarded with the e-shakti award under e-muster project for the implementation of financial inclusion in Bihar.

2009

In the year 2009, our Bank was awarded with the Best Customer Technology Award IBA - TFDI, Banking Excellence Award by Hospitality India and the National Level Best Bank in Financing KVIC. In the year 2009, our Bank also won the Best Education Loan Provider by Outlook Money – NDTV Profit. The award worked in favour of our Bank because of our wide branch network, increase in the number of education loans and the number of loans given to girl students.

2008

In the year 2008, our Bank was the winner of the Best Education Loan Provider and Runner up as Home Loan Provider in the Outlook Money NDTV Profit Awards 2008

REGULATIONS AND POLICIES

Our Bank is constituted under the provisions of Banking Acquisition Act. The main legislation governing commercial banks, the Banking Regulation Act, applies to public sector banks such as us, only to a limited extent. Sections 34A, 36AD and section 51 of the Banking Regulation Act are applicable to corresponding new banks constituted under the Banking Acquisition Act. In turn, section 51 of the Banking Regulation Act makes some of its sections applicable to corresponding new banks. Our Bank, as a corresponding new bank, is governed primarily by the provisions of the Bank Acquisition Act, 1970. The Nationalised Bank Scheme and the Bank Regulations also governs our operations. Other important laws include the Reserve Bank of India Act, 1934. Additionally, the RBI, from time to time, issues guidelines, regulations, policies, notifications, press releases, circulars, etc. to be followed by us and supervises our compliance with these guidelines.

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

Compliance with all regulatory requirements is evaluated with respect to financial statements under the Indian GAAP.

As our Bank is listed on Stock Exchanges, Listing Agreement entered with the Stock Exchanges and various regulations of SEBI shall also be applicable to our Bank.

No new regulations are applicable for the proposed objects of the issue since the object is to augment our capital base to meet our capital adequacy requirements arising out of growth in our business.

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

Comparative Table of Rights of Shareholders under Companies Act, 1956 and under Central Bank of India (Shares and Meetings) Regulations, 1998, Banking Regulation Act, Banking Acquisition Act and Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, as applicable to Corresponding New Banks

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
38	Not to be bound by an alteration made in the memorandum of association/articles of association after the date of becoming a member, so far as the alteration requires him to subscribe for more shares, or increases his liability to contribute to the share capital, or otherwise to pay money to the company.	No corresponding provision.	
39	To require a company to send within seven days of the requisition, a copy of each of the following documents as in force for the time being: (a)	No corresponding provision.	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
	the Memorandum of Association; (b) the Articles of Association; and (c) every agreement and every resolution referred to in section 192, if in so far as they have not been embodied in the memorandum or articles.		
49	To inspect the register of investments and to petition the Central Government if the inspection is refused.	No corresponding provision.	
53	To be served with a document by the company.	Regulation 46	Regulation 46: Service of a notice or document to shareholders (i) The Bank may serve a notice or a document on any shareholder either personally, or by ordinary post at his registered address or if he has no registered address in India, at the address, if any, within India.
62	To sue directors, promoters or persons who have authorised the issue of the prospectus for loss or damage suffered by reason of any untrue statement included in the prospectus.	No corresponding provision.	
71	To avoid irregular allotment of shares/debentures.	No corresponding provision.	
73	To obtain repayment of the application money/excess application money.	No corresponding provision.	
84	To receive a share certificate and obtain a duplicate if the original lost or damaged.	Regulations 14 and 15	Issue of share certificates and issue procedure of duplicate share certificates detailed.
87	Voting rights on a poll in proportion to the share of the paid-up equity capital of the company.	Regulation 61 and 68 Sections 3(2BBA)(a) and 3(2E)	Regulation 61: Voting at general meetings (i) At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded, be decided on a show of hands. (ii) Save as otherwise provided in the Act every matter submitted to a general meeting shall be decided by a majority of votes. (iii) Unless a poll is demanded under sub-regulation (i), a declaration by the Chairman

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			of the meeting that a resolution on show on hands has or has not been carried either unanimously or by a particular majority and an entry to that effect in the books containing the minutes of the proceedings, shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of, or against, such resolution. (iv) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by any shareholder or shareholders present in person or by proxy and holding shares in Central Bank of India which confer a power to vote on the resolution not being less than one fifth of the total voting power in respect of the resolution. (v) The demand for a poll may be withdrawn at any tie by the person or persons who have made the demand (vi) A poll demanded on a question of adjournment or election of chairman of the meeting shall be taken forthwith. (vii) A poll demanded on any other question shall be taken at such time not being later than forty-eight hours from the time when such demand was made as the chairman of the meeting may direct. (viii) The decision of the chairman of the meeting as to the qualification of any person to vote, and also in the case of poll, as to the number of votes any person is competent to exercise shall be final.

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			Regulation 68: (i) Determination of Voting Rights. Subject to the provisions contained in Section 3(2E) of the Act, each shareholder who has been registered as a shareholder on the date of closure of the register prior to the date of a general meeting shall, at such meeting, have one vote on show of hands and in case of a poll, shall have one vote for each share held by him. (ii) Subject to the provisions contained in Section 3(2E) of the Act, every shareholder entitled to vote as aforesaid who, not being a company, is present in person or by proxy or who being a company is present by a duly authorised representative, or by proxy shall have one vote on a show of hands and in case of a poll shall have one vote for each share held by him as stated hereinabove in sub regulation (i) (iii) Shareholders of the Bank entitled to attend and vote at a general meeting shall be entitled to appoint another person (whether a shareholder or not) as his proxy to attend and vote instead of himself, but a proxy so appointed shall not have any right to speak at the meeting. Section 3(2BBA)(a) A corresponding new bank may from time to time and after any paid-up capital him been raised by public issue or preferential allotment or private placement under clause (c) of sub-section (2B), by resolution passed at an annual general meeting of the shareholders entitled to vote, voting in person, or, where proxies are allowed, by proxy, and the votes cast in favour of the resolution are not less than three times the number of the votes, if any, cast against the resolution by the shareholders so entitled and voting,

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			reduce its paid-up capital in any way. Section 3(2E) No shareholder of the corresponding new bank, other than the central Government, shall be entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the total voting rights of all the shareholders of the corresponding new bank. Provided that the shareholder holding any preference share capital in the corresponding new bank shall, in respect of such capital, have a right to vote only on resolutions placed before such corresponding new bank which directly affects the rights attached to his preference shares Provided further that no preference shareholder shall be entitled to exercise voting rights in respect of preference shares held by him in excess of one per cent of the total voting rights of all the shareholders holding preference share capital only
(91)	To have calls on shares on a uniform basis on all the shares falling under the same class.	Regulation 22	Regulation 22: Calls on shares The Board may, from time to time, make such calls as it thinks fit upon the shareholders in respect of all moneys remaining unpaid on the shares held by them, which are by the conditions of allotment not made payable at fixed times, and each shareholder shall pay the amount of every call so made on him to the person and at the time and place appointed by the Board. A call may be made payable by installments.
94	To consolidate all or any of its share capital into shares of larger amount and to subdivide its shares into shares of smaller amount.	Regulation 16	Regulation 16: Consolidation and sub-division of shares On a written application made by the shareholder(s), the board or the committee designated by it may consolidate or sub-divide the shares submitted to it for consolidation/ sub-division as the case may be and issue new certificate(s) in lieu thereof on payment to the bank of its costs, charges and expenses of and incidental to the matter.
99	Right to determine that uncalled share capital shall be capable of being called only	No corresponding provision.	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
	upon winding up.		
106	To consent to the variation of rights attached to the shares.	No corresponding provision.	
107	To apply to the National Company Law Tribunal to have the variation of rights cancelled if no consent is given.	No corresponding provision.	
108	To transfer shares held in the company.	Regulations 3, 17, 18 and 19 Section 3(2D)	Regulation 3: Nature of Shares The shares of the bank shall be movable property, transferable in the manner provided under these regulations. Section 3(2D) The shares of every corresponding new bank not held by the central Government shall be freely transferable: Provided that no individual or company resident outside India or any company incorporated under any law not in force in India of any branch of such company, whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of the corresponding new bank so that such investment in aggregate exceed the percentage, not being more than twenty per cent of the paid-up capital as may be specified by the central Government by notification in the Official Gazette.
110	To apply for the registration of transfer of shares.	Regulations 18 and 19	Regulation 18: Power to suspend transfers The board or the committee designated by the board shall not register any transfer during any period in which the register is closed. Regulation 19: Board's right to refuse registration of transfer of shares (i) The board or committee may refuse transfer of any shares in the name of the transferee on any one or more of the following grounds, and on no other grounds: a. the transfer of shares is in contravention of the provisions of the

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			Act or regulations made thereunder or any other law or that any other requirement under the law relating to registration of such transfer has not been complied with; b. the transfer of shares, in the opinion of the board, is prejudicial to the interests of the bank or to public interest; c. the transfer of shares is prohibited by an order of court, tribunal or any other authority under any law for the time being in force; d. an individual or a company resident outside India or any company incorporated under any law not in force in India or any branch of such company, whether resident outside India or not, will on the transfer being allowed, hold or acquire as a result thereof, shares of the bank and such investment in the aggregate will exceed the percentage being more than 20% of the paid up capital or as may be prescribed by the central government by notification in the official gazette. (ii) The board or the committee shall, after the instrument of transfer of shares of the bank is lodged with it for the purpose of registration of such transfer, form its opinion as to whether such

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			registration ought or ought not to be refused on any of the grounds referred to in sub-regulation (i): a. if it has formed the opinion that such registration ought not to be so refused, effect such registration; and b. if it has formed the opinion that such registration ought to be refused on any of the grounds mentioned above intimate the same to the transferor and the transferee by notice in writing giving reasons for such refusal within 60 days from the receipt of the transfer form.
111, 111A	To make a petition to the National Company Law Tribunal against refusal by the company for the registration of transfer of shares or rectification of the register of members.	No corresponding provision.	
113	To have the share certificate delivered within the time limit stipulated.	Regulation 17	Regulation 17 Unless the transfer of shares is refused under regulation 19, the share certificate duly transferred shall be delivered to the transferee within sixty days of the date of lodging the instrument of transfer.
113	To serve on the company a notice, requiring it to make good any default in delivering share/ debenture/ stock certificates.	No corresponding provision.	
113	To apply to the Central Government in the event of the company's failure to make good any default as above.	No corresponding provision.	
117A	To inspect debenture trust deed and obtain a copy thereof.	No corresponding provision.	
118	To request the company to forward a copy of a debenture trust deed.	No corresponding provision.	
118	To apply to the Central Government to direct the	No corresponding provision.	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
	company to forward a copy of the debenture trust deed forthwith.		
134	To file with the Registrar of Companies the particulars of a charge created by the company, as a person interested therein.	No corresponding provision.	
141	To apply to the Central Government for the rectification of the register of charges as an interested party.	No corresponding provision.	
144	To inspect the copies of instruments creating charge.	No corresponding provision.	
144	To apply to the Central Government for compelling inspection of the copies and the register aforesaid, in case of refusal by the company.	No corresponding provision.	
163	To inspect, to obtain copies of the register of members or register of debenture holders and copies of annual returns together with the copies of certificates and documents required to be annexed thereto.	Regulations 11 and 5 Section 3 (2F)	Share register maintained under Regulation 5 and Section 3(2F) Regulation 11: Inspection of Register (i) The register shall, except when closed under Regulation 12, be open to inspection, free of charge, at the place where it is maintained during business hours, subject to such reasonable restrictions as the board may impose, but that not less than two hours in each Working Day be allowed for inspection (iii) Notwithstanding anything contained in sub-regulation (ii), any duly authorised officer of the Government shall have the right to make a copy of any entry in the register or be furnished a copy of the register or any part thereof.
163	To apply to the central Government for compelling inspection of the registers of shareholders and debenture-holders and annual returns.	No corresponding provision.	
165	To receive a copy of the statutory report and to attend the statutory meeting.	No corresponding provision.	
165	To discuss at the statutory meeting, any matter relating to the formation of the company or arising out of the statutory report, without giving a previous notice therefore.	No corresponding provision.	
165	To have accessible, a list of	No corresponding	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
	members with details, during the continuation of the statutory meeting.	provision.	
166, 169	To attend the annual general meeting and extra-ordinary general meeting.	Regulation 60	Regulation 60: Persons entitled to attend general meetings (i) All directors and all shareholders of the Bank shall, subject to the provisions of sub-regulation (ii), be entitled to attend a general meeting. (i) A shareholder (not being the central government) or a director, attending a general meeting shall for the purpose of identification and to determine his voting rights, be required to sign and deliver to the bank a form to be specified by the chairman containing the particulars relating to: (a) his full name and registered address; (b) the distinctive numbers of his shares; (c) Whether he is entitled to vote and the number of votes to which he is entitled in person or by proxy or as a duly authorised representative.
169	To requisition an extra-ordinary general meeting.	Regulation 57	Regulation 57: Extraordinary General Meeting (i) The chairman and managing director or in his absence the executive director of the bank or in his absence the executive director of the bank or in his absence any one of the directors of the bank may convene an extra-ordinary general meeting of shareholders, if so directed by the board, or on a requisition for such a meeting having been received either

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			from the central government or from other shareholders holding shares carrying, in the aggregate not less than ten percent of the total voting rights of all shareholders.
			(ii) The requisition referred in sub-regulation (i) shall state the purpose for which the extra ordinary general meeting is required to be convened, but may consist of several documents in like form each signed by one or more of the requisitionists.
			(iii) Where two or more persons hold any shares jointly, the requisition or a notice calling a meeting signed by one or some of them shall, for the purpose of this regulation have the same force and affect as if it had been signed by all of them.
			(iv) The time, date and place of the extra ordinary general meeting shall be decided by the board: Provided that the extraordinary general meeting convened on the requisition by the central government or other shareholder shall be convened not later than 45 days of the receipt of the requisition.
			(v) If the chairman and managing director or in his absence the executive director, as the case may be, does not convene a meeting as required by sub-regulation (i), within the period stipulated in the proviso to sub-regulation (iv), the meeting may be called by the requisitionists themselves within three months from the date of the requisition: Provided that nothing in this

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			sub-regulation shall be deemed to prevent a meeting duly convened before the expiry of the period of three months aforesaid, from being adjourned to some day after the expiry of that period. (vi) A meeting called under sub-regulation (v) by the requisitionists shall be called in the same manner, as nearly as possible as that in which the other general meetings are called by the board.
169	To hold an extra-ordinary general meeting if the board of directors fails to convene a meeting on the requisition, within the time limit stipulated.	Regulation 49	
169	To have reimbursed, the expenses incurred for convening/ holding the extra-ordinary general meeting, on failure of the board as aforesaid.	No corresponding provision.	
171,172	To receive a notice of every general meeting.	Regulation 56	Regulation 56: Notice convening an Annual General Meeting (i) A notice convening an annual general meeting of the shareholders signed by the Chairman and Managing Director or Executive Director or any officer not below the rank of Scale VII or Company Secretary of Central Bank of India shall be published at least twenty-one clear days before the meeting in not less than two daily newspapers having wide circulation in India. (ii) Every such notice shall state the time and date of such meeting, and also the business that shall be transacted at that meeting. (iii) The time and date of such meeting shall be as specified by the Board. The meeting shall be held at the place of head office of Central Bank

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			of India.
173	To have the notice of a general meeting annexed with an explanatory statement.	No corresponding provision.	
174	To be counted for the purpose of constituting a quorum at a general meeting.	Regulation 58	Regulation 58: Quorum of general meeting No business shall be transacted at any meeting of the shareholders unless a quorum of at least five shareholders entitled to vote at such meeting in person are present at the commencement of such business.
176	To appoint a proxy to attend and vote at a general meeting of a company.	Regulations 60	Shareholders can attend and vote personally and through proxy.
176	To inspect the proxies lodged with the company in the manner specified.	No corresponding provision.	
179	To demand a poll and to withdraw the demand in the manner laid down in this section at a general meeting of the company.	Regulation 61(i)	Regulation 61 (i): Voting at general meetings At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded be decided on a show of hands.
182	Not to be prohibited from exercising the voting right on the ground that the shares or other interest in the company has not been held for any specified period or on any other ground than the one specified in Section 181.	No corresponding provision.	
183	To use votes on a poll differently, for or against the resolution.	No corresponding provision.	
184	To be appointed as a scrutineer at a poll.	Regulation 61A	Regulation 61A: Scrutineers at a Poll Of the two scrutineers appointed under this regulation one shall always be a shareholder (not being an officer or employee of the bank) present at the meeting; provided that such a shareholder is available and willing to be appointed.
186	To apply to the National Company Law Tribunal to order a general meeting other than annual general meeting, to be called.	No corresponding provision.	
187	To be represented at a general meeting of a company (if the member to be represented, is a company).	Regulation 69(i)	Regulation 69(i): Voting by duly authorised representative – A shareholder, being the central government or a company, may by a resolution authorise any of its officials or any other person to act as its representative at any general meeting of the shareholders and the person so

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			authorised shall be entitled to exercise the same powers on behalf of the central government or company which he represents, as if he were an individual shareholder of the Central Bank of India. The authorisation so given may be in favour of two persons in the alternative and in such a case any one of such persons may act as the duly authorised representative of the central government / company.
187A	To be represented at a general meeting of a company (if the member to be represented, is the President or Governor of a State).	Regulation 61(i)	Same as above
188	To have a resolution to be proposed at a general meeting to be circulated amongst members of the company.	No corresponding provision.	
190	To give a special notice to the company in respect of the resolutions requiring special notice.	No corresponding provision.	
190	To be given a notice of a resolution requiring special notice.	No corresponding provision.	
196	To inspect and be furnished with a copy of the minutes of any general meeting.	Regulation 62	Regulation 62: Minutes of general meetings – (i) The bank shall cause the minutes of all proceedings to be maintained in the books kept for the purpose. (ii) On written request made by a shareholder for inspection of the minute book or for a copy of the minute of a specified meeting, the bank shall allow the inspection or furnish the copy of the minute, as the case may be.
196	To apply to the Central Government for inspection of the minutes books or to be furnished with a copy of minutes of the general meeting.	No corresponding provision.	
203	To apply to the Court/ National Company Law Tribunal to restrain fraudulent persons from managing companies.	No corresponding provision.	
205A, 205B	To claim any dividend which remains unpaid or unclaimed.	Section 10B	Section 10B: Transfer of unpaid or unclaimed dividend to Unpaid Dividend Account:

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			(1) Where after the commencement of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act 2006, a dividend has been declared by a corresponding new bank but has not been paid or claimed within thirty days from the date of declaration, to, or by, any shareholder entitled to the payment of the dividend, the corresponding new bank shall, within seven days from the date of the expiry of such period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty days, to a special account to be called "Unpaid Dividend Account" (2) Any money transferred to the Unpaid Dividend Account of a corresponding new bank in pursuance of this section which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the corresponding new bank to the Investor Education and Protection Fund established under sub-section (1) of section 205C of the Companies Act 1956.
206	To receive dividend declared.	No corresponding provision.	
206A	To have the dividend transferred to the special account where the transfer of shares has not been registered by the company.	No corresponding provision.	
206A	To have any rights shares or bonus shares kept in abeyance in relation to the shares, the registration of transfer of which has not been registered by the company.	No corresponding provision.	
210	To require the balance sheet and profit and loss account to be laid before the company at every annual general meeting	Section 10A(2)	Section 10A(2): Annual general meeting The shareholders present at an annual general meeting shall be entitled to

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			discuss, approve and adopt the balance-sheet and the profit and loss account of the corresponding new bank made up to the previous 31st day of March, the report of the board of directors on the working and activities of the corresponding new bank for the period covered by the accounts and the auditor's report on the balance-sheet and accounts.
219	To receive 21 days before the date of the annual general meeting, copies of the balance sheet, profit and loss account, directors' report, auditor's report and other documents.	No corresponding provision.	
219	To require a company to furnish the full accounts where the company has sent abridged accounts.	No corresponding provision.	
224	To nominate a person for the appointment as auditor of the company if the first auditors are removed at a general meeting.	No corresponding provision.	
225	To give a special notice for a resolution appointing as auditor, person other that the retiring auditor or providing expressly that a retiring auditor shall not be re-appointed.	No corresponding provision.	
227	To be reported upon the accounts, balance sheet, profit and loss account, etc by the auditors of the company.	Section 30(2), Banking Regulation Act.	The auditor shall discharge the duties and be subject to the liabilities imposed on auditors of companies by Section 227 of the Companies Act, 1956. This provision is applicable to corresponding new banks by virtue of the provisions of Section 51 of the Banking Regulation Act.
230	To inspect the auditors' report at the general meeting where it is laid.	Section 10 A	
250	To apply to the National Company Law Tribunal to impose restrictions on shares, debentures or to prohibit transfer thereof in certain cases.	No corresponding provision.	
257	To stand for election for directorship at a general meeting.	Section 9(3) Regulation 63	Regulation 63: Directors to be elected at general meeting - (i) A director under clause (i) of sub-section (3) of Section 9 of the Act shall be elected by

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			the shareholders on the register, other than the central Government, from amongst themselves in the general meeting of the bank.
257	To give notice to the company for proposing a resolution at a general meeting to have himself or any other person elected as a director.	Regulation 65	Regulation 65: Nomination of candidates for election (i) No nomination of a candidate for election as a director shall be valid unless, a. he is a shareholder holding not less than 100 shares in the bank; b. he is on the last date for receipt of nomination, not disqualified to be a director under the Act or under the Scheme; c. he has paid all calls in respect of the shares of the bank held by him, whether alone or jointly with others, on or before the last date fixed for the payment of the call; d. nomination is in writing signed by at least one hundred shareholders entitled to elect directors under the Act or by their duly constituted attorney, provided that a nomination by a shareholder who is a company may be made by a resolution of the directors of the said company and where it is so made, a copy of the resolution certified to be a true copy by the Chairman of the meeting at which it was passed shall be

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			dispatched to the head office of Central Bank of India and such copy shall be deemed to be a nomination on behalf of the company. (ii) No nomination shall be valid unless it is received with all the connected documents complete in all respects and received, at the Head Office of the bank on a Working Day not less than fourteen days before the date fixed for the meeting.
257	To be informed of the candidature for directorship or the intention of a member to propose such person for directorship.	No corresponding provision.	
265	To vote for appointing a director by the proportional representation system.	No corresponding provision.	
284	To give a special notice to the company proposing a resolution at a general meeting for removal of a director and appointment of a person as director in place of the removed director.	Clause 11A	Clause 11-A: Removal from office of an elected director The shareholders other than the Central Government, may, by a resolution passed by majority of the votes of such shareholders holding in the aggregate not less than one half of the share capital held by all such shareholders, remove any director elected by the shareholders and elect in his stead another person to fill the vacancy.
301	To inspect, to take copies of the register of contracts, etc kept under this Section.	No corresponding provision.	
302	To receive an abstract of the terms of the contract or variation thereof, in respect of the appointment of manager or managing director, in which any director is interested.	No corresponding provision.	
304	To inspect the register of directors.	No corresponding provision.	
304	To apply to the Central Government/ National Company Law Tribunal for compelling inspection of the aforesaid register, if it is refused by the company. To	No corresponding provision.	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
	inspect the register kept by the registrar under this Section.		
307	To inspect at the registered office, the register of directors' shareholdings.	No corresponding provision.	
307	To apply to the Central Government/ National Company Law Tribunal for compelling inspection of the aforesaid register, if refused by the company.	No corresponding provision.	
391	To apply to the National Company Law Tribunal to call a meeting of the creditors or of the members in case compromise or arrangement is proposed with its creditors or members.	No corresponding provision.	
391	To agree to any compromise or arrangement at a special meeting called for that purpose.	No corresponding provision.	
391	To have disclosed in the notice of the special meeting referred to above, the particulars notified in sub-s (1) of this Section.	No corresponding provision.	
393	To be furnished by the company, with a copy of the statement setting forth the terms of the compromise or arrangement proposed and explaining its effect where the notice of the meeting is given by an advertisement.	No corresponding provision.	
393	To be offered the same terms as offered to all holders of shares of that class, whose transfer is involved if the member is a dissenting member.	No corresponding provision.	
395	Of dissenting shareholders, where a scheme or contract involving the transfer of shares to another company has been approved by at least nine-tenths in value of the shares whose transfer is involved, to receive a notice within two months of such approval of the transferee's desire to acquire shares of the dissenting shareholders.	No corresponding provision.	
395	To require the transferee company to acquire the shares in question within three	No corresponding provision.	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
	months of giving the notice.		
395	To have a copy of the notice transmitted to the transferor company together with an instrument of transfer and within one month of the date of registration is informed of the fact of registration, and of the receipt of amount or other consideration.	No corresponding provision.	
396	To have as nearly as may be, the same interests in or rights against the company resulting from the amalgamation, as he had in the company in which he was originally a member, and to receive compensation in case such interests or rights are reduced.	No corresponding provision.	
396	If aggrieved by any assessment of compensation, to prefer an appeal to the National Company Law Tribunal.	No corresponding provision.	
397, 398	To apply to the National Company Law Tribunal if he is of the opinion that the affairs of the company are being conducted in a manner prejudicial to the public interest or in a manner oppressive to any member.	No corresponding provision.	
408	To apply to the National Company Law Tribunal for appointment of nominee director, to safeguard the interests of the company or its shareholders or the public interests.	No corresponding provision.	
433	To resolve along with other members, at a general meeting, by a special resolution that the company be wound-up by the National Company Law Tribunal.	No corresponding provision.	
439	To petition the National Company Law Tribunal for winding-up the company.	No corresponding provision.	
440	To present winding-up petition where company is being wound-up voluntarily or subject to court's supervision.	No corresponding provision.	
490	To appoint one or more liquidators in the case of voluntary liquidation, and to fix the remuneration if any, to	No corresponding provision.	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
	be paid to the liquidator.		
492	To fill the vacancy occurred by the death, resignation or otherwise in the office of the liquidator appointed by the company, in a general meeting and convene a general meeting for this purpose.	No corresponding provision.	
511	To have distributed to him on the winding-up, the assets of the company according to his rights and interests in the company.	No corresponding provision.	
545	To have the opportunity of making a statement in writing to the registrar and being heard thereon, in case he is being prosecuted as a delinquent member.	No corresponding provision.	
621	To make a complaint in a court regarding offence under the Companies Act.	No corresponding provision.	

*Please note the following for the above table:

1. All references to Sections are references to Sections of the Bank Acquisition Act, except where otherwise specified.

2. All references to Regulations are references to provisions of Central Bank of India (Shares and Meetings) Regulations, 1998.

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

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

Licensing of Corresponding New Banks

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

Regulations relating to the Opening of Branches

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

Capital Adequacy Requirements

We are subject to the capital adequacy requirements of the RBI, which are based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1988. With a view to adopting the Basel Committee framework on capital adequacy norms which takes into account the elements of risk in various types of assets in the balance sheet as well as off-balance sheet business and also to strengthen the capital base of banks, RBI decided in April 1992 to introduce a risk asset ratio system for banks (including foreign banks) in India as a capital adequacy measure. This requires us to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.00%, at least half of which must be Tier I capital.

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

Tier II capital includes provision for standard assets, revaluation reserves, hybrid debt capital instruments (which combine certain features of both equity and debt securities and are able to support losses on an ongoing basis without triggering liquidation), and subordinated debt. As per the Master Circular on Prudential Norms on Capital Adequacy-Basel I Framework, any subordinated debt is subject to progressive discounts each year for inclusion in Tier II capital and total subordinated debt considered as Tier II capital cannot exceed 50.00% of Tier I capital. Tier II capital cannot exceed Tier I capital. The Banking Regulation Act does not allow banks established on or after January 15, 1937 to issue preferred equity.

With a view to enable the building up of adequate reserves to guard against any possible reversal of the interest rate environment in the future due to unexpected developments, the RBI has advised banks to build up an investment fluctuation reserve of a minimum of 5.00% of the bank's investment portfolio within a period of five years from fiscal 2001. This reserve has to be computed with respect to investments in Held for Trading and Available for Sale categories. Investment fluctuation reserve is included in Tier II capital. Though investment fluctuation reserve is also considered in the general provision for Tier II, the same is not subjected to the ceiling of 1.25% of risk-weighted assets. In terms of RBI Mid-Term Review of Annual Policy for the year 2005-06, banks are permitted to treat Investment Fluctuation Reserve (IFR) as part of Tier-I capital, if they maintain capital of at least 9.00% in respect of investment under 'Held for Trading' and 'Available for sale'.

Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the weighted aggregate of funded and non-funded exposures. Degrees of credit risk expressed as percentage weights are assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight or conversion factor to produce risk-adjusted values of assets and off-balance-sheet items. All foreign exchange and gold open position limits carry a 100.0% risk weight. A risk weight of 2.50% to cover market risk has to be assigned in respect of the entire investments portfolio over and above the risk weight for credit risk. Banks are required to assign a 100.00% risk weight for all state Government guaranteed securities issued by defaulting entities. The aggregate risk weighted assets are taken into account for determining the capital adequacy Ratio. As per the RBI circular dated June 24, 2004 to cover market risk, capital has to be calculated in respect of the entire investments portfolio over and above the risk weight for credit risk.

As per regulatory requirements, banks have to maintain a capital to risk asset ratio of 9.00%. However, as per RBI guidelines issued in September 2002, in addition to other conditions to be complied with for declaration of dividend without approval of RBI, capital to risk asset ratio must also be maintained at 11.00%.

In January 2006, the RBI has issued guidelines permitting banks to issue perpetual debt with a call option which may be exercised after not less than 10 years, with its prior approval, for inclusion in Tier I capital up to a maximum of 15.00% of total Tier I capital. The RBI also permitted banks to issue debt instruments with a minimum maturity of 15 years and a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier II capital. In July 2006, the RBI issued guidelines permitting the issuance of Tier I and Tier II debt instruments denominated in foreign currencies.

In April 2007, the RBI issued final guidelines for the implementation of a revised Basel-II capital adequacy framework that became effective year-end Fiscal 2008, for banks with presence outside India and 2009, for banks without a presence outside India. The guidelines for the capital adequacy framework include an increase in the minimum Tier I CAR from 4.50% to 6.00% and the introduction of capital for operational risk as per Basel II.

Asset Classification and Provisioning

In April 1992, the RBI issued formal guidelines on income recognition, asset classification, provisioning standards and valuation of investments applicable to banks, applicable from the 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:

i. interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan;
ii. the account remains "out-of-order" (as described below) for a period of more than 90 days in respect of an overdraft or cash credit;
iii. the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted;
iv. installment of principal or interest remains overdue for two harvest seasons for short duration crops,
v. installment of principal or interest thereon remains overdue for one crop season for long duration crops,
vi. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006; or
vii. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

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

Out of Order

An account should be treated as **'out of order'** if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as **'out of order'.**

Asset Classification

Non-performing assets are classified as described below:

- *Sub-standard assets*: With effect from March 31, 2005, a substandard asset would be one, which has remained NPA for a period less than or equal to 12 months. In such cases, the current net worth of the borrower/ guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such an asset will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

- *Doubtful assets*: With effect from March 31, 2005, an asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, – on the basis of currently known facts, conditions and values – highly questionable and improbable.

- *Loss assets*: A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

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

The RBI had issued separate guidelines for restructured assets under the corporate debt restructuring mechanism and under other mechanisms. A fully secured standard asset can be restructured by re-schedulement 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 installment or interest amount, are eligible to be upgraded to the standard category only after the specified period, i.e. a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

Provisioning and Write-Offs

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

- **Standard assets**

  i) As a countercyclical measure, the provisioning requirements for all types of standard assets stands amended as below, w.e.f. November 15, 2008. Banks should make general provision for standard assets at the following rates for the funded outstanding on global loan portfolio basis:

  (a) direct advances to agricultural and SME sectors at 0.25 per cent;
  (b) all other loans and advances at 0.40 per cent

  (ii) The revised norms would be effective prospectively but the provisions held at present should not be reversed. However, in future, if by applying the revised provisioning norms, any provisions are required over and above the level of provisions currently held for the standard category assets, these should be duly provided for.

  (iii) While the provisions on individual portfolios are required to be calculated at the rates applicable to them, the excess or shortfall in the provisioning, vis-à-vis the position as on any previous date should be determined on an aggregate basis. If the provisions on an aggregate basis required to be held w.e.f. November 15, 2008 are less than the provisions already held, the provisions rendered surplus should not be reversed to P&L and should continue to be maintained at the existing level. In case of shortfall determined on aggregate basis, the balance should be provided for by debit to P&L.

  (iv) The provisions on standard assets should not be reckoned for arriving at net NPAs.

  (v) The provisions towards Standard Assets need not be netted from gross advances but shown separately as 'Contingent Provisions against Standard Assets' under 'Other Liabilities and Provisions Others' in Schedule 5 of the balance sheet

- **Sub-Standard Assets**: A general provision of 10.00% on total outstanding should be made. The unsecured exposures which are identified as sub-standard would attract additional provision of 10.00%, i.e. a total of 20.00% on the outstanding balance.

- **Doubtful Assets**: A 100.00% provision/write-off of the unsecured portion of advances, which are not covered by realizable value of the security. In cases where there is a secured portion of the asset, depending upon the period for which the asset remains doubtful, a 20.00% to 100.00% provision is required to be made against the secured asset as follows:

  - Up to one year: 20.00% provision
  - One to three years: 30.00% provision

- More than three years:

  1. In respect of outstanding stock of non-performing assets as on March 31, 2004: 50.00% provisions which has become 60.00% with effect from March 31, 2007, 75.00 % with effect from March 31, 2008 and 100.00 per cent with effect from March 31, 2009.

  2. In respect of assets, which have been doubtful for over three years on or after April 1, 2004, provision has been raised to 100.00% with effect from March 31, 2007.

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

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

In June 2006, the RBI issued prudential norms on the creation and utilisation of floating provisions (i.e. provisions which are not made in respect of specific NPAs or made in excess of regulatory requirements for provisions for standard assets). The norms state that floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining approval from the board of directors and with the prior permission of the RBI.

Floating provisions cannot be reversed by credit to the profit and loss account. They can only be utilised for making specific provisions in extraordinary circumstances as mentioned above. Until such utilisation, these provisions, till the year 2008-09, could have either been netted off from gross NPAs to arrive at disclosure of net NPAs, or treated as part of Tier II capital within the over all ceiling of 1.25 % of total risk weighted assets.

However, from the year 2009-10 onwards, Floating Provisions cannot be netted from gross NPAs to arrive at net NPAs, but can only be reckoned as part of Tier II capital subject to the overall ceiling of 1.25% of total Risk Weighted Assets.

Law relating to Recovery of NPAs

As a part of the financial sector reforms, the GoI promulgated SARFAESI Act. SARFAESI Act provides banks and other lenders increased powers in the recovery of the collateral underlying NPAs.

Regulations relating to sale of assets to asset reconstruction companies

The SARFAESI Act provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The RBI has issued guidelines to banks on the process to be followed for sale of the financial assets to the asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non performing asset. These assets are to be sold on a 'without recourse' basis only. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangements and at least 75.00% by value of the total loans to the borrower are classified as non-performing and at least 75.00% by the value of the banks and financial institutions in the consortium or multiple banking arrangements agree to the sale. The banks selling financial assets should ensure that there is no known liability devolving on them and they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. No credit for expected profit will be taken until profit materializes on actual sale. Whilst each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangement where more than 75.00% by values of the banks or financial intuitions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

The RBI has issued guidelines on the securitisation of standard assets with effect from February 1, 2006. The guidelines provide that for a transaction to be treated as a securitisation, a two stage process must be followed. In the first stage there should be a pooling and transferring of assets to a bankruptcy remote vehicle i.e. a SPV and in the second stage repackaging and selling the security interests representing claims on incoming cash flows from the pool of assets to the third party investors should be effected. Further, for enabling the transferred assets to be removed from the balance sheet of the seller in securitisation structure, the isolation of assets or "true sale" from the seller or originator to the SPV is an essential prerequisite. Also, an arms length relation shall be maintained between the originator or seller and the SPV.

The SARFAESI Act allows acquisition of financial assets by SC/RC from any bank/ FI on such terms and conditions as may be agreed upon between them. This provides for sale of the financial assets on 'without recourse' basis, i.e., with the entire credit risk associated with the financial assets being transferred to SC/ RC, as well as on 'with recourse' basis, i.e., subject to unrealized part of the asset reverting to the seller bank/ FI. Banks/ FIs are, however, directed to ensure that the effect of the sale of the financial assets should be such that the asset is taken off the books of the bank/ FI and after the sale there should not be any known liability devolving on the banks/ FIs.

Certain regulatory norms for capital adequacy, valuation, profit and loss on sale of assets, income recognition and prudential norms for investment in securities issued by the SPV, provisioning for originators and service providers like credit enhancers, liquidity support providers, underwriters, as well as investors and also the accounting treatment for securitisation transactions and disclosure norms have been prescribed. Quarterly reporting to the audit sub committee of the board by originating banks of the securitisation transactions has also been prescribed. Apart from banks, these guidelines are also applicable to financial institutions and non banking financial institutions.

Guidelines on Sale and Purchase of NPAs

In July 2005, the RBI issued guidelines on sale and purchase of non performing assets between banks, financial institutions and non bank finance companies. These guidelines require the board of directors of the bank to establish a policy for purchase and sale of NPAs. Purchase and sale of NPAs must be without recourse to the seller and on cash basis and, with the entire consideration being paid upfront. An asset must have been classified as non-performing for at least two years by the seller to be eligible for sale. The purchasing bank must hold the NPA on its books for at least 15 months before it can sell the assets to another bank. The asset cannot be sold back to the original seller.

Regulations relating to 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:

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

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

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

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

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

Directed Lending

Priority Sector Lending

The RBI requires commercial banks to lend a certain percentage of their net bank credit to the priority sectors, broadly consisting of agriculture (direct and indirect finance), small enterprises (including small and micro enterprises) under the manufacturing sector with original investment ceilings in plant and machinery not exceeding ₹ 50 Million and ₹ 2.50 Million respectively and small and micro enterprises under service sector with investment ceilings in original equipment not exceeding ₹ 20 Million and ₹ 1 Million respectively), micro credit (directly or indirectly through a Self Help Group ("**SHG**") or Joint Liability Group ("**JLG**") mechanism to NBFCs or MFIs for on lending up to ₹ 0.05 Million per borrower), educational loans (up to ₹ 1 Million for studies in India and ₹ 2 Million for studies abroad) and housing loans (up to ₹ 2 Million to individuals for purchase or construction of dwelling unit per family and loans given for repairs to the damaged dwelling units of families up to ₹ 0.10 Million in rural and semi-urban areas and ₹ 0.20 Million in urban and metropolitan areas).

Total priority sector advances should be 40.00% of Adjusted Net Bank Credit ("**ANBC**") with agricultural advances up to 18.00% of ANBC and advances to weaker sections up to 10.00% of ANBC. 1.00% of total advances outstanding as at the end of the previous year is required to be lent under Differential Rate of Interest Scheme. Domestic scheduled commercial banks having a shortfall in achieving priority sector target (40.00% of ANBC) and/or agriculture target (18.00% of ANBC) as well weaker section target shall be allocated amounts for contribution to the RIDF established with NABARD, such investment was eligible under indirect agriculture finance till fiscal 2007.

Fresh investments made by banks with NABARD in lieu of non-achievement of priority sector lending targets will no longer be considered as indirect finance subsequent to end Fiscal 2007. However, the existing investments in such bonds would continue to be classified as indirect agriculture finance till 2010. As per the Master Circular on Priority Sector Lending issued on July 1, 2009, export credit will not form a part of priority sector for domestic banks.

Export Credit

The RBI also requires foreign banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 12.00% of a foreign bank's adjusted net bank credit is required to be in the form of export credit. Export credit is not a part of the priority sector for domestic commercial banks. We provide export credit for pre-shipment and post-shipment requirements of exporter borrowers in India rupees and foreign currencies.

Credit Exposure Limits

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

The limits set by the RBI are as follows:

- Exposure ceiling for a single borrower is 15.00% of capital funds effective March 31, 2002. Group exposure limit is 40.00% of capital funds effective March 31, 2002. In case of financing for infrastructure projects, the single borrower exposure limit is extendable by another five per cent, i.e., up to 20.00% of capital funds and the group exposure limit is extendable by another 10.00% (i.e., up to 50.00% of capital funds). In May 2004, the RBI permitted banks to increase exposure to a borrower by a further five per cent of capital funds (i.e., 20.00% for single borrowers and 45.00% for group borrowers) and by a further 10.00% for financing infrastructure projects, with the specific approval of the board of directors. Capital fund is the total capital as defined under capital adequacy standards (Tier I and Tier II capital).

- A bank may, in exceptional circumstances, with the approval of its board of directors, consider enhancement of the exposure over the above specified limits, up to a further 5.00% of capital funds. Such additional exposure can be taken, subject to the consent of the borrower to disclose their names in a bank's balance sheet.

- Exposure shall include credit exposure (funded and non-funded credit limits) and investment exposure (including underwriting and other similar commitments) as well as certain types of investments in companies. The sanctioned limits or outstanding, whichever are higher, are considered for arriving at the exposure limit. Non-fund exposures are to be reckoned at 100.00% of the limit or outstanding, whichever is higher.

- 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. Investment exposure comprises the following elements;

    - investments in shares and debentures of companies acquired through direct subscription, devolvement arising out of underwriting obligations or purchase from secondary markets or on conversion of debt into equity;

    - investments in public sector undertaking bonds through direct subscription, devolvement arising out of underwriting obligations or purchase made in the secondary market;

    - investments in commercial papers issued by corporate bodies or public sector undertakings;

    - investments in debentures, bonds, security receipts and, pass through certificates issued by a securitization or reconstruction company. However, initially, since only a few securitization and reconstruction companies are being set up, banks will be allowed to exceed prudential exposure on account of such investments on a case-to-case basis;

    - bank loan for financing promoters' contribution towards equity capital of new companies;

    - bridge loan against equity flows/issues; and

    - financing of initial public offerings.

To ensure that exposures are evenly distributed, the RBI requires banks to fix internal limits of exposure to specific sectors. These limits are subject to periodic review by the banks.

Risk Management

The RBI has issued detailed guidelines on country risk management that cover bank's exposure to those countries to which they have a net funded exposure of two per cent of the funded assets, no provision is maintained on such country exposure. The countries are categorized into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100.00%.

In September 2009, the RBI has issued further guidelines on fraud risk management systems for banks, highlighting the need for the same in light of the increasing incidence of bank frauds. The RBI has designated the responsibility of increasing a bank's focus on effective fraud investigation to its top officials such as the CEO, members of the Board and Audit Committee members. Banks are also required to frame internal risk management and investigation policies, which are to be appraised by their senior management. The RBI has also recommended operational measures for minimization of risks such as follow-up investigation in large value frauds, forensic audit measures and post-facto fraud investigation.

Regulations relating to Investments and Capital Market Exposure Limits

As per the Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks issued by the RBI on July 1, 2009, a bank's exposure to capital markets by way of investments in shares, convertible debentures, units of equity oriented mutual funds and loans to brokers, should not exceed 40.00% of its net worth on a standalone and consolidated basis. Within this limit direct investments in shares, convertible bonds/ debentures, units of equity oriented mutual funds and all exposures to venture capital funds have been restricted to 20.00% of their net worth.

In November 2003, the RBI issued guidelines on investments by banks in non-Statutory Liquidity Ratio securities issued by companies, banks, financial institutions, central and state Government sponsored institutions and special purpose vehicles. These guidelines apply to primary market subscriptions and secondary market purchases. Pursuant to these guidelines and as per the Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks issued by the RBI on July 1, 2009, banks are prohibited from investing in non-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 10.00% of its total investment in non-Statutory Liquidity Ratio securities as at the end of the preceding fiscal year. A bank's investment in unlisted non-Statutory Liquidity Ratio securities may exceed the limit of 10.00%, by an additional 10.00%, provided the investment is on account of investment in securitisation papers issued for infrastructure projects, and bonds/debentures issued by Securitisation Companies and Reconstruction Companies set up under the SARFEASI Act and registered with the RBI. 'Unlisted non-Statutory Liquidity Ratio securities' for computing compliance with the prudential limits do not include investments in security receipts issued by securitization or reconstruction companies registered with the RBI and asset backed securities and mortgage backed securities with a minimum investment grade credit rating.

As per the Master Circular on Exposure Norms, the RBI has imposed a ceiling of 10.00% of capital funds (Tier I plus Tier II capital) on investments by banks and financial institutions in equity shares, preference shares eligible for capital status, subordinated debt instruments, hybrid debt capital instruments and any other instrument approved as in the nature of capital, issued by other banks and financial institutions. Investments in the instruments which are not deducted from Tier I capital of the investing bank or financial institution, are subject to a 100.00% risk weight for credit risk for capital adequacy purposes. Further, banks and financial institutions cannot acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's or financial institution's holding exceeds five per cent of the investee bank's equity capital.

Consolidated Supervision Guidelines

In fiscal 2003, the RBI issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective April 1, 2002, and the principal features thereof are:

- Banks are required to prepare consolidated financial statements intended for public disclosure.
- Banks are required to submit to the RBI, consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries. Compliance on a consolidated basis is required in respect of the following main prudential norms:
- Single borrower exposure limit of 15.00% of capital funds (20.00% of capital funds provided the additional exposure of up to 5.00% is for the purpose of financing infrastructure projects);
- Borrower group exposure limit of 40.00% of capital funds (50.00% of capital funds provided the additional exposure of up to 10.00% 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 20.00% 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 10.00% of the Bank's consolidated net worth.

Banks' Investment Classification and Valuation Norms

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

- The entire investment portfolio is required to be classified under three categories: (a) Held to Maturity; (b) Held for Trading; and (c) Available for Sale. Banks should decide the category of investment at the time of acquisition.
- Held to Maturity investments compulsorily include (a) recapitalization bonds received from the GoI, (b) investments in subsidiaries and joint ventures and (c) investments in debentures deemed as advance. Held to Maturity investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25.00% of the total investment excluding recapitalization bonds, investment in subsidiaries and joint ventures and debentures.
- Profit on sale of investments in this category should be first taken to the profit and loss account and thereafter be appropriated to the capital reserve account. Loss on sale will be recognized in the profit and loss account.
- Investments under the Held for Trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the Available for Sale category with the approval of the Board / ALCO.
- Profit or loss on the sale of investments in both Held for Trading and Available for Sale categories is taken in the profit and loss account.
- Shifting of investments from or to Held to Maturity may be done with the approval of the board of directors once a year, normally at the beginning of the accounting year; shifting of investments from Available for Sale to Held for Trading may be done with the approval of the board of directors, the asset liability management committee or the investment committee; shifting from Held for Trading to Available for Sale is generally not permitted.

In September 2004, the Reserve Bank of India announced that it would set up an internal group to review the investment classification guidelines to align them with international practices and the current state of risk management practices in India, taking into account the unique requirement applicable to banks in India of maintenance of a statutory liquidity ratio equal to 24.00% of their demand and time liabilities. Meanwhile, the Reserve Bank of India has permitted banks to exceed the limit of 24.00% 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 24.00% 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 2007, 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 realized is ignored, while net depreciation is provided for.

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

Restrictions on Investments in a Single Company

No bank may hold shares in any company, whether as owner or as pledge or mortgagee, exceeding the lower of 30.00% of the paid up share capital of that company and 30.00% of its own paid up share capital and reserves, whichever is less, except as statutorily provided.

Limit on Transactions through Individual Brokers

Guidelines issued by the RBI require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. The RBI specifies that not more than 5.00% of the total transactions in securities through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, the RBI has stipulated that the board of directors of the bank concerned should be informed on a half-yearly basis of such occurrences.

Restriction on Short-Selling

The RBI permits intra-day short selling of Government securities by banks provided the banks have adequate risk management systems and also provided that they have an internal policy in place. The SCBs will be allowed to short sell subject to the short position being covered within a maximum period of five trading days, including the day of trade cover their short positions within an extended period of five trading days. As this arrangement may result in carrying short positions across settlement cycles, the participants will be permitted to deliver a shorted security by borrowing it through the repo market.

Regulations Relating to Deposits

As per the Master Circular on Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident and Non-Resident (External) Accounts issued by the RBI on July 1, 2009, banks are permitted to independently determine rates of interest offered on term deposits. However, banks are not permitted to pay interest on current account deposits. Further, banks may only pay interest of up to 3.50% p.a. on savings deposits. In respect of savings and time deposits accepted from employees, banks are permitted by the RBI to pay an additional interest of one per cent over the interest payable on deposits from the public.

Deposit Insurance

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

Regulations relating to Know the Customer and Anti-Money Laundering

The RBI has issued a notification dated November 29, 2004 prescribing guidelines for Know Your Customer and anti money laundering procedures. Banks should frame their KYC policies incorporating the following four key elements:

a) Customer Acceptance Policy;
b) Customer Identification Procedures;
c) Monitoring of Transactions; and
d) Risk Management

Banks are required to have customer acceptance policy laying down explicit criteria for acceptance of customers and defining risk parameters. A profile of the customers should be prepared based on risk categorization. Banks have been advised to apply enhanced due diligence for high risk customers. The guidelines provide that banks should undertake customer identification procedures while establishing banking relationship or carrying out a financial transaction or when the banks have doubts about the authenticity or the adequacy of the previously obtained customer identification data. Banks need to obtain sufficient information necessary to establish the identity of each new customer and the purpose of the intended banking relationship. The guidelines also provide that banks should monitor transactions depending on the account's risk sensitivity. In August 2005, the RBI simplified the Know Your Customers procedures for opening accounts for those persons who intend to keep balances not exceeding ₹ 50,000 in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed ₹ 100,000 in a year in order to ensure that the implementation of the Know Your Customer guidelines do not result in denial of the banking services to those who are financially or socially disadvantaged.

In a bid to prevent money laundering activities, GoI enacted the Prevention of Money Laundering Act, 2002. The Prevention of Money Laundering Act, 2002 seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering and for incidental matters connected herewith. In February 2006, the RBI issued guidelines on the obligations of banks under the Prevention of Money Laundering Act, 2002.

The RBI also issued anti money laundering guidelines to other entities such as NBFCs and authorised money changers. The Prevention of Money Laundering Act, 2002 stipulates that banking companies, financial institutions and intermediaries shall maintain a comprehensive record of all their transactions, including the nature and value of such transactions. Further, it mandates verification of the identity of all their clients and also requires the banks and financial institutions to maintain records of their respective clients. These details are to be provided to the authority established under the Prevention of Money Laundering Act, who is empowered to order confiscation of property where the authority is of the opinion that a crime as recognized under Prevention of Money Laundering Act has been committed.

Statutory Reserve Requirements

Cash Reserve Ratio

A banking company such as ours is required to maintain a specified percentage of its demand and time liabilities, excluding inter-bank deposits, by way of balance in current account with the RBI. The cash reserve ratio is 6.00% of the demand and time liabilities.

Paid up capital, reserves, credit balance in the profit and loss account of the bank, amount availed of as refinance from the RBI, and apex financial institutions, provision for income tax in excess of the actual estimated liabilities, amounts received from the DICGC / ECGC / Court Receiver, amounts received from insurance companies on ad hoc settlement of claims pending judgment of the Court, liabilities arising on account of utilization of limits under Bankers Acceptance Facility (BAF) and specified inter bank term deposits/term borrowing liabilities are excluded from the calculation of the cash reserve ratio.

The following liabilities are excluded from the calculation of the demand and time liabilities to determine the cash reserve ratio:

- Paid up capital, reserves, any credit balance in the profit and loss account of the bank, amount availed of as refinance from the RBI, and apex financial institutions like NABARD, SIDBI, Export-Import Bank of India, National Housing Bank etc.;
- Amount of provision for income tax in excess of the actual/estimated liabilities;
- Amount received from Deposit Insurance and Credit Guarantee Corporation towards claims and held by banks pending adjustments thereof;
- Amount received from Export Credit Guarantee Corporation of India by invoking the guarantee;
- Amount received from insurance company on ad-hoc settlement of claims pending judgment of a court;
- Amount received from the court receiver; and
- The liabilities arising on account of utilization of limits under Bankers Acceptance Facility (BAF).

The RBI pays no interest on the CRR balances maintained by scheduled commercial banks with effect from March 31, 2009. The cash reserve ratio has to be maintained on an average basis for a fortnightly period and should not be below 70.00% 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 percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, and it was fixed at a minimum of 25.00% and a maximum of 40.00% pursuant to Section 24 of the Banking Regulation Act. The Banking Regulation (Amendment) Act, 2007 has removed the minimum Statutory Liquidity Ratio stipulation, thereby giving the RBI the freedom to fix the Statutory Liquidity Ratio below this level. On November 3, 2008, the RBI reduced the SLR from 25.00% to 24.00% of the net demand and time liabilities of a bank. However as on November 7, 2009 the SLR has been increased from 24.00% to 25.00% of the net demand and time liabilities of a bank. The same was again reduced to 24.00% w.e.f December 18, 2010.

Regulations on Asset Liability Management

The RBI's regulations for asset liability management require banks to draw up asset-liability gap statements separately for Rupee and for four major foreign currencies. These gap statements are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date, or maturity date and behaviour studies that may be conducted by banks. These statements have to be submitted to the RBI on a monthly basis. The RBI has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being re-priced in a particular period and place internal prudential limits on the gaps in each time period, as a risk control mechanism. Additionally, the RBI has asked banks to manage their asset-liability structure such that the negative liquidity gap in the 1-14 day and 15-28 day time periods does not exceed 20.00% of cash outflows in these time periods. This 20.00% limit on negative gaps was made mandatory with effect from April 1, 2000. In respect of other time periods, up to one year, the RBI has directed banks to lay down internal norms in respect of negative liquidity gaps. In April 2006, the RBI issued draft guidelines on improvements to banks' asset liability management framework.

In March 2007, the RBI issued guidelines regarding prudential limits for interbank liabilities. Interbank liabilities of a bank cannot exceed 200.00% of its net worth as on the last day of the previous fiscal year. Individual banks have been permitted, with the approval of their boards of directors, to fix a lower limit for their inter-bank liabilities, keeping in view their business model. However banks whose capital to risk assets ratio is at least 25.00% more than the minimum capital to risk assets ratio (currently nine per cent) i.e. 11.25% as on the last day of the previous fiscal year are allowed a higher limit with respect to inter-bank liability of upto 300.00% of their net worth. It may be noted that the limits prescribed above would include only fund based inter-bank liabilities within India (including inter-bank liabilities in foreign currency to banks operating within India) and inter-bank liabilities outside India are excluded. The RBI guidelines also stipulate that existing limits on call-money borrowing shall form a sub-limit of the above-mentioned limit.

Foreign Currency Dealership

The RBI has granted us a full-fledged authorized dealers' license to deal in foreign exchange through our Designated Branches.

Our Foreign Exchange operations are subjected to guidelines issued by the RBI under Foreign Exchange Management Act, (FEMA) 1999 and directions issued by the RBI / Central Government from time to time, Foreign Trade Policy in force, guidelines issued by DGFT, provisions of UCPDC and various guidelines issued by ICC in regard to guarantees, collection, reimbursement, etc., provisions of Income Tax Act wherever applicable and any other applicable statues / guidelines etc;

As an Authorised Dealer, we have enrolled as a member of the Foreign Exchange Dealers Association of India (FEDAI) which prescribes rules relating to conduct of Foreign Exchange business in India. Authorised Dealers are required to determine their limits on open positions and maturity gaps in accordance with the RBI guidelines and these limits are approved by the RBI. Further, the Authorised Dealers are permitted to undertake derivatives transactions to hedge foreign currency exposure of Indian Corporations in the form of Interest Rates Swaps, Options, Currency Swaps, Forward Rate Agreement, etc;

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

Statutes Governing Foreign Exchange and Cross-Border Business Transactions

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

Restriction on Transfer of Shares

For public sector banks the RBI monitors the ceilings on FII/NRI/PIO investments on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceilings which is 18.00% for public sector banks. Once the aggregate net purchase of equity shares reaches the cut off points, further acquisition of equity shares by FIIs/NRIs/PIOs requires approval of the RBI. However, the Non Resident Shareholding cannot exceed 20.00% of the paid up capital of the bank in terms of Section 3 of the Banking Acquisition Act.

In addition, the provisions of the SEBI Takeover Regulations apply and must be complied with.

Prohibited Business

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

Reserve Fund

Any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25.00% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days of such appropriation, explaining the circumstances leading to such appropriation. The GoI may, on the recommendation of the RBI, exempt a bank from the requirements relating to reserve fund.

Restrictions on Payment of Dividends

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

Only those banks, which comply with the following minimum prudential requirements, would be eligible to declare dividends:

i. The Bank should have:

  - Capital-To-Risk-Weighted Assets Ratio ("CRAR") of at least 9.00% for preceding two completed years and the accounting year for which it proposes to declare dividend
  - Net NPA less than 7.00%

  In case any bank does not meet the above CRAR norm, but has a CRAR of at least 9.00% for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its net NPA ratio is less than 5.00%.

ii. The Bank should comply with sections 15 and 17 of the Banking Regulation Act.

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

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

  In case any bank does not meet the above eligibility criteria no special dispensation shall be available from the Reserve Bank.

Banks that are eligible to declare dividends under the above rules can do so subject to the following:

1. The dividend pay out ratio does not exceed 40.00%; the maximum permissible dividend payout ratio would vary from bank to bank, depending on the capital adequacy ratio in each of the last three years and the net non performing asset ratio

2. The proposed dividend is payable from the current year's profit

3. 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

4. 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

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

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

Restriction on Share Capital and Voting Rights

Public sector banks can issue equity shares as per the SEBI Guidelines.

The paid up capital of the bank may be increased by such amounts as the board of directors of the bank may, after consultation with the RBI and with the previous sanction of the Central Government, raise by public issue or preferential allotment or private placement of equity shares or preference shares in such manner as may be prescribed, provided that the Central Government's shareholding does not fall below 51.00% of the paid up consisting of equity shares capital of the bank.

No shareholder of the bank, other than the Central Government, shall be entitled to exercise voting rights in respect of any shares held by them in excess of one percent of the total voting rights of all the shareholders of the bank.

Further, a preference share-holder may vote only on resolutions which directly affect rights attached to his preference shares.

Regulatory Reporting and Examination Procedures

The RBI is empowered under Section 27(2) of the Banking Regulation Act to inspect a bank. In 1995, RBI introduced a system of off-site monitoring and surveillance, with the primary objective of monitoring the financial condition of banks in between on-site examinations. The RBI monitors prudential parameters at quarterly intervals. To this end and to enable off-site monitoring and surveillance by the RBI, banks are required to report to the RBI on aspects such as:

- assets, liabilities and off-balance sheet exposures;
- risk weighting of these exposures, the capital base and the capital adequacy ratio;
- unaudited operating results for each quarter;
- asset quality;
- concentration of exposures;
- connected and related lending and the profile of ownership, control and management;
- ownership, control and management;
- structural liquidity and interest rate sensitivity;
- subsidiaries, associates and joint ventures;
- consolidated accounts and related financial information;
- information on risk based supervision;
- analysis of balance sheet; and
- other prudential parameters.

The RBI also conducts periodic on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. We are subject to the on-site inspection by the RBI at yearly intervals. The inspection report, along with the report on actions taken by us, has to be placed before our Board of Directors. On approval by the Board of Directors, we are required to submit the report on actions taken by us to the RBI. The RBI also discusses the report with the management team including the Chairman and Managing Director and the Executive Director.

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

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

Directors of our Bank other than the directors elected under section 9(3)(i) of the Banking Acquisition Act are appointed/ nominated by the Central Government in terms of Section 9 of the Banking Acquisition Act. The Chairman and Managing Director and Executive Director (whole time directors) are appointed by the Central Government after consultation with the RBI. At present, a maximum of four whole time directors may be so appointed. The other Directors nominated/ appointed by the Government include one director possessing necessary expertise and experience in matters relating to regulation or supervision of commercial banks, an official of the GoI and one Director representing the non-workmen employees of the Bank. Further, a specified number of Directors are elected by the shareholders. The wholetime Directors appointed by the Government and the officials of the Government who serve as the nominee directors of the Government and RBI cannot be a director of any other bank. Further, a person is ineligible for appointment as a director unless he has fit and proper status based on track record, integrity and other such criteria to be notified by the RBI. The RBI also has the power to appoint an additional director if it is of the opinion that it is necessary to do so in the interests of banking policy or of the bank concerned or its depositors or in the public interest.

The remuneration paid to Directors is determined by the Government in consultation with the RBI.

Penalties

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

Assets to be maintained in India

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

Subsidiaries and other investments

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

Restriction on Creation of Floating Charge

Prior approval of the RBI is required for creating floating charge on our undertaking or our property.

Maintenance of Records

We are required to maintain our books, records and registers as per the Banking Companies (Period of Preservation of Records) Rules, 1985. These rules specify that banks shall preserve in good order, certain books, accounts and documents (such as cheque book registers) relating to a period of not less than five years immediately preceding the current calendar year; and certain other books, accounts and documents (such as stock and share registers) relating to period of not less than eight years immediately preceding the current calendar year. The Know Your Customer Guidelines framed by the RBI also provide for certain records to be maintained for a minimum period of five years. Further, the RBI has issued guidelines dated June 27, 2002 on the record maintenance policy of banks which provides *inter alia* that prior approval of the RBI is required for offshore maintenance of its records.

Secrecy Obligations

Under Section 13 of the Banking Acquisition Act, our Bank is statutorily bound to maintain secrecy about the affairs of its constituents, except in circumstances in which it is, in accordance with law or practices and usages customary among bankers, necessary or appropriate for the bank to divulge such information.

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

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

We are required to comply with the above in furnishing any information to any parties. We are also required to disclose information if ordered to do so by a court. The RBI may, in the public interest, publish the information obtained from the bank. Under the provisions of the Banker's Books Evidence Act, 1891 a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books certified by an officer of the bank may be treated as prima facie evidence of the transaction in any legal proceedings. The RBI has directed banks to incorporate consent clauses in loan agreements to enable disclosure of borrower information to credit bureaus.

Regulations governing Offshore Banking Units

The Government and the RBI have permitted banks to set up offshore banking units in special economic zones, which are specially delineated duty free enclaves deemed to be foreign territory for the purpose of trade operations, duties and tariffs. The key regulations applicable to offshore bank units include, but are not limited to, the following:

- Permission of the RBI is required for setting up offshore banking units
- No separate assigned capital is required. However, the parent bank is required to provide a minimum of U.S. $ 10 Million to its offshore banking unit.
- Offshore banking units are exempt from CRR requirements.
- Banks are required to maintain the SLR. However, the RBI may exempt a bank's offshore banking unit from SLR requirements on specific application by the bank.
- An offshore banking unit may not enter into any transactions in foreign exchange with residents in India, unless such a person is eligible under the existing exchange control regulations to invest/maintain foreign currency accounts abroad.
- All prudential norms applicable to overseas branches of Indian banks apply to offshore banking units. The offshore banking units are also required to follow the best international practice of 90 days' payment delinquency norm for income recognition, asset classification and provisioning.
- Offshore banking units are required to adopt liquidity and interest rate risk management policies prescribed by the RBI in respect of overseas branches of Indian banks as well as within the overall risk management and asset and liability management framework of the bank subject to monitoring by the bank's board of directors at prescribed intervals.
- Offshore banking units may operate and maintain balance sheets only in foreign currency and are not allowed to deal in Indian rupees except for having a special rupee account out of the convertible funds in order to meet their daily expenses. These branches are prohibited from participating in the domestic call, notice, term etc. money market and payment system.
- The loans and advances of offshore banking units would not be reckoned as net bank credit for computing priority sector lending obligations.
- Offshore banking units must follow the 'Know Your Customer' guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.
- A bank cannot borrow from its offshore banking unit.

- The exposures of an offshore banking unit in the domestic tariff area should not exceed 25.00% of its total liabilities as at the close of business of the previous Working Day, at any point of time.

Regulations and Guidelines of SEBI

SEBI was established to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market. We are subject to SEBI regulations for our equity and debt capital issuances, merchant banking, as well as our banker to the issue, custodial and depositary participant activities. These regulations provide for our registration with the SEBI for each of these activities, functions and responsibilities. We are required to adhere to a code of conduct applicable for these activities.

Foreign Ownership Restrictions

Foreign investment in our Bank, as a corresponding new bank, is regulated by the provisions of the Banking Acquisition Act. Under Section 3(2D), foreign investment in corresponding new banks is subject to an overall statutory limit of 20.00% of the paid up capital. The aggregate investment within the 20.00% limit may be prescribed by the GoI by a notification. For public sector banks, the RBI monitors the ceilings on Non Resident investments on a daily basis. For effective monitoring, the RBI has fixed cut off points lower than the actual ceilings which is 18.00% for public sector banks. In addition, the provisions of the SEBI Takeover Regulations apply and must be complied with. RBI vide its letter No. FE.CO.FID/18876/10.78.021/2009-10 dated January 25, 2010 has granted its approval for allotment of upto 20.00% of the Bank's paid-up equity shares to NRIs/FIIs in this Issue.

Special Status of Banks in India

The special status of banks is recognised under various statutes including the Sick Industrial Companies Act, 1985, Recovery of Debts Due to Banks and Financial Institutions Act, 1993, and the Securitisation Act. As a bank, we are entitled to certain benefits under various statutes including the following:

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

The Sick Industrial Companies Act, 1985, provides for reference of sick industrial companies to the Board for Industrial and Financial Reconstruction. Under it, other than the board of directors of a company, a scheduled bank (where it has an interest in the sick industrial company by any financial assistance or obligation, rendered by it or undertaken by it) may refer the company to the BIFR. The Sick Industrial Companies Act, 1985 has been repealed by the Sick Industrial Companies (Special Provisions) Repeal Act, 2004 ("SICA Repeal Act"). However, the SICA Repeal Act, which is due to come into force on a date to be notified by the government in the official gazette, has not yet been notified. On the repeal becoming effective, the provisions of the Companies Act will apply in relation to sick companies, under which the reference must be made to the National Company Law Tribunal, and not the Board for Industrial and Financial Reconstruction.

The Securitization Act focuses on improving the rights of banks and financial institutions and other specified secured creditors as well as asset reconstruction companies by providing that such secured creditors can take over management control of a borrower company upon default and/or sell assets without the intervention of courts, in accordance with the provisions of the Securitization Act.

Regulations Governing Insurance Companies

Subsidiaries offering life insurance and non-life insurance are subject to the provisions of the Insurance Act, 1938 and the various regulations prescribed by the Insurance Regulatory and Development Authority. These regulations regulate and govern, among other things, registration as an insurance company, investment, licensing of insurance agents, advertising, sale and distribution of insurance products and services and protection of policyholders' interests. In May 2002, the Indian Parliament approved the Insurance (Amendment) Act 2002, which facilitates the appointment of corporate agents by insurance companies and prohibits intermediaries and brokers from operating as surrogate insurance agents.

The IRDA has issued detailed guidelines for the licensing of entities to act as corporate agents or composite corporate agents for selling insurance products. The guidelines stipulate that soliciting or procuring insurance business as a corporate agent should be contained in the constitutional documents of the entity as one of its main objects. The guidelines further provide that the personnel of the entity should possess the prescribed qualifications and should not suffer from any disqualifications under the Insurance Act, 1938.

Regulations Governing our International Business

Our international business operations would be governed by regulations in the countries in which we have a presence. We are required to obtain a license from the concerned regional office of the RBI prior to setting up overseas subsidiaries, offshore branches, and representative offices abroad. Further, approval from the foreign regulatory authority is also required prior to undertaking such banking operations. The Bank has applied to the RBI for permission to open representative offices abroad, in Dubai, Singapore and Hong Kong.

Income Tax Benefits

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

- The Bank's dividend income is exempt from income tax.
- The Bank is entitled to a tax deduction on the provisioning towards bad and doubtful debts equal to 7.50% of the Bank's total business income, computed before making any deductions prescribed under Section 36(1)(viii)(a) of the Indian Income Tax Act, and to the extent of 10.00% of the aggregate average advances made by our rural branches computed in the manner prescribed.

Corporate Governance

The Bank needs to adhere to certain corporate governance requirements as prescribed by clause 49 of the Listing Agreements with the Stock Exchanges, including, ensuring the minimum number of independent directors on the Board, and composition of various committees such as audit committee and remuneration committee. However, it may be noted that clause 49 of the Listing Agreement will apply to the Bank to the extent that it does not violate Banking Regulations/ Guidelines.

The Banking Ombudsman Scheme

The Banking Ombudsman Scheme, 2006 was introduced with effect from January 1, 2006 and provides for an enlarged extent and scope of the authority and functions of the banking ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. In February 3, 2009, the said scheme was amended to provide for revised procedures for redressal of grievances by a complainant under the scheme.

Payment and Settlement Act

The Payment and Settlement Systems Act, 2007 was introduced to provide for the regulation and supervision of payment systems by the RBI. The said act authorizes the RBI to permit the setting up and continuance of payment and settlement systems, to set standards, to call for returns and information, to audit and inspect, to issue directions, and to impose penalties and initiate prosecution for violations of the said act. On August 12, 2008, the RBI notified two regulations under the said act, namely, the Board for Regulation and Supervision of Payment and Settlement Systems Regulation, 2008 and the Payment and Settlement Systems Regulations, 2008 which provided for the constitution of a board to oversee the implementation of the said act and procedures for service providers to obtain approval for providing their payment services.

The RRB Act, 1976

RRBs are established under the RRB Act, 1976 by the GoI at the instance of a sponsor bank. The GoI may also issue notifications specifying the local limits within which a given RRB shall operate. The sponsor bank shall subscribe to the share capital of the RRB, train personnel and provide managerial and financial assistance to the RRB during the first five years of its operations.

The RRB Act stipulates the limit of the paid-up capital of an RRB and further stipulates that the shares shall always be fully paid up shares of one hundred rupees each, 50.00% of such shares shall be subscribed to by the GoI, 15.00% by the concerned state government and 35.00% by the sponsor bank. The issued capital can be changed by the board of directors of the RRB (with the prior approval of the GoI) after consultation with NABARD, the concerned state government and the sponsor bank.

The RRB Act further requires that the board of directors shall consist of the following:

- a chairman-appointed by the sponsor bank;
- two directors, nominated by GoI, who are not officers of GoI, the concerned state government, RBI, NABARD, sponsor bank or any other bank;
- one Director to be nominated by the RBI, such person being an officer of the RBI;
- one director to be nominated by NABARD, such person being an officer of NABARD;
- two directors to be nominated by the sponsor bank, such person being an officer of the sponsor bank; and
- two directors to be nominated by the concerned state government, who are officers of the concerned State Government.

Every RRB shall carry on the business of banking as defined in Section 5(b) of the Banking Regulation Act and may engage in one or more forms of business specified in Section 6(1) of the Banking Regulation Act.

Every RRB shall prepare an annual report within three months from the date of closure of the accounting year or such further period, not exceeding three months, as may be permitted by the RBI. Such annual report shall be sent to all of its shareholders.

RRBs are not eligible to get tax benefits in terms of section 80P of the I.T. Act from the assessment year 2007-2008. Further, the GoI is empowered to give directions to the RRBs and the RRBs shall have to obey and follow such directions.

HISTORY OF OUR BANK AND OTHER CORPORATE MATTERS

Central Bank of India was incorporated on December 21, 1911 under the Indian Companies Act, 1882 as "The Central Bank of India Limited". The Head Office of the Bank was set up at Esplanade Road, Fort, Mumbai (then known as Bombay) which was subsequently shifted to its present location at Chandermukhi, Nariman Point, Mumbai 400 021.

Pre Nationalisation

The Bank commenced business as "The Central Bank of India Limited" at Mumbai. The Central Bank Executor and Trustee Company Limited (*later renamed as Centbank Financial and Custodial Services Limited and further changed to Centbank Financial Services Limited with effect from September 14, 2009*) was incorporated as a subsidiary of the Bank on May 1, 1929 to undertake the trustee and executor business and act as executors, administrators and trustees.

Post Nationalisation

The Bank was nationalised on July 19, 1969. After nationalisation, the Bank was renamed Central Bank of India. Apna Ghar Vitta Nigam Limited (*later renamed as Cent Bank Home Finance Limited*) was incorporated as a subsidiary of the Bank on May 7, 1991 to provide long term finance for the purchase or construction of houses in India.

Main Objects of the Bank

Section 3(5) of the Banking Acquisition Act states as follows:

"*Every corresponding new bank shall carry on and transact the business of banking as defined in clause (b) of section 5 of the Banking Regulation Act (10 of 1949) and may engage in one or more of the other forms of business specified in sub-section (1) of section 6 of that Act.*"

Section 5(b) of the Banking Regulation Act reads as follows:

"*banking' means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise.*"

Section 6(1) of the Banking Regulation Act reads as follows:

"Form and business in which banking companies may engage

(1) In addition to the business of banking, a banking company may engage in any one or more of the following forms of business, namely—

(a) the borrowing, raising, or taking up of money; the lending or advancing of money either upon or without security; the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundis, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scrips and other instruments and securities whether transferable or negotiable or not; the granting and issuing of letters of credit, traveller's cheques and circular notes; the buying, selling and dealing in bullion and specie; the buying and selling of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds; the purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents or others, the negotiating of loans and advances; the receiving of all kinds of bonds, scrips or valuables on deposit or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities;

(b) acting as agents for any Government or local authority or any other person or persons; the carrying on of agency business of any description including the clearing and forwarding of

goods, giving of receipts and discharges and otherwise acting as an attorney on behalf of customers, but excluding the business of a managing agent or secretary and treasurer of a company;

(c) *contracting for public and private loans and negotiating and issuing the same;*

(d) *the effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private, of State, municipal or other loans or of shares, stock, debentures, or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue;*

(e) *carrying on and transacting every kind of guarantee and indemnity business;*

(f) *managing, selling and realising any property which may come into the possession of the company in satisfaction or part satisfaction of any of its claims;*

(g) *acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security;*

(h) *undertaking and executing trusts;*

(i) *undertaking the administration of estates as executor, trustee or otherwise;*

(j) *establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the company or the dependents or connections of such persons; granting pensions and allowances and making payments towards insurance; subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful object;*

(k) *the acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the company;*

(l) *selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the company;*

(m) *acquiring and undertaking the whole or any part of the business of any person or company, when such business is of a nature enumerated or described in this sub- section;*

(n) *doing all such other things as are incidental or conducive to the promotion or advancement of the business of the company;*

(o) *any other form of business which the Central Government may, by notification in the Official Gazette, specify as a form of business in which it is lawful for a banking company to engage."*

Section 3 (7) of Chapter II of the Bank Acquisition Act provides for the Bank to act as an Agent of the RBI.

(1) *The corresponding new Bank shall, if so required by the Reserve Bank of India, act as agent of the Reserve Bank at all places in India where it has a branch for:*

(a) *Paying, receiving, collecting and remitting money, bullion and securities on behalf of any Government in India.*

(b) *Undertaking and transacting any other business which the Reserve Bank may from time to time entrust to it.*

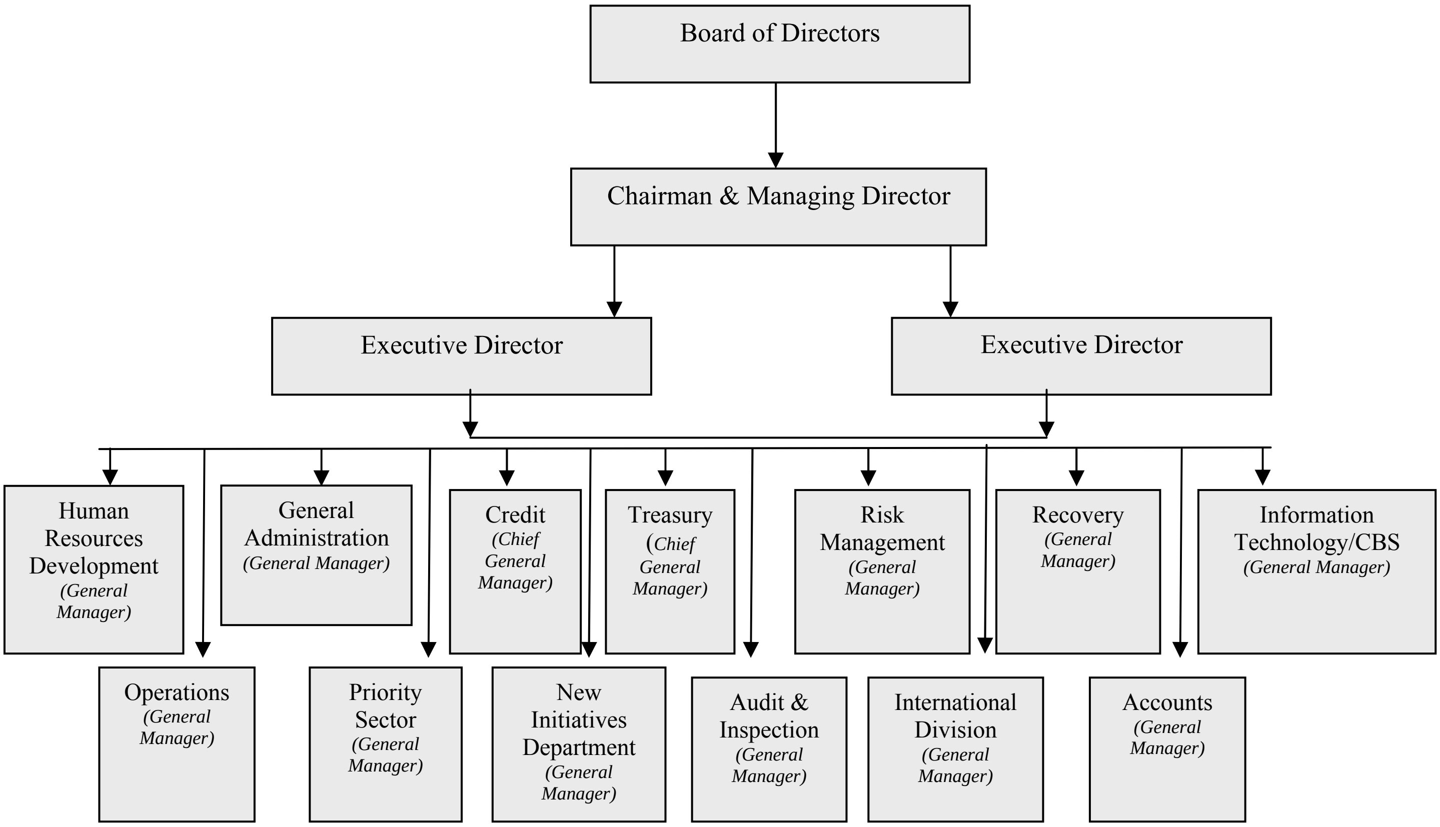
(2) *The terms and conditions on which any such agency business shall be carried on by the corresponding new Bank on behalf of the Reserve Bank shall be such as may be agreed upon.*

(4) *The corresponding new Bank may transact any business or perform any function entrusted to it under Clause (I) by itself or through any agent approved by the Reserve Bank.*

Major events in the history of our Bank

Year	Achievements
1911	Incorporation of our Bank
1929	The Central Bank Executor and Trustee Company Limited was incorporated as a subsidiary of the Bank which was later renamed as Centbank Financial and Custodial Services Limited and further changed to Centbank Financial Services Limited with effect from September 14, 2009
1969	The Bank was nationalized
1980	'Centralcard', the credit card of our Bank was introduced
1984	Our joint venture, Indo-Zambia Bank Limited was incorporated
1991	Apna Ghar Vitta Nigam Limited was incorporated as a subsidiary of the Bank which was later named as Cent Bank Home Finance Limited w.e.f. June 12, 1992
2007	The Bank restructured its entire paid up capital by conversion of an amount aggregating to ₹ 8,000 Million out of the equity share capital of ₹ 11,241.40 Million into perpetual non-cumulative preference share capital, while retaining the balance amount aggregating to ₹ 3,241.41 Million as equity share capital of the Bank
	The equity shares were listed on the NSE and BSE by way of IPO
2008	Implemented the integrated risk management system
2009	Adopted operation Navchetna with focus on processes, people, technology, productivity and profitability
2010	Aggregate of the advances and deposits of the Bank crossed ₹ 2,500,000 Million
	Achieved 100% financial inclusion in 14,047 villages
	The Bank recorded a net profit of over ₹ 10,000 Million in a Fiscal Year
	Bank achieved 100% coverage of branch network under CBS platform

Organisation Structure of our Bank



OUR MANAGEMENT

Board of Directors

The following table sets forth details regarding the Board of Directors as on the date of this Draft Letter of Offer:

Sr. No.	Name, Father's Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships, Partnerships and Trusteeships
1.	Mr. S. Sridhar (S/o D. Srinivasan) *Chairman and Managing Director* *Non Independent Director* A/26, 13th Floor, Sterling Apartment, Peddar Road, Mumbai 400 026. ***Occupation**: Professional Banker* **Term of Office**: From March 2, 2009 up to May 31, 2011 (the date of his attaining the age of superannuation) or until further orders from the GoI, whichever is earlier.	Indian	59	• Indo – Zambia Bank Limited • Centbank Financial Services Limited • Agriculture Finance Corporation Limited • Indian Institute of Foreign Trade • Cent Bank Home Finance Ltd • Life Insurance Corporation of India
2.	Ms. Vijayalakshmi R. Iyer (D/o Late S.P. Subramaniam) *Executive Director* *Non Independent Director* C/1, Goodwill Co-op Housing, Opposite Jankalyan Sahakari Bank, J.B. Nagar, Andheri, Mumbai 400059 ***Occupation**: Professional Banker* **Term of Office**: For a period of four years and eight months from September 1, 2010 to May 31, 2015 or until further orders from the GoI, whichever is earlier.	Indian	55	• Centbank Financial Services Limited
3.	Mr. Rajiv Kishore Dubey (S/o Late Mr. B.L. Dubey) *Executive Director* *Non Independent Director* 163-A, Jolly Maker-1, Cuffe Parade, Colaba, Mumbai 400005 ***Occupation:** Professional Banker*	Indian	56	• Centbank Financial Services Limited • Cent Bank Home Finance Limited

Sr. No.	Name, Father's Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships, Partnerships and Trusteeships
	Term of Office: For a period of four years from September 1, 2010 to September 30, 2014 or until further orders from the GoI, whichever is earlier.			
4.	Dr. Shashank Saksena (S/o Dr. R.D. Saksena) *Government of India Nominee Director* *Non Independent Director* 296, Lakshmibai Nagar, New Delhi, 110023 **Occupation:** Director, Department of Financial Services, Ministry of Finance. **Term of Office**: From June 10, 2008 until further orders.	Indian	48	• Industrial Investment Bank of India Limited • Deposit Insurance and Credit Guarantee Corporation Limited
5.	Mr. Salim Gangadharan (S/o Mr. Padmanabhan Gangadharan *RBI Nominee Director* *Independent Director* Flat No. 501, Sun Palazzo, Matuliya Mills Compound, Lower Parel (W), Mumbai – 400013 *Chief General Manager, RBI* **Term of Office**: From July 30, 2010 until further orders.	Indian	57	• Nil
6.	Mr. Brijlal Kshatriya (S/o Kisharam Kshatriya) *Shareholder Director* *Independent Director* 57, Navjivan Vihar, New Delhi 110017 *Retired Bureaucrat* Term of Office: For a period of three years from November 20, 2008 to November 19, 2011	Indian	74	• Eco-Tech Management Services Private Limited • Sanson Associates (I) Private Limited • Strategic HR Services Private Limited
7.	Prof. N. Balakrishnan (S/o V. R. Narayanaswamy Iyer *Shareholder Director*	Indian	60	• C Dot Alcatel Research Centre Private Limited • Data Security Council of India

Sr. No.	Name, Father's Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships, Partnerships and Trusteeships
	Independent Director DQ-19, Indian Institute of Sciences Campus, Bangalore, Karnataka 560012 *Professor / Associate Director of Indian Institute of Science, Bangalore* **Term of Office**: For a period of three years from November 20, 2008 to November 19, 2011			
8.	Mr. Romesh Sabharwal (S/o B.M. Sabharwal) *Part-time Non Official Director* *Independent Director* A 2/3, M.S. Flats, Peshwa Road, Gole Market, New Delhi 110001 *Businessman* **Term of Office**: For a period of three years from October 6, 2009 or until further orders from the GoI, whichever is earlier.	Indian	47	• Nil
9.	Major (Retd.) Ved Prakash (S/o Ram Lal) *Part-time Non Official Director* *Independent Director* 201/1, Neb Valley, Sainik Farms,Neb Valley, Neb Sarai, New Delhi 110068 *Social Service* **Term of Office:** For a period of three years from October 20, 2009 or until further orders from the GoI, whichever is earlier.	Indian	72	• Nil
10.	Mr. B.S. Rambabu (S/o Dr. Burra Sree Ram Murthy) *Workmen Employee Director* *Independent Director* 17-1-391/v/66, Behind Sisumandir School, Saraswatinagar, Saidabad, Hyderabad, Andra Pradesh *Professional Banker* **Term of Office**: Date of Appointment is	Indian	54	• Nil

Sr. No.	Name, Father's Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships, Partnerships and Trusteeships
	March 16, 2010 for a term of three years or till he ceases to be a workmen employee of the Bank or until further orders whichever is earlier.			

Brief profile of our Directors

Mr. S. Sridhar, *Chairman and Managing Director*

Mr. S. Sridhar, aged 59 years, is a seasoned banker with more than 36 years of experience in commercial and development banking. He was CMD of NHB, the apex financial institution for Housing and Regulator for Housing Finance Companies. At National Housing Bank ("**NHB**"), Mr. S. Sridhar has launched new initiatives like first residential property index, housing micro finance, reverse mortgage, etc. Before the stint in NHB, he was ED and COO of EXIM Bank. In 2006, he was accredited with the successful launch of first Samurai bond issue by an Indian Entity, which marked the reentry of India into Japanese Bond Market. He is a member in various National level committees and task forces involved in framing Financial Sector and Rural Housing policies. Mr. S. Sridhar holds a degree from IIT Delhi and from Jamnalal Bajaj Institute of Management Studies, Mumbai. He was the Lord Aldington Banking Research Fellow in the year 1984 working in UK and France. He was invited to speak in UNCTAS, UNHABITAT, UNESCAP, ADFIAP, Commonwealth Secretariat etc. He joined the Central Bank of India as Chairman and Managing Director on March 02, 2009.

Ms. Vijayalakshmi R. Iyer, *Executive Director*

Ms. Vijayalakshmi Iyer, aged 55 years, has joined the services of Union Bank of India in December 1975 and was engaged in various challenging assignments in the past thirty years with good stint of experience in branch banking of very large and extra large branches 9 years and 15 years in Credit Department of prestigious zones of Mumbai and Pune. Ms. Vijayalakshmi Iyer, with a rich experience and combination of operational banking and credit experience was assigned setting up of Risk Management Department for the Bank in 2000. She has also served as Deputy General Manager (Information Technology) during 2006-07 and in January 2008, she was promoted as General Manager for holding and managing both the portfolios of Information Technology and Risk Management. She managed to establish 2500 branches under Core Banking Solution, putting in place different delivery channels, a comprehensive centralised MIS Solution and also automated the entire Credit Management. Prior to being elected as Executive Director with our Bank she was heading MSME Department.

Mr. Rajiv Kishore Dubey, *Executive Director*

Mr. Rajiv Dubey, aged 56, a techno-savvy banker having an extensive multi dimensional banking operational experience of 30 years in Punjab National Bank, encompassing 10 years as Regional/Zonal/Circle Head, 9 years in branch operations at grass root level as Incumbent of branches, besides 4 years of training assignment as In-charge of Bank's Training College and 1 year as 2nd in command of Information Technology Division at Bank's Corporate Office and the last five months as Head of Marketing Services Division at PNB's Corporate Office. He joined our Bank on September 01, 2010 as Executive Director.

Dr. Shashank Saksena, *Government of India Nominee Director*

Dr. Shashank Saksena aged 48 years, a Post Graduate in Economics with a degree in Law having wide experience in the Department of Financial Services, Ministry of Finance. He is in Indian Economic Service cadre, currently working as Director (BOA) Ministry of Finance, in the Scale of Joint Secretary. He is the Director representing Government of India in Industrial Investment Bank of India Limited and in the Deposit Insurance and Credit Guarantee Corporation. He held the position of Director (A.C & Pension) in Ministry of Finance and Department of Financial Services.

Mr. Salim Gangadharan, *RBI Nominee Director*

Mr. Salim Gangadharan, aged 57 years, has been working with the Reserve Bank of India over 30 years and is currently heading the Foreign Exchange Department. During his career in Reserve Bank of India, he has worked in various Operational Departments, particularly in bank supervision and financial markets. He was also a Member Faculty in the Bankers' Training College of the Reserve Bank of India, for five years and handled several seminars and conferences on Risk Management, Payment Systems, and Treasury Management etc. He was also on secondment to the Central Bank of Oman for five years. He was associated with the IMF Team to assess the need for convergence in supervisory practices across the GCC countries, as part of the proposed Monetary Union. He was part of several internal Working groups in Reserve Bank / Government of India. He has also presented papers in several seminars, including at the Centre for Central Banking Studies, Bank of England.

Mr. Brijlal Kshatriya, *Shareholder Director*

Mr. Brijlal Kshatriya, aged 74 years is a specialist in Management of Steel Plant and has an extensive training experience in works and HR functions in India and abroad. He has a bachelor's degree in Metallurgical Engineering from BHU. He has served in the top administration of different plants of SAIL, ultimately taking charge as MD of Bokaro Steel Plant. He was accorded with Rajiv Gandhi Excellence Award in 1993, Mother India International Award from NRI World in December 1993 and Glory of India International Award of India in December 1993.

Prof. N. Balakrishnan, *Shareholder Director*

Mr. N. Balakrishnan, aged 60 years is a scientist of highest international repute. He holds a degree in BE (in Electronic curriculum) from University of Madras with Ph.D from Indian Institute of Science in 1979. He is at present an Associate Director of Indian Institute of Science and a Professor at Rep of Aerospace Engineering. He played a crucial role in building India's first Super Computer Centre. He has over 200 publications in the International journals and Conferences. He was honoured with Padmashree from the President of India in 2002, Homi J. Bhabha Award for Applied Science in 2004, J. C. Bose National Fellowship in 2007. He is currently a member of National Security Advisory Board. Prof. N. Balakrishnan has provided his critical inputs in many major National initiatives in IT planning and Information Security.

Mr. Romesh Sabharwal, *Part-time Non Official Director*

Mr. Romesh Sabharwal, aged 47 years, was appointed on March 03, 2006 as a Part-Time Non-Official Director on our Board upto March 02, 2009. He was reappointed as a Part-Time Non-Official Director on our Board of the Bank from October 06, 2009. He holds a bachelor's degree in arts from the Sikkim Municipal University and a diploma in engineering from the Bombay University. He is a businessman.

Major (Retd.) Ved Prakash, *Part-time Non Official Director*

Major (Retd.) Ved Prakash, aged 72 years, was appointed on October 06, 2005 as a Part-Time Non-Official Director on our Board upto October 05, 2008. He was reappointed as a Part-Time Non-Official Director on our Board of the Bank from October 20, 2009. He holds a master's degree in arts from the Osmania University and also holds Diploma in Business & Advance Intelligence course. He was formerly an officer in the Indian Army.

Mr. B.S. Rambabu, *Workmen Employee Director*

Mr. B.S. Rambabu, aged 54 years, appointed as Workmen Employee Director on the March 16, 2010. He holds a Bachelor Degree in Commerce and Law and is Junior Associate of the Indian Institute of Bankers. He is a workmen employee of our Bank working at Hyderabad.

Remuneration of our Directors

The following table sets forth the details of remuneration of our Directors for Fiscal 2010

Name of the Director	Date of Appointment / Notification date	Compensation	Remuneration in Fiscal 2010
Mr. S. Sridhar	March 02, 2009	Salary and other allowances	13,53,200*

*In addition to the above remunerations, the Remuneration Committee of the Board in its meeting dated May 22, 2010 approved the payment of performance-linked incentive amounting to ₹ 700,000 which was paid for the Fiscal Year 2009-10.

The following table sets forth the details of remuneration of our Directors for the half year ended September 30, 2010:

Name of the Director	Date of Appointment / Notification date	Compensation	Remuneration for the Half Year ended September 30, 2010 (In Million)
Mr. S. Sridhar	March 02, 2009	Salary and other allowances	₹ 0.67
Mr. Rajiv Dubey	September 01, 2010	Salary and other allowance	₹ 0.10
Ms. Vijayalakshmi Iyer	September 01, 2010	Salary and other allowance	₹ 0.12

Sitting Fees

The directors are paid a sitting fee of ₹ 5,000 for attending each meeting of the Board and ₹ 2,500 for attending every committee meeting of the Board apart from reimbursement of usual travelling and halting expenses. Sitting fee is not paid to our Chairman and Managing Director, Executive Directors and the Directors who are officials of the Government of India.

Terms and conditions of employment of our executive Directors

Our Bank being a public sector bank, the terms and conditions of employment of our executive directors are governed by the notifications issued by the GoI from time to time. The compensations payable including the dearness allowance and other expenses are governed by the notifications issued by Ministry of Finance, GoI from time to time. In terms of the Ministry of Finance (Department of Financial Services) Notification No. F.NO.13/1/2008-BO.1, dated February 19, 2009, pay scale payable to the Chief Managing Directors shall be an amount of ₹ 80,000 per month. In furtherance to the basic remuneration drawn by the Chief Managing Directors, the Ministry of Finance, GoI *vide* its notification being Ministry of Finance (Department of Financial Services) Notification No. F.NO.8/1/2010-BO.I dated April 30, 2010 revised the rates of the dearness allowances to the extent of 35% of the pay of Chief Managing Directors w.e.f. January 1, 2010 and *vide* notification being Ministry of Finance (Department of Financial Services) Notification No F.NO.13/3/2009-BO.I, the cost of the furniture to be provided to the Chairman and Managing director shall be ₹ 0.5 Million.

Mr. S. Sridhar

Basic Salary	₹ 80,000
Dearness Allowance	₹ 60,000
Total	₹ 1,40,000 per month

Mr. Rajiv Kishore Dubey

Basic Salary	₹ 65,000
City Comp Allowance	₹ 540
Dearness Allowance	₹ 35,533.33
Provident Fund Contribution	₹ 6,500
Total	₹ 101,073.33 per month

Ms. Vijayalakshmi R. Iyer

Basic Salary	₹ 65,000
City Comp Allowance	₹ 540
Dearness Allowance	₹ 35,533.33
House Rent Allowance	₹ 19,500

Percentage Based	
Provident Fund Contribution	₹ 6,500
Total	₹ 120,573.33 per month

Family Relationship between our Directors

None of the directors of our bank are related to each other.

Shareholding of Board of Directors in our Bank as at September 30, 2010

Name of the Director	No. of Shares held	% of shareholding
Mr. Brijlal Kshtriya	200	0.0005
Prof. N. Balkrishnan	100	0.0002

Interest of Directors

Except as stated in Related Party Transactions appearing in the section "Financial Statements" beginning on page 126 of this Draft Letter of Offer, and to the extent of shareholding in our Bank, our Directors do not have any other interest in our business. All our Directors 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. The Chairman and Managing Director and Executive Directors will be interested to the extent of remuneration paid to them for services rendered by them. 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 our Bank 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 their Rights Entitlements, 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 and/or trustees. Further, our Directors may be deemed to be interested in contracts, agreements / arrangements entered into or to be entered into by us with any company in which they hold directorships or any partnership firm in which they are partners.

FINANCIAL STATEMENTS

AUDITORS' REPORT ON THE STANDALONE FINANCIAL STATEMENTS

To,
The Board of Directors
Central Bank of India
Chander Mukhi,
Nariman Point
Mumbai,

1. We are engaged to report on the standalone financial statements ('Financial Statements') of Central Bank Of India Limited ('the 'Bank'), for the year ended 31 March 2010 and 31 March 2009 annexed to this report in Annexure I to IV for the purpose of inclusion in the Draft Letter of Offer and Letter of Offer (the 'Offering Documents') prepared by the Bank in connection with the Rights Issue ('Rights Issue') of its equity shares, in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('the Regulations') as amended to date. Our responsibility is to report on such statements based on our procedures.

2. We have examined such statements taking into consideration:

   (i) the terms of reference dated October 1, 2010 received from the Bank, requesting us to carry out the assignment, in connection with the Offering Documents being issued by the Bank for its proposed Rights Issue of equity shares having a face value of ₹ 10 each under the SEBI(ICDR) Regulations, 2009 ('Issue').

3. We report that the figures disclosed in the standalone 'Financial Statements' have been extracted by the management from the audited standalone financial statements for the year ended 31 March 2010. The standalone financial statements for the year ended 31 March 2010 have been audited by M/s GSA & Associates; M/s Sagar & Associates; together with the then auditors namely M/s Bhushan Bensal Jain Associates; M/s P.G Bhagwat; M/s Joseph & Rajaram and M/s Ummed Jain & Co. Chartered Accountants and in respect of which an unqualified audit report dated May 22, 2010, has been issued.

4. We report that the figures disclosed in the 'Financial Statements' have been extracted by the management from the standalone audited financial statements for the year ended 31 March 2009. The standalone financial statements for the year ended 31 March 2009 have been audited by M/s Chhajed & Doshi; M/s Murali Associates; M/s P.G. Bhagwat; M/s Joseph & Rajaram; M/s Ummed Jain & Co. and M/s Bhushan Bensal Jain Associates Chartered Accountants and in respect of which an unqualified audit report dated April 28, 2009 has been issued.

5. For the purpose of this report we have not performed any additional audit procedures on the above referred standalone audited financial statements of the Bank for the year ended 31st March 2010 & 31 March 2009, including evaluating the possible impact, if any, of subsequent events on the earlier audited financial statements of the Bank.

6. The 'Financial Statements' annexed to this report are extracted from the audited standalone financial statements for the year ended 31 March 2010 & 31 March 2009. These 'Financial Statements' have been prepared using the same set of accounting policies used for preparing the standalone audited financial statements as at 31st March 2010 & 2009. The accounting policies and notes to accounts have been reproduced as they were disclosed in standalone audited accounts for the year ended 31 March 2010 & 31 March 2009.

7. Except as stated above, we have not audited any financial statement of the Bank as of any date or for any period subsequent to 31 March 2010. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Bank as of any date or for any

period subsequent to 31 March 2010. However, we have conducted a limited review of the Financial Information for the Half Year ended 30th September 2010.

8. At the Bank's request, we have also examined Accounting Ratios enclosed as Annexure IV, proposed to be included in the Offering Documents prepared by the management and annexed to this report.

9. In our opinion, the financial information contained in Annexure I to IV of this report read together with the Notes to Accounts & Significant Accounting Policies have been prepared in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act 1956 and requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009 as amended till date.

10. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit report issued by above mentioned auditors nor should this report be construed as a new opinion on any of the financial statement referred to herein.

11. This report is intended solely for your information and for inclusion in the Offering Documents in connection with the proposed Issue by the Bank and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Enclosures:

1. Standalone Balance Sheet - Annexure I
2. Standalone Profit & Loss Account- Annexure II
3. Standalone Cash Flow - Annexure III
4. Accounting Ratios - Annexure IV

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

Annexure - I

Central Bank of India

Balance Sheet as on March 31, 2010

₹ Millions

Particulars	SCH NO.	AS ON 31-Mar-10	AS ON 31-Mar-09
CAPITAL & LIABILITIES			
Capital	1	17,711.42	13,211.42
Reserves and Surplus	2	59,211.05	50,909.10
Sub-Total		**76,922.47**	**64,120.52**
Deposits	3	1,621,074.69	1,312,718.49
Borrowings	4	73,266.37	46585.51
Other Liabilities and Provisions	5	55,452.71	53127.72
TOTAL		**1,826,716.24**	**1,476,552.24**
ASSETS			
Cash and Balances with Reserve Bank of India	6	170,119.29	110,369.06
Balances with Banks and Money at Call and Short Notice	7	22,050.85	12,143.36
Investments	8	505,628.67	430,607.17
Advances	9	1,053,834.86	854,831.96
Fixed Assets	10	23,432.88	22,779.87
Other Assets	11	51,649.69	45,820.82
TOTAL		**1,826,716.24**	**1,476,552.24**
Contingent Liabilities	12	387,400.77	234,041.97
Bills for Collection	-	54,002.41	28,330.28
Principal Accounting Policies	17		
Notes to Accounts	18		

The schedules referred to above form an integral part of the Balance Sheet

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

Annexure - II

Central Bank of India

Profit And Loss Account for year ended March 31, 2010

₹ Millions

Particulars	SCHEDULE NO.	YEAR ENDED 31-Mar-10	YEAR ENDED 31-Mar-09
I. INCOME			
Interest Earned	13	120,643.06	104,551.89
Other Income	14	17,352.45	10,699.71
TOTAL		**137,995.51**	**115,251.60**
II. EXPENDITURE			
Interest Expended	15	95,190.13	82,267.15
Operating Expenses	16	22,220.17	18,617.00
Provisions and Contingencies		10,002.94	8,655.02
TOTAL		**127,413.24**	**109,539.17**
III. PROFIT/ LOSS			
Net Profit for the year		***10,582.27***	***5,712.43***
Profit brought forward		11.28	5.83
TOTAL		**10,593.55**	**5,718.26**
IV.APPROPRIATIONS			
Transfer to :			
Statutory Reserve		2,645.57	1,428.11
Investment Reserve		466.23	1,407.20
Staff Welfare Fund		150.00	150.00
Revenue Reserve		5,659.08	980.00
Proposed Dividend - Preference Capital		530.94	680.39
Proposed Dividend - Equity Capital		889.11	808.28
Dividend Tax		241.33	253.00
Balance Carried Over to Balance Sheet		11.29	11.28
TOTAL		**10,593.55**	**5,718.26**
EPS (Basic & Diluted) in Rs.		24.65	12.17
Principal Accounting Policies	**17**		
Notes to Accounts	**18**		

The schedules referred to above form an integral part of the Profit and Loss Account

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

Central Bank of India

SCHEDULES FORMING PART OF THE BALANCE SHEET

₹ Millions

SCHEDULE 1 : CAPITAL	31-Mar-10	31-Mar-09
Authorised Capital	30,000.00	15,000.00
Issued, Subscribed and Paid up Capital : 4041,41,460 Equity Shares of Rs. 10 each (includes 3241,41,500 shares held by Central Govt.)	4,041.42	4,041.42
Perpetual non-cumulative Preference Share capital	13,670.00	9,170.00
TOTAL	**17,711.42**	**13,211.42**

SCHEDULE 2 : RESERVES AND SURPLUS	31-Mar-10	31-Mar-09
I. **Statutory Reserves**	-	-
Balance as per last Balance Sheet	9,455.79	8,027.68
Additions during the year	2,645.57	1,428.11
Closing Balance	**12,101.36**	**9,455.79**
II. **Capital Reserves**		
i) **Revaluation Reserve**	-	-
Balance as per last Balance Sheet	20,089.16	20,386.67
Deductions during the year	468.94	297.51
	19,620.22	**20,089.16**
ii) **Investment Reserve**	-	-
Balance as per last Balance Sheet	3,164.80	1,757.60
Additions during the year	466.23	1,407.20
	3,631.03	**3,164.80**
III. **Share Premium**	-	-
Balance as per last Balance Sheet	7,360.00	7,360.00
Additions/ Adjustments during the year	-	-
	7,360.00	**7,360.00**
IV. **Revenue and Other Reserves**		
i) **Revenue Reserves**	-	-
Balance as per last Balance Sheet	10,828.07	9,848.41
Additions during the year	5,659.08	980.00
Less: Deductions during the year	-	0.34
	16,487.15	**10,828.07**
	-	-
V. **Balance in Profit and Loss Account**	11.29	11.28
TOTAL	**59,211.05**	**50,909.10**

SCHEDULE 3 : DEPOSITS	31-Mar-10	31-Mar-09
A.I. Demand Deposits	-	-
i) From Banks	7,088.38	4,848.96
ii) From Others	143,625.48	96,273.94

SCHEDULE 3 : DEPOSITS	31-Mar-10	31-Mar-09
Sub Total	**150,713.86**	**101,122.90**
II. Savings Bank Deposits	**407,635.33**	**336,800.80**
III. Term Deposits	-	-
i) From Banks	54,275.79	47,138.99
ii) From Others	1,008,449.71	827,655.80
Sub Total	**1,062,725.50**	**874,794.79**
TOTAL	**1,621,074.69**	**1,312,718.49**
B. i) Deposits of Branches in India	1,621,074.69	1,312,718.49
ii) Deposits of Branches outside India	-	-

SCHEDULE 4 : BORROWINGS	31-Mar-10	31-Mar-09
I. Borrowings in India	-	-
i)Reserve Bank of India	-	172.55
ii)Other Banks	459.79	551.09
iii)Other Institutions & Agencies	25,751.48	7,318.87
iv)Unsecured Redeemable Bonds(Subordinated Debt)	24,073.00	26863.00
V) Upper Tier II bonds	15,850.00	5850.00
vi) Innovative Perpetual Debt Instrument	5,830.00	5830.00
Sub Total	71,964.27	46,585.51
II. Borrowings outside India	1,302.10	-
TOTAL	**73,266.37**	**46,585.51**
Secured Borrowings included in I & II above	-	-

SCHEDULE 5 : OTHER LIABILITIES AND PROVISIONS	31-Mar-10	31-Mar-09
I. Bills Payable	4,484.14	6,142.63
II. Inter Office Adjustments (Net)	-	-
III. Interest Accrued	7,272.27	3,386.62
IV. Deferred Tax Liability	3,078.90	240.30
V. Unsecured Redeemable Bonds		
V. Others(including provisions)	40,617.40	43358.17
TOTAL	**55,452.71**	**53127.72**

SCHEDULE 6 : CASH AND BALANCES WITH RESERVE BANK OF INDIA	31-Mar-10	31-Mar-09
I. Cash in Hand (including foreign currency notes)	7,518.72	7,973.77
II. Balances with Reserve Bank of India	-	-
In Current Accounts	161,600.57	101,395.29
In Other Accounts	1,000.00	1,000.00
Sub Total	162,600.57	102,395.29
TOTAL	**170,119.29**	**110,369.06**

SCHEDULE 7 : BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE	31-Mar-10	31-Mar-09

SCHEDULE 7 : BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE	31-Mar-10	31-Mar-09
I. In India	-	-
i) Balances with Banks	-	-
a) In Current Accounts	7,300.75	7,082.52
b) In Other Deposit Accounts	13,677.00	16.19
ii) Money at Call and Short Notice	-	-
a) With Banks	-	-
b) With Other Institutions	-	-
Sub Total	**20,977.75**	**7,098.71**
II. Outside India	-	-
a) In Current Accounts	1,071.76	4,313.90
b) In Other Deposit Accounts	1.34	730.75
c) Money at Call & Short Notice	-	-
Sub Total	**1,073.10**	**5,044.65**
TOTAL	**22,050.85**	**12,143.36**

SCHEDULE 8 : INVESTMENTS	31-Mar-10	31-Mar-09
I. Investments in India in : *	-	-
i) Government Securities	448,457.18	378,784.21
ii) Other approved Securities	1,305.23	4,053.90
iii) Shares	5,993.57	5,028.18
iv) Debentures and Bonds	28,308.58	30,732.04
v) Subsidiaries and Sponsored Institutions	2,471.66	2,422.66
vi) Others (UTI Shares & Commercial Papers, Mutual Funds Units etc.)	19,085.86	9,579.59
Sub Total	**505,622.08**	**430,600.58**
II. Investments outside India in **	-	-
Subsidiaries and / or Associates abroad	6.59	6.59
TOTAL	**505,628.67**	**430,607.17**
*Investments in India	-	-
Gross Value	520,076.38	444,456.47
Less: Provision for Depreciation	14,454.30	13,849.30
Net Value	**505,622.08**	**430,607.17**
** Investments outside India	-	-
Gross Value	6.59	6.59
Less: Provision for Depreciation	-	-
Net Value	**6.59**	**6.59**

SCHEDULE 9 : ADVANCES	31-Mar-10	31-Mar-09
A.i) Bills Purchased and Discounted	13,400.52	8,865.43
ii)Cash Credits, Overdrafts & Loans repayable on demand	314,998.96	240,261.83
iii)Term Loans	725,435.38	605,704.70
TOTAL	**1,053,834.86**	**854,831.96**
B. Particulars of Advances :	-	-
i) Secured by Tangible Assets (including advances against Book Debts)	809,932.25	632,176.02
ii) Covered by Bank / Government Guarantees	57,606.57	30,714.63
iii) Unsecured	186,296.04	191,941.31

SCHEDULE 9 : ADVANCES	31-Mar-10	31-Mar-09
TOTAL	**1,053,834.86**	**854,831.96**
C. Sectoral Classification of Advances	-	-
(I)Advances in India	-	-
i) Priority Sectors	338,731.30	268,302.08
ii) Public Sector	50,812.00	101,252.02
iii) Banks	10,153.77	6,877.36
iv) Others	654,137.79	478,400.50
TOTAL	**1,053,834.86**	**854,831.96**
(II) Advances outside India	-	-

SCHEDULE 10 : FIXED ASSETS	31-Mar-10	31-Mar-09
I. Premises	-	-
(At cost / revalued cost)	-	-
Balance as at 31st March of the preceding year	23,663.76	23,663.76
Additions during the year	166.36	-
Total	**23,830.12**	**23,663.76**
Depreciation to date	3,340.11	3,151.14
Total	**20,490.01**	**20,512.62**
	-	-
II. Other Fixed Assets(Including furniture and fixtures)	-	-
At cost as on 31st March of the preceding year	8,153.12	7,534.28
Additions / Adjustments during the year	1,438.43	819.15
Total	**9,591.55**	**8,353.43**
Deductions / Adjustments during the year	81.98	200.31
Total	**9,509.57**	**8,153.12**
Depreciation to date	6,566.70	5,885.87
Total	**2,942.87**	**2,267.25**
TOTAL (I & II)	**23,432.88**	**22,779.87**

SCHEDULE 11 : OTHER ASSETS	31-Mar-10	31-Mar-09
I. Inter Office Adjustments	6,209.22	6,430.76
II. Interest accrued	9,962.79	7,800.88
III. Tax paid in advance / Tax deducted at source (Net of Provisions)	21,865.82	18,273.90
IV. Stationery and Stamps	119.65	113.36
V. Others	13,492.21	13,201.92
TOTAL	**51,649.69**	**45,820.82**

SCHEDULE 12 : CONTINGENT LIABILITIES	31-Mar-10	31-Mar-09
I. Claims against the Bank not acknowledged as debts	16,824.36	1,640.07
II. Liability for partly paid Investments	276.43	273.43
III. Liability on account of outstanding forward exchange contracts	265,299.82	164,743.95
IV. Guarantees given on behalf of constituents	-	-
a) In India	56,500.72	39,467.54

SCHEDULE 12 : CONTINGENT LIABILITIES	31-Mar-10	31-Mar-09
b) Outside India	1,275.05	2,771.80
Sub Total	57,775.77	42,239.34
V. Acceptances, Endorsements and Other Obligations	47,224.39	25,145.18
VI. Other item for which the bank is contingently liable	-	-
TOTAL	**387,400.77**	**234,041.97**

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

₹ Millions

SCHEDULE 13 : INTEREST EARNED	31-Mar-10	31-Mar-09
I. Interest / Discount on Advances / Bills	86,478.41	77,534.46
II. Income on Investments	33,077.87	25,631.83
III. Interest on balances with Reserve Bank of India and other Inter-Bank funds	-	-
other Inter-Bank funds	1,026.48	1,315.17
IV. Others	60.30	70.43
TOTAL	**120,643.06**	**104,551.89**

SCHEDULE 14 : OTHER INCOME	31-Mar-10	31-Mar-09
I. Commission, Exchange and Brokerage	5,735.46	4,419.51
II. Profit on Sale of Investments (Net)	7,723.82	4,097.66
III. Profit / (Loss) on Revaluation of Investments	-	-
IV. Profit / (Loss) on Sale of Land, Buildings and other Assets (Net)	(3.22)	(3.53)
V. Profit on Exchange Transactions (Net)	453.36	673.34
VI. Income earned by way of dividends etc. from Subsidiaries and Associates abroad / in India	14.56	14.30
VII. Miscellaneous Income	3,428.47	1,498.43
TOTAL	**17,352.45**	**10,699.71**

SCHEDULE 15 : INTEREST EXPENDED	31-Mar-10	31-Mar-09
I. Interest on Deposits	91,210.21	79,133.20
II. Interest on Reserve Bank of India / Inter-Bank borrowings	221.84	916.18
III. Others	3,758.08	2,217.77
TOTAL	**95,190.13**	**82,267.15**

SCHEDULE 16 : OPERATING EXPENSES	31-Mar-10	31-Mar-09
I. Payments to and Provisions for employees	15,441.92	12,725.88
II. Rent, Taxes and Lighting	1,626.88	1,421.27
III. Printing and Stationery	189.24	178.81
IV. Advertisement and Publicity	172.16	153.32
V. Depreciation on Bank's property	787.48	835.90
VI. Directors' Fees, Allowances and Expenses	15.43	14.46
VII. Auditors' Fees and Expenses (including Branch Auditors)	195.73	204.02
VIII. Law Charges	124.35	107.82
IX. Postages, Telegrams, Telephones etc.	47.12	97.18

SCHEDULE 16 : OPERATING EXPENSES	31-Mar-10	31-Mar-09
X. Repairs and Maintenance	242.65	328.92
XI. Insurance	1,212.02	914.12
XII. Other Expenditure	2,165.19	1,635.30
TOTAL	**22,220.17**	**18,617.00**

SCHEDULE 17-PRINCIPAL ACCOUNTING POLICIES

1. Accounting Conventions:

The Financial Statements are prepared by following going concern concept on the historical cost basis except as modified by the Revaluation of Premises and conform to the statutory provisions and prevailing practices within the banking industry in India.

2. Transactions involving Foreign Exchange:

Monetary Assets and Liabilities in Foreign Currencies are translated at the Exchange Rates prevailing at the year-end as notified by FEDAl and the resultant Profit/ Loss is recognised in Profit and Loss Account.

2.2 Income and Expenditure items are translated at the exchange rates ruling on the respective date of transactions.

2.3 Guarantees, Letters of Credit, Acceptances, Endorsements, and other obligations in Foreign Currencies are translated at year end rates notified by FEDAl.

2.4 Outstanding Forward Contracts are translated at the year-end rates notified by FEDAI and the resultant profit/loss is recognized in Profit and Loss Account.

3. Investments:

3.1 In accordance with the guidelines issued by Reserve Bank of India, Investments are classified into “Held to Maturity”, “Held for Trading” and “Available for Sale” categories. However, for disclosure in the Balance Sheet, investments are classified under the following heads :

i) Government Securities
ii) Other Approved Securities
iii) Shares
iv) Debentures and Bonds
v) Investments in Subsidiaries and sponsored institutions and
vi) Others (UTI Shares, Commercial Papers and units of Mutual Funds.)

3.2 **Basis of Classification :**

Classification of an Investment is done at the time of purchase into the following categories:

i) <u>Held to Maturity</u>

These comprise of investments, the bank intends to hold on till maturity.

ii) <u>Held for Trading</u>

Securities which are principally held for resale within 90 days from the date of purchase.

iii) Available for Sale

Investments that cannot be classified in the above categories.

3.3 **Transfer of Securities between categories :**

The transfer/ shifting of securities between the three categories of investments is accounted at the lower of acquisition cost/ book value or market value on the date of the transfer. The depreciation, if any, on such transfer is fully provided for.

3.4 **Valuation :**

a) Held to Maturity :

The investments classified under this category are valued at acquisition cost. The excess of acquisition cost / book value over the face value is amortised over the remaining period of maturity.

b) Available for sale :

Investments under this category are marked to market, scrip-wise, at quarterly intervals as under:

i)	Central Government Securities	At market price as per quotation put out by Stock Exchange / FIMMDA / PDAI.	
ii)	State Government Securities, Securities Guaranteed by Central / State Government, PSU Bonds	On appropriate yield to maturity basis.	
iii)	Treasury Bills/ Certificates of Deposits/ Commercial Paper	At carrying cost.	
iv)	Equity Share	a)Quoted: b)Unquoted:	At market price. At book value per share, if latest (Not more than one year old.) Balance Sheet is available, or Re.1.00per company if latest Balance Sheet is not available.
v)	Preference Share	a)Quoted: b)Unquoted:	At market price. On appropriate yield to maturity.
vi)	Debentures and Bonds	a)Quoted: b)Unquoted:	At market price. On appropriate yield to maturity.
vii)	Mutual Fund	a)Quoted: b)Unquoted:	At market price. At repurchase price or Net Asset Value (where repurchase price is not available).
viii)	Venture Capital	Declared NAV or break up NAV as per audited balance sheet which is not more than 18 months old. If NAV/ audited financials are not available for more than 18 months continuously then at Re.1/- per VCF.	

The net depreciation under each classification is provided for, without adjusting the book value of the securities and net appreciation, if any, is ignored.

c) Held for Trading :

Investments under this category are valued at monthly intervals at market rates, wherever available, or as per the prices declared by FIMMDA. The net depreciation under each classification is provided for, without adjusting the book value of the securities and net appreciation, if any, is ignored.

3.5 **Determination of Cost :**

Cost of investments is determined on the basis of Weighted Average Cost method.

3.6 **Income Recognition :**

i) The Profit or loss on sale/ redemption of investments is taken to the Profit and Loss Account. However, in case of profit on sale/ redemption of investments from 'Held to Maturity' category, an equivalent amount is appropriated to the 'Capital Reserve'.

ii) In respect of securities included in any of the three categories of investments where interest/ principal is in arrears, for more than 90 days, income is not reckoned and appropriate provision for the depreciation in the value of the investments is made, as per prudential norms applicable to non-performing advances. Debentures/ Bonds in the nature of advances are subjected to usual prudential norms applicable to advances.

iii) State Government guaranteed exposures is classified as Sub Standard/ Doubtful/ Loss, as the case may be if interest and/ or principal or any other amount due to the Bank remains overdue for more than 90 days and necessary provisions are made as per Prudential Norms.

iv) Brokerage, incentive, front-end fees etc., received on purchase of securities are reduced from the cost of investments.

v) Expenses such as brokerage, fees, commission or taxes incurred at the time of acquisition of securities is charged to revenue.

vi) The broken period interest on sale or purchase of securities is treated as revenue item.

4. Derivatives

Derivatives used for hedging are accounted as under :

i) Marked to market in cases where the underlying Assets/ Liabilities are marked to market. The resultant gain/ loss is recognised in the Profit & Loss Account.

ii) Interest Rate Swaps which hedges interest bearing assets or liabilities are accounted for on accrual basis in cases where underlying Asset/ Liabilities are not marked to market.

iii) Gain or losses on the termination of Swaps are recognised over the shorter of the remaining contractual life of the Swap or the remaining life of the assets/ liabilities.

5. Advances:

5.1 Advances are classified as Standard, Sub-Standard, Doubtful or Loss Assets and Provisions required in respect thereof are made as per the Prudential Norms prescribed by the Reserve Bank of India.

5.2 Recoveries against Non-performing Assets (NPA) are first appropriated towards interest. However, recovery in suit filed, decreed accounts and compromise cases, is first appropriated towards principal or as per the terms of decree/ settlement.

5.3 Advances are shown net of provisions, Unrealised Interest and amount recovered from borrowers held in Sundries and amount recovered from CGTSI/ ECGC.

Provision for Standard Assets is included in Other Liabilities and Provisions- Others

6. Fixed Assets/Depreciation:

6.1 Fixed Assets (other than computers which are depreciated on Straight Line Method) are depreciated under 'Written Down Value Method' at the following rates:

i)	Premises	At varying rates based on estimated life
ii)	Furniture, Lifts, Safe Vaults	10%
iii)	Vehicles	20%
iv)	Air conditioners, Coolers, Typewriters etc.	15%
v)	Computers including Systems Software	33.33%
	(Application Software is charged to the Revenue during the year of acquisition.)	

6.2 In the case of assets, which have been revalued, the depreciation is provided on the revalued amount and the incremental depreciation attributable to the revalued amount is adjusted to the 'Revaluation Reserve'.

6.3 Depreciation on additions to assets, made upto 30^{th} September is provided for the full year and on additions made thereafter, is provided for the half year. No depreciation is provided on assets sold before 30^{th} September and depreciation is provided for the half year for assets sold after 30^{th} September.

6.4 Cost of leasehold land is amortised over the period of lease. In the case of revaluation, the difference between the original cost and revalued amount is amortised over the remaining period of the lease and is adjusted to the 'Revaluation Reserve'.

6.5 Where it is not possible to segregate the cost of Land and Premises, Depreciation is charged on the composite cost.

7. Staff Benefits:

7.1 Annual contribution to Gratuity and Pension Funds are determined on the basis of actuarial valuation. The contribution to Pension Fund is made under a defined benefit scheme.

7.2 The liability for earned leave is provided for on the basis of actuarial valuation.

7.3 In respect of employees who have opted for Provident Fund Scheme, a matching contribution is made.

7.4 The Bank recognizes in its Books of Accounts the liability arising out of Employee Benefits as the sum of the present value of obligations as reduced by fair value of Plan Assets on the Balance Sheet.

As per the transition provision of AS-15 (Revised) on 'Accounting for Retirement Benefits in Financial statements of employer' the difference in the liability (as adjusted by related deferred tax) on account of Defined Benefit Plans viz. Pension and Gratuity Plans has been adjusted against the opening balance of Revenue Reserves and Surplus.

8. Recognition of Income and Expenditure:

8.1 Income/ Expenditure is generally accounted for on accrual basis unless otherwise stated.

8.2 Income on NPA is accounted for as per the Prudential Norms prescribed by the Reserve Bank of India.

8.3 In accordance with the guidelines issued by the Reserve Bank of India, prior period disclosures are made in respect of any item which exceeds one percent of the total income/total expenditure.

8.4 Provision for interest payable on overdue deposits is made as per Reserve Bank of India guidelines.

8.5 Expenses for Share Issue are amortized over a period of 5 years on quarterly basis.

9. Income Tax:

The provision for tax for the year comprises of current tax liability computed in accordance with the applicable tax laws and the deferred tax which recognizes, timing differences between taxable income and accounting income that originate in one period and capable of reversal in one or more subsequent periods. Deferred tax assets are not recognized unless there is 'virtual certainty' that sufficient future taxable income will be available against which such deferred tax assets will be realized.

SCHEDULE-18: NOTES FORMING PART OF THE ACCOUNTS

These Financial Statements which were approved by the Board of Directors on 02nd May 2010 and authenticated by the Auditors have undergone a change by virtue of Government of India advice dated 07th May 2010 to increase the recommended dividend from 20% to 22% of the paid up equity share capital. The effect of this change on financial statements is an increase in Proposed Dividend on Equity Capital by ₹ 80.80 million and Dividend Tax by ₹ 13.70 million and consequent decrease in Revenue Reserves by ₹ 90.00 million and retained Profit by ₹ 4.5 million.

1. Capital:

The Authorised Capital of the Bank was ₹ 15,000 million as on April 01, 2009. The Board of Directors vide Resolution dated July 27, 2009 recommended to increase the Authorized Capital of the Bank from the present ₹ 15,000 million to ₹ 30,000 million for the approval of shareholders of the Bank and the shareholders in the Annual General Meeting held on August 4, 2009 approved the same.

The Government of India by its official Gazette Notification dated November 27, 2009 increased the authorized Capital from ₹ 15,000 million to ₹ 30,000 million.

The paid-up Capital of the Bank is increased from ₹ 13,211.40 million to₹17,711.40 million by issue of Perpetual Non-cumulative preference shares (PNCPS) to the tune of ₹ 4,500 million to Government of India.

2. Balancing of Books / Reconciliation:

Reconciliation of Inter-Branch Accounts is in progress. Balancing of Subsidiary Ledgers and reconciliation with General Ledger is also in progress at some branches. Pending final clearance of the above, the overall impact, if any, on the accounts, in the opinion of the management will not be significant.

The bank is in the process covering all of its branches under the CBS platform. During the year, an additional 324 branches have come under the CBS platform. Certain migration errors in the master data and inherent bugs in the system were noticed in branches remedial action was initiated by the bank's IT department and the service provider. The management is of the opinion that this does not have any material impact on the Financial Statements.

3. Income Tax / Deferred Tax:

3.1. Provision for Income Tax for the year is arrived at after due consideration of relevant statutory provisions and judicial decisions on disputed issues.

3.2. Other Assets [Schedule 11 (ii)] includes ₹ 15,074.50 million (previous year ₹ 13,661.70 million)] towards disputed Income Tax paid by the Bank/ adjusted by the authorities. Provision for taxation is not considered necessary by the Bank in respect of above disputed demands based on various judicial decisions/ counsel's opinion on such disputed issues.

3.3. Out of ₹ 15,074.50 million of tax paid under dispute, disputes relating to various Assessment Years, involving tax element of ₹ 70.60 million have been decided by the Appellate authorities in favour of the Bank. The appeal effect for the same is pending.

4. Share Issue Expenses:

Unamortized amount of ₹ 121.20 million towards share issue expenses are included in Other Assets.

5. Premises:

5.1. The premises of the Bank were revalued during financial year 2007-08 to reflect the market value as at March 31.3.2008.The additional appreciation amounting to ₹ 15,659.70 million have been credited to Revaluation Reserve Account.

5.2. Premises owned by the Bank include properties costing ₹ 109.40 million revalued at ₹ 3,068.50 million for which registration formalities are still in progress.

6. Investments:

6.1. Gross investments of the Bank have been classified into three categories as under :

	As at 31-Mar-2010	As at 31-Mar-2009
Held to Maturity [excluding 2.45% (previous year 2.22%) in exempted category]	69.75%	64.11%
Held for Trading	1.03%	0.03%
Available for Sale	26.77%	33.64%

6.2. In terms of the Guidelines of Reserve Bank of India, the profit of ₹ 466.20 million (net of taxes and statutory reserves) on sale/ redemption of investments in the "Held to Maturity" category has been appropriated to the Investment Reserve.

7. Advances / Provisions:

7.1. Advances to units which have become sick including those under nursing/ rehabilitation/ restructuring programme and other advances classified as doubtful/ loss assets have been considered secured/ recoverable to the extent of estimated realizable value of securities carrying first or second charge based on valuers' assessment of properties/ assets mortgaged to the Bank and other data available with the Bank.

7.2. Last year the Bank considered the Floating Provision of ₹ 3124.30 million as part of Tier II Capital. In the current year, in accordance with the guidelines issued by Reserve Bank of India the Bank has opted to utilize the Floating Provision for netting off from Gross NPAs to arrive at Net NPAs.

8. Agricultural Debt Waiver and Debt Relief Scheme, 2008

8.1. Government of India has notified "Agricultural Debt Waiver & Debt Relief Scheme 2008" for Debt Waiver to marginal and small farmers and Relief to other farmers, which has been implemented by the bank. Claims have been preferred with RBI for Agricultural Debt Waiver amounting to ₹ 9,785.40 million (inclusive of additional claim of ₹ 37.10 million).The Bank has received ₹ 6,310.60 million being 64.49% of the Claim amount.

8.2. In terms of Government of India, Ministry of Finance, Department of Financial Services, Notification dated October 16, 2008 and Reserve Bank of India circular dated November 11, 2008, Interest amounting to ₹ 380.50 million (previous year ₹ 153.30 million) on the amount outstanding under Agricultural Debt Waiver Scheme, 2008, for the period April 2009 to March, 2010, have been accounted in the books as Interest Income.

8.3. In terms of the Reserve Bank of India Circular Ref RBI: 2009-10/371/ DBOD.No.BP.BC.82/21.04.048/2009-10 dated March 30, 2010 and vide Government of India Notification No.3/3//208-AC dated April 5, 2010, Bank has extended the Debt Relief Scheme to all eligible farmers upto June 30, 2010.Provision of ₹ 61.70 million is made by the Bank for the loss in present value terms for all receivables from the Borrowers Claim for reimbursement of 25% Government share is subject to verification by the Statutory Central Auditors

9. Upper Tier II Debt Instrument:

During the year, Bank has raised Upper Tier II Debt to the tune of ₹ 10,000.00 million (previous year ₹ 5,850.00 million) by issue of Unsecured Redeemable Bonds under Upper Tier II Debt and the amount is shown in Schedule 4 "Borrowings" of the Balance Sheet.

10. The following information is disclosed in terms of guidelines issued by Reserve Bank of India :

a) CAPITAL ADEQUACY RATIO:

Sl. No	Items	31-Mar-2010	31-Mar-2009

Sl. No	Items	31-Mar-2010	31-Mar-2009
1.	CRAR (%) Basel-I Basel-II	 10.81 12.23	 11.75 13.12
2.	CRAR-Tier-I Capital (%) Basel-I Basel-II	 6.03 6.83	 6.24 6.97
3.	CRAR-Tier-II Capital (%) Basel-I Basel-II	 4.78 5.40	 5.51 6.15
4.	Percentage of Equity share holding of Govt. of India.	80.20%	80.20%
5.	Amount of Upper Tier-II instruments Raised during the year(₹ in millions)	10000	5850
6.	Amount of Innovative Perpetual Debt Instruments (IPDI) raised as Tier-I capital during the year(₹ in millions)	NIL	5830
7.	Issue of Equity shares through QIP route (₹ in millions) Share Capital Share Premium	NIL	NIL

The above data has been compiled on the basis of guidelines of Reserve Bank of India and estimates in respect of certain Off Balance Sheet items, made by the management and relied upon by the Auditors In respect of Basel II, the system deficiencies/ data errors noticed / reported were addressed at Central Office. Based on the extensive exercise undertaken, Bank is of the view that, unrectified deficiencies, if any, will not have a significant impact on the overall reported Capital Adequacy.

b) Provisions and Contingencies:

The breakup of 'Provisions and Contingencies' appearing in the Profit and Loss Account is as under:

(₹ In millions)

Items			2009-10		2008-09	
a.	Provision for Standard Advances		-	299.11	-	448.41
b.	Provision for NPA		-	2,884.01	-	3,223.40
c.	Provision/ Depreciation on investments (including matured investments)		-	647.91	-	905.20
d.	i)	Provision for Taxes	2,074.50	-	3,478.80	-
	ii)	Deferred Tax	2,838.60	-	(1.40)	-
	iii)	Fringe Benefit Tax	-	-	60.00	-
		Sub Total of (d)	-	4,913.10	-	3,537.40
e.	Others		-	1,258.81	-	540.61
TOTAL			-	10,002.94	-	8,655.02

c) (i) Investments

(₹ In millions)

Items				31-Mar-2010	31-Mar-2009
1)	**Value of Investments**			-	-
	i)	Gross Value of Investments		**520,082.97**	**444,456.47**
		a)	In India	520,076.38	444,449.88
		b)	Outside India	6.59	6.59

Items				31-Mar-2010	31-Mar-2009
	ii)	Provisions for Depreciation		**14,454.30**	**13,849.30**
		a)	In India	14,454.30	13,849.30
		b)	Outside India	-	-
	iii)	Net Value of Investments		**505,628.67**	**430,607.17**
		a)	In India	505,622.08	430,600.58
		b)	Outside India	6.59	6.59
2)	**Movement of Provisions held towards depreciation on Investments.**			-	-
	i)	Opening Balance		13,849.30	13,412.00
	ii)	Add: Provisions made during the year		683.50	708.40
	iii)	Less: Write off		78.50	271.10
	iv)	Closing Balance		14,454.30	13,849.30

(ii)RepoTransactions

(₹ In Millions)

	Minimum outstanding during the year	**Maximum outstanding during the year**	**Daily Average outstanding during the year**	**As on 31-Mar-2010**
Securities sold under Repo	-	15,000.00	41.00	15,000.00
Securities purchased under Reverse Repo	-	110,000.00	22,851.80	-
Ready Forward Repo	-	12,070.90	569.50	12,070.90

(iii)Non SLR Investment Portfolio

Issuer wise composition of Non SLR Investments

(₹ In millions)

No.	**Issuer**	**Amount**	**Extent of Private Placement**	**Extent of ‘Below Investment Grade’ Securities**	**Extent of ‘Unrated’ Securities**	**Extent of ‘Unlisted’ Securities**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
i)	PSUs	9,563.70	5,479.20	-	-	591.40
ii)	FIs	881.90	881.90	831.90	-	831.90
iii)	Banks	8,187.00	3,414.30	-	-	350.00
iv)	Private Corporates	11,294.20	7,830.10	150.00	132.60	4,252.90
v)	Subsidiaries/ Joint Ventures	2,471.70	2,471.70	-	2,471.70	2,471.70
vi)	Others	25,252.00	19,826.20	-	17,976.90	20,977.80
	RIDF/RHDF/SIDBI	10,243.10	10,243.10	-	10,243.10	10,243.10
	Commercial Papers	7,275.10	7,275.10	-	-	7,275.10
	Mutual Funds	685.00	-	-	685.00	685.00
	Venture Capital	966.10	966.10	-	966.10	966.10
	Shares (incl. Trustee Shares)	6,082.70	1,341.90	-	6,082.70	1,808.50
TOTAL		**57,650.50**	**39,903.40**	**981.90**	**20,581.20**	**29,475.70**
Less:	Provision held towards depreciation	483.40	-	-	-	-

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
Net		**57,167.10**	**39,903.40**	**981.90**	**20,581.20**	**29,475.70**

Amounts reported under Columns 4, 5, 6 and 7are not mutually exclusive.

(iv) Non Performing Non-SLR Investments(<u>including matured investments)</u>

(₹ In millions)

Particulars	31-Mar-2010	31-Mar-2009
Opening Balance	459.8	597.1
Additions during the year	4.8	88.4
Reductions during the year	184	225.7
Closing balance	280.6	459.8
Total provisions held	**233.2**	**378.7**

d) Derivatives

i. Forward Rate Agreement / Interest Rate Swap

(₹ In millions)

	Items	31-Mar-2010	31-Mar-2009
i)	The Notional Principal of Swap agreements	5,750.00	5,000.00
ii)	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements.	0.51	-
iii)	Collateral required by the bank upon entering into swaps	-	-
iv)	Concentration of credit risk arising from the swaps	-	-
	Foreign Bank	-	-
	Domestic Bank	7.50	-
v)	The fair value of the swap book	(297.64)	(721.40)

ii. Exchange Traded Interest Rate Derivatives:

(₹ In millions)

Sr. No.	Particulars	Amount
i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise) a) 18 Dec 2009(due date) b) 22 Mar 2010(due date) c) 21 June 2010(due date)	 1635.80 480.40 25.40
ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2010 (instrument-wise)	NIL
iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NA
iv)	Mark-to market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NA

Disclosures on Risk Exposure in Derivatives

iii. Qualitative Disclosures

- The Treasury Risk Management Policy, approved by the Board of Directors, on the use of derivative instruments to hedge/ trade is in place.

a) The Investment Portfolio of the Bank consists of assets with characteristics of fixed interest rate, zero coupon and floating interest rates and is subject to interest rate risk. The Bank has also Tier II bonds hedged for Interest rate swaps which do not have exit option. The policy permits hedging the interest rate risk on this liability as well.

Forward Rate Agreement, Interest Rate Swaps, Currency Futures and Interest Rate Futures are used not only for hedging the interest rate risk in the investment portfolio but also for market making.

b) The risk management policies and major control limits like stop loss limits, counter party exposure limits etc. approved by the Board of Directors are in place. These risks are monitored and reviewed regularly. MIS/ Reports are submitted periodically to Risk Management Committee. The hedge effectiveness of the outstanding derivative deals is monitored in relation to the underlying asset/ liability on an ongoing basis.

c) Accounting Policy

- **Hedge Positions**

  - Accrual on account of interest expenses/ income on the IRS are accounted and recognised as income/ expense.
  - Hedge effectiveness of the outstanding derivative deals is monitored in relation to the fair value of the swap and underlying asset/ liability. If the hedge is not effective, hedge swaps is accounted as trading swaps. If the swap is terminated before maturity, the Marked to Market (MTM) loss/ gain and accrual till such data are accounted as expense/ income under Interest paid/ received on IRS

- **Trading positions**

  - Currency Future and Interest Rate Future are marked to market on daily basis as per exchange guidelines of MCX-SX and NSE.
  - MTM profit/ loss are accounted by credit/ debit to our margin account on daily basis and the same is accounted in bank's Profit & Loss account on daily basis.
  - Trading swaps are marked to market at frequent intervals. Any MTM losses are booked and gains if any are ignored.
  - Gains or losses on termination of swaps are recorded as immediate income/ expense under the above head.

iv. Quantitative Disclosures

(₹ In millions)

Sr. No.		Particulars	Currency Derivatives	Interest rate derivatives
i)	Derivatives (Notional Principal Amount)		-	-
	a)	For hedging	-	750
	b)	For trading	2,120	-
ii)	Marked to Market Positions (1)		-	-
	a)	Asset (+)	-	0.50
	b)	Liability (-)	-	2.10
iii)	Credit Exposure (2)		-	0.01
iv)	Likely impact of one percentage change in interest rate		-	-

Sr. No.	Particulars		Currency Derivatives	Interest rate derivatives
	(100*PV01)			
	a)	On hedging derivatives	-	21.90
	b)	On trading derivatives	-	-
v)	Maximum and Minimum of 100*PV01 observed during the year		-	-
	a)	On hedging	-	11.70
	b)	On trading	-	10.50

e) Asset Quality

(i) **Non-Performing Assets**

(₹ In millions)

Items			31-Mar-2010	31-Mar-2009
i)	Net NPAs to Net Advances (%)		0.69%	1.24%
ii)	Movement of NPAs (Gross)			
	a)	Opening balance	23,160	23,500
	b)	Additions during the year	10,330	8,730
	c)	Reduction during the year	8,910	9,070
	d)	Closing balance	24,580	23,160
iii)	Movement of Net NPAs		-	-
	a)	Opening balance	10,630	10,600
	b)	Additions during the year	1,430	5,500
	c)	Reduction during the year	4,790	5,470
	d)	Closing balance	7,270	10,630
iv)	Movement of Provisions for Net NPAs (excluding provisions on Standard Assets)		-	-
	a)	Opening balance	12,140	12,500
	b)	Provisions made during the year	2,880	3,220
	c)	Write off/ write back / Transfer	2,910	3,580
	d)	Closing balance	12,110	12,140

* Excluding Floating Provision of ₹ 3124.30 million

(ii) Particulars of Accounts Restructured:

(₹ In millions)

		CDR Mechanism	SME Debt Restructuring	Others
Standard Advances Restructured	No. of Borrowers	7	348	4052
	Amt. Outstanding	3,774.60	1,709.10	25,113.90
	Sacrifice	158.00	85.40	186.40
Sub Standard Advances Restructured	No. of Borrowers	-	1	23
	Amt. Outstanding	-	0.40	535.50
	Sacrifice	-	0.10	1.60
Doubtful Advances Restructured	No. of Borrowers	1	-	8
	Amt. Outstanding	159.50	-	199.70
	Sacrifice	3.50	-	52.40
TOTAL	No. of Borrowers	8	349	4083
	Amt. Outstanding	3,934.10	1,709.50	25,849.00
	Sacrifice	161.50	85.50	240.40

*The amount of 'Sacrifice' for accounts with balance of **Less than ₹ 10.00 million** is taken at 5% of the outstanding amount.*

(b) During the year, 349 accounts under SME were subjected to Restructuring and the balance outstanding as on March 31, 2010 was ₹ 1709.50 million (Previous Year 7527 accounts – Amount ₹ 3862.20 million).

(iii) Details of financial assets sold to Securitization/ Reconstruction Company for Asset Reconstruction

(₹ In millions)

Items		31-Mar-2010	31-Mar-2009
i)	No. of accounts	29	Nil
ii)	Aggregate value (net of provisions) of accounts sold to SC/ RC	Nil	Nil
iii)	Aggregate consideration	499.00	Nil
iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v)	Aggregate gain/ loss over net book value	499.00	Nil

(iv) Details of Non Performing Financial Assets purchased/ sold

a. Details of Non Performing Financial Assets purchased

(₹ In millions)

Particulars			31-Mar-2010	31-Mar-2009
1	a	No. of accounts purchased during the year	Nil	Nil
	b	Aggregate outstanding	Nil	Nil
2	a	Of these, number of accounts restructured during the year	Nil	Nil
	b	Aggregate outstanding	Nil	Nil

b. Details of Non Performing Financial Assets sold

(₹ In millions)

Items		31-Mar-2010	31-Mar-2009
1	No. of accounts	29	Nil
2	Aggregate outstanding	351.80	Nil
3	Aggregate consideration received	499.00	Nil

(v) Provision held for Standard Assets

(₹ In millions)

Items	31-Mar-2010	31-Mar-2009
Provisions towards Standard Assets	4174.20	3875.00

f) Business Ratios

Items		2009-10	2008-09
(i)	Interest Income as a percentage to Working Funds *	7.56	8.22
(ii)	Non-interest income as a percentage to Working Funds*	1.09	0.84
(iii)	Operating Profit as a percentage to Working Funds *	1.29	1.13
(iv)	Return on Assets **	0.66	0.45
(v)	Business (Deposits plus advances) per employee*** (₹ In millions)	71.18	56.03
(vi)	Profit per employee (₹ In millions)	0.33	0.17

** Working Funds comprise average of Total Assets (excluding Revaluation Reserve) during the 12 months of the Financial Year.*

*** Working Funds comprise average Total Assets (excluding Revaluation Reserve)*

**** Based on fortnightly average of Deposits (other than Inter Bank Deposits) plus Advances.*

g) Asset Liability Management

Maturity pattern of certain items of assets and liabilities as of March 31, 2010

(₹ In millions)

Period	Total Domestic Deposit	Total Domestic Borrowings	Total Domestic Advances	Total Investment	Foreign Currency	
					Assets	Liabilities
Day 1	21,032.50	15,449.70	31,194.50	300.00	2,276.40	9,695.50
2 days to 7 days	49,833.20	-	10,387.90	2,133.80	-	138.60
8 days to 14 days	32,805.30	-	18,142.00	766.80	-	64.90
15 days to 28 days	57,137.60	-	20,717.90	5,934.60	476.80	134.90
29 days to 3 months	212,651.00	-	68,437.40	10,993.50	6,732.80	495.10
Above 3 months to 6 months	165,847.10	-	87,453.10	10,926.00	14,272.40	3,073.60
Above 6 months to 12 months	91,437.50	8,688.00	84,693.20	13,411.40	4,571.70	13,605.20
Above 1 year to 3 years	612,362.60	2,000.10	459,469.10	38,298.00	237.50	2,200.20
Above 3 years to 5 years	186,897.60	6.20	122,244.10	92,702.70	-	175.60
Above 5 years	170,017.10	67.30	123,600.80	330,161.80	-	-
Total	1,600,021.50	26,211.30	1,026,340.00	505,628.60	28,567.60	29,583.60
Note : -						
The above data has been complied on the basis of the Guidelines of RBI and certain assumptions made by the Management and has been relied upon by the Auditors						

h) Lending to Sensitive Sector

i. Exposure to Real Estate Sector

(₹ In millions)

Category		31-Mar-2010	31-Mar-2009
a)	**Direct Exposure**		
	(i)Residential Mortgages -		
	[including ₹ 46217.30 million (Previous year ₹ 36,586.80 million) individual Housing Loan upto ₹ 02 million]	59,954.70	49,659.20
	(ii)Commercial Real Estate -	73,764.00	76,368.70
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
	a. Residential,	51.30	78.60
	b. Commercial Real Estate.	0	0
b)	**Indirect Exposure**		
	(i)Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	32,986.30	46,326.70
	(ii) Others	1,707.30	64.90
	TOTAL	**168,463.60**	**172,498.10**

ii. Exposure to Capital Market

(₹ In millions)

	Items	31-Mar-2010	31-Mar-2009
i)	Direct Investment in equity shares, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	6,103.90	5,992.40
ii)	Advances against shares/ bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures and units of equities-oriented mutual funds	89.40	93.10
iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equities-oriented mutual funds are taken as primary security.	-	6.90
(iv)	Advances for other purposes to the extent secured by the collateral securities of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds i.e., where the primary security other than shares/ convertible bonds/ convertible debentures/ units of equity-oriented mutual funds does not fully cover the advances.	6,827.90	9,814.50
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	357.20	294.50
vi)	Loans sanctioned to corporates against the securities of shares/ bonds/ debentures or other securities or on clean basis for meeting promoter's contributions to the equity of new companies in anticipation of raising resources.	-	-
vii)	Bridge Loans to the companies against the expected equity flows/ issues.	-	-
viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds	-	-
ix)	Financing to stock brokers for margin trading	-	-
x)	All exposures to Venture Capital funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceiling (both direct and indirect).	1,235.70	1,250.00
	Total Exposure to Capital Market	**14,614.10**	**17,450.60**

iii. Risk Category-wise Country Exposure :

(₹ In millions)

Risk Category	Exposure (net) as at 31-Mar-2010	Provision held as at 31-Mar-2010	Exposure (net) as at 31-Mar-2010	Provision held as at 31-Mar-2010
Insignificant	6,859.10	Nil	21,969.60	Nil
Low	5,115.00	Nil	2,289.80	Nil
Moderate	766.10	Nil	418.30	Nil
High	299.30	Nil	197.70	Nil
Very High	131.60	Nil	13.00	Nil
Restricted	-	Nil	22.00	Nil
Off-credit	-	Nil	-	Nil
Total	**13,171.10**	**Nil**	**24,910.40**	**Nil**

As the Bank's Net funded exposure for the year in respect of Foreign Exchange Transaction is less than 1% of total assets of the Bank, no provision is considered necessary.

iv. Nostro/Mirror Credit Balances:

The Bank has transferred ₹ 200.10 million to Profit & Loss account during the financial year 2009-10 as net credit balances from unreconciled Nostro/Mirror accounts and appropriated ₹ 99.10 million (Net of Tax and Statutory Reserves) towards General Reserves.

v. Details of Credit Exposure where the Bank has exceeded Prudential Exposure Norms during the year for which necessary Board approval has been obtained.

(₹ In millions)

Sr. No	Name of Borrower	Credit Exposure As on 31-Mar-2010		Outstanding as on 31-Mar-2010		Investment as on 31-Mar-2010	Total Expo-sure as on 31-Mar-2010
		FB	NFB	FB	NFB		
1.	Power Finance Corporation	6,300	-	6,335.20	-	691.50	7,026.70
2.	Videocon Industries Ltd.*	16,935	539.50	16,490.40	253.90	86.40	17,560.90
3.	Alok Industries Ltd.	5,100	-	5,084.90	-	-	5,100.00

* 50% interchangeability allowed between CC and LC Limits

vi. Amount of Provisions made for Income-Tax during the year :

(₹ In millions)

	2009-10	2008-09
Provision for Income Tax	2074.50	3482.50
Provision for FBT	0.00	60.00

11. Disclosure regarding concentration of Deposits, Advances, Exposures and NPAs: (As at March 31, 2010)

11.1. **Concentration of Deposits**

(₹ in millions)

(a)Total Deposits of twenty largest depositors	148,754.40
(b)Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	9.18%

11.2. Concentration of Advances

(a) Total Advances to twenty largest borrowers	213,908.50
(b) Percentage of Advances to twenty largest borrowers to Total Advances of the bank	19.97%

11.3. Concentration of Exposures

(a) Total Exposure to twenty largest borrowers/customers	243,522.50
(b) Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	15.29%

11.4. Concentration of NPAs

(a) Total Exposure to top four NPA accounts	3,988.20

II: Sector-wise NPAs

Sl. No.	Sector	Percentage of NPAs to Total Advances in that sector
1	Agriculture & allied activities	5.25
2	Industry(Micro & small, Medium and Large)	8.74
3	Services	10.02
4	Personal Loans	3.75

III. Movement of NPAs

Particulars	Amount in ₹ Millions
Gross NPAs as on 1st April of particular year (Opening Balance)	24,437.20
Additions (Fresh NPAs) during the year	10,326.90
Sub-total (A)	34,764.10
Less:-	-
(i)Up gradations	1,772.00
(ii) Recoveries (excluding recoveries made from upgraded accounts)	4,097.20
(iii) Write-offs	2,905.10
Sub-total (B)	8,774.30
Gross NPAs as on 31st March of following year (closing balance) (A-B)	25,989.80

IV. Overseas Assets, NPAs and Revenue

Particulars	**Amount** (₹ in Millions)
Total Assets	NIL
Total NPAs	NIL
Total Revenue	NIL

V. Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored

Domestic	**Overseas**
NIL	NIL

12. Other Disclosures

12.1. Fees/ remunerations received in respect of the Bancassurance Business during the current year is ₹ 155.60 million.

12.2. Miscellaneous Income includes ₹ 315.10 million being write back of excess depreciation made in the earlier years on Premises.

12.3. Gold Coins - During the year the Bank has sold 37,900 Gold Coins along with velvet boxes for a total price of ₹ 674.65 million. The cost of the coins with boxes amounted to ₹ 666.36 million inclusive of ₹ 0.09 million VAT paid on purchase of boxes. The Profit accrued on the sale of Gold Coins is ₹ 8.29 million, and is accounted for in misc. income.

13. Wage Revision -

The Bank has made a Provision of ₹ 2,000 million during the current year on adhoc basis towards Wage Revision of Employees.

14. Disclosure of Penalties imposed by RBI

RBI has not imposed any penalty on the Bank under Section 46(4) of the Banking Regulation Act, 1949.

15. The following information is disclosed in terms of Accounting Standards issued by The Institute of Chartered Accountants of India:

a)Accounting Standard - 15 (Revised)

Employee Benefits:

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for pension and gratuity benefits as per actuarial valuations is given below:

(₹ in millions)

Particulars	Year ended 31-Mar-2010		Year ended 31-Mar-2009	
	Pension	Gratuity	Pension	Gratuity
Defined benefit obligation liability at March 31, 2010				
Opening obligations	27,053.30	7,850.80	26,129.20	7,690.40
Service cost	479.80	306.50	682.00	362.00
Interest cost	2,111.40	625.40	2,070.00	620.00
Actuarial [gain]/loss	1,200.40	(583.10)	60.10	(243.50)
Benefits paid	(2,280.00)	(680.70)	(1,888.00)	(578.10)
Obligations at March 31,2010	28,564.90	7,518.90	27,053.30	7,850.80
Plan assets at March 31, 2010, at fair value				
Opening Plans assets, at fair value	20,117.30	8,194.10	19,129.20	8,371.20
Expected return on plan assets	1,782.20	628.30	1,554.30	646.60
Actuarial gain/[loss]	(229.20)	(57.70)	14.30	39.90
Contributions	3,300.00	-	1,243.50	-
Benefits paid	(2,280.00)	(680.70)	(1,888.00)	(578.10)
Plan assets at March 31, 2010, at fair value	22,690.30	8,084.00	20,053.30	8,479.60
Cost for the year ended March 31, 2010				
Service cost	479.80	306.50	682.00	362.00
Interest cost	2,111.40	625.40	2,070.00	620.00
Expected return on plan assets	(1,782.20)	(628.30)	(1,554.30)	(646.60)
Actuarial [gain]/loss	1,429.50	(525.40)	45.80	(283.40)
Net cost	2,238.50	(221.80)	1,243.50	52.00

Assumptions

Particulars	Year ended 31-Mar-2010		Year ended 31-Mar-2009	
	Pension	Gratuity	Pension	Gratuity
Interest rate	8%	8%	8%	8%
Salary escalation rate	4%	4%	4%	4%
Estimated rate of return on plan assets	8%	8%	8%	8%

b) Accounting Standard 17 – Segment Reporting

i. As per the revised guidelines of Reserve Bank of India, the Bank has recognised Treasury Operations, Corporate/ Wholesale Banking, Retail Banking and other Banking business as primary reporting segments. There are no secondary reporting segments.

(₹ In millions)

Sl. No.	Particulars	Year ended 31-Mar-2010 (Audited)	Year ended 31-Mar-2009 (Audited)
a.	Segment Revenue		
	1.Treasury Operations	13,339.70	8,445.90
	2.Retail Banking Operations	44,667.40	41,061.10
	3.Wholesale Banking Operations	79,928.10	65,674.20
	4.Other Banking Operations	-	-
	5.Unallocated	60.30	70.40
	Total	137,995.50	115,251.60
b.	Segment Results		
	1.Treasury Operations	8,571.10	6,957.80
	2.Retail Banking Operations	4,285.40	2,823.40
	3.Wholesale Banking Operations	7,668.40	4,515.80
	4.Other Banking Operations	-	-
	Total	20,524.90	14,297.00
c.	Unallocated Income/ (Expenses)	60.30	70.40
d.	Operating Profit	20,585.20	14,367.40
e.	Provisions & Contingencies	5,089.70	5,117.60
f.	Income Tax	4,913.30	3,537.40
g.	Net Profit	10,582.20	5,712.40
h.	Other Information		
i.	Segment Assets		
	1.Treasury Operations	315,168.40	210,925.50
	2.Retail Banking Operations	438,383.20	392,292.50
	3.Wholesale Banking Operations	1,051,302.70	855,060.30
	4.Other Banking Operations	-	-
	5.Unallocated Assets	21,861.90	18,273.90
	Total	1,826,716.20	1,476,552.20
j.	Segment Liabilities		
	1.Treasury Operations	284,464.40	117,523.40
	2.Retail Banking Operations	429,804.30	406,578.20
	3.Wholesale Banking Operations	1,030,729.40	886,198.20
	4.Other Banking Operations	-	-
	5.Unallocated Liabilities	81,718.10	66,252.40
	Total	1,826,716.20	1,476,552.20

ii. Treasury Operations include dealing in Government and Other Securities, Money Market operations and Forex operations.

iii. The Retail Banking Segment consists of all exposures upto a limit of ₹ 50 million (including Fund Based and Non Fund Based exposures) subject to orientation, product, granularity criteria and individual exposures.

iv. The Corporate/ Wholesale Segment consists of all advances to Trusts/ Partnership Firms Companies and statutory bodies, which are not included under Retail Banking.

v. The other Banking Segment includes all other Banking operations not covered under the above three categories.

vi. General Banking operations are the main resource mobilizing unit and Treasury Segment compensates the former for funds lent to it by taking into consideration the average funds used.

vii. Allocation of Costs:

a. Expenses directly attributable to a particular segment are allocated to the relative segment.

b. Expenses not directly attributable to a specific segment are allocated in proportion to the funds employed.

c) Related Party disclosures as per Accounting Standard 18 – Related Party

1 List of Related Parties:

(a) Key Managerial Personnel -

	Name	Designation
i)	Mr. S. Sridhar	Chairman & Managing Director
ii)	Mr. Ramnath Pradeep	Executive Director
ii)	Mr. Arun Kaul	Executive Director

(b) **Subsidiaries –**

i) Cent Bank Home Finance Ltd.

ii) Cent Bank Financial Services Ltd.

(c) Associates –

(I) **Regional Rural Banks -**

i) SatpuraNarmada Kshetriya Gramin Bank, Chhindwara.
ii) Surguja Kshetriya Gramin Bank, Ambikapur.
iii) Uttar Bihar Gramin Bank, Muzzaffarpur
iv) Vidharbha Kshetriya Gramin Bank, Akola
v) Ballia Etawah Gramin Bank, Ballia.
vi) Hadoti Kshetriya Gramin Bank, Kota.
vii) Uttarbanga Kshetriya Gramin Bank, Cooch Behar

(II) **Indo – Zambia Bank Ltd.**

2. Transactions with Related Parties:

(₹ In millions)

(a)

Items	Key Management Personnel	
	2009-2010	2008-2009
Remuneration paid	3.65	3.68

(b) Statement of Related parties' transaction

[₹ In Million]

Sl. No.	Related parties	As on	Investment (Cumulative)	Max. during the year	Purchase of Loan assets Amt Outstanding	Int. recd	Sale of loan assets Amt sold	Interest Paid	Line of Credit to RRBs Amt	Int. Paid
1	Satpura Narmada KGBChindawara, MP	31-Mar-2010	276.40	276.40	2,000.00	77.90	-	-	2,000.00	5.90
		31-Mar-2009	276.40	276.40	2,000.00	2.70	-	-	-	-
2	Surguja KGB Ambikapur [Chattisgarh]	31-Mar-2010	25.70	25.70	450.00	1.20	450.00	1.20	-	-
		31-Mar-2009	25.70	25.70	-	-	-	-	-	-
3	Uttar Bihar Gramin BankMuzaffarpur [Bihar]	31-Mar-2010	1,590.90	1,590.90	5,000.00	361.00	-	-	2,000.00	4.00
		31-Mar-2009	1,590.90	1,590.90	5,000.00	6.90	-	-	-	-
4	Vidharbha KGB Akola {Maharastra]	31-Mar-2010	62.20	62.20	473.50	32.50	-	-	500.00	0.30
		31-Mar-2009	62.20	62.20	473.50	1.00	-	-	-	-
5	Ballia Etawah Gramin Bank Ballia [Uttar Pradesh]	31-Mar-2010	117.20	117.20	-	-	-	-	-	-
		31-Mar-2009	117.20	117.20	100.00	0.10	-	-	-	-
6	Hadoti KGB Kota [Rajasthan]	31-Mar-2010	24.50	24.50	1,327.10	46.20	700.00	1.10	-	-
		31-Mar-2009	24.50	24.50	627.10	0.90	-	-	-	-
7	Uttarbhanga KGB Siliguri [West Bengal]	31-Mar-2010	205.80	205.80	-	-	-	-	-	-
		31-Mar-2009	205.80	205.80	-	-	-	-	-	-
TOTAL		31-Mar-2010	2,302.70	2,302.70	9,250.60	518.80	1,150.00	2.30	4,500.00	10.20
		31-Mar-2009	2,302.70	2,302.70	8,200.60	11.60	-	-	-	-

During the year 2009-10 Ballia KGB and Etawah KGB amalgamated to form Ballia Etawah Gramin Bank in Uttar Pradesh with effect from01.01.2010.Consequently 8 RRBs as on 31-Mar-2009 were reduced to 7 RRBs as on 31-Mar-2010.

(c) Accounting Standard 20 – Earnings per Share

Earnings per share as per AS 20 has been arrived at as follows:

Particulars	31-Mar-2010	31-Mar-2009
Net Profit after Tax available for Equity Share Holder(₹ in Million)	9,961.10	4,916.40
Weighted Average number of Equity Share (No.)	404,141,460	404,141,460
Basic Earnings per Share (₹)	24.65	12.17
Diluted Earnings per Share (₹)	24.65	12.17
Nominal Value per Share (₹)	10.00	10.00

(d) Accounting Standard 22 –Accounting for Taxes on Income

The Bank has recognized Deferred Tax Assets/ Liabilities.

Major components of Deferred Tax Assets and Deferred Tax Liabilities are as under:

(₹ In Millions)

	31-Mar-2010	31-Mar-2009
Deferred Tax Asset:		
Provision for NPAs	-	403.90
Provision for Leave Encashment	612.40	547.70
Provision for Pension and Gratuity	2,591.20	2,664.80
Provision for Wage Revision	1,087.70	-
Total (A):	**4,291.30**	**3,616.40**
Deferred Tax Liabilities:	-	-
Depreciation on Fixed Assets	150.50	119.40
Interest accrued but not due on Investments	3,349.80	2,618.00
Depreciation on Investments	3,869.90	1,119.30
Total (B):	**7,370.20**	**3,856.70**
Net Deferred Tax Liability	**3,078.90**	**240.30**

(e) Accounting Standard – 28 –Impairment of Assets

A substantial portion of Bank's assets comprise financial assets to which Accounting Standard-28 on impairment of assets is not applicable. In the opinion of the management, there is no material impairment on Other Assets other than financial assets as at March 31, 2010, requiring recognition in terms of the Standard.

(f) Accounting Standard – 29 on Provisions, Contingent Liabilities and Contingent Assets

(i) Movement of Provision:

(₹ In Millions)

Particulars	Opening Balance as on 01-Apr-2009	Provision made during the year	Provisions reversed/ adjusted	Closing Balance as on 31-Mar-2009
Standard Assets	3,875.10	299.10	-	4,173.40
Taxes	12,259.70	2,074.50	73.50	14,260.70

(ii) Additional Disclosures
Provisions and Contingencies

(₹ In Millions)

	31-Mar-2010	31-Mar-2009
Provisions/ Depreciation on Investment	650	910
Provision towards NPA	2,880	3,220
Provision towards Standard Asset	300	450
Provision made for Taxes	4,910	3,540
Other Provision and Contingencies	1,260	540
TOTAL	10,000	8,660

(iii) Floating Provisions

(₹ In Millions)

Particulars		31-Mar-2010	31-Mar-2009
a	Opening balance in the Floating Provisions account	3,124.30	3,846.60
b	The quantum of Floating Provisions made in the Accounting Year	-	-
c	Amount of draw down made during the Accounting Year.	-	722.30
d	Closing balance in the Floating Provisions account	3,124.30	3,124.30

(₹ In Millions)

iv)	Movement of Provision for Liabilities:	31-Mar-2010	31-Mar-2009
		Other Legal Cases	**Other Legal Cases**
	Opening Balance	38.30	37.60
	Additions during the year	-	0.70
	Amount used during the period	-	-
	Closing Balance	38.30	38.30
	Timing of any resulting outflow	N.A.	N.A.

16. Details of Complaints

	Customer Complaints	No. of complaints	
		31-Mar-2010	31-Mar-2009
a)	Pending at the beginning of the year	151	188
b)	Received during the year	3613	1963
c)	Redressed during the year	3168	2000
d)	Pending at the end of the year	596	151

No complaints remained unattended/ pending for more than 30 days.

	Awards Passed by Banking Ombudsman	Numbers	
		31-Mar-2010	31-Mar-2009
a)	No. of unimplemented Awards at the beginning of the year	NIL	Nil
b)	No. of Awards passed by Banking Ombudsman during the year	8	2
c)	No. of Awards implemented during the year	6	2
d)	No. of unimplemented awards at the end of the year	2	NIL

As compiled by the Management and relied upon by the Auditors

	Investors' complaints	No. of complaints	
		31-Mar-2010	31-Mar-2009
a)	Pending at the beginning of the year	0	21
b)	Received during the year	508	1658
c)	Redressed during the year	508	1679
d)	Pending at the end of the year	0	0

17. Details of Letters of Comfort issued and outstanding as on 31-Mar-2010

Total Number	Amount outstanding (₹ in millions)
46	314.50

The above mentioned Letters of Comfort are issued within the sanctioned Trade Credit Limits.

18. As per the information compiled by the Management, the Vendors, whose services are utilized and from whom purchases were made by the Bank, are not registered under Micro, Small and Medium Enterprises Development Act, 2006.This is relied upon by the Auditors

19. Previous year figures have been re-grouped/ re-classified wherever considered necessary to conform to current year's classification.

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

Annexure III

Cash Flow Statement for the Year Ended March 31, 2010 (₹ Millions)

Sr. No.	Particulars	31-Mar-2010	31-Mar-2009
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit before taxes	13,317.00	9,249.80
I	**Adjustments for:**	-	-
	Depreciation on fixed assets	680.90	744.40
	Depreciation on investments (including on matured debentures)	647.90	905.30
	Bad Debts written off/Provision in respect of nonperforming assets	2,584.00	3,223.40
	Provision for Standard Assets	299.10	448.30
	Provision for Other items (Net)	1,258.70	540.60
	Profit / Loss on sale of fixed assets (Net)	3.20	3.50
	Payment/ provision for interest on subordinated debt (treated separately)	3,623.20	2,197.40
	Dividend received from subsidiaries / others (treated separately)	(14.60)	(14.30)
	Sub total	**22,399.40**	**17,298.40**
II	**Adjustments for :**	-	-
	Increase / (Decrease) in Deposits	308,356.10	209,521.80
	Increase / (Decrease) in Borrowings	65,223.90	3,551.50
	Increase / (Decrease) in Other Liabilities and Provisions	(50,923.60)	9,698.90
	(Increase) / Decrease in Advances	(199,002.90)	(128,081.10)
	(Increase) / Decrease in Investments	(75,669.30)	(116,960.60)
	(Increase) / Decrease in Other Assets	(10,734.70)	(2,384.40)
	Direct Taxes paid (Net of Refund etc)	4,905.80	(3,537.40)
	Net Cash from operating activities	42,155.30	(28,191.30)
	NET CASH FLOW FROM OPERATING ACTIVITIES	**64,554.70**	**(10,892.90)**
B	**CASH FLOW FROM INVESTING ACTIVITIES**	-	-
	Sale / Disposal of Fixed Assets	82.00	99.80
	Purchase of Fixed Assets	(1,419.00)	(722.10)
	Income earned by way of Dividend etc. from subsidiaries and associates	14.60	14.30
	Change in Trade related investments (subsidiaries & Others)	-	-
	NET CASH FLOW FROM INVESTING ACTIVITIES	**(1,322.40)**	**(608.00)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**	-	-
	Share Capital	4,500.00	1,170.00
	Proceeds / Redemption of Subordinated Debts Tier II Capital	7,210.00	8,390.00
	Dividend	(1,420.00)	(1,488.70)
	Dividend Tax	(241.30)	(253.00)
	Interest on Subordinated Debt	(3,623.20)	(2,197.40)
	NET CASH FLOW FROM FINANCING ACTIVITIES	**6,425.50**	**5,620.90**
D	**Net increase in cash & cash equivalents (A + B + C) or (F - E)**	**69657.80**	**(5880.00)**
E	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		
	Cash and Bank Balance with RBI	110,369.00	115371.90
	Balance with Banks and Money at Call and Short Notice	12143.40	13020.50
	Net cash and cash equivalents at the beginning of the year	122512.40	128392.40
F	**CASH AND CASH EQUIVALENTS AT THE END OF THE**		

Sr. No.	Particulars	31-Mar-2010	31-Mar-2009
	YEAR		
	Cash and Bank Balance with RBI	170119.30	110369.00
	Balance with Banks and Money at Call and Short Notice	22050.90	12143.40
	Net cash and cash equivalents at the end of the year	**192170.20**	**122512.40**

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

Annexure – IV

Accounting Ratios

Particulars	As of 31-Mar-2010	As of 31-Mar-2009
Weighted average number of equity shares for basic Earnings Per Share	404,141,460	404,141,460
Weighted average number of equity shares for diluted Earnings Per Share	404,141,460	404,141,460
Basic Earnings Per Share (₹)	24.65	12.17
Diluted Earnings Per Share (₹)	24.65	12.17
Return on Net Worth (%)	18.47	12.98
Net Asset Value Per Share (₹)	107.91	86.21

Earnings Per Share (Basic) (₹)	Net profit attributable to Equity Shareholders (excluding extraordinary items, if any)/ Weighted Average number of Equity Shares outstanding during the year
Earnings Per Share (Diluted) (₹)	Net profit attributable to Equity Shareholders (excluding extraordinary items, if any)/ Weighted Average number of Diluted Equity Shares outstanding during the year
Return On Net worth (%):	Net profit attributable to Equity Shareholders (excluding extraordinary items, if any)/ Net Worth at the end of the year (excluding revaluation reserves)
Net Asset Value per Share (₹)	Net Worth at the end of the year (excluding revaluation reserves and PNCPS)/ Weighted Average number of Equity shares outstanding during the year

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
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Place Mumbai Date: Jan 20, 2011		

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To,

The Board of Directors
Central Bank of India
Chander Mukhi,
Nariman Point
Mumbai,

1. We are engaged to report on the consolidated financial statements ('Consolidated Financial Statements') of Central Bank Of India Limited ('the 'Bank'), its Subsidiaries and Associates (collectively, the "**Group**") for the year ended 31 March 2010 and 31 March 2009 annexed to this report in Annexure I to IV for the purpose of inclusion in the Draft Letter of Offer and Letter of Offer (the 'Offering Documents') prepared by the Bank in connection with the Rights Issue ('Rights Issue') of its equity shares, in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('the Regulations') as amended to date. Our responsibility is to report on such statements based on our procedures.
2. We have examined such statements taking into consideration:
   (i) the terms of reference dated 01 October 2010 received from the Bank, requesting us to carry out the assignment, in connection with the Offering Documents being issued by the Bank for its proposed Rights Issue of equity shares having a face value of ₹ 10 each under the SEBI(ICDR) Regulations, 2009 ('Issue').
3. We report that the figures disclosed in the "Consolidated Financial Statements' have been extracted by the management from the audited consolidated financial statements for the year ended 31 March 2010. The consolidated financial statements for the year ended 31 March 2010 have been audited by M/s GSA & Associates; M/s Sagar & Associates; together with the then auditors namely M/s Bhushan Bensal Jain Associates; M/s P.G Bhagwat; M/s Joseph & Rajaram and M/s Ummed Jain & Co., Chartered Accountants and in respect of which an unqualified audit report dated 22 May 2010, have been issued.
4. We report that the figures disclosed in the 'Consolidated Financial Statements' have been extracted by the management from the consolidated audited financial statements for the year ended 31 March 2009. The consolidated financial statements for the year ended 31 March 2009 have been audited by M/s Chhajed & Doshi; M/s Murali Associates; M/s P.G. Bhagwat; Joseph & Rajaram; M/s Ummed Jain & co. and M/s Bhushan Bensal Jain Associates Chartered Accountants and in respect of which an unqualified audit report dated April 28, 2009 has been issued.
5. For the purpose of this report we have not performed any additional audit procedures on the above referred consolidated audited financial statements of the Bank for the year ended 31 March 2010 & 31 March 2009 including evaluating the possible impact, if any, of subsequent events on the earlier audited financial statements of the Bank.
6. The 'Consolidated Financial Statements' annexed to this report are extracted from the audited consolidated financial statements for the year ended 31 March 2010 & 31 March 2009. These 'Consolidated Financial Statements' have been prepared using the same set of accounting policies used for preparing the consolidated audited financial statements as at 31st March 2010 & 31 March 2009. The accounting policies and notes to accounts have been reproduced as they were disclosed in consolidated audited accounts for the year ended 31 March 2010 & 31 March 2009.

7. Except as stated above, we have not audited any financial statement of the Bank as of any date or for any period subsequent to 31 March 2010. Accordingly, we express no opinion on the financial position, results of operations or cash flow statement of the Bank as of any date or for any period subsequent to 31 March 2010. However, we have conducted a limited review of the Financial Information for the Half Year ended 30th September 2010.

8. At the Bank's request, we have also examined the Accounting Ratios enclosed as Annexure IV, proposed to be included in the Offering Documents prepared by the management and annexed to this report.

9. In our opinion, the financial information contained in Annexure I to IV of this report read together with the Significant Accounting Policies & Notes to Accounts have been prepared in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act 1956 and requirements of the SEBI ICDR Regulations 2009 as amended till date.

10. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit report issued by above mentioned auditors nor should this report be construed as a new opinion on any of the financial statement referred to herein.

11. This report is intended solely for your information and for inclusion in the Offering Documents in connection with the proposed Issue by the Bank and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Enclosures:

1. Consolidated Balance Sheet - Annexure I
2. Consolidated Profit & Loss Account - Annexure II
3. Consolidated Cash Flow - Annexure III
4. Consolidated Accounting Ratios - Annexure IV

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

Annexure – I

Central Bank of India
Consolidated Balance Sheet as at March 31, 2010

₹ Millions

Balance Sheet	Schedule No	31-Mar-2010	31-Mar-2009
CAPITAL & LIABILITIES			
Capital	1	17,711.42	13,211.42
Reserves and Surplus	2	61,419.03	52,066.44
Minorities Interest	2A	197.69	175.90
Deposits	3	1,621,298.39	1,312,792.71
Borrowings	4	73,256.37	47,300.75
Other Liabilities and Provisions	5	55,538.66	53,157.77
TOTAL		**1,829,421.56**	**1,478,704.99**
ASSETS			
Cash and Balances with Reserve Bank of India	6	170,120.82	110,370.31
Balances with Banks and Money at Call and Short Notice	7	22,052.81	12,143.36
Investments	8	507,400.11	431,442.65
Loans & Advances	9	1,054,625.31	856,027.65
Fixed Assets	10	23,436.72	22,783.81
Other Assets	11	51,727.78	45,879.20
Goodwill on Consolidation		58.01	58.01
TOTAL		**1,829,421.56**	**1,478,704.99**
Contingent Liabilities	12	387,497.10	234,195.10
Bills for Collection	-	54,002.41	28,330.28
Principal Accounting Policies	17		
Notes to Accounts	18		

The schedules referred to above form an integral part of the Balance Sheet

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
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Place Mumbai Date: Jan 20, 2011		

Annexure – II

Central Bank of India
Consolidated Profit & Loss Account for the year ended March 31, 2010

₹ Millions

Particulars	Schedule No.	31-Mar-2010	31-Mar-2009
I. INCOME			
Interest and Dividend Earned	13	120,786.64	104,715.56
Other Income	14	17,419.47	10,694.17
TOTAL		**138,206.11**	**115,409.73**
II. EXPENDITURE			
Interest Expended	15	95,229.93	82,361.53
Operating Expenses	16	22,254.16	18,658.04
Provisions and Contingencies		10,061.64	8,686.00
TOTAL		**127,545.73**	**109,705.57**
III. PROFIT/ LOSS			
Consolidated Net Profit		10,660.38	5,704.16
Add: Share of earnings in Associates		975.70	655.90
Consolidated Net Profit for the year before deducting Minorities' Interest		11,636.08	6,360.06
Add/Less: Minorities Interest		(10.56)	(1.56)
Consolidated Profit for the year attributable to the Group		**11,625.52**	**6,358.50**
Add: Brought forward consolidated Profit attributable to the Group		1,460.03	809.01
Consolidated Net Profit		13,085.55	7,167.51
IV. APPROPRIATIONS			
Transfer to :			
Statutory Reserve		2,659.47	1,428.61
Investment Reserve		466.23	1,407.20
Revenue Reserve		5,659.08	980.00
Staff Welfare Fund		150.00	150.00
Proposed Dividend -Preference Share Capital		530.94	680.39
Proposed Dividend -Equity Share Capital @ 22.00%		909.11	808.28
Tax on Dividend		244.75	253.00
Balance Carried over to the Balance Sheet		2,465.97	1,460.03

Particulars	Schedule No.	31-Mar-2010	31-Mar-2009
TOTAL		13,085.55	7,167.51
The schedules referred to above form an integral part of the Profit and Loss Account			
EPS (₹)		**27.23**	**13.76**

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

Central Bank of India

SCHEDULES FORMING PART OF THE BALANCE SHEET

₹ Millions

SCHEDULE 1 : CAPITAL	31-Mar-10	31-Mar-09
Authorised Capital	30,000.00	15,000.00
Issued, Subscribed and Paid up Capital :	4,041.42	4,041.42
4041,41,460 Equity Shares of ₹10 each (includes 3241,41,500 shares held by Central Government)		
Perpetual non-cumulative Preference Share Capital	13,670.00	9,170.00
TOTAL	**17,711.42**	**13,211.42**

SCHEDULE 2 : RESERVES AND SURPLUS	31-Mar-10	31-Mar-09
I. Statutory Reserves		
Balance as per last Balance Sheet	9,535.04	8,106.43
Additions during the year	2,659.47	1,428.61
Sub Total	**12,194.51**	**9,535.04**
II. Capital Reserves		
i) **Revaluation Reserve**		
Balance as per last Balance Sheet	20,089.16	20,386.67
Additions on account of revaluation	-	-
Deductions during the year	468.94	297.51
Sub Total	**19,620.22**	**20,089.16**
ii) Investment Reserve		
Balance as per last Balance Sheet	3,164.80	1,757.60
Additions during the year	466.23	1,407.20
Sub Total	**3,631.04**	**3,164.80**
III. Share Premium		
Balance as per last Balance Sheet	7,360.00	7,360.00
Additions during the year	-	-
Sub Total	**7,360.00**	**7,360.00**
IV. Revenue and Other Reserves		
Revenue Reserves		
Balance as per last Balance Sheet	10,457.41	9,407.81
Additions during the year	5,659.08	980.00
Less: Deductions during the year	-	0.34
Add: Adjustments	30.80	69.94
Sub Total	**16,147.29**	**10,457.41**
V. Balance in Profit and Loss Account	2,465.97	1,460.03
TOTAL	**61,419.03**	**52,066.44**

SCHEDULE 2 A : MINORITIES INTEREST	31-Mar-10	31-Mar-09
Minority Interest at the date on which the parent/subsidiary relationship came into existence	24.50	24.50
Subsequent increase / decrease	173.19	151.40
Minority interest on the date of Balance-Sheet	**197.69**	**175.90**

SCHEDULE 3 : DEPOSITS	31-Mar-10	31-Mar-09
A. I. Demand Deposits	-	-
i) From Banks	6,942.27	4,684.41
ii) From Others	143,625.47	96,273.95
Sub Total	150,567.74	100,958.36
II. Savings Bank Deposits	407,635.34	336,800.79
III. Term Deposits		
i)From Banks	54,364.68	47,166.80
ii)From Others	1,008,730.63	827,866.76
	1,063,095.31	875,033.56
TOTAL	**1,621,298.39**	**1,312,792.71**
B. i)Deposits of Branches in India	1,621,298.39	1,312,792.71
ii)Deposits of Branches outside India	-	-

SCHEDULE 4 : BORROWINGS	31-Mar-10	31-Mar-09
I. Borrowings in India		
i) Reserve Bank of India	-	172.55
ii) Other Banks	459.79	551.09
iii) Other Institutions & Agencies	25,751.48	8,044.12
iv) Unsecured Redeemable Bonds (Subordinate Debt)	24,063.00	26,853.00
v) Upper Tier II Bonds	15,850.00	5,850.00
vi) Innovative Perpetual Debt Instrument	5,830.00	5830.00
Sub Total	71,954.27	47,300.75
II. Borrowings outside India	1,302.10	-
TOTAL	**73,256.37**	**47,300.75**
Secured Borrowings included in I & II above	-	-

SCHEDULE 5 : OTHER LIABILITIES AND PROVISIONS	31-Mar-10	31-Mar-09
I. Bills Payable	4,484.14	6,142.63
II. Inter Office Adjustments (Net)	-	-
III. Interest Accrued	7,273.07	3,386.85
iV. Deferred Tax Liabilities	3,080.65	242.10
V. Others(including provisions)	40,700.80	43,386.19
TOTAL	**55,538.66**	**53157.77**

SCHEDULE 6 :CASH AND BALANCES WITH RESERVE BANK OF INDIA	31-Mar-10	31-Mar-09
I. Cash in hand (including foreign currency notes)	7,520.25	7,975.02
II. Balances with Reserve Bank of India	-	-
In Current Accounts	161,600.57	101,395.29
In Other Accounts	1,000.00	1,000.00
Sub Total	**162,600.57**	**102,395.29**
TOTAL	**170,120.82**	**110,370.31**

SCHEDULE 7 : BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE	31-Mar-10	31-Mar-09
I. In India		
i) Balances with Banks		
a) In Current Accounts	7,302.71	7,082.52
b) In Other Deposit Accounts	13,677.00	16.19
Sub Total	**20,979.71**	**7,098.71**
ii) Money at Call and Short Notice		
a) With Banks	-	-
b) With Other Institutions	-	-
Sub Total	-	-
TOTAL….I	**20,979.71**	**7,098.71**
II. Outside India		
a) In Current Accounts	1,071.76	4,313.90
b) In Other Deposit Accounts	1.34	730.76
c) Money at Call & Short Notice	-	-
TOTAL….II	**1,073.10**	**5,044.65**
TOTAL I + II	**22,052.81**	**12,143.36**

SCHEDULE 8 : INVESTMENTS	31-Mar-10	31-Mar-09
I. Investments in India in : *		
i) Government Securities	448,489.98	378,806.95
ii) Other approved Securities	1,305.23	4,053.89
iii) Shares	5,993.57	5,028.18
iv) Debentures and Bonds	28,308.58	30,732.59
v) Investment in Associates	3,873.07	2,944.34
vi) Others (UTI Shares & Commercial Papers Mutual Fund Units etc.)	19,085.85	9,579.59
	507,056.28	**431,145.54**
II. Investments outside India in **		
i) Government Securities	-	-
ii) Investment in Associates	343.83	297.11
	343.83	297.11
TOTAL	**507,400.11**	**431,442.65**
***Investments in India :**		
Gross Value of Investments	521,510.58	444,994.84
LESS: Provision for Depreciation	14,454.30	13,849.30
Net Investments	**507,056.28**	**431,145.54**
**** Investments outside India :**		
Gross Value of Investments	343.83	297.11
LESS: Provision for Depreciation	-	-
Net Investments	**343.83**	**297.11**

SCHEDULE 9 : LOANS AND ADVANCES	31-Mar-10	31-Mar-09
A.i) Bills Purchased and Discounted	13,400.97	8,865.43
ii) Cash Credits Overdrafts & Loans	317,662.53	240,138.99
repayable on demand	-	-
iii) Term Loans	723,561.81	607,023.23

SCHEDULE 9 : LOANS AND ADVANCES	31-Mar-10	31-Mar-09
TOTAL	**1,054,625.31**	**856,027.65**
B. Particulars of Advances :		
i) Secured by tangible assets	810,861.52	633,319.10
(including advances against Book Debts)	-	-
ii) Covered by Bank/ Government Guarantees	57,606.58	30,717.63
iii) Unsecured	186,157.21	191,990.92
TOTAL	**1,054,625.31**	**856,027.65**
C. Sectoral Classification of Advances		
(I)Advances in India		
i) Priority Sector	339,370.19	269,620.60
ii) Public Sector	50,812.01	101,252.02
iii) Banks	10,153.77	6,877.36
iv) Others	654,289.34	478,277.67
TOTAL	**1,054,625.31**	**856,027.65**
(II)Advances outside India	-	-

SCHEDULE 10 : FIXED ASSETS	31-Mar-10	31-Mar-09
I. Premises (At cost / revalued cost)		
Balance as at 31st March of the preceding year	23,663.76	23,663.76
Additions during the year	166.35	-
Additions on account of revaluation during the year	-	-
Total	**23,830.11**	**23,663.76**
Deduction/Adjustments during the year	-	-
Total	**23,830.11**	**23,663.76**
Depreciation to date	3,340.10	3,151.14
TOTAL….I	**20,490.01**	**20,512.62**
II. Other Fixed Assets (Including furniture and fixtures)		
At cost as on 31st March of the preceding year	8,169.35	7,549.84
Additions/Adjustments during the year	1,438.75	819.83
Total	**9,608.10**	**8,369.67**
Deductions/Adjustments during the year	82.18	200.32
Total	**9,525.92**	**8,169.35**
Depreciation to date	6,579.21	5,898.16
TOTAL….II	**2,946.71**	**2,271.19**
TOTAL….(I + II)	**23,436.72**	**22,783.81**

SCHEDULE 11 : OTHER ASSETS	31-Mar-10	31-Mar-09
I. Inter office adjustments (Net).	6,209.22	6,430.76
II. Interest accrued	9,965.02	7,802.16
III. Tax paid in advance/tax deducted at source (Net of Provisions)	21,920.33	18,326.46
IV. Stationery and Stamps	119.65	113.36
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Deferred Tax Assets (Net)	-	-
VII. Others	13,513.56	13,206.46
TOTAL	**51,727.78**	**45,879.20**

SCHEDULE 12 : CONTINGENT LIABILITIES	31-Mar-10	31-Mar-09

SCHEDULE 12 : CONTINGENT LIABILITIES	31-Mar-10	31-Mar-09
I. Claims against the Bank not acknowledged as Debts	16,824.36	1,640.07
II. Liability for partly paid Investments	276.43	273.43
III. Liability on account of outstanding forward exchange contracts	265,299.82	164,743.95
IV. Guarantees given on behalf of constituents		
a) In India	56,500.72	39,467.54
b) Outside India	1,275.05	2,771.80
Sub Total	**57,775.77**	**42,239.34**
V. Acceptances Endorsements and Other Obligations	47,224.39	25,145.18
VI. Other items for which the bank is contingently liable	96.33	153.13
TOTAL	**387,497.10**	**234,195.10**

Central Bank of India

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

₹ Millions

SCHEDULE 13 : INTEREST AND DIVIDEND EARNED	31-Mar-10	31-Mar-09
I. Interest/Discount on Advances / Bills	86,620.08	77,698.05
II. Income on Investments	33,079.50	25,631.89
III. Interest on balances with Reserve Bank of India and other inter-bank funds	1,026.48	1,315.17
IV. Others	60.58	70.45
TOTAL	**120,786.64**	**104,715.56**

SCHEDULE 14 : OTHER INCOME	31-Mar-10	31-Mar-09
I. Commission, Exchange and Brokerage	5,735.45	4,421.60
II. Profit/ (Loss) on sale of Investments (Net)	7,723.82	4,097.66
III. Profit / (Loss) on Exchange transactions (Net)	453.36	673.34
IV. Profit / (Loss) on sale of land, buildings and Other Assets	(3.22)	(3.53)
V. Profit / (Loss) on Revaluation of Investments	-	-
VI. Income earned by way of dividends etc. from subsidiaries and Associates abroad/ in India	-	-
VII. Miscellaneous Income	3,510.06	1,505.10
TOTAL	**17,419.47**	**10,694.17**

SCHEDULE 15 : INTEREST EXPENDED	31-Mar-10	31-Mar-09
I. Interest on Deposits	91,230.37	79,140.42
II. Interest on Reserve Bank of India / Inter-Bank borrowings	242.24	1,003.35
III. Others	3,757.32	2,217.76
TOTAL	**95,229.93**	**82,361.53**

SCHEDULE 16 : OPERATING EXPENSES	31-Mar-10	31-Mar-09
I. Payments to and Provisions for employees	15,460.88	12,739.11
II. Rent, Taxes and Lighting	1,629.14	1,423.20
III. Printing and Stationery	189.68	179.22
IV. Advertisement and Publicity	172.74	153.72
V. a) Depreciation on Bank's property other than Leased Assets	788.57	837.18
b) Depreciation on Leased Assets	-	-
VI. Directors' Fees, Allowances and Expenses	16.42	14.46
VII. Auditors' Fees and Expenses(including Branch Auditors', Fees & expenses)	196.10	204.35
VIII. Law Charges	125.75	108.20
IX. Postages, Telegrams, Telephones etc.	49.15	97.86
X. Repairs and Maintenance	243.31	332.99
XI. Insurance	1,212.76	914.85
XII. Other Expenditure	2,169.66	1,652.90
TOTAL	**22,254.16**	**18,658.04**

SCHEDULE 17: PRINCIPAL ACCOUNTING POLICIES OF CONSOLIDATED ACCOUNTS

A. THE PARENT BANK

1. Accounting Conventions:

The Financial Statements are prepared on the historical cost basis except as modified by the Revaluation of Premises and conform to the Statutory provisions and prevailing practices within the banking industry in India.

2. Transactions involving Foreign Exchange:

2.1. Monetary Assets and Liabilities in Foreign Currencies are translated at the Exchange Rates prevailing at the year-end as notified by FEDAl and the resultant Profit/ Loss is recognized in Profit and Loss Account.

2.2. Income and Expenditure items are translated at the exchange rates ruling on the respective date of transactions.

2.3. Guarantees, Letters of Credit, Acceptances, Endorsements and other obligations in Foreign Currencies are translated at year end rates notified by FEDAl.

2.4. Outstanding Forward Contracts are translated at the year-end rates notified by FEDAI and the resultant profit/loss is recognized in Profit and Loss Account.

3. Investments:

3.1. In accordance with the guidelines issued by Reserve Bank of India, Investments are classified into “Held to Maturity”, “Held for Trading” and “Available for Sale” categories. However, for disclosure in the Balance Sheet, investments are classified under the following heads :

(i). Government Securities

(ii). Other Approved Securities

(iii). Shares

(iv). Debentures and Bonds

(v). Investments in Subsidiaries and sponsored institutions and

(vi). Others (UTI Shares, Commercial Papers and units of Mutual Funds.)

3.2. Basis of Classification :

Classification of an Investment is done at the time of purchase into the following categories:

i. Held to Maturity

These comprise of investments, the bank intends to hold on till maturity.

ii. Held for Trading

Securities which are principally held for resale within 90 days from the date of purchase.

iii. Available for Sale

Investments that cannot be classified in the above categories.

3.3. Transfer of Securities between categories :

The transfer/ shifting of securities between the three categories of investments is accounted at the lower of acquisition cost/ book value or market value on the date of the transfer. The depreciation, if any, on such transfer is fully provided for.

3.4. Valuation :

a) Held to Maturity :

The investments classified under this category are valued at acquisition cost. The excess of acquisition cost / book value over the face value is amortised over the remaining period of maturity.

b) Available for sale :

Investments under this category are marked to market, scrip-wise, at quarterly intervals as under:

<table>
<tr><td>i)</td><td>Central Government Securities</td><td colspan="2">At market price as per quotation put out by Stock Exchange / FIMMDA / PDAI .</td></tr>
<tr><td>ii)</td><td>State Government Securities, Securities Guaranteed by Central / State Government, PSU Bonds</td><td colspan="2">On appropriate yield to maturity basis.</td></tr>
<tr><td>iii)</td><td>Treasury Bills/ Certificates of Deposits/ Commercial Paper / Investment in RRBs</td><td colspan="2">At carrying cost.</td></tr>
<tr><td rowspan="2">iv)</td><td rowspan="2">Equity Share</td><td>a) Quoted :</td><td>At market price.</td></tr>
<tr><td>b) Unquoted:</td><td>At book value per share, if latest (Not more than one year old.) Balance Sheet is available, or Re.1.00 per company if latest Balance Sheet is not available.</td></tr>
<tr><td rowspan="2">v)</td><td rowspan="2">Preference Share</td><td>a) Quoted :</td><td>At market price.</td></tr>
<tr><td>b) Unquoted:</td><td>On appropriate yield to maturity.</td></tr>
<tr><td rowspan="2">vi)</td><td rowspan="2">Debentures and Bonds</td><td>a) Quoted :</td><td>At market price.</td></tr>
<tr><td>b) Unquoted:</td><td>On appropriate yield to maturity.</td></tr>
<tr><td rowspan="2">vii)</td><td rowspan="2">Mutual Fund</td><td>a) Quoted :</td><td>At market price.</td></tr>
<tr><td>b) Unquoted:</td><td>At repurchase price or Net Asset Value (where repurchase price is not available).</td></tr>
<tr><td>viii)</td><td>Venture Capital</td><td colspan="2">Declared NAV or break up NAV as per audited balance sheet which is not more than 18 months old. If NAV/ audited financials are not available for more than 18 months continuously then at Re.1/- per VCF.</td></tr>
</table>

The net depreciation under each classification is provided for, without adjusting the book value of the securities and net appreciation, if any, is ignored.

c) Held for Trading :

Investments under this category are valued at monthly intervals at market rates, wherever available, or as per the prices declared by FIMMDA. The net depreciation under each classification is provided for, without adjusting the book value of the securities and net appreciation, if any, is ignored.

3.5. Determination of Cost :

Cost of investments is determined on the basis of Weighted Average Cost method.

3.6. Income Recognition :

i. The Profit or loss on sale / redemption of investments is taken to the Profit and Loss Account. However, in case of profit on sale / redemption of investments from 'Held to Maturity' category, an equivalent amount is appropriated to the 'Capital Reserve'.

ii. In respect of securities included in any of the three categories of investments where interest/ principal is in arrears, for more than 90 days, income is not reckoned and appropriate provision for the depreciation in the value of the investments is made, as per prudential norms applicable to non-performing advances. Debentures / Bonds in the nature of advances are subjected to usual prudential norms applicable to advances.

iii. State Government guaranteed exposures is classified as Sub Standard / Doubtful / Loss, as the case may be if interest and/ or principal or any other amount due to the Bank remains overdue for more than 90 days and necessary provisions are made as per Prudential Norms.

iv. Brokerage, incentive, front-end fees etc., received on purchase of securities are reduced from the cost of investments.

v. Expenses such as brokerage, fees, commission or taxes incurred at the time of acquisition of securities is charged to revenue.

vi. The broken period interest on sale or purchase of securities is treated as revenue item.

4. Derivatives

Derivatives used for hedging are accounted as under:

i. Marked to market in cases where the underlying Assets/ Liabilities are marked to market. The resultant gain/ loss is recognised in the Profit & Loss Account.

ii. Interest Rate Swaps which hedges interest bearing assets or liabilities are accounted for on accrual basis in cases where underlying Asset/ Liabilities are not marked to market.

iii. Gain or losses on the termination of Swaps are recognised over the shorter of the remaining contractual life of the Swap or the remaining life of the assets/ liabilities.

5. Advances:

5.1. Advances are classified as Standard, Sub-Standard, Doubtful or Loss Assets and Provisions required in respect thereof are made as per the Prudential Norms prescribed by the Reserve Bank of India.

5.2. Recoveries against Non-performing Assets (NPA) are first appropriated towards interest. However, recovery in suit filed, decreed accounts and compromise cases, is first appropriated towards principal or as per the terms of decree / settlement.

5.3. Advances are shown net of provisions, Unrealised Interest, amount recovered from borrowers held in Sundries and amount recovered from CGTMSE/ECGC.

Provision for Standard Assets is included in Other Liabilities and Provisions- Others

6. Fixed Assets/Depreciation:

6.1. Fixed Assets (other than computers which are depreciated on Straight Line Method) are depreciated under 'Written Down Value Method' at the following rates:

i)	Premises	At varying rates based on estimated life
ii)	Furniture, Lifts, Safe Vaults	10%
iii)	Vehicles	20%
iv)	Air conditioners, Coolers, Typewriters etc.	15%
v)	Computers including Systems Software (Application Software is charged to the Revenue during the year of acquisition.)	33.33%

6.2. In the case of assets, which have been revalued, the depreciation is provided on the revalued amount and the incremental depreciation attributable to the revalued amount is adjusted to the ‘Revaluation Reserve’.

6.3. Depreciation on additions to assets, made upto 30th September is provided for the full year and on additions made thereafter, is provided for the half year. No depreciation is provided on assets sold before 30th September and depreciation is provided for half year for assets sold after 30th September.

6.4. Cost of leasehold land is amortised over the period of lease. In the case of revaluation, the difference between the original cost and revalued amount is amortised over the remaining period of the lease and is adjusted to the ‘Revaluation Reserve’.

6.5. Where it is not possible to segregate the cost of Land and Premises, Depreciation is charged on the composite cost.

7. Staff Benefits:

7.1. Annual contribution to Gratuity and Pension Funds are determined on the basis of actuarial valuation. The contribution to Pension Fund is made under a defined benefit scheme.

7.2. The liability for earned leave is provided for on the basis of actuarial valuation.

7.3. In respect of employees who have opted for Provident Fund Scheme, a matching contribution is made.

7.4. The Bank recognizes in its Books of Accounts the liability arising out of Employee Benefits as the sum of the present value of obligations as reduced by fair value of Plan Assets on the Balance Sheet.

8. Recognition of Income and Expenditure:

8.1. Income/Expenditure is generally accounted for on accrual basis unless otherwise stated.

8.2. Income on NPA is accounted for as per the Prudential Norms prescribed by the Reserve Bank of India.

8.3. In accordance with the guidelines issued by the Reserve Bank of India, prior period disclosures are made in respect of any item which exceeds one percent of the total income/total expenditure.

8.4. Provision for interest payable on overdue deposits is made as per Reserve Bank of India guidelines.

8.5. Expenses for Share Issue are amortized over a period of 5 years on quarterly basis.

9. Income Tax:

The provision for tax for the year comprises of current tax liability computed in accordance with the applicable tax laws and the deferred tax which recognizes, timing differences between taxable income and accounting income that originate in one period and capable of reversal in one or more subsequent periods. Deferred tax assets are not recognized unless there is ‘virtual certainty’ that sufficient future taxable income will be available against which such deferred tax assets will be realized.

B. SUBSIDIARIES

1. Revenue Recognition

In case of Cent Bank Home Finance Limited, repayment of housing loans is by way of Equated Monthly Installments (EMI) comprising of principal and interest. Interest is calculated on the outstanding balance at the beginning of the Financial Year. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, Pre-EMI interest is payable every month.

Income on Performing Assets is recognized on accrual basis and on Non-Performing Assets on realization basis. Credits in Non-Performing Assets are appropriated first towards interest and thereafter towards Principal.

2. Investments

Investments are considered long term in nature and accounted for at cost.

3. Retirement Benefits

Cent Bank Home Finance Limited makes regular contribution to Provident Fund. Gratuity amount has been set aside on actuarial basis and invested in Group Gratuity Scheme of the Life Insurance Corporation of India. The provision for Leave encashment liability is calculated on the balance privilege leave of the employees at the end of each financial year.

SCHEDULE 18: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS:

1. The Consolidated Financial Statements comprise the financial statements of Central Bank of India (The Parent Bank), its two subsidiaries and Associates consisting of 7 Regional Rural Banks (RRBs) sponsored by the Parent Bank and Indo Zambia Bank Limited (collectively referred to as "the Group") as per details given below :

Name of the Subsidiary/Associate	Country of Incorporation	Ownership interest as at March 31, 2010
Centbank Home Finance Limited (Subsidiary)	India	59.50%
Centbank Financial Services Limited (Subsidiary)	India	100.00%
7 Regional Rural Banks (Associates)	India	35.00% in each RRB
Indo Zambia Bank Limited (Associate)	Zambia	20.00%

2 Basis of Consolidation

2.1 The Consolidated Financial Statements have been prepared in accordance with Accounting Standard - 21 (AS-21) "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and guidelines issued by the Reserve Bank of India thereof. The financial statements of the Indo Zambia Bank Limited, an Associate, have been prepared in accordance with the International Accounting Standards.

2.2 The Consolidated Financial Statements of the Group have been prepared based on line by line consolidation of the financial statements of the Bank and its subsidiaries by adding together like items of assets, liabilities, income and expenses after eliminating intra-group balances and intra-group transactions and unrealized profit/loss.

2.3 Investments in Associates have been accounted for in the Consolidated Financial Statements under the Equity Method as per Accounting Standard 23 (AS-23) "Accounting for Investments in Associates in Consolidated Financial Statements" and guidelines issued by Reserve Bank of India thereof.

2.4 In the preparation of Consolidated Financial Statements in some of the cases, different accounting policies for like transactions have been followed in respect of associates for which appropriate adjustments have not been made nor the amounts quantified in the absence of necessary information. Items in respect of which different accounting policies have been adopted by the subsidiary and associates are:

Associates

- Accounting for depreciation on fixed assets;
- Accounting of certain expenses on cash basis;
- Interest on overdue/matured term deposits;
- Incentive/ Commission received on purchase of investments;
- Accounting of Income Tax/ Deferred Tax.

Minority interest in the net assets of the subsidiary, Cent Bank Home Finance Limited, consists of:

(i) the amount of equity attributable to minorities, and

(ii) the minorities' share of movements in equity since the day on which parent-subsidiary relationship came into existence.

2.5 Additional statutory information disclosed in separate financial statements of the Bank and the subsidiaries having no bearing on the true and fair view of the Consolidated Financial Statements and also the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements in view of the general clarification issued by the Institute of Chartered Accountants of India.

3 PARENTBANK

3.1 Capital:

The Authorised Capital of the Bank was ₹ 15000 million as on April 01, 2009. The Board of Directors vide Resolution dated July 27, 2009 recommended to increase the Authorized Capital of the Bank from the present ₹ 15000 million to ₹ 30000 million for the approval of shareholders of the Bank and the shareholders in the Annual General Meeting held on August 4, 2009 approved the same.

The Government of India by its official Gazette Notification dated November 27, 2009 increased the authorized Capital from ₹ 15000 million to ₹ 30000 million.

The paid-up Capital of the Bank is increased from ₹ 13211.40 million to ₹ 17711.40 million by issue of Perpetual Non-cumulative preference shares (PNCPS) to the tune of ₹ 4500 million to Government of India.

3.2 Balancing of Books / Reconciliation

The bank is in the process covering all of its branches under the CBS platform. During the year, an additional 324 branches have come under the CBS platform. Certain migration errors in the master data and inherent bugs in the system were noticed in branches remedial action was initiated by the bank's IT department and the service provider. The management is of the opinion that this does not have any material impact on the Financial Statements.

3.3 Income Tax / Deferred Tax

3.3.1 Provision for Income Tax for the year is arrived at after due consideration of relevant statutory provisions and judicial decisions on disputed issues.

3.3.2 Other Assets [Schedule 11 (ii)] includes ₹ 15074.50 million (previous year ₹ 13661.70 million) towards disputed Income Tax paid by the Bank/ adjusted by the authorities. Provision for taxation is not considered necessary by the Bank in respect of above disputed demands based on various judicial decisions/ counsel's opinion on such disputed issues.

3.3.3 Out of ₹ 15074.50 million of tax paid under dispute, disputes relating to various Assessment Years, involving tax element of ₹ 70.60 million have been decided by the Appellate authorities in favour of the Bank. The appeal effect for the same is pending.

3.4 Share Issue Expenses:

Unamortized amount of ₹ 121.20 million towards Share Issue Expenses are included in Other Assets.

3.5 Premises:

3.5.1 The premises of the Bank were revalued during financial year 2007-08 to reflect the market value as at March 31.3.2008.The additional appreciation amounting to ₹ 15659.70 million have been credited to Revaluation Reserve Account.

3.5.2 Premises owned by the Bank include properties costing ₹ 109.40 million revalued at ₹ 3068.50 million for which registration formalities are still in progress.

3.6 Advances / Provisions

3.6.1 Advances to units which have become sick including those under nursing/ rehabilitation/ restructuring programme and other advances classified as doubtful/ loss assets have been considered secured / recoverable to the extent of estimated realisable value of securities carrying first or second charge based on valuers' assessment of properties/ assets mortgaged to the Bank and other data available with the Bank.

3.6.2 Last year the Bank considered the Floating Provision of ₹ 3124.30 million as part of Tier II Capital. In the current year, in accordance with the guidelines issued by Reserve Bank of India, the Bank has opted to utilize the Floating Provision for netting off from Gross NPAs to arrive at Net NPAs.

3.7 Agricultural Debt Waiver and Debt Relief Scheme, 2008

3.7.1 Government of India has notified "Agricultural Debt Waiver & Debt Relief Scheme 2008" for Debt Waiver to marginal and small farmers and Relief to other farmers, which has been implemented by the bank. Claims have been preferred with RBI for Agricultural Debt Waiver amounting to ₹ 9785.40 million (inclusive of additional claim of ₹ 37.10 million).The Bank has received ₹ 6310.60 million being 64.49% of the Claim amount.

3.7.2 In terms of Government of India, Ministry of Finance, Department of Financial Services, Notification dated October 16, 2008 and Reserve Bank of India circular dated November 11, 2008, Interest amounting to ₹ 380.50 million (previous year ₹ 153.30 million) on the amount outstanding under Agricultural Debt Waiver Scheme, 2008, for the period April 2009 to March, 2010, have been accounted in the books as Interest Income.

3.7.3 In terms of the Reserve Bank of India Circular Ref RBI: 2009-10/371/ DBOD.No.BP.BC.82/21.04.048/2009-10 dated March 30, 2010 and vide Government of India Notification No.3/3//208-AC dated April 5, 2010, Bank has extended the Debt Relief Scheme to all eligible farmers upto June 30, 2010.Provision of ₹ 61.70 million is made by the Bank for the loss in present value terms for all receivables from the Borrowers Claim for reimbursement of 25% Government share is subject to verification by the Statutory Central Auditors

3.8. Compliance with Accounting Standards

3.8.1 The Bank has complied with the Accounting Standards (AS) issued by The Institute of Chartered Accountants of India and disclosures are made in accordance with the provisions of such Accounting Standards.

3.8.2 There were no material prior period Income/ Expenditure exceeding1%of the Gross Total Income/ Expenditure during the year requiring disclosure under AS 5 on Net Profit or Loss for the Period, Prior Period and Extraordinary items and changes in Accounting Policies.

3.8.3 Income items recognized on cash basis were either not material or did not require disclosure under AS 9 on Revenue Recognition.

3.9 Accounting Standard - 15 (Revised)

Employee Benefits:

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for pension and gratuity benefits as per actuarial valuations is given below:

(₹ In Millions)

Particulars	Year ended March 31, 2010		Year ended March 31, 2009	
	Pension	Gratuity	Pension	Gratuity
Defined benefit obligation liability at March 31, 2010				
Opening obligations	27,053.30	7,850.80	26,129.20	7,690.40
Service cost	479.80	306.50	682.00	362.00
Interest cost	2,111.40	625.40	2,070.00	620.00
Actuarial [gain]/loss	1,200.40	(583.10)	60.10	(243.50)
Benefits paid	(2,280.00)	(680.70)	(1,888.00)	(578.10)
Obligations at March 31,2010	28,564.90	7,518.90	27,053.30	7,850.80
Plan assets at March 31, 2010, at fair value				
Opening Plans assets, at fair value	20,117.30	8,194.10	19,129.20	8,371.20
Expected return on plan assets	1,782.20	628.30	1,554.30	646.60
Actuarial gain/[loss]	(229.20)	(57.70)	14.30	39.90
Contributions	3,300.00	-	1,243.50	-
Benefits paid	(2,280.00)	(680.70)	(1,888.00)	(578.10)
Plan assets at March 31, 2100, at fair value	22,690.30	8,084.00	20,053.30	8,479.60
Cost for the year ended March 31, 2010				
Service cost	479.80	306.50	682.00	362.00
Interest cost	2,111.40	625.40	2,070.00	620.00
Expected return on plan assets	(1,782.20)	(628.30)	(1,554.30)	(646.60)
Actuarial [gain]/loss	1,429.50	(525.40)	45.80	(283.40)
Net cost	2,238.50	(221.80)	1,243.50	52.00

Assumptions

Particulars	Year ended March 31, 2010		Year ended March 31, 2009	
	Pension	Gratuity	Pension	Gratuity
Interest rate	8%	8%	8%	8%
Salary escalation rate	4%	4%	4%	4%
Estimated rate of return on plan assets	8%	8%	8%	8%

ii) The cent bank Home Finance Ltd. is only Subsidiary Company of the Bank which is having separate set of employees, which are not on parent's bank payroll. The CBHF Ltd has taken a Policy with Life Insurance Corporation of India to cover the accumulated Gratuity Liability of its employees and the premium paid on this policy has been charged to Profit & Loss Account. The Provision for Leave encashment Liability is calculated on the balance of privilege leave of the employees as on March 31, 2010**.**

3.10 Accounting Standard 17 - Segment Reporting (Consolidated):

(₹ In millions)

Sl. No	Particulars	Year ended 31-Mar-2010 (Audited)	Year ended 31-Mar-2009
a.	**Segment Revenue**		
	1.Treasury Operations	14,300.80	9,100.20
	2.Retail Banking Operations	44,816.20	41,215.80
	3.Wholesale Banking Operations	79,928.10	65,674.20
	4.Other Banking Operations	76.40	3.40
	5.Unallocated	60.30	70.40
	Total	139,181.80	116,064.00
b.	**Segment Results**	-	-
	1.Treasury Operations	9,521.70	7,612.10
	2.Retail Banking Operations	4,361.40	2,842.80
	3.Wholesale Banking Operations	7,668.40	4,515.80
	4.Other Banking Operations	75.40	3.30
	Total	21,626.90	14,974.00
c.	**Unallocated Income/ (Expenses)**	60.30	70.40
d.	**Operating Profit**	21,687.20	15,044.40
e.	**Provisions & Contingencies**	5,108.20	5,135.10
f.	**Income Tax**	4,953.50	3,550.80
g.	**Net Profit**	**11,625.50**	**6,358.50**
h.	**Other Information**	-	-
i.	**Segment Assets**	-	-
	1.Treasury Operations	316,997.80	211,795.70
	2.Retail Banking Operations	439,241.80	393,573.50
	3.Wholesale Banking Operations	1,051,302.70	855,060.30
	4.Other Banking Operations	17.30	1.60
	5.Unallocated Assets	21,861.90	18,273.90
	Total	**1,829,421.50**	**1,478,705.00**
j.	**Segment Liabilities**	-	-
	1.Treasury Operations	284,464.40	11,061.90
	2.Retail Banking Operations	432,393.70	440,755.20
	3.Wholesale Banking Operations	1,030,729.40	959,177.50
	4.Other Banking Operations	115.90	123.00
	5.Unallocated Liabilities	81,718.10	67,587.40
	Total	**1,829,421.50**	**1,478,705.00**

3.10.1 The Parent Bank has recognised Treasury Operations, Corporate/ Wholesale Banking, Retail Banking and other Banking business as primary reporting segments. There are no secondary reporting segments.

3.10.2 Treasury Operations include dealing in Government and Other Securities, Money Market operations and Forex operations.

3.10.3 The Retail Banking Segment consists of all exposures upto a limit of ₹ 50 million (including Fund Based and Non Fund Based exposures) subject to orientation, product, granularity criteria and individual exposures.

3.10.4 The Corporate/ Wholesale Segment consists of all advances to Trusts/ Partnership Firms

Companies and statutory bodies, which are not included under Retail Banking.

3.10.5 The other Banking Segment includes all other Banking operations not covered under the above three categories.

3.10.6 General Banking operations are the main resource mobilizing unit and Treasury Segment compensates the former for funds lent to it by taking into consideration the average funds used.

3.10.7 Allocation of Costs:

a) Expenses directly attributable to a particular segment are allocated to the relative segment.

b) Expenses not directly attributable to a specific segment are allocated in proportion to the funds employed.

3.11 Accounting Standard 18 - Related Party Disclosure:

1 List of Related Parties:

(a) Key Managerial Personnel -

	Name	Designation
i)	Mr. S. Sridhar	Chairman & Managing Director
ii)	Mr. Ramnath Pradeep	Executive Director
iii)	Mr. Arun Kaul	Executive Director

(b) Subsidiaries –

i) Cent Bank Home Finance Ltd.
ii) Cent Bank Financial Services Ltd.

(c) Associates –

(I) Regional Rural Banks –

i) SatpuraNarmada Kshetriya Gramin Bank, Chhindwara.
ii) Surguja Kshetriya Gramin Bank, Ambikapur.
iii) Uttar Bihar Gramin Bank, Muzzaffarpur
iv) Vidharbha Kshetriya Gramin Bank, Akola
v) Ballia Etawah Gramin Bank, Ballia.
vi) Hadoti Kshetriya Gramin Bank, Kota.
vii) Uttarbanga Kshetriya Gramin Bank, Cooch Behar

(II) Indo – Zambia Bank Ltd.

2. Transactions with Related Parties:

(₹ In millions)

(a) Key Management Personnel

Items	2009-2010	2008-2009
Remuneration paid	3.65	3.68

(b) Statement of Related parties transactions

(₹ In millions)

Sl. No.	Related parties	As on	Investment		Purchase of Loan assets		Sale of loan assets		Line of Credit to RRBs	
			Cumulative	Max. during the year	Amt Outstanding	Int. recd	Amt sold	Interest Paid	Amt	Int. Paid
1	Satpura Narmada KGBChindawara, MP	31-Mar-10	276.40	276.40	2,000.00	77.90	-	-	2,000.00	5.90
		31-Mar-09	276.40	276.40	2,000.00	2.70	-	-	-	-
2	Surguja KGB Ambikapur [Chattisgarh]	31-Mar-10	25.70	25.70	450.00	1.20	450.00	1.20	-	-
		31-Mar-09	25.70	25.70	-	-	-	-	-	-
3	Uttar Bihar Gramin BankMuzaffarpur [Bihar]	31-Mar-10	1,590.90	1,590.90	5,000.00	361.00	-	-	2,000.00	4.00
		31-Mar-09	1,590.90	1,590.90	5,000.00	6.90	-	-	-	-
4	Vidharbha KGB Akola {Maharastra]	31-Mar-10	62.20	62.20	473.50	32.50	-	-	500.00	0.30
		31-Mar-09	62.20	62.20	473.50	1.00	-	-	-	-
5	Ballia Etawah Gramin Bank Ballia [Uttar Pradesh]	31-Mar-10	117.20	117.20	-	-	-	-	-	-
		31-Mar-09	117.20	117.20	100.00	0.10	-	-	-	-
6	Hadoti KGB Kota [Rajasthan]	31-Mar-10	24.50	24.50	1,327.10	46.20	700.00	1.10	-	-
		31-Mar-09	24.50	24.50	627.10	0.90	-	-	-	-
7	Uttarbhanga KGB Siliguri [West Bengal]	31-Mar-10	205.80	205.80	-	-	-	-	-	-
		31-Mar-09	205.80	205.80	-	-	-	-	-	-
TOTAL		31-Mar-10	2,302.70	2,302.70	9,250.60	518.80	1,150.00	2.30	4,500.00	10.20
		31-Mar-09	2,302.70	2,302.70	8,200.60	11.60	-	-	-	-

During the year 2009-10 Ballia KGB and Etawah KGB amalgamated to form Ballia Etawah Gramin Bank in Uttar Pradesh with effect from01.01.2010.Consequently 8 RRBs as on 31-Mar-2009 were reduced to 7 RRBs as on 31-Mar-2010.

3.12 Accounting Standard 20 – Earnings per Share

Earnings per share as per AS 20 has been arrived at as follows:

	31-Mar-2010	31-Mar-2009
Net Profit after Tax available for Equity Share Holder(₹ in millions)	11,625.52	6,358.50
Weighted Average number of Equity Share (No.)	404,141,460	404,141,460
Basic Earnings per Share (₹)	27.23	13.76
Diluted Earnings per Share (₹)	27.23	13.76
Nominal Value per Share (₹)	10.00	10.00

3.13 Accounting Standard 22 – Accounting for Taxes on Income

The Parent Bank has recognized Deferred Tax Asset/ Liabilities. The major components of Deferred Tax Assets and Deferred Tax Liabilities are as under:

(₹ in Millions)

	31-Mar-2010	31-Mar-2009
Deferred Tax Asset:		
Provision for NPAs	-	403.90
Provision for Leave Encashment	612.40	547.70
Provision for Pension and Gratuity	2,591.20	2,664.80
Provision for Wage Revision	1,087.70	-
Total (A):	**4,291.30**	**3,616.40**
Deferred Tax Liabilities:	-	-
Depreciation on Fixed Assets	150.50	119.40
Interest accrued but not due on Investments	3,349.80	2,618.00
Depreciation on Investments	3,869.90	1,119.30
Total (B):	**7,370.20**	**3,856.70**
	-	-
Net Deferred Tax Liability	**3,078.90**	**240.30**

3.14 A substantial portion of the Bank's assets comprise financial assets to which Accounting Standard 28 on Impairment of Assets is not applicable. In the opinion of the Management, there is no material impairment on Other Assets as at March 31, 2010 requiring recognition in terms of the Standard.

3.15 Accounting Standard-29 on Provisions, Contingent Liabilities and Contingent Assets.

Movement of Provisions:

(₹ In Millions)

Particulars	Opening Balance as on 01-Apr-2009	Provision made during the year	Provisions reversed/ adjusted	Closing Balance as on 31-Mar-2010
Standard Assets	3,875.10	299.10	-	4,174.20
NPA	12,135.50	2,884.00	2,904.10	12,115.40
Investments	13,904.90	3,142.50	2,573.10	14,474.30
Taxes	12,259.70	2,074.50	73.50	14,260.70
Misc. Provision	1,875.10	1,362.20	112.30	3,125.00

4 As per the information compiled by the Management, the Vendors, whose services are utilized and from whom purchases were made by the Bank, are not registered under Micro, Small and Medium Enterprises Development Act, 2006.This is relied upon by the Auditors

5 SUBSIDIARIES :

5.1 **Cent Bank Home Finance Ltd.**

5.1.1 During the year the Company has written off irrecoverable bad debt amount of ₹ 16.29 million as decided by the Board.

5.1.2 Income Tax assessments have been completed upto A.Y. 2007-08.For the disallowances made, the Company has filed appeals for various years with the Appellate Authorities and the same are pending.

5.2 **Cent Bank Financial and Custodial Services Limited**

5.2.1 There are no amounts overdue and remaining unpaid to Small Scale and/ or ancillary Industrial suppliers on account of principal and/ or interest as at close of the year.

6 Previous year's figures have been re-grouped/ re-classified wherever considered necessary to conform to current year's classification.

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

Annexure – III

Consolidated Cash Flow Statement for the Year Ended March 31, 2010 (₹ Millions)

Sr. No.	Particulars	31-Mar-2010	31-Mar-2009
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit before taxes	14,429.60	9,909.30
I	**Adjustments for:**	-	-
	Depreciation on fixed assets	681.00	745.60
	Depreciation on investments (including on matured debentures)	647.90	905.30
	Bad Debts written off/Provision in respect of nonperforming assets	2,597.30	3,241.00
	Provision for Standard Assets	299.70	448.30
	Provision for Other items (Net)	1,258.70	540.60
	Profit / Loss on sale of fixed assets (Net)	3.20	3.50
	Payment/ provision for interest on subordinated debt (treated separately)	3,623.20	2,197.40
	Sub total	23,540.60	17,991.00
II	**Adjustments for :**	-	-
	Increase / (Decrease) in Deposits	308,505.70	209,537.40
	Increase / (Decrease) in Borrowings	64,488.70	3,361.50
	Increase / (Decrease) in Other Liabilities and Provisions	(50,888.40)	3,940.00
	(Increase) / Decrease in Advances	(198,597.70)	(127,925.70)
	(Increase) / Decrease in Investments	(76,605.40)	(117,600.20)
	(Increase) / Decrease in Other Assets	(10,788.40)	(2,462.30)
	Direct Taxes paid (Net of Refund etc)	4,939.80	(3,550.80)
	Net Cash from operating activities	41,054.30	(34,700.10)
	NET CASH FLOW FROM OPERATING ACTIVITIES	**64,594.90**	**(16,709.10)**
B	**CASH FLOW FROM INVESTING ACTIVITIES**	-	-
	Sale / Disposal of Fixed Assets	82.20	99.70
	Purchase of Fixed Assets	(1,419.40)	(722.70)
	NET CASH FLOW FROM INVESTING ACTIVITIES	**(1,337.10)**	**(623.00)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**	-	-
	Share Capital	4,500.00	1,170.00
	Proceeds / Redemption of Subordinated Debts Tier II Capital	7,210.00	8,390.00
	Innovative Perpetual Debt Instrument	-	5,830.00
	Dividend	(1,440.00)	(1,488.60)
	Dividend Tax	(244.70)	(253.00)
	Interest on Subordinated Debt	(3,623.20)	(2,197.40)
	NET CASH FLOW FROM FINANCING ACTIVITIES	**6,402.10**	**11,451.00**
D	**Net increase in cash & cash equivalents (A + B + C) or (F - E)**	**69,659.90**	**(5,881.10)**
E	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		
	Cash and Bank Balance with RBI	110,370.31	115,374.30
	Balance with Banks and Money at Call and Short Notice	12,143.36	13,020.50
	Net cash and cash equivalents at the beginning of the year	122,513.67	128,394.80
F	**CASH AND CASH EQUIVALENTS AT THE END OF**	-	-

Sr. No.	Particulars	31-Mar-2010	31-Mar-2009
	THE YEAR		
	Cash and Bank Balance with RBI	170,120.82	110,370.31
	Balance with Banks and Money at Call and Short Notice	22,052.81	12,143.36
	Net cash and cash equivalents at the end of the year	**192,173.60**	**122,513.70**

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** **Chartered Accountants** **FRN. 003510S** (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** **Chartered Accountants** **FRN. 003073S** (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co **Chartered Accountants** **FRN 100186W** (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** **Chartered Accountants** **FRN. 1088C** (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** **Chartered Accountants** **FRN. 003708N** (CA Milan Shrimali) Partner M.No/ 088578

Place Mumbai
Date: Jan 20, 2011

Annexure – IV

Accounting Ratios

Particulars	31-Mar-2010	31-Mar-2009
Weighted average number of equity shares for basic Earnings Per Share	404,141,460	404,141,460
Weighted average number of equity shares for diluted Earnings Per Share	404,141,460	404,141,460
Basic Earnings Per Share (₹)	27.23	13.76
Diluted Earnings Per Share (₹)	27.23	13.76
Return on Net Worth (%)	19.54	14.07
Net Asset Value Per Share (₹)	113.44	89.13

Earnings Per Share (Basic) (₹)	Net profit attributable to Equity Shareholders (excluding extraordinary items, if any)/ Weighted Average number of Equity Shares outstanding during the year
Earnings Per Share (Diluted) (₹)	Net profit attributable to Equity Shareholders (excluding extraordinary items, if any)/ Weighted Average number of Diluted Equity Shares outstanding during the year
Return On Net worth (%):	Net profit attributable to Equity Shareholders (excluding extraordinary items, if any)/ Net Worth at the end of the year (excluding revaluation reserves)
Net Asset Value per Share (₹)	Net Worth at the end of the year (excluding revaluation reserves and PNCPS)/ Weighted Average number of Equity shares outstanding during the year

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
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Place Mumbai Date: Jan 20, 2011		

AUDITORS' LIMITED REVIEW REPORT – STANDALONE FINANCIAL STATEMENTS

To,
The Board of Directors
Central Bank of India
Chander Mukhi,
Nariman Point
Mumbai,

i. We have reviewed the accompanying statement of unaudited financial results of Central Bank of India for the half year ended September 30, 2010. This statement is the responsibility of the Bank's Management and has been approved by the Board of Directors**.** Our responsibility is to issue a report on these financial statements based on our review.

ii. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400, *Engagements to Review Financial Statements* issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Bank personnel and an analytical procedure applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

iii. In the conduct of our Review, we have relied on the review reports received from other firms of auditors of 84 branches. These review reports along with the reports of the 20 branches reviewed by us cover 62.71% of the advances portfolio, excluding Food Credit and advances of Asset Recovery branches of the Bank and 53.40% of the Non-performing Assets of the Bank. Apart from these, in the conduct of our review, we have also relied upon various returns received from the branches of the bank

iv. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

v. At the Bank's request, we have also examined the Accounting Ratios as on Sept 30, 2010, proposed to be included in the Offering Documents prepared by the management and annexed to this report.

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N**	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S
(CA Sunil Aggarwal) Partner M.No. 83899	(CA B Srinivasa Rao) Partner M.No. 202352	(CA Janani Radhakrishan) Partner M.No. 27037

M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

CENTRAL BANK OF INDIA
STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2010

₹ Millions

Particulars	30-Sept-2010 Reviewed
CAPITAL AND LIABILITIES	
Capital	20,211.42
Reserve and Surplus	66,204.43
Deposits	1,678,125.44
Borrowings	83,204.14
Other Liabilities and provisions	60,407.70
Total	**1,908,153.13**
	-
ASSETS	-
Cash and Balances with Reserve Bank of India	124,566.00
Balances with Banks and Money at Call and Short Notice	18,247.23
Investment	508,954.83
Advances	1,137,373.38
Fixed Assets	23,821.03
Other Assets	95,190.66
Total	**1,908,153.13**

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

CENTRAL BANK OF INDIA

REVIEWED FINANCIAL RESULTS | FOR HALF YEAR ENDED SEPTEMBER 30, 2010

₹ Million **

			Particulars	30-Sept-10
1	Interest earned (a)+(b)+(c)+(d)			70,552.11
	a)	Interest/ discount on advances/ Bills		51,850.44
	b)	Income on Investments		18,341.50
	c)	Interest on balances with Reserve Bank of India and other interbank funds.		240.36
	d)	Others		119.81
2	Other Income			4,925.97
3	Total Income (1+2)			75,478.08
4	Interest Expended			45,899.74
5	Operating Expenses (i)+(ii)			15,124.52
	i)	Employees cost		10,184.11
	ii)	Other Operating Expenses		4,940.41
6	Total Expenditure (4+5) excluding provisions and contingencies			61,024.26
7	Operating Profit before Provisions and contingencies (3-6)			14,453.82
8	Provisions (other than tax) and Contingencies			4,362.70
9	Exceptional Items			-
10	Profit (+)/ Loss (-) from Ordinary Activities before Tax (7-8-9)			10,091.12
11	Tax expense			2,929.20
12	Net Profit(+) / Loss (-) from Ordinary Activities after tax(10-11)			7,161.92
13	Extraordinary items (net of tax expense)			-
14	Net Profit (+)/ Loss (-) for the period (12-13)			7,161.92
15	Paid up equity share capital (Face Value of the Share ₹10/-).			4,041.41
16	Reserves excluding revaluation reserves (as per balance sheet of previous accounting year).			39,590.83
17	Analytical Ratios :			
	i)	Percentage of shares held by Government of India		80.20
	ii)	Capital Adequacy Ratio		
		As per Basel -I		10.89
		As per Basel -II		11.65
	iii)	Earnings Per share (EPS)		
	a)	Basic and diluted EPS before Extraordinary items		*16.42
	b)	Basic and diluted EPS after Extraordinary items		*16.42
	ii)	NPA Ratios :		
	a)	i) Gross NPA		26,337.00
		ii) Net NPA		7,763.50
	b)	i) % of Gross NPA		2.28
		ii) % of Net NPA		0.68
	c)	Return on Assets		0.82
18	Public Shareholding :			
	- No. of shares			80,000,000

Particulars			30-Sept-10
	-Percentage of shareholding		19.80
19	Promoters & Promoter Group Shareholding		
	a)	Pledged/Encumbered	Nil
		Number of Shares	Nil
		Percentage of shares (as a percentage of total shareholding of promoter and promoter group)	Nil
		Percentage of shares (as a percentage of total share capital of the Bank)	Nil
	b)	Non-encumbered	
		Number of Shares	324,141,460
		Percentage of shares (as a percentage of total shareholding of promoter and promoter group)	100.00
		Percentage of shares (as a percentage of total share capital of the Bank)	80.20
* Not annualised ** Except for per share data and number of shares			

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

NOTES ON ACCOUNTS FORMING PART OF REVIEWED FINANCIAL RESULTS
FOR THE QUARTER / HALF YEAR ENDED SEPTEMBER 30, 2010

1. The financial results have been prepared following the same accounting policies and practices as those followed in the annual financial statements for the year ended March 31, 2010, except for change in the policy with regard to provisioning on Non-Performing Assets mentioned in Para no 3(b) below.

2. The above financial results have been approved by the Board of Directors at its meeting held on October 26, 2010 and have been subjected to a "Limited Review" by the Statutory Central Auditors of the Bank.

3. (a) Except for the change in policy mentioned in Note No. 3 (b), there has been no change in the accounting policies adopted during the Half Year ended September 30, 2010 as compared to those followed for the corresponding Half Year ended September 30, 2009.

   (b) Consequent to a change in the rates of provision in respect of Non-Performing Assets, during the half year under review, the Non-Performing Assets and the Profit after Tax is lower by ₹1,413 million.

   (c) The Provision Coverage Ratio as at September 30, 2010 is 70.50%

4. The Financial Results for the Half Year ended September 30, 2010 have been arrived at after considering extant guidelines of Reserve Bank of India (RBI) on prudential norms for Income Recognition, Assets Classification and Provisioning on Advances/ Investments. Employee Benefits, Provision for taxes and other necessary provisions have been provided on estimated basis. Liabilities on account of new pension option for PF optees will be considered on crystallisation.

5. During the Half Year ended September 30, 2010, Government of India has inducted additional Tier I Capital of ₹2,500 million by subscribing to perpetual Non-Cumulative Preference Shares.

6. The bank has raised Upper Tier-II bonds of ₹10,000 million during the Half Year ended September 30, 2010.

7. The Bank has recognized Treasury operations, Corporate/ Wholesale Banking and Retail Banking as primary reporting segments. There are no secondary reporting segments.

8. Status of Investors' Complaints :

Complaints at the beginning of the 2nd Quarter	Received during the 2nd Quarter	Disposed Off during the 2nd Quarter	Pending as on 30.09.2010
NIL	122	122	NIL

9. Corresponding period/ year figures have been regrouped/ reclassified wherever necessary.

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

Accounting Ratios

Particulars	As of September 30, 2010
Weighted average number of equity shares for basic Earnings Per Share	404,141,460
Weighted average number of equity shares for diluted Earnings Per Share	404,141,460
Basic Earnings Per Share (₹) (not-annualised)	16.42
Diluted Earnings Per Share (₹) (not-annualised)	16.42
Return on Net Worth (%)	10.71
Net Asset Value Per Share (₹)	125.38

Earnings Per Share (Basic) (₹)	Net profit attributable to Equity Shareholders (excluding extraordinary items, if any)/ Weighted Average number of Equity Shares outstanding during the year
Earnings Per Share (Diluted) (₹)	Net profit attributable to Equity Shareholders (excluding extraordinary items, if any)/ Weighted Average number of Diluted Equity Shares outstanding during the year
Return On Net worth (%):	Net profit attributable to Equity Shareholders (excluding extraordinary items, if any)/ Net Worth at the end of the year (excluding revaluation reserves)
Net Asset Value per Share (₹)	Net Worth at the end of the year (excluding revaluation reserves and PNCPS)/ Weighted Average number of Equity shares outstanding during the year

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

AUDITORS’ LIMITED REVIEW REPORT – CONSOLIDATED FINANCIAL STATEMENTS

To,

The Board of Directors
Central Bank of India
Chander Mukhi,
Nariman Point
Mumbai,

1. We have reviewed the accompanying consolidated unaudited financial results of Central Bank of India (‘the ‘Bank’), its Subsidiaries and Associates (collectively, the “**Group**”) for half year ended 30 September, 2010. These consolidated half yearly financial results have been prepared from consolidated interim financial statements, which are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these consolidated financial results based on our review of such consolidated interim financial statements, which have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard (AS) 25, “Interim Financial Reporting”, issued pursuant to the Companies (Accounting Standards) Rules, 2006 as per Section 211(3C) of the Companies Act, 1956 and other accounting principles generally accepted in India. This statement is the responsibility of the Bank’s Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400, *Engagements to Review Financial Statements* issued by the ICAI. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. A review includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. A review also includes assessing the accounting principles used and significant estimates made by management. We have not performed an audit and accordingly, we do not express an audit opinion.

   We did not review the financial result of the

   (i) Subsidiaries namely Centbank Home Finance Limited and Centbank Financial Services Limited and

   (ii) Associates consisting of 7 Regional Rural Banks (RRBs) sponsored by the Bank and Indo Zambia Bank Limited.

   Total revenues from Subsidiary Companies and bank’s shares in earnings of the Associates for the six month period ended Sept 30, 2010, included in the Reviewed Consolidated Financial Statements, reflects at Rs. 528.52 million and Rs 261.38 million respectively. These interim financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion on the half yearly financial results, to the extent they have been derived from such interim financial statements is based solely on the report of such other auditors.

3. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the Reviewed Consolidated Financial Statements (a) were not prepared in accordance with Indian GAAP, (b) have not disclosed the information required to be disclosed under clause 41 of the listing agreement, including the manner in which such information is to be disclosed, or (c) contain any material misstatement or that they has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters

4. At the Bank's request, we have also examined the following information proposed to be included in the Offering Documents prepared by the management and annexed to this report:

    a. Statement of Capitalisation as on September 30, 2010.

    b. Accounting Ratios as on Sept 30, 2010.

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

CENTRAL BANK OF INDIA
STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2010

₹ Millions

Particulars	30-Sept-2010 Reviewed
CAPITAL AND LIABILITIES	
Capital	20,211.42
Reserve and Surplus	68,951.48
Minorities Interest	212.33
Deposits	1,677,972.03
Borrowings	104,874.14
Other Liabilities and provisions	39,326.86
Total	**1,911,548.26**
ASSETS	
Cash and Balances with Reserve Bank of India	124,566.00
Balances with Banks and Money at Call and Short Notice	18,248.60
Investments	511,002.65
Loans & Advances	1,138,168.77
Fixed Assets	23,826.80
Other Assets	95,677.43
Goodwill on Consolidation	58.01
TOTAL	**1,911,548.26**
Contingent Liabilities	450,368.24
Bills for Collection	37,755.36

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

CENTRAL BANK OF INDIA
REVIEWED CONSOLIDATED FINANCIAL RESULTS | FOR HALF YEAR ENDED SEPTEMBER 30, 2010

₹ Millions *

Particulars			30-Sept-10
1	**Interest earned (a)+(b)+(c)+(d)**		**71,016.57**
	a)	Interest/ discount on advances/ Bills	51,920.17
	b)	Income on Investments	18,347.46
	c)	Interest on balances with Reserve Bank of India and other interbank funds.	240.37
	d)	Others	508.57
2	Other Income		4,928.40
3	**Total Income (1+2)**		**75,944.97**
4	Interest Expended		45,922.29
5	Operating Expenses (i)+(ii)		15,137.88
	i)	Employees cost	10,195.67
	ii)	Other Operating Expenses	4,942.21
6	**Total Expenditure (4+5) excluding provisions and contingencies**		**61,060.17**
7	Operating Profit before Provisions and contingencies(3-6)		14,884.80
8	Provisions (other than tax) and Contingencies		4,362.70
9	Exceptional Items		-
10	**Profit (+)/ Loss (-) from Ordinary Activities before Tax (7-8-9)**		**10,522.10**
11	Tax expense		3,067.85
12	**Net Profit(+) / Loss (-) from Ordinary Activities after tax(10-11)**		**7,454.25**
13	Extraordinary items (net of tax expense)		-
14	Add/Less: Share of Earnings from Associates		261.38
15	Add/Less Minorities Interest		(14.64)
14	**Net Profit (+)/ Loss (-) for the period (12-13+14+15)**		**7,700.99**
15	Paid up equity share capital (Face Value of the Share ₹ 10/-).		4,041.40
16	Reserves excluding revaluation reserves (As per balance sheet of previous accounting year)		41,798.81
17	**Analytical Ratios :**		
	i)	Percentage of shares held by Government of India	80.20
	ii)	**Capital Adequacy Ratio:(Parent Bank)**	
		As per Basel-I(%)	10.89
		As per Basel-II(%)	11.65
	iii)	**Earnings Per share (EPS)**	
	a)	Basic and diluted EPS before Extraordinary items	17.75
	b)	Basic and diluted EPS after Extraordinary items	17.75
	ii)	**NPA Ratios :**	
	a)	i) Gross NPA	26,698.80
		ii) Net NPA	7,920.50
	b)	i) % of Gross NPA	2.30
		ii) % of Net NPA	0.69
	c)	Return on Assets (%)	0.85
18	**Public Shareholding :**		
	-No. of shares		80,000,000
	-Percentage of shareholding		19.80
19	**Promoters & Promoter Group Shareholding**		
	a)	Pledged/Encumbered	Nil
		Number of Shares	Nil
		Percentage of shares (as a percentage of total shareholding of promoter and promoter group)	Nil
		Percentage of shares (as a percentage of total share capital of the	Nil

Particulars			30-Sept-10
		Bank)	
	b)	Non-encumbered	
		Number of Shares	324,141,460
		Percentage of shares (as a percentage of total shareholding of promoter and promoter group)	100.00
		Percentage of shares (as a percentage of total share capital of the Bank)	80.20
**** Except for per share data and number of shares***			

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

NOTES FORMING PART OF THE REVIEWED CONSOLIDATED FINANCIAL RESULTS FOR THE HALF YEAR ENDED SEPTEMBER 30, 2010.

1. The Consolidated Financial Statements comprise the financial statements of Central Bank of India (The Parent Bank), its two subsidiaries and Associates consisting of 7 Regional Rural Banks (RRBs) sponsored by the Parent Bank and Indo Zambia Bank Limited (collectively referred to as "the Group") as per details given below :

<table>
<tr><th colspan="2">Name of the Subsidiary/Associate</th><th>Country of Incorporation</th><th>Ownership interest as at 31-Mar-2010</th></tr>
<tr><td colspan="2">Centbank Home Finance Limited (Subsidiary)</td><td>India</td><td>59.50%</td></tr>
<tr><td colspan="2">Centbank Financial Services Limited (Subsidiary)</td><td>India</td><td>100.00%</td></tr>
<tr><td colspan="2">Regional Rural Banks (Associates)</td><td rowspan="8">India</td><td rowspan="8">35.00% in each RRB</td></tr>
<tr><td>i)</td><td>Satpura Narmada Kshetriya Gramin Bank, Chhindwara.</td></tr>
<tr><td>ii)</td><td>Sarguja Kshetriya Gramin Bank, Ambikapur.</td></tr>
<tr><td>iii)</td><td>Uttar Bihar Gramin Bank, Muzzaffarpur</td></tr>
<tr><td>iv)</td><td>Vidharbha Kshetriya Gramin Bank, Akola</td></tr>
<tr><td>v)</td><td>Ballia Etawah Gramin Bank, Ballia.</td></tr>
<tr><td>vi)</td><td>Hadoti Kshetriya Gramin Bank, Kota.</td></tr>
<tr><td>vii)</td><td>Uttarbanga Kshetriya Gramin Bank</td></tr>
<tr><td colspan="2">Indo Zambia Bank Limited (Associate)</td><td>Zambia</td><td>20.00%</td></tr>
</table>

2. **Basis of Consolidation**

2.1. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard - 21 (AS-21) "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and guidelines issued by the Reserve Bank of India thereof. The financial statements of the Indo Zambia Bank Limited, an Associate, have been prepared in accordance with the International Accounting Standards.

2.2. The Consolidated Financial Statements of the Group have been prepared based on line by line consolidation of the financial statements of the Bank and its subsidiaries by adding together like items of assets, liabilities, income and expenses after eliminating intra-group balances and intra-group transactions and unrealized profit/loss.

2.3. Investments in Associates have been accounted for in the Consolidated Financial Statements under the Equity Method as per Accounting Standard 23 (AS-23) "Accounting for Investments in Associates in Consolidated Financial Statements" and guidelines issued by Reserve Bank of India thereof.

2.4. In the preparation of Consolidated Financial Statements in some of the cases, different accounting policies for like transactions have been followed in respect of associates for which appropriate adjustments have not been made nor the amounts quantified in the absence of necessary information. Items in respect of which different accounting policies have been adopted by the subsidiary and associates are:

Associates

- Accounting for depreciation on fixed assets;
- Accounting of certain expenses on cash basis;
- Interest on overdue/matured term deposits;
- Incentive/ Commission received on purchase of investments;
- Accounting of Income Tax/ Deferred Tax.

Minority interest in the net assets of the subsidiary, Cent Bank Home Finance Limited, consists of:

(iii) the amount of equity attributable to minorities, and

(iv) the minorities' share of movements in equity since the day on which parent-subsidiary relationship came into existence.

PARENT BANK:

3. The financial results have been prepared following the same accounting policies and practices as those followed in the annual financial statements for the year ended March 31, 2010, except for change in the policy with regard to provisioning on Non-Performing Assets mentioned in Para no 5(b) below.

4. The above financial results have been approved by the Board of Directors at its meeting held on October 26, 2010 and have been subjected to a "Limited Review" by the Statutory Central Auditors of the Bank.

5. (a) Except for the change in policy mentioned in Note No. 5 (b), there has been no change in the accounting policies adopted during the Half Year ended September 30, 2010 as compared to those followed for the corresponding Half Year ended September 30, 2009.

(b) Consequent to a change in the rates of provision in respect of Non-Performing Assets, during the half year under review, the Non-Performing Assets and the Profit after Tax is lower by ₹1,413 million.

(c) The Provision Coverage Ratio as at September 30, 2010 is 70.50%

6. The Financial Results for the Half Year ended September 30, 2010 have been arrived at after considering extant guidelines of Reserve Bank of India (RBI) on prudential norms for Income Recognition, Assets Classification and Provisioning on Advances/ Investments. Employee Benefits, Provision for taxes and other necessary provisions have been provided on estimated basis. Liabilities on account of new pension option for PF optees will be considered on crystallisation.

7. During the Half Year ended September 30, 2010, Government of India has inducted additional Tier I Capital of ₹2,500 million by subscribing to perpetual Non-Cumulative Preference Shares.

8. The bank has raised Upper Tier-II bonds of ₹10,000 million during the Half Year ended September 30, 2010.

9. The Bank has recognized Treasury operations, Corporate/ Wholesale Banking and Retail Banking as primary reporting segments. There are no secondary reporting segments.

10. Status of Investors' Complaints :

Complaints at the beginning of the 2nd Quarter	Received during the 2nd Quarter	Disposed Off during the 2nd Quarter	Pending as on 30-Sept-2010
NIL	122	122	NIL

11. Corresponding period/ year figures have been regrouped/ reclassified wherever necessary.

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

Accounting Ratios

Particulars	As of September 30, 2010
Weighted average number of equity shares for basic Earnings Per Share	404,141,460
Weighted average number of equity shares for diluted Earnings Per Share	404,141,460
Basic Earnings Per Share (₹) (not-annualised)	17.75
Diluted Earnings Per Share (₹) (not-annualised)	17.75
Return on Net Worth (%)	11.05
Net Asset Value Per Share (₹)	132.49

Earnings Per Share (Basic) (₹)	Net profit attributable to Equity Shareholders (excluding extraordinary items, if any)/ Weighted Average number of Equity Shares outstanding during the year
Earnings Per Share (Diluted) (₹)	Net profit attributable to Equity Shareholders (excluding extraordinary items, if any)/ Weighted Average number of Diluted Equity Shares outstanding during the year
Return On Net worth (%):	Net profit attributable to Equity Shareholders (excluding extraordinary items, if any)/ Net Worth at the end of the year (excluding revaluation reserves)
Net Asset Value per Share (₹)	Net Worth at the end of the year (excluding revaluation reserves and PNCPS)/ Weighted Average number of Equity shares outstanding during the year

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

CAPITALISATION STATEMENT (ON A CONSOLIDATED BASIS)

Particulars	Pre Issue as at 30-Sept-2010 (in million)	Adjusted for the Issue*
Borrowing		
Long Term Debt	55,793.00	[●]
Short Term Debt	49,081.14	[●]
Total Debt	**104,874.14**	[●]
Shareholders' funds		
Share Capital $	20,211.42	[●]
Reserves & Surplus	49,499.80	[●]
Total Shareholders' Funds	**69,711.22**	[●]
Total Capitalisation	**174,585.36**	[●]
Total Debt / Equity Ratio (times)	**1.50**	[●]
Long term Debt / Equity Ratio (times)	**0.80**	[●]
* To be included at the time of filing of the Letter of Offer.		

$ Breakup is as under

- Equity Share Capital	4,041.42
- Preference Share Capital	16,170.00
Total	**20,211.42**

The Ratios have been computed as below:

Total Debt / Equity Ratio	(Short Term Debt + Long Term Debt)/ Equity (i.e., Equity and Preference Share Capital + Reserves & Surplus)
Long Term Debt/ Equity Ratio	Long Term Debt/ Equity (i.e., Equity and Preference Share Capital + Reserves & Surplus)

M/s GSA & Associates **Chartered Accountants** **FRN 000257 N** (CA Sunil Aggarwal) Partner M.No. 83899	**M/s Sagar & Associates** Chartered Accountants FRN. 003510S (CA B Srinivasa Rao) Partner M.No. 202352	**M/s D. Rangaswamy & Co** Chartered Accountants FRN. 003073S (CA Janani Radhakrishan) Partner M.No. 27037
M/s K.S. Aiyar & Co Chartered Accountants FRN 100186W (CA Raghuvir M. Aiyar) Partner M.No. 38128	**M/s Ghiya & Co** Chartered Accountants FRN. 1088C (CA. Amit Mehta) Partner M.No. 403467	**M/s Samsand & Associates** Chartered Accountants FRN. 003708N (CA Milan Shrimali) Partner M.No/ 088578
Place Mumbai Date: Jan 20, 2011		

MATERIAL DEVELOPMENTS

Recent Developments

In accordance with circular No. F.2/5/SE/76 dated February 5, 1977 issued by the Ministry of Finance, Government of India, as amended by Ministry of Finance, Government of India through its circular dated March 8, 1977 and in accordance with sub-item (B) of item X of Part E of Schedule VIII of the SEBI ICDR Regulations, the information required to be disclosed for the period between the last date of financial statements provided to the shareholders, and the date preceding one month from the date of Draft Letter of Offer is provided below:

1. Working Results of the Bank on a standalone basis for the period from October 1, 2010 to December 31, 2010:

(₹ in Millions)

Sr.No.	Particulars	Amount
1.	Interest Income	39,030
2.	Other Income	2,490
3.	Profit Before Depreciation, Taxation & Provisions	8,177
4.	Depreciation	312
5.	Taxation	2,120
6.	Provisions	1,700
7.	Profit After Tax	4,045

2. Material changes and commitments, if any, affecting the financial position of the Bank

There have not arisen since the last date of the financial statements as disclosed in this Draft Letter of Offer, i.e. September 30, 2010 circumstances that materially or adversely affects or is likely to affect our profitability or is likely to affect the our financial position or is likely to affect our ability to pay our material liabilities taken as a whole, within the next 12 months other than as disclosed in this Draft Letter of Offer, which will have an impact on our performance and prospects.

3. Stock Market Data

a) The week end prices of the Equity Shares of the Bank for last four weeks on the BSE and NSE are set out in the table below:

Week ended on	Closing Price (In ₹)	
	BSE*	NSE**
December 31, 2010	181.65	181.70
January 7, 2011	167.75	167.90
January 14, 2011	169.10	169.55
January 21, 2011	173.60	173.55

**Source: www.bseindia.com*
***Source: www.nseindia.com*

b) The highest and lowest prices of the Equity Shares of the Bank on the BSE and NSE for last four weeks are provided in the table below:

Name of the stock Exchange	Highest Price (In ₹)	Date	Lowest Price (In ₹)	Date
BSE	182.40	January 3, 2011	162.75	January 11, 2011
NSE	182.35	January 3, 2011	161.70	January 11, 2011

STOCK MARKET DATA FOR EQUITY SHARES OF OUR BANK

Our Bank's Equity Shares are listed on the BSE and the NSE. As our Bank's Equity Shares are actively traded on the BSE and NSE, stock market data has been given separately for the BSE and the NSE.

The monthly high and low price and the volume of shares of our Bank traded at the BSE and the NSE during the past six months were recorded are stated below:

BSE

Month	High (₹)	Date of High	Volume of Shares	Low (₹)	Date of Low	Volume of Shares
July, 2010	167.25	July 30, 2010	1948766	139.50	July 1, 2010	6,399,333
August, 2010	192.30	August 17, 2010	340,945	170.85	August 2, 2010	8,278,300
September, 2010	203.80	September 20, 2010	170,355	179.05	September 8, 2010	8,401,678
October, 2010	239.90	October 27, 2010	798,722	192.30	October 12, 2010	12,045,935
November, 2010	243.40	November 5, 2010	195,255	185.95	November 29, 2010	12,138,037
December, 2010	199.55	December 1, 2010	962,907	162.60	December 9, 2010	6,942,298

NSE

Month	High (₹)	Date of High	Volume of Shares	Low (₹)	Date of Low	Volume of Shares
July, 2010	166.80	July 30, 2010	5,917,388	139.70	July 5, 2010	18,378,875
August, 2010	196.30	August 17, 2010	1,111,754	171.30	August 2, 2010	22,208,945
September, 2010	204.60	September 20, 2010	667,871	179.15	September 8, 2010	23,687,551
October, 2010	239.15	October 27, 2010	1,994,586	192.20	October 12, 2010	35,360,408
November, 2010	243.25	November 8, 2010	815,648	185.50	November 29, 2010	39,397,883
December, 2010	199.50	December 1, 2010	2,754,995	162.70	December 9, 2010	21,962,626

The High and Low prices recorded on the BSE and the NSE for the preceding three years and the volume of Shares traded on the day high and low prices were recorded are stated below.

BSE

Fiscal year	High (₹)	Date of High	Volume of Shares	Low (₹)	Date of Low	Volume of Shares
2007-2008	148.45	September 28, 2007	806,895	75.40	March 17, 2008	117,210,099
2008-2009	96.90	April 24, 2008	414,183	30.05	March 9, 2009	44,115,324
2009-2010	167.25	December 31, 2009	1,866,435	34.55	April 1, 2009	74,991,763

NSE

Fiscal year	High (₹)	Date of High	Volume of Shares	Low (₹)	Date of Low	Volume of Shares
2007-2008	148.75	September 28, 2007	1,368,142	75.65	March 17, 2008	261156541
2008-2009	96.80	April 24, 2008	1,236,007	30.05	March 9, 2009	85,859,436
2009-2010	165.45	December 31, 2009	281,848	34.55	April 1, 2009	159,474,129

The closing price of our Equity Shares as on July 30, 2010 (the trading day immediately following the day on which the Board Resolution was passed approving the Rights Issue) was ₹ 167.25 on the BSE and ₹ 166.80 on the NSE.

Note: High/Low prices based on closing quotations of BSE and NSE (Source: www.bseindia.com and www.nseindia.com)

The market capitalization of our Equity Shares as on January 24, 2011 was ₹ 71,896.77 Million on the BSE based on a closing price of ₹ 177.90 and the market capitalization of our Equity shares on the NSE was ₹ 71,876.56 Million based on a closing price of ₹ 177.85

The issue price of ₹ [●] has been arrived at in consultation between our Bank and the Lead Managers.

LEGAL AND OTHER INFORMATION

Except as described below, there are no outstanding litigations, suits, civil or criminal prosecutions, proceedings before any judicial, quasi-judicial, arbitral or administrative tribunals, including pending proceedings for violation of statutory regulations or, alleging criminal or economic offences or tax liabilities or any other offences against our Bank and our Directors that would have a material adverse effect on our business. Further there are no defaults, non-payments or overdue of statutory dues, institutional/bank dues and dues payable to holders of debentures, bonds and arrears of cumulative preference shares that would have a material adverse effect on our business. Further, none of our directors are on the RBI's list of willful defaulters.

Litigation against our Bank as of December 31, 2010

Sr. No.	Brief Description	No. of Cases	Amount Involved (₹ in Millions)
1.	Proceedings filed against our Bank on disputed tax claims	9	102.88
2.	Civil proceedings filed against the Bank	90	1,463.33
3.	Consumer proceedings filed against the Bank	313	49.37
4.	Criminal proceedings initiated against the Bank*	8	--
5.	Labour Cases against the Bank*	1138	--
6.	Securities related cases against the Bank	2	0.50
7.	Government of India has levied penalties on our Bank for the delay in remittance of the amounts under the various collection scheme	--	27.76

**cannot be quantified*

Litigation by our Bank as of December 31, 2010

Sr. No.	Brief Description	No. of Cases	Amount Involved (₹ in Millions)
1.	Suits filed by our Bank against the defaulting borrowers	14,446	23,632.79
2.	Proceedings filed by our Bank on disputed tax claims	8	7166.18

Litigation against/by our Subsidiaries as of December 31, 2010

Sr. No.	Brief Description	No. of cases	Amounts Involved (₹ in Millions)
1.	Suits filed against the Cent Bank Home Finance Limited	85	33.54
2.	Suits filed by Cent Bank Home Finance Limited	382	60.08
3.	Suits filed against the Centbank Financial Services Limited	Nil	Nil
4.	Suits filed by Centbank Financial Services Limited	Nil	Nil

Litigation against/by our Associates as of December 31, 2010

Sr. No.	Brief Description	No. of Cases	Amounts Involved (₹ in Millions) (To the extent quantifiable)
Satpura Narmada Kshetriya Gramin Bank ("**Satpura Narmada**")			
1.	Suits filed against Satpura Narmada	3	0.75
2.	Suits filed by Satpura Narmada	4	31.40
Surguja Kshetriya Gramin Bank ("**Surguja Kshetriya**")			
1.	Suits filed against Surguja Kshetriya	29	30.80
2.	Suits filed by Surguja Kshetriya	--	--
Uttar Bihar Gramin Bank ("**Uttar Bihar**")			
1.	Suits filed against Uttar Bihar	61	--
2.	Suits filed by Uttar Bihar	2	0.59

Sr. No.	Brief Description	No. of Cases	Amounts Involved (₹ in Millions) (To the extent quantifiable)
Vidharbha Kshetriya Gramin Bank ("**Vidharbha Kshetriya**")			
1.	Suits filed against Vidharbha Kshetriya	6	3.00
2.	Suits filed by Vidharbha Kshetriya	126	12.15
Ballia Etawaha Gramin Bank ("**Ballia Etawaha**")			
1.	Suits filed against Ballia Etawaha	114	18.21
2.	Suits filed by Ballia Etawaha	40	7.67
Hadoti Kshetriya Gramin Bank Uttarbanga ("**Hadoti Kshetriya**")			
1.	Suits filed against Hadoti Kshetriya	53	Not quantifiable
2.	Suits filed by Hadoti Kshetriya	6	6.30
Uttar Banga Kshetriya Gramin Bank ("**Uttar Banga**")			
1.	Suits filed against Uttar Banga	16	--
2.	Suits filed by Uttar Banga	--	--
Indo- Zambia Bank Limited ("**Indo- Zambia**")			
1.	Suits filed against Indo- Zambia	5	K265.00*
2.	Suits filed by Indo- Zambia	27	K 1420.00*

*Amounts expressed as per the currency of Indo- Zambia

In view of our Bank, all outstanding civil, labour, consumer and tax related litigations and disputes of value more than ₹ 500 Million are material to our Bank. As at December 31, 2010, our Bank had the following litigations, suits and cases pending before various courts and authorities. In terms of the Part E (XII) of Schedule VIII of the SEBI ICDR Regulations, the following legal proceedings have been disclosed.

I. Litigation involving our Bank as on December 31, 2010

A. Outstanding proceedings initiated against our Bank

i. Criminal Proceedings

1. A criminal complaint has been filed by Valvoline Cummins Limited ("**VCL**") bearing no. 1591 of 2004 before the Court of Chief Judicial Magistrate at Bhopal alleging that our Bank has wrongly seized certain goods belonging to VCL and has committed an offence of cheating, criminal breach of trust and criminal conspiracy. VCL contended that the goods seized by our Bank from Kanha Agency, the borrowers of our Bank, belonged to them as Kanha Agency were the business agents of VCL. The Hon'ble Magistrate passed an order dated August 12, 2005, directing the release of the goods to VCL. Our Bank filed a Criminal Revision Petition bearing no. 334 of 2005, in the court of the Additional Sessions Judge Bhopal, against this order. The Additional Sessions Judge, Bhopal, passed an order for setting aside the order of the Chief Judicial Magistrate ("**Order**"). Aggrieved by the Order, VCL has filed a Miscellaneous Criminal Petition bearing no. 4544 of 2006 before Hon'ble High Court at Jabalpur ("**High Court**"). Our Bank filed the reply on January 4, 2007 and the matter was last heard on May 18, 2010. The matter is currently pending before the High Court.

2. A criminal complaint has been filed by Kamala Devi (the "**Complainant**") bearing no. 5879 of 2006 before the Court of Chief Judicial Magistrate at Buxar against the Chairman and the Managing Director, the Zonal Manager Patna and certain other employees of our Bank alleging that ₹ 0.68 Million has been misappropriated by certain employees of our Bank from the Complainant's account. The Complainant has also alleged that the Bank has failed to redress her grievances with respect to said amount. The Hon'ble Magistrate has taken cognizance of the offence and has directed the Police to investigate and report (I&R) and the investigation is still pending.

3. IndusInd Bank Limited ("**IIBL**") filed a criminal complaint bearing no. 8457 of 2002, before the XIII Metropolitan Magistrate Court, Chennai against the branch manager, Royapettah, the former Chairman and Managing Director of our Bank and certain employees of our Bank, under Section 138(B), 141 and 142 of the Negotiable Instruments Act, 1881, in respect of Dishonor of cheques for an amount aggregating to ₹ 5.63 Million issued by the Bank's Royapettah Branch and prayed for the outstanding amount alongwith compensation under Section 357 of the Criminal Procedure Code. The former Chairman and Managing Director and the accused employees of our Bank filed a criminal miscellaneous petition bearing no. 11786 of 2002 in criminal petition no. 28359 of 2002 before the Madras High Court for quashing the proceedings initiated by IIBL so as to debar the appearance of our Bank's official before the Magistrate Court. IIBL has filed its reply to the petition. However, vide an order dated August 7, 2009, passed by the Madras High Court, the criminal proceedings bearing no. 11786 of 2002 and 28359 of 2002 has been disposed of directing that the former Chairman and Managing Director of our Bank shall not be made party to the proceeding. The criminal complaint bearing no. 8457 of 2002 is now pending for trial before XIII Metropolitan Magistrate Court at Chennai. The next date of hearing is February 18, 2011.

4. Shirin Asgar Fakruddin and Others ("**Petitioners**") preferred a Criminal Writ Petition ("**Writ**") bearing no. 496 of 2006 dated October 11, 2006 before the High Court of Bombay, Nagpur Bench ("**High Court**") against the Central Bureau of Investigation ("**CBI**") and our Bank ("**Respondents**"). Our Bank had contended that the Petitioners availed loans against FCNR-B deposit outstanding in the name of the Petitioners. However, the Petitioners denied having availed any such loans from our Bank. Our Bank preferred the matter to the CBI and the CBI had directed our Bank to withhold the deposits. The Petitioners being aggrieved by the said directions issued by the CBI, filed the Writ before the High Court. The High Court *vide* order dated July 23, 2010 directed our Bank to make payment of the FCNR-B deposit to the Petitioners along with interest amount. Our Bank preferred a Special Leave Petition to Appeal before the Hon'ble Supreme Court of India being SLP (Cri) No. 8242 of 2010 dated September 9, 2010 and the Hon'ble Supreme Court has issued a stay order dated October 29, 2010 against the order of the High Court and the matter is currently pending.

5. Mr. Jeevan Lal Gond (the "**Borrower**") had availed a loan of ₹ 50,000 from our Bank. He issued a cheque bearing No.022321 for ₹ 10,000 on September 10, 2005 towards repayment of loan which was returned due to insufficiency of funds. Our Bank had thereafter issued a notice under Section 138 of Negotiable Instruments Act, 1881 and filed an application before the Magistrate First Class, Gadarwara, bearing Case No.289 of 2007. The Court imposed punishment of rigorous imprisonment for 6 months and compensation of ₹ 15,000 on the Borrower. Against the said order, the Borrower preferred an appeal before the Additional Sessions Judge, Gadarwara, District Narsinghpur, being Appeal No.18 of 2008. The learned Additional Sessions Judge dismissed the appeal and upheld the order of the Magistrate. The Borrower preferred a Criminal Revision bearing No. 677 of 2009 against the order of the Additional Sessions Judge before the Hon'ble High Court at Jabalpur. The Hon'ble High Court issued a bailable warrant against the Borrower vide an order dated June 29, 2009. The matter is yet to be listed for hearing.

6. Mr. Pradeep Kumar Soni (the "**Borrower**") had availed a loan of ₹ 60,000 from our Bank for setting up a Kirana Shop. He issued a cheque bearing No.019751 for ₹ 15,500 towards repayment of loan which was returned due to insufficiency of funds. Our Bank had issued a notice dated September 14, 2005, under Section 138 of Negotiable Instruments Act, 1881 and and filed an application before the Magistrate First Class, Gadarwara, being Criminal Case No.1101 of 2005. The Court imposed punishment of rigorous imprisonment for 6 months and compensation of ₹ 15,000 on the Borrower. Against the said order, the Borrower preferred an appeal before the Additional Sessions Judge, Gadarwara, District Narsinghpur, being Appeal No.28 of 2007. The learned Additional Sessions Judge dismissed the appeal and upheld the order of the Magistrate. The Borrower preferred a Criminal Revision bearing No. 1033 of 2008 against the order of the Additional Sessions Judge before the Hon'ble High Court at Jabalpur alongwith an application for condonation of delay of 173 days. The Borrower had taken the plea that he was not aware about the judgment delivered by the Appellate Court and learnt only on May 7, 2008, when the police came to arrest him and he was provided with a copy of the judgement on the same day. Accordingly, the Hon'ble High Court condoned the delay and admitted the Criminal Revision. The matter is currently pending.

7. Mr. Dharmendra Bhargav (the "**Borrower**") had availed a loan from Gadarwara Branch of our Bank. He issued a cheque dated January 28, 2006 bearing No.96464 towards repayment of loan which was returned due to insufficiency of funds. Our Bank had issued a notice under Section 138 of Negotiable Instruments Act, 1881 and filed an application before the Magistrate First Class, Gadarwara, being Criminal Case No.1024 of 2006. The Court imposed punishment of simple imprisonment for 6 months and compensation of ₹ 5,000 on the Borrower. Against the said order, the Borrower preferred an appeal before the Additional Sessions Judge, Gadarwara, District Narsinghpur, being Appeal No.109 of 2007. The learned Additional Sessions Judge dismissed the appeal and upheld the order of the Magistrate. The Borrower preferred a Criminal Revision against the order of the Additional Sessions Judge before the Hon'ble High Court at Jabalpur an application under Section 389 readwith Section 397 and 401 of the Code of Criminal Procedure for suspension of sentence and grant of bail, during the pendency of the revision. The Hon'ble High Court while admitting the revision petition had granted bail to the Borrower. The matter is yet to be listed for hearing.

B. Outstanding Proceedings initiated by our Bank

ii. Civil Proceedings

1. Taurus Earthmovers Limited and Others (the "**Defendants**") had availed term loans of ₹ 700 Million and ₹ 600 Million from our Bank *vide* sanction letter dated July 8, 2008. Our Bank filed an application being Original Application no. 26 of 2010 dated March 5, 2010 before the Hon'ble Debts Recovery Tribunal 1, Mumbai (the "**Tribunal**") against the Defendants alleging that the Defendants had failed and/or neglected to repay the outstanding loans amounting to ₹ 1,362.41 Million along with interest at 13.50% p.a. till the repayment and/or realization of the said amount. The Defendants have filed their written statement before the Hon'ble Tribunal on November 1, 2010. The matter is placed for hearing.

2. Our Bank had under the multiple banking arrangement, sanctioned a facility of ₹ 500 Million on April 26, 2002 to V.K. Petronet Limited (the "**Company**") for laying the pipeline (the "**Project**") for transportation of crude oil. Due to some changes in the Government policies applicable to the Company, the Project became unviable and the account was categorized as non performing account. Standard Chartered Bank ("**SCB**"), being one of the lenders to the Company, had received certain amounts from the Company including the claims of our Bank. Our Bank filed an application being Original Application no.17 of 2007 dated April 14, 2007 before the Hon 'ble Debts Recovery Tribunal ("**Tribunal**") against the Company and Standard Chartered Bank ("**SCB**") for recovery of the amount of ₹ 510.54 Million. The Hon'ble Tribunal directed SCB to file the statement of accounts, which SCB did not comply and instead filed an appeal being Appeal no. 71 of 2009 before the Debts Recovery Appellate Tribunal ("**Appellate**"). The appeal was dismissed by the appellate and SCB has filed the statement of accounts with the Tribunal. The matter is pending for hearing.

3. Our Bank had under the multiple banking arrangement, sanctioned a loan facility to the SVC Superchem Limited (the "**Company**") for the manufacture of Purified Terephthalic Acid (the "**Project**"). However, due to competition, the project became unviable and the Company was unable to repay the said dues. Our Bank has filed an application being Original Application no. 55 of 2006 on June 15, 2006, before the Hon'ble Debts Tribunal against the Company for the recovery of the outstanding dues amounting to ₹ 847.71 Million. The matter is pending for hearing.

4. Rajco Steel Enterprise (the "**Borrower**") had availed various loan facilities from our Bank and had mortgaged their immovable properties located at Kolkata, Andhra Pradesh and Karnataka as a security for repayment of the said loan amounts. Our Bank has filed an an application being Original Application no. 168 of 2009 dated September 2, 2009 before the Hon'ble Debts Recovery Tribunal – I (the "**Tribunal**") for the recovery of the outstanding dues amounting to ₹ 713.51 Million along with interest at the rate of 16.00% per month against the Borrower alleging commitment of fraud in the accounts and prayed for attachment of the mortgaged properties. The Hon'ble Tribunal *vide* order dated February 2, 2010 directed to maintain the status quo of the mortgaged properties. Further, our Bank preferred an appeal bearing no. 4 of 2010, before the Debts Recovery Appellate Tribunal (the "**Appellate**") challenging the order of the Tribunal and prayed for the attachment of the mortgaged properties of the Borrower. The matter is pending for hearing.

5. Kali International Private Limited and others (the "**Company**") availed credit facilities from our Bank and in turn had mortgaged its properties situated at Kolkata, Andhra Pradesh and Karnataka as security against the credit facilities availed. Our Bank filed an application being Original Application no.157 of 2009 dated August 10, 2009 before the Hon'ble Debts Recovery Tribunal – I (the "**Tribunal**") for the recovery of outstanding dues amounting to ₹ 771.88 Million along with interest at the rate of 16.00% p.a. alleging that the Company has failed to repay the dues but also violated the terms by using the proceeds of loan for purpose other than for which it was granted and committed fraud in siphoning out the funds from our Bank. The Tribunal directed for an appointment of Court Receiver to make an inventory of all the mortgaged properties situated at Kolkata and Andhra Pradesh and could not take an

inventory of the properties situated at Chennai and Karnataka. The Tribunal further ordered for status quo of the mortgaged properties *vide* order dated August 31, 2009. Further, our Bank preferred an appeal bearing no. 51 of 2009 before the Hon'ble Debts Recovery Appellate Tribunal, Kolkata challenging the order of the Tribunal and prayed for the attachment of the mortgaged properties of the Borrower. The matter is pending.

6. Our Bank provided credit facilities to Kohinoor Mills (the "**Company**") in the form of cash credit, bill discounting and bank guarantee in the year 1982. Due to shut down of the mill, the management was taken over by National Textile Corporation ("**NTC**") and which was subsequently nationalized under the Textile Undertaking (Nationalization) Act 1995 (the "**Act**") w.e.f. April 1, 1994. Our Bank filed a civil suit being Civil Suit No. 3050 of 1987 before the Hon'ble High Court at Bombay (the "**High Court**") against the Company for the recovery of the outstanding dues amounting to ₹ 722.95 Million. The High Court decreed the suit amount in favour of our Bank. The execution of the decree was transferred to the Hon'ble Debts Recovery Tribunal (the "**Tribunal**") and a recovery certificate dated September 9, 2003 for ₹ 1605.04 Million was issued. The recovery proceedings were commenced before the Tribunal being Recovery Proceedings No. 399 of 2003 for the execution of the recovery certificate. During the pendency of recovery proceedings before the Tribunal, the Government of India issued notices directing all persons having claims against the Company to submit their claims to the Commissioner of Payments (the "**Authority**") under the Act within 30 days effective from December 1, 2001. Our Bank lodged its claim with the Authority for recovery of ₹ 3187.97 Million. However, our Bank learnt from the press report that the assets of the Company have been sold by NTC which were mortgaged with our Bank for ₹ 4210 Million without the prior consent or knowledge of our Bank. A revised claim for an amount of ₹ 4726.55 Million, along with interest was submitted to the Hon'ble Tribunal on the Recovery Certificate issued to the Authority. As the claim had not evoked any response, a reference was made to the High Power Committee on Disputes under the Act. The Committee on Disputes, vide its minutes of order dated March 22, 2007, directed the Secretary, Co-ordination, Cabinet Secretariat to take up the matter with the Ministry of Textiles for compliance of its directive for release of the amount out of the sale proceeds of the mortgaged property towards settlement of the Bank's claim. The Secretary, Co-ordination addressed a letter dated April 16, 2007 to the Ministry of Textile informing them of the order dated March 22, 2007 and advised the Ministry of Textile to take early action to settle the claim of the Bank. The Ministry of Textile, instead of directing NTC, recipient of the sale proceeds of the mortgaged property, to settle the Bank's dues, referred the claim to the Authority. The Authority who had received an amount of Rs.2.33 crores at the time of nationalization of the unit, expressed its inability to settle Bank's claim for want of funds. The Authority, however, vide its letter dated August 8, 2007 informed the Bank that the sale of the unit 3 of the Company was being conducted by NTC and the sale proceeds were not transferred by NTC to the Authority. In view of the above, necessary instructions were to be given to NTC to settle the claim of our Bank out of the sale proceeds of unit 3 of the Company to comply with the directives of the Committee on Disputes. Due to inability to settle our claims, the matter was transferred to Commissioner of Disputes under the Act for consideration. The matter is pending for hearing.

7. Sunearth Ceramics Limited (the "**Company**") had availed fund based and non fund based facilities from our Bank under a consortium account with other Banks. Our Bank's share in the account is 24.80% on fund based facilities and 25% on non-fund based facilities. Our Bank had a 2nd charge on block assets valued at ₹ 2613.30 Million as on April 08, 2003. The Company being unable to repay its debts was termed as a sick company under Sick Industrial Companies (Special Provisions) Act, 1985 and the Company filed a reference proceedings no. 21 of 2003 on January 13, 2003 with the Hon'ble Board for Industrial and Financial Reconstructions (the "**BIFR**"). Our Bank filed an application being Original Application No. 67 of 2004 before the Hon'ble Debt Recovery Tribunal (the "**Tribunal**") against the Company for the recovery of the dues amounting to ₹ 495.28 Million. The BIFR on October 6, 2005 appointed our Bank as operating agency and passed directions to conduct Special Investigative Audit (**SIA**) of the Company's accounts. The SIA report and the report prepared by us as the operating agency were submitted to the BIFR. The BIFR dismissed the reference *vide* order dated May 9, 2007. The Company preferred an appeal being appeal no 394 of 2003 before the Appellate Authority for Industrial and Financial Reconstructions (the "**AAIFR**") against the order of the BIFR which was also dismissed *vide* order dated March 15, 2010. The Company filed a fresh reference on June 20, 2010 with the BIFR which was also dismissed by BIFR *vide* order dated July 22, 2010. Further, the Company filed an appeal against the said order before the AAIFR. In the event, Asset Reconstruction Company India Limited has taken the possession of the property under the SARFAESI

Act on behalf of all the lenders. Since the matter is pending before the AAIFR, the Hon'ble Tribunal has placed the matter *sine die*.

8. Roofit Industries Limited (the "**Company**") had availed credit facilities from our Bank under a consortium account with 11 other Banks. Our Bank's share in the account is 11.66%. Our Bank has the 1st charge on current assets and 2nd charge on block assets valued at ₹ 1,753.20 Million as on June 30, 2002. The Company was unable to repay its debts and hence was termed as sick company under Sick Industrial Companies (Special Provisions) Act, 1985. A reference proceeding bearing no. 473 of 2002 was filed on November 22, 2002 before the Board for Industrial and Financial Reconstructions ("**BIFR**"). However, *vide* order dated February 16, 2002, the BIFR dismissed the reference indicating various discrepancies made by the Company. The Company preferred an appeal being Appeal No. 387 of 2003 before the Appellate Authority for Industrial and Financial Reconstructions ("**AAIFR**") challenging the order of the BIFR. The AAIFR dismissed the reference proceedings on September 14, 2010 as non maintainable. The Company made a fresh reference bearing No. 16 of 2010 was filed with BIFR. Our Bank filed an application being Original Application No. 17 of 2004 before the Hon'ble Debt Recovery Tribunal (the "**Tribunal**") for the recovery of debt amounting to ₹ 290.79 Million against the Company. The Tribunal has placed the matter *sine die*.

9. Vivita Limited (the "**Company**") had availed fund based and non fund based facilities from our Bank under a consortium account with other Banks. Our Bank's share in the account is 36.00% on fund based facilities and 43.33% on non-fund based facilities. Our Bank has 1st charge on current assets and 2nd charge on block assets on pari passu basis. The Company being unable to repay its debts was termed as a sick company under Sick Industrial Companies (Special Provisions) Act, 1985 and the Company filed reference proceedings bearing no. 113 of 2003 on March 10, 2003 with the Hon'ble Board for Industrial and Financial Reconstructions (the "**BIFR**"). The Special Investigative Audit report and the report prepared by the operating agency were submitted with the BIFR. The BIFR dismissed the reference as non-maintainable *vide* order dated October 23, 2003 on the grounds that the net worth of the Company has not been fully eroded. The Company preferred an appeal dated February 13, 2006 before the Appellate Authority for Industrial and Financial Reconstructions (the "**AAIFR**") against the order of the BIFR, however, the AAIFR confirmed the order passed by the BIFR and dismissed the appeal. The Company filed a writ petition in the High Court of Bombay which was also dismissed vide order dated May 4, 2010. In the event, EXIM Bank being one of the lenders has initiated an action under section 13(2) and 13(4) of the SARFAESI Act, 2002 on behalf of all the lenders. However, the Economic Office Wing as per the order dated February 7, 2009 issued by Hon'ble Session Judge took the possession of the mortgaged properties. Exim Bank filed a Civil Writ Petition No. 1943 of 2009 on December 15, 2009, before the High Court at Mumbai against the order of the Additional Sessions Judge. Our Bank filed an application being Original Application No. 198 of 2004 before the Hon'ble Debt Recovery Tribunal (the "**Tribunal**") for the recovery of outstanding debt amounting to ₹ 183.21 Million from the Company. The Tribunal has placed the matter *sine die*.

C. **Tax claims**

a) Cases filed by our Bank

1. Our Bank has preferred an appeal (Appeal No. 3640/M/04) dated May 7, 2005 before the ITAT against the order of the Commissioner of Income Tax (Appeals) - II, Mumbai (the "**CIT**") dated March 26, 2004 for assessment year 2001-02. The tax amount is approximately ₹ 1,037.66 Million. The order has been appealed inter alia on grounds that the CIT has erred in:

   a. upholding disallowance of bad debts of ₹ 2098.99 Million in computing book profits;
   b. upholding disallowance of non-rural bad debts written off to the extent of ₹ 1,552.21 Million;
   c. upholding disallowance of ₹ 7.69 Million as payment to Mastercard on the ground that the Bank had not deducted tax at source under section 195 of the Income Tax Act, 1961;
   d. upholding allocation, on an adhoc basis, expenses aggregating approximately. ₹ 1,063.77 Million to income from dividends and interest exempt under Section 10(23G) and disallowing the same in computing income from business; and
   e. upholding addition of adhoc amount of ₹ 1,063.77 Million to book profits.

   The matter is pending for hearing.

2. Our Bank has preferred an appeal (Appeal No. CIT(A)4/Rg-2(1)/IT-179/09-10) dated March 30, 2005 before the Commissioner of Income Tax (Appeals - II), Mumbai against the order of the Additional Commissioner of Income Tax (the "**Add. CIT**") dated February 24, 2005 for assessment year 2002-03. The tax amount is approximately ₹ 1,001.03 Million. The order has been appealed inter alia on grounds that the Add. CIT has erred in:

   a. ignoring the actual write off of bad debts of ₹ 2,100.36 Million in determination of book profits;
   b. adding an adhoc amount of ₹ 882.9 Million allocated to income exempt under section 10 to book profits;
   c. adding ₹ 485.95 Million as interest accrued on securities;
   d. in disallowing non-rural bad debts written off to the extent of ₹ 1,435.14 Million;
   e. in allocating on an adhoc basis business expenses of ₹ 882.9 Million to income from dividends and interest and disallowing the same in computing income from business; and
   f. not allowing the computation of capital gains of government securities on the basis of indexed cost of acquisition.

   The matter is pending for hearing.

3. Our Bank has preferred an appeal (Appeal No.CIT(A)4/Rg-2(1)/IT-180/2009-10) dated April 13, 2005 before the Commissioner of Income Tax (Appeals) II, Mumbai against an order of the Income Tax Officer (2[1][i]), Mumbai (the "**Assessing Officer**") dated March 14, 2005 for assessment year 2003-04. The tax amount is approximately ₹ 1,319.55 Million. The order has been appealed inter alia on grounds that the Assessing Officer has erred in:

   a. assessing to tax interest accrued on securities amounting to ₹ 953.70 Million;
   b. disallowing non-rural bad debts written off to the extent of ₹ 1,432.91 Million;
   c. allocating on an adhoc basis business expenses amounting to ₹ 1,204.01 Million to income exempt under section 10(23G) and disallowing the same in computing income from business;
   d. relying on third proviso to section 48, which prohibited indexation of the cost of acquisition of bonds & debentures for computing capital gains, to deny indexation of cost of government securities, which is outside the scope of the proviso;
   e. not granting full credit for tax deducted at source and limiting it to ₹ 1,474.93 Million;
   f. not allowing set-off of losses brought forward from the past;
   g. levying interest under section 234B of ₹ 357.12 Million; and
   h. levying interest under section 234D of ₹ 88.26 Million.

   The matter is pending for hearing.

4. Our Bank has preferred an appeal (Appeal No. CIT (A) 4/Rg-2(1)/IT-8/2009-10) dated April 20, 2009 before the Commissioner of Income Tax (Appeals) II, Mumbai against an order of the Additional Commissioner of Income Tax (2[1]), Mumbai (the "**Add. CIT**") for assessment year 2007-08. The tax amount aggregates approximately to ₹ 1,844.59 Million. The order has been appealed inter alia on grounds that the Add. CIT has erred in:

   a. disallowing non-rural bad debts written off to the extent of ₹ 222.15 Million by reducing from the debts written off during the year;
   b. allocating business expenses to the extent of ₹ 207.95 Million to income from exempt income and disallowing the same in computing income from business;
   c. disallowing Bank's claim for deduction for the diminution of ₹ 1,414.48 Million in the value of investments held as stock-in-trade;
   d. levying interest under Section 234D of ₹ 13.19 Million

   The matter is pending for hearing.

5. Our Bank has preferred an appeal (Appeal No. CIT(A)4/Rg-2(1)/IT-11/2010-2011) dated April 29, 2010 before the Commissioner of Income Tax (Appeals) – 4, Mumbai against an order of the Assistant Commissioner of Income Tax (2[1]), Mumbai (the "**ACIT**") for assessment year 2008-09. The tax amount is approximately ₹ 1,451.42 Million. The order has been appealed inter alia on grounds that the ACIT has erred in:

   a. disallowing non-rural bad debts written off to the extent of ₹ 971.87 Million by reducing from the debts written off during the year;

b. allocating business expenses to the extent of ₹ 169.53 Million to income from exempt income and disallowing the same in computing income from business;
c. disallowing interest accrued on investment of ₹ 310.02 Million;
d. Short granting of credit for TDS certificates of ₹ 189.66 Million.

The matter is pending for hearing.

Further there are 3 cases disclosed below, in which the Commissioner of Income Tax (Appeals) has passed the order. However, as on date neither party has filed an appeal against the order.

1. Our Bank has preferred an appeal (Appeal No. CIT(A)4/Rg-2(1)/IT-181/2009-10) dated February 12, 2006 before the Commissioner of Income Tax (Appeals) II, Mumbai (the "**CIT**") against an order of the Deputy Commissioner of Income Tax (2[1]), Mumbai (the "**DCIT**") dated December 23, 2005 for assessment year 2004-05. The tax amount is approximately ₹ 1700.28 Million. The order has been appealed inter alia on grounds that the DCIT has erred in:
    a. disallowing interest accrued on securities of ₹ 257.14 Million;
    b. disallowing non-rural bad debts written off to the extent of ₹ 2,246.09 Million by reducing from the debts written off of ₹ 5,102.81 Million during the year;
    c. allocating business expenses to the extent of ₹ 1,289.39 Million to income from interest exempt under Section 10(23G) and disallowing the same in computing income from business;
    d. disallowing payment of ₹ 23.59 Million for delay in remittance of funds collected under various schemes of the central government;
    e. disallowing Bank's claim for deduction for the diminution of ₹ 923.24 Million in the value of investments held as stock-in-trade;
    f. not granting full credit for tax deducted at source and limiting it to ₹ 1279.18 Million;
    g. not allowing set-off of losses brought forward from the past; and
    h. levying interest under Section 234D of ₹ 131.95 Million.

    The CIT *vide* order dated December 21, 2010 partly allowed the appeal. As on date of filing the DLOF, neither party has appealed against the order.

2. Our Bank has preferred an appeal (Appeal No. CIT(A)4/Rg-2(1)/IT-173/2009-10) dated January 30, 2008 before the Commissioner of Income Tax (Appeals) II, Mumbai (the "**CIT**") against an order of the Assistant Commissioner of Income Tax (2[1]), Mumbai (the "**ACIT**") dated December 31, 2007 for assessment year 2005-06. The tax amount is approximately ₹ 3,807.64 Million. The order has been appealed inter alia on grounds that the ACIT has erred in:
    a. disallowing non-rural bad debts written off to the extent of ₹ 787.68 Million by reducing from the debts written off during the year;
    b. allocating business expenses to the extent of ₹ 297.88 Million to income from exempt income and disallowing the same in computing income from business;
    c. disallowing Bank's claim for deduction for the diminution of ₹ 2,722.08 Million in the value of investments held as stock-in-trade;
    d. not allowing carry forward Long Term Capital loss
    e. levying interest under Section 234D of ₹ 171.94 Million.

    The CIT *vide* order dated December 30, 2010 partly allowed the appeal. As on date of filing the DLOF, neither party has appealed against the order.

3. Our Bank has preferred an appeal (Appeal No CIT(A)4/Rg-2(1)/IT-172/2009-10) dated January 20, 2009 before the Commissioner of Income Tax (Appeals) II, Mumbai (the "**CIT**") against the order dated December 22, 2008, of the Additional Commissioner of Income Tax (2[1]), Mumbai (the "**ACIT**") for the assessment year 2006-07. The tax amount is approximately ₹ 1186.14 Million. The order has been appealed inter alia on grounds that the ACIT has erred in:
    a. disallowing non-rural bad debts written off to the extent of ₹ 571.49 Million by reducing from the debts written off during the year;
    b. allocating business expenses to the extent of ₹ 215.53 Million to income from exempt income and disallowing the same in computing income from business;
    c. disallowing Bank's claim for deduction for the diminution of ₹ 399.12 Million in the value of investments held as stock-in-trade; and
    d. levying interest under Section 234D of ₹ 103.62 Million.

The CIT *vide* order dated December 30, 2010 partly allowed the appeal. As on date of filing the DLOF, party has appealed against the order.

b) Cases filed against our Bank

1. The income tax department (the "**Appellant**") has preferred an appeal (Income Tax Appeal Lodge. No. 668 of 2001) before the Bombay High Court against the order of the ITAT dated June 6, 2001 passed in appeal being ITA No.6760/Bom/92 for assessment year 1987-88. The ground for appeal is whether the Commissioner of Income Tax (Appeals) erred in allowing interest under Section 244(1) on interest granted under Section 244(1A) of the Income Tax Act, 1961. The Appellant has filed a motion for condonation of delay in filing the appeal. The matter is pending for hearing.

2. The income tax department (the "**Appellant**") has preferred an appeal (Income Tax Appeal Lodge. No. 566 of 2002) before the Bombay High Court against the order of the ITAT dated December 26, 2001 passed in appeal being ITA No.6964/B/91 for assessment year 1989-90. The ground for appeal is whether the Commissioner of Income Tax (Appeals) erred in deleting the additional tax levied under Section 143(1A) of the Income Tax Act, 1961. The Appellant has filed a motion for condonation of delay in filing the appeal. The matter is pending for hearing.

D. Other Litigations

1. As on December 31, 2010, there are 90 civil cases and 313 consumer complaints pending against our Bank. The total claim involved in these matters is ₹ 1,512.70 Million.

2. As on December 31, 2010, there are about 117 banking ombudsmen cases pending against our Bank. The total claim involved in this matter is ₹ 11.13 Million.

3. As on December 31, 2010, the Bank has filed 14,446 cases amounting to ₹ 23.63 Billion against defaulting borrowers

4. As on December 31, 2010, there are 1,138 involving labour, employment and industrial dispute that are at present pending before various forums. The total amount is unquantifiable.

5. As on December 31, 2010, the Government of India has levied penalties on our Bank for the delay in remittance of the amounts under the various collection scheme of the Government aggregating to ₹ 27.76 Million.

E. Securities Related Cases

1. Our Bank has received the following notices from the SEBI in the past

Sr. No.	Date of the Notice	Particulars
1.	June 25, 2010	Notice issued in relation to contravention of the provisions of Regulations 14, 15 (1)(b), 15(1)(f), 15(1) (g)(iii)-(iv), 15(1)(j), 15(2) (b) of the SEBI (Debenture Trustees) Regulations, 1993, Regulations 15(1)(h), Clauses 2 and 3 of the code of conduct stipulated under Regulation 16 of the and Rule 4(d) of the Securities and Exchange Board of India (Debenture Trustee) Rules, 1993 with regards to 15% Secured Redeemable Non- Convertible Debentures by Synergy Financial Exchange Limited and 19.5 % secured Non-Convertible Debentures by DCM Financial Services Limited. SEBI had given a warning to be more careful and diligent while dealing in securities market.
2.	July 3, 2009	Notice issued for the alleged non- compliance with the provisions of section 19B and 19G of the Depositaries Act, 1996, Regulations 41,42(2), Clauses 4, 15 and 16 of Code of Conduct under Regulation 20A of SEBI (Depositories and Participants) Act, 1996. Alleged failure in compliance with SEBI circular No. SEBI/MRD/DOP/CIR-22/2004 dated July 14, 2007, alleged failure in compliance with SEBI circular

Sr. No.	Date of the Notice	Particulars
		No. MRD/DOP/DEP/SE/CIR-29/2004 dated August 24, 2004, alleged failure in compliance with SEBI circular No. MRD/DOP/DEP/SE/CIR-17/06 dated October 27, 2006, alleged failure in compliance with SEBI circular No. MRD/DOP/DEP/SE/CIR-22/06 dated 18/12/2006, non- compliance with SEBI circular No. SEBI/MRD/DOP/DEP/CIR- 03/2007 dated February 13, 2007. In view of the above allegations, SEBI had passed a consent order dated February 16, 2010, wherein our Bank agreed to pay a consolidated amount of sum of ₹ 100,000 towards settlement terms.

2. SEBI had conducted inspection in relation to debenture trustee operations conducted by our Bank during September 30, 2009 to October 09, 2009 and inspection report thereof was intimated to the Bank vide letter No. MIRSD/PDS-II/182925 dated November 12, 2009 received by the Bank on November 14, 2009 (the "**Inspection Report**"). Further another letter bearing No. MIRSD/DPS-II/185212/2009 dated November 27, 2009 was received by our Bank and which was responded to by our Bank on December 12, 2009. In view thereof, SEBI has alleged certain non compliances and discrepancies in terms of SEBI (Debenture Trustees) Regulations, 1993 (the "**Regulations**"), code of conduct under the Regulations, SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and SEBI (Disclosure and Investor Protection) Guidelines, 2000. Further, in terms of Section 19 and Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for holding inquiry and imposing penalties by adjudication officer) Rules, 1995 (the "**Rules**"), an adjudicating officer was appointed vide order RNI-MIRSD4/ON/114/2010 dated August 17, 2010 to enquire into and adjudicate under Section 15HB of the Act for the alleged violation.

   Further, the adjudicating officer vide letter EAD-4/ADJ/PKB/EIF-204/OW/27424/2010 dated November 23, 2010 received by our Bank on November 26, 2010, informed that in view of the Inspection Report, certain allegations of the violation of various regulations were alleged against our Bank, which if established will make our Bank liable for penalty under Section 15HB of the SEBI Act, 1992. Our Bank replied to the adjudicating officer vide its letter No. CO/Debenture Trustee/2010-11/398 dated December 16, 2010 and January 20, 2011, wherein our Bank has informed the adjudicating officer that debenture trustee activity is now undertaken through our wholly owned subsidiary Centbank Financial Services Limited. Our Bank has also clarified that it has been acting as debenture trustee prior to enactment of Regulations and it has no intention of violating any provisions and has undertaken immediate steps to rectify observations made in the Inspection Report and prayed to drop further proceedings in the matter.

   In the above matter, the adjudicating officer had called for a meeting in respect to the inquiry on January 24, 2011 which was attended by representatives of our Bank and Centbank Financial Services Limited's representatives, wherein further information on certain discrepancies in the Regulations were sought to be clarified along with documentary evidence. Our Bank has informed the adjudicating officer that it will make further written submissions by January 31, 2011. The matter is currently pending adjudication by the adjudicating officer.

F. Contingent Liabilities

The Contingent liabilities not provided for as on September 30, 2010 (as stated in our Bank's financial statements) as are set out below:

(₹ in Millions)

	Six months ended September 30, 2010
Claims against the Bank not acknowledged as debt	1,660.20
Liability for partly paid investments	--
Liability on account of outstanding forward exchange contracts	340,253.60
Guarantees given on behalf of constituents in India	54,347.80

	Six months ended September 30, 2010
Guarantees given on behalf of constituents outside India	1,851.00
Acceptance, endorsements & other obligations	51,437.80
Other items for which the Bank is contingently liable	6199.20
Total liabilities	**455,749.60**

GOVERNMENT APPROVALS

On the basis of the existing approvals, our Bank may undertake this Issue and our Bank's current business activities and no further major approvals from any government authority/RBI are required to continue these activities. Further, there is no new line of activity/project. It must be distinctly understood that, in granting these licences, the Government and/or the RBI does not take any responsibility for our Bank's financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

Licenses applied for renewal and pending approval for existing business of our Bank

1. Our Bank has submitted an application under section 23 of the Banking Regulation Act - Banking Regulation (Companies) Rules 1949 Rule 12 Form VI, dated August 6, 2010, to the Deputy General Manager of RBI for the permission to open a new branch at Navy Nagar, Colaba, Mumbai bearing reference no. CO/P&D/BR-EXP/2010-11/672. The said application is currently pending.

2. Our Bank has submitted an application under section 23 of the Banking Regulation Act - Banking Regulation (Companies) Rules 1949 Rule 12 Form VI, dated August 6, 2010, to the Deputy General Manager of RBI for the permission to open two specialized NRI branches one each at Urban Centre Anand, in Anand district Gujarat state and another at Metro Centre, Hyderabad, Andhra Pradesh bearing reference no. CO/P&D/BR-EXP/2010-11/670.The said application is currently pending.

3. Our Bank has submitted an application to the Chief General Manager, Department of Banking operations and development, RBI, dated October 22, 2010, for the permission to open a branch office at Nairobi, Kenya with a view to operate in the global financial market and to access foreign currency funds at cheaper rates for onward lending to our exporter clients. The said application is pending.

4. Our Bank has submitted an application to the Deputy Governor, RBI, dated July 21, 2008 for the issuance of license for the permission to open Representative offices in Dubai, Singapore, Hongkong, Doha and London for obtaining foreign currency deposits. The said application is pending.

5. Our Bank has submitted an application to IRDA, dated August 14, 2010, to seek approval for termination of the arrangement with the previous insurance company and to enter into a fresh agreement with Cholamandalam MS General Insurance Company. The said application is pending.

6. Our Bank has submitted an application under section 23 of the Banking Regulation Act - Banking Regulation (Companies) Rules 1949 Rule 12 Form VI, dated August 6, 2010, to the Deputy General Manager of RBI for the permission to open one specialized capital market branch in Mumbai, Maharashtra bearing reference no. CO/P&D/BR-EXP/2010-11 dated January 6, 2011. The said application is currently pending.

7. Our Bank has applied to the Chief General Manager; Foreign Exchange Department by letter CO/Project Shatabdi/Rights Issue/2010-11 dated October 23, 2010 seeking approval of the RBI to issue Equity Shares under the Rights Issue to the non-resident investors including Foreign Institutional Investors (FIIs), Non-Resident Indians (NRIs). The said application is currently pending;

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Our Board of Directors at its meeting held on July 29, 2010 decided to make the offer to the Eligible Equity Shareholders of our Bank, with a right to renounce.

The Ministry of Finance, Government of India vide its letter dated June 22, 2010 and January 18, 2011 has given its approval to the Bank to raise capital through Rights Issue. Further, the Reserve Bank of India has through its letter dated December 21, 2010 granted its approval for the Rights Issue.

Prohibition by SEBI

Neither our Bank, not our Directors or companies with which our Bank's directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Neither our Bank, nor our Directors, have been declared willful defaulters by the RBI or any Government authority and no violations of securities laws have been committed by them in the past and no proceedings in relation to such violations are pending against them, except the securities related proceedings against our Bank mentioned in chapter titled "Legal and Other Information" at page 130.

None of our Directors are associated with the securities market, except Mr. S. Sridhar, Mr. Rajiv Dubey and Ms. Vijayalakshmi Iyer, all of whom are directors in Centbank Financial Services Limited.

Compliance with Part E of Schedule VIII of the SEBI ICDR Regulations

We confirm that the provisions of Part E of Schedule VIII of the SEBI ICDR Regulations have been complied with. As the Bank satisfies the conditions specified in clause (1) of Part E of Schedule VIII of SEBI ICDR Regulations, disclosures in the Draft Letter of Offer have been made in terms of clause (5) of Part E of Schedule VIII of SEBI ICDR Regulations.

Eligibility for the Issue

Our Bank is a listed corresponding new bank constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and our shares are presently listed on the BSE and NSE. It is eligible to offer this issue in terms of Chapter IV of the SEBI ICDR Regulations.

We are eligible to make disclosures in the Draft Letter of Offer as per Part E of Schedule VIII of the SEBI ICDR Regulations as it is in compliance with the following:

(a) our Bank has been filing periodic reports, statements and information in compliance with the listing agreement for the last three years immediately preceding the date of filing this Draft Letter of Offer with the Board;

(b) the reports, statements and information referred to in sub-clause (a) above are available on the website of any recognised stock exchange with nationwide trading terminals or on a common e-filing platform specified by the Board; and

(c) our Bank has investor grievance-handling mechanism which includes meeting of the shareholders' or Investors' Grievance Committee at frequent intervals, appropriate delegation of power by the Board of Directors as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED / CONSTRUED THAT THE SAME

HAS BEEN CLEARED OR APPROVED BY THE SEBI. THE 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 THIS DRAFT LETTER OF OFFER. ICICI SECURITIES LIMITED, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED, ENAM SECURITIES PRIVATE LIMITED, IDBI CAPITAL MARKET SERVICES LIMITED, RBS EQUITIES (INDIA) LIMITED AND SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGERS HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED JANUARY 25, 2011 WHICH WILL 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 MATERIAL IN CONNECTION WITH THE FINALISATION OF THIS DRAFT LETTER OF OFFER PERTAINING TO THE RIGHTS ISSUE;**

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE BANK, (THE DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE BANK, WE CONFIRM THAT:**

    (a) THE DRAFT LETTER OF OFFER FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE RIGHTS ISSUE;

    (b) ALL THE LEGAL REQUIREMENTS RELATING TO THE RIGHTS ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

    (c) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED RIGHTS ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.**

4. **WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS – <u>NOT APPLICABLE</u>**

5. **WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN**

OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER – <u>NOT APPLICABLE</u>

6. **WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER – <u>NOT APPLICABLE</u>**

7. **WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS Of THE PUBLIC ISSUE – <u>NOT APPLICABLE</u>**

8. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE BANK FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT RIGHTS ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE BANK AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION. – <u>NOT APPLICABLE</u>**

9. **WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONIES SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE DRAFT LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. – <u>NOT APPLICABLE</u>**

10. **WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.**

11. **WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.**

12. **WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:**

    (a) **AN UNDERTAKING FROM THE BANK THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE**

ISSUER AND

(b) AN UNDERTAKING FROM THE BANK THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.

13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE RIGHTS ISSUE.

14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE BANK, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE ,ETC.

15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

The filing of this Draft Letter of Offer does not, however, absolve our Bank from any liabilities under applicable laws or from the requirement of obtaining such statutory or other clearance 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 Lead Managers any irregularities or lapses in this Draft Letter of Offer.

Disclaimer clauses from our Bank and the Lead Managers

Our Bank and the Lead Managers accept no responsibility for statements made otherwise than in this Draft Letter of Offer or in any advertisement or other material issued by our Bank or by any other persons at the instance of our Bank and anyone placing reliance on any other source of information would be doing so at his / her own risk.

The Lead Managers and our Bank shall make all information available to the Eligible Equity Shareholders and no selective or additional information would be available for a section of the Eligibility Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer with SEBI.

Investors who invest in the Issue will be deemed to have been represented to our Bank and Lead Managers and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares, and are relying on independent advice / evaluation as to their ability and quantum of investment in this Issue.

Disclaimer with respect to jurisdiction

This Draft Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations there under. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue will be the [•].

Disclaimer Clause of the BSE

As required, a copy of the Draft Letter of Offer has been submitted to the BSE. The Disclaimer Clause as intimated by BSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to the Stock Exchange filing.

Disclaimer Clause of the NSE

As required, a copy of the Draft Letter of Offer has been submitted to the NSE. The Disclaimer Clause as intimated by NSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to the Stock Exchange filing.

Filing

The Draft Letter of Offer has been filed with SEBI, Plot No. C4 A, 'G' Block, Bandra Kurla Complex Bandra (East), Mumbai and also with BSE and NSE. All the legal requirements applicable till the date of filing the Draft Letter of Offer with the Stock Exchanges shall be complied with.

Selling restrictions

The distribution of the Letter of Offer and the Issue of Rights Equity Shares to persons in certain jurisdictions outside India may be restricted by the legal requirements prevailing in those jurisdictions. Persons into whose possession the Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Bank is making this Issue of Rights Equity Shares to the Eligible Equity Shareholders of our Bank and will dispatch the Letter of Offer / Abridged Letter of Offer and CAFs to the Eligible Equity Shareholders who have provided an Indian address.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Draft Letter of Offer has been filed with SEBI for observations. Accordingly, the Rights Equity Shares represented thereby may not be offered or sold, directly or indirectly, and the Draft Letter of Offer may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction.

Receipt of the Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, under those circumstances, the Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of the Letter of Offer should not, in connection with the Issue of the Rights Equity Shares or the Rights Entitlements, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If the Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Rights Equity Shares or the Rights Entitlements referred to in the Letter of Offer.

Neither the delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Bank's affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

United States Restrictions

NEITHER THE RIGHTS ENTITLEMENTS NOR THE EQUITY SHARES THAT MAY BE PURCHASED PURSUANT THERETO HAVE BEEN REGISTERED UNDER THE SECURITIES ACT, OR ANY U.S. STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OF AMERICA OR THE TERRITORIES OR POSSESSIONS THEREOF OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, "US PERSONS" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")), EXCEPT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE RIGHTS ENTITLEMENT REFERRED TO IN THIS DRAFT LETTER OF OFFER ARE BEING OFFERED IN INDIA, BUT NOT IN THE UNITED STATES. THE OFFERING TO WHICH THIS DRAFT LETTER OF OFFER RELATES IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN OFFERING OF ANY SHARES OR RIGHTS FOR SALE IN THE UNITED STATES OR AS A SOLICITATION THEREIN OF AN OFFER TO BUY ANY OF THE SAID SHARES OR RIGHTS. ACCORDINGLY, THIS DRAFT LETTER OF OFFER SHOULD NOT BE FORWARDED TO OR TRANSMITTED IN OR INTO THE UNITED STATES AT ANY TIME, EXCEPT IN A TRANSACTION

EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. NEITHER OUR BANK NOR ANY PERSON ACTING ON BEHALF OF OUR BANK WILL ACCEPT SUBSCRIPTIONS FROM ANY PERSON, OR THE AGENT OF ANY PERSON, WHO APPEARS TO BE, OR WHO OUR BANK OR ANY PERSON ACTING ON BEHALF OF OUR BANK HAS REASON TO BELIEVE IS, A RESIDENT OF THE UNITED STATES AND TO WHOM AN OFFER, IF MADE, WOULD RESULT IN REQUIRING REGISTRATION OF THIS DRAFT LETTER OF OFFER WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

Dematerialised Dealing

Our Bank has entered into tripartite agreements dated July 10, 2007 and July 11, 2007, with CDSL and NSDL respectively and its Equity Shares bearing the ISIN No. **INE483A01010.**

Impersonation

Attention of the Investors is specifically drawn to the provisions of subsection (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."

Listing

The Equity Shares of our Bank are listed on the BSE and NSE. Our Bank has made applications to the Stock Exchanges for permission to deal in and for an official quotation in respect of the Rights Equity Shares being offered in terms of the Letter of Offer. Our Bank has received in-principle approvals from the BSE by its letter dated [●], 2011 and the NSE by its letter dated [●], 2011. Our Bank will apply to the BSE and the NSE for listing of the Rights Equity Shares to be issued pursuant to this Issue.

If the permission to deal in and for an official quotation of the Rights Equity Shares is not granted by any of the Stock Exchanges mentioned above, our Bank shall forthwith repay, without interest, all monies received from Investors in pursuance of the Letter of Offer. If such money is not paid within 8 days after our Bank becomes liable to repay it, then our Bank and every Director of our Bank who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay the money with interest at the rate of 15% p.a. for any delay beyond the time period mentioned above.

Consents

Consents in writing of the Auditors, Lead Managers, Legal Advisor, Registrar to the Issue and Bankers to the Issue to act in their respective capacities have been obtained and filed with Stock Exchanges, along with a copy of the Draft Letter of Offer and such consents have not been withdrawn up to the time of delivery of the Draft Letter of Offer to the Stock Exchanges.

The Auditors of our Bank have given their written consent for the inclusion of their Report in the form and content as appearing in this Draft Letter of Offer and such consents and reports have not been withdrawn up to the time of delivery of this Draft Letter of Offer to the Stock Exchanges.

To the best of our knowledge there are no other consents required for making this Issue. However, should the need arise; the necessary consents shall be obtained by us.

Estimated Issue Expenses

The total expenses of the Issue are estimated to be approximately ₹ [●] Million. The Issue related expenses include, among others, Issue management fees, Registrar fees, printing and distribution expenses, fees of the legal counsels, advertisement, listing fees to the Stock exchanges etc. The break-up of total issue expenses is as under –

Category	Estimated expenses* (₹ in Million)	% of the Issue Expenses	% of total Issue Size
Fees to the Intermediaries	[●]	[●]	[●]
Advertising and Publicity Expenses	[●]	[●]	[●]
Printing, Postage, Stationery Expenses	[●]	[●]	[●]
Contingency, Stamp duty, Listing Fees, etc	[●]	[●]	[●]
Total	[●]	[●]	[●]

* - to be updated on finalization of Issue Price

Expert Opinion, if any

Except for the Auditors' Report and the Statement of Tax Benefits on page F-1 and page 61 of this Draft Letter of Offer, no expert opinion has been obtained by our Bank in relation to this Draft Letter of Offer.

Fees Payable to the Lead Managers to the Issue

The fee payable to the Lead Managers to the Issue is set out in the Appointment Letter entered into by our Bank with Lead Managers, copy of which is available for inspection at the Head Office of our Bank.

Fees Payable to the Registrar to the Issue

The fee payable to the Registrar to the Issue is as set out in the relevant documents, copies of which are kept open for inspection at the Registered Office of our Bank.

Other Relationships

The Lead Managers and other affiliates have performed investment banking and advisory services for our Bank from time to time for which they have received customary fees and expenses. The Lead Managers and their affiliates may, from time to time, trade in our securities, engage in transactions with, and perform services for our Bank in the ordinary course of their business for which they may receive customary compensation.

The Lead Managers (or their affiliates), for their own accounts, may have entered or enter into derivatives transactions, or may have purchased or purchase, or may have been granted or be granted, options, or other securities, in each case relating to the Equity Shares, prior to or at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Lead Managers may, currently or in the future, hold long or short positions in such Equity Shares. Affiliates of the Lead Managers may also purchase Equity Shares and be allocated Equity Shares for proprietary purposes and not with a view to distribution or in connection with the issuance of P-Notes.

Minimum Subscription

If our Bank does not receive the minimum subscription of 90% of the Issue, the entire subscription amount shall be refunded to the Investors within fifteen days from the date of closure of the Issue. If there is delay in the refund of subscription by more than 8 days after our Bank becomes liable to pay the subscription amount (i.e. fifteen days after closure of the issue), our Bank will pay interest for the delayed period at the rate of 15% p.a. beyond the time period mentioned above.

Issue Programme

Issue Opening Date:	[●], 2011
Last date for receiving requests for split forms:	[●] , 2011
Issue Closing Date:	[●] , 2011

The Board may however decide to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

Allotment Advices / Refund Orders

Our Bank will issue and dispatch allotment advice / share certificates/ demat credit and/or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 15 days from the date of closure of the Issue. If such money is not repaid within eight days from the day our Bank becomes liable to pay it, our Bank shall pay that money with interest as stipulated under this Draft Letter of Offer.

Investors residing at 68 cities as set out in SEBI circular dated February 1, 2008 at centers where clearing houses are managed by the Reserve Bank of India ("**RBI**"), payment of refund would be done through NECS for applicants having an account at any of the centres where such facility has been made available to get refunds through direct credit and real time gross settlement ("**RTGS**").

In case of those Investors who have opted to receive their Rights Equity Share in dematerialized form using electronic credit under the depository system, and advice regarding their credit of the Rights Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through certificate of posting intimating them about the mode of credit of refund within 15 days of Issue Closing Date.

In case of those Investors who have opted to receive their Rights Equity Share in physical form, our Bank will issue the corresponding share certificates under Section 113 of the Companies Act or other applicable provisions.

Refund orders exceeding ₹ 1,500 would be sent by registered post / speed post to the sole / first Investors' registered address. Refund orders up to the value of ₹ 1,500 would be sent under certificate of posting. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked 'Account Payee only' and would be drawn in favour of the sole / first Investor. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Disputed Shares

Equity Shares which are the subject matter of a dispute or sub-judice will not be allotted to the claimant's account pending resolution of the dispute in accordance with our Bank's policy or receipt of an order from the relevant court or authority removing the restriction thereon. Entitlement for such shares will be held in abeyance and retained separately by our Bank

The Shareholders/Investors Grievances Committee consists of 5 directors comprising of Mr. Brijlal Kshatriya, as Chairman of the committee, Mr. S. Sridhar, Ms. Vijayalakshmi Iyer, Mr. R.K. Dubey and Mr. Romesh Sabharwal as members of the said committee. All investor grievances received by our Bank will be handled by the Registrar and Share Transfer agent in consultation with the compliance officer.

The Contact details of our Registrar and Share Transfer agent are as follows

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L.B.S.Marg, Bhandup (West),
Mumbai 400 058
Tel: (91 22) 596 0320
Fax: (91 22) 596 0329
E-mail: centbank.rights@linkintime.co.in
Contact Person: Mr. Nilesh Chalke
Website: www.linktime.co.in

SEBI Registration No.: INR000004058

Status of the Complaints

a) Total number of complaints received during the period from April, 2009 to March, 2010 : 508
b) No. of shareholders complaints outstanding as of March 31, 2010: Nil
c) Total number of complaints received during the period from April 1, 2010 to January 21, 2011: 1054
d) Status of the complaints: Out of the 1054 complaints received by our Bank from April 1, 2010 to

January 21, 2011, we have resolved all 1054 complaints.

e) Time normally taken for disposal of various types of investor grievance : Not more than 30 days

Investor Grievances arising out of this Issue

The investor grievances arising out of the Issue will be handled by Mr. S.C. Jhanwar, Compliance Officer and Link Intime India Private Limited, the Registrar to the Issue. The Registrar to the Issue will have a separate team of personnel handling only our post-Issue correspondence. The agreement between us and the Registrar to the Issue will provide for retention of records with the Registrar for a period of at least three years from the last date of dispatch of letter of allotment/ share certificates / warrant/ refund order to enable the Registrar to redress grievances of Investors. Registrar will not hand over any application or other documents/records pertaining to the issue of the Bank or to any other person until the completion of dispatch of allotment letters, refund orders, share/debenture certificates, demat credit intimation letters etc.

All grievances relating to the Issue may be addressed to the Registrar to the Issue giving full details such as folio no., name and address, contact telephone / Mobile numbers, email id of the first Investors, number and type of shares applied for, application form serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the details of the Renounces should be furnished.

All the grievances relating to ASBA Process may be addressed to Registrar to the Issue, with a copy to the SCSB giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount blocked, ASBA Account number and the Designated Branch of the SCSB where the CAF was submitted by the ASBA investors.

The average time taken by the Registrar to the Issue for redressal of routine grievances will be 7 days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to the Issue to attend to them as expeditiously as possible. We undertake to resolve the Investor grievances in a time bound manner.

Investors may contact the Compliance Officer in case of any pre-Issue/ post -Issue related problems such as non-receipt of letters of allotment/share certificates/demat credit/refund orders etc. His address is as follows:

Mr. S.C. Jhanwar
Compliance Officer
Central Bank of India
Government Business Department,
Maker Towers E, Cuffe Parade,
Mumbai-400 005
Tel: (91 22) 2218 8425
Fax: (91 22) 2215 3821**Email:** complianceofficer@centralbank.co.in

The contact particulars of the Registrar to the Issue are as under:

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L.B.S.Marg, Bhandup (West),
Mumbai 400 058
Tel: (91 22) 596 0320
Fax: (91 22) 596 0329
E-mail: centbank.rights@linkintime.co.in
Contact Person: Mr. Nilesh Chalke
Website: www.linktime.co.in
SEBI Registration No.: INR000004058

TERMS AND PROCEDURE OF THE ISSUE

The Equity Shares proposed to be issued on rights basis, are subject to the terms and conditions contained in this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the CAF, the provisions of the Banking Acquisition Act, Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 and Central Bank of India (Share and Meetings) Regulations, 1998 ("**Constitutional Documents**"), approvals from GoI and the RBI, the provisions of the Companies Act to the extent relevant to our Bank, the SEBI ICDR Regulations the terms and conditions as may be incorporated in the Foreign Exchange Management Act, 1999, as amended ("**FEMA**"), guidelines and regulations issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, the Listing Agreements, terms and conditions as stipulated in the allotment advice or letter of allotment or Share Certificate and any other laws or rules as may be applicable and introduced from time to time.

Authority for the Issue

Our Board of Directors at its meeting held on July 29, 2010 decided to make the offer to the Eligible Equity Shareholders of our Bank, with a right to renounce.

The Ministry of Finance, Government of India vide its letter dated June 22, 2010 and January 18, 2011 has given its approval to the Bank to raise capital through Rights Issue. Further, the Reserve Bank of India has through its letter dated December 21, 2010 granted its approval for the Rights Issue.

Ranking of Equity Shares

The Rights Equity Shares allotted pursuant to this Issue shall be subject to the provisions of our Constitutional Documents and shall rank pari passu with the existing Equity Shares in all respects including dividend.

Mode of Payment of Dividend

We shall pay dividend to our Equity Shareholders as per the provisions of our Constitutional Documents and guidelines issued by RBI from time to time.

Basis for the Issue

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in the electronic form and on the register of members of our Bank in respect of the Equity Shares held in physical form at the close of business hours on the Record Date i.e. [●], fixed in consultation with the Designated Stock Exchange.

Rights Entitlement Ratio

As your name appears as beneficial owner in respect of the shares held in the electronic form or appears in the register of members as an Equity Shareholder of our Bank as on the Record Date i.e. [●], you are entitled to the number of shares in Block I of Part A of the enclosed CAF.

The Eligible Equity Shareholders are entitled to [•] Rights Equity Shares for every [•] fully paid up Equity Share held on the Record Date i.e. [●].

For Eligible Equity Shareholders wishing to apply through the ASBA process for the Rights Issue, kindly refer to the section titled "*Procedure for Application through the Applications Supported by Blocked Amount ("ASBA") Process*" on page 175 of this chapter.

I General Terms of the Issue

1. Market lot

The Equity Shares of our Bank are tradable only in dematerialized form, and the market lot is one Equity Share. In case of holding of Equity Shares in physical form, our Bank would issue to the allottees separate certificate for the Equity Shares allotted on rights basis with a split performance.

Our Bank would issue one certificate for the entire Allotment. However, our Bank would issue split certificates on written requests from the shareholders. Our Bank shall not charge a fee for splitting any of the Share Certificates.

Investors may please note that the Equity Shares of our Bank can be traded on the Stock Exchange in dematerialized form only.

2. Nomination facility

In terms of Regulation 20 of the Central Bank of India (Shares and Meetings) Regulations, 1998, the executors or administrators of a deceased shareholder in respect of an Equity Share, or the holder of probate or letters of administration with or without the will annexed or a succession certificate issued under Part X of the Indian Succession Act, 1925, or the holder of any legal representation or a person in whose favour a valid instrument of transfer was executed by the deceased sole holder during the latter's lifetime shall be the only person who may be recognized by the Bank as having title to such Equity Share. In the case of Equity Shares registered in the name of two or more shareholders, the survivor or survivors and on the death of the last survivor, his executors or administrators or any person who is the holder of probate or letters of administration with or without the will annexed or a succession certificate or any other legal representation in respect of such survivor's interest in the Equity Shares or a person in whose favour a valid instrument of transfer of Equity Shares was executed by the deceased sole holder during the latter's lifetime shall be the only person who may be recognized by the Bank as having title to such Equity Share.

In case the Allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicant wishes to change the nomination, they are requested to inform their respective DP.

3. Joint-Holders

Where any Equity Share stands in the names of two or more persons, the person first named in the register shall, as regards voting, receipt of dividends, service of notices and all or any other matters connected with the Bank except the transfer of shares, be deemed to be sole holder thereof., subject to provisions contained in our Constitutional Documents.

4. Minimum Subscription

If our Bank does not receive the minimum subscription of 90% of the Issue, or the subscription level falls below 90%, after the Issue Closing Date on account of cheques being returned unpaid or withdrawal of applications, our Bank shall refund the entire subscription amount received within 15 days from the Issue Closing Date. If there is delay in the refund of the subscription amount by more than eight days after our Bank becomes liable to pay the subscription amount (i.e. 15 days after the Issue Closing Date), our Bank and every Director of the Bank who is an officer in default will be jointly and severally liable and will pay interest for the delayed period at 15% p.a.

Other than meeting the requirements indicated in the chapter titled "Objects of the Issue" on page 59 of this Draft Letter of Offer, there is no other intention or purpose for the Issue.

Presently, our Bank is complying with clause 40A of the Listing Agreement and the minimum public shareholding required to be maintained for continuous listing is 10% of the total paid up equity capital of our Bank.

For further details of under subscription and allotment, please refer to "*Basis of Allotment*" below under this chapter titled "**Terms and Procedure of the Issue**" on page 151 of this Draft Letter of Offer.

5. Notices

All notices to the Equity Shareholder(s) required to be given by our Bank shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and one regional daily newspaper in Mumbai with wide circulation and/or will be sent by ordinary post or registered post or speed post to the registered holders of the Equity Share at the address registered with the Registrar/ Depository from time to time.

6. Listing and trading of the Equity Shares proposed to be issued

Our Bank's existing Equity Shares are currently traded on the BSE and NSE under the ISIN INE483A01010 and with Scrip Code No 532885 on BSE and script name of CENTRALBK on NSE. The fully paid up Equity Shares proposed to be issued on a rights basis shall be listed and admitted for trading on the Stock Exchanges under the existing ISIN INE483A01010. All steps for the completion of the necessary formalities for listing and commencement of trading of the Equity Shares to be allotted pursuant to the Issue shall be taken within seven Working Days of the finalization of the basis of allotment. Our Bank has made an application for "in-principle" approval for listing of the Equity Shares to be issued pursuant to be issued pursuant to the Issue in accordance with clause 24(a) of the Listing Agreement respectively to the BSE and the NSE through letters dated [●] and has received such approval from the BSE pursuant to the letter no. [●], dated [●] and from the NSE pursuant to letter no. [●], dated, [●]. Our Bank will apply to the Stock Exchanges for final approval for the listing and trading of the Equity Shares.

No assurance can be given regarding the active or sustained trading in the Equity Shares or the price at which the Equity Shares offered under the Issue will trade post listing.

The distribution of the Letter of Offer and the Issue of Rights Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions.

Our Bank is making this Issue of Rights Equity Shares on a rights basis to the Eligible Equity Shareholders of our Bank and will dispatch the Letter of Offer / Abridged Letter of Offer and the CAF to the Eligible Equity Shareholders who have provided an Indian address.

7. Offer to Non-Resident Equity Shareholders/Applicants/ Foreign Institutional Investors

As per Regulation 6 of Notification No. FEMA 20/200-RB dated May 3, 2000, the RBI has given general permission to Indian companies to issue rights shares to Non-resident shareholders including additional shares. Applications received from NRIs and Non-residents for Allotment of Equity Shares shall be *inter alia*, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of Application Moneys, Allotment of Equity Shares and issue of letter of Allotment. **The Abridged Letter of Offer and CAF shall be dispatched to non-resident Eligible Equity Shareholders at their Indian address only.** The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI or any other regulatory authority while approving the Allotment of Equity Shares, payment of dividend etc. to the Non-resident shareholders. The Equity Shares purchased by Non-residents shall be subject to the same conditions including restrictions in regard to the repatriation as are applicable to the original Equity Shares against which Equity Shares are issued on rights basis.

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the existing Equity Shareholders of the Bank who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of Renouncee shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

The RBI has vide its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 clarified that entities which are incorporated and are not under adverse notice of RBI will be considered, for undertaking fresh investments, as incorporated non-resident entities in terms of Regulation 5(1) of RBI Notification No.20/2000-RB dated May 3, 2000 under FDI Scheme with the prior approval of Government if the investment is through Government Route and with the prior approval of Reserve Bank if the investment is through Automatic Route on case by case basis. Thus, such entities desirious of participating in this Issue must obtain prior requisite approval. On providing such the approval to the Bank at its registered office in India, such entity shall receive the Letter of Offer and the CAF.

CAFs will be made available for eligible NRIs at our Registered Office and with the Registrar to the Issue.

As per the current regulations, the following restrictions are applicable for investments by FIIs**:**

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue paid-up capital. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital, in case such sub-account is a foreign corporate or an individual.

Foreign investment in a corresponding new bank is regulated by the provisions of the Bank Acquisition Act as applicable to the Bank. Under section 3(2D) of the Bank Acquisition Act, foreign investment in a corresponding new bank is subject to an overall statutory limit of 20% of the paid up capital of the corresponding new bank. For corresponding new banks, the RBI monitors the ceilings on foreign investment on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceiling which is 18% for public sector banks. Once the aggregate net purchase of equity shares reaches the cut off point, further acquisition of equity shares by Non Residents require approval of the RBI until the limit is reached till 20% beyond which Non Residents cannot acquire further shares.

In case of change of status of holders i.e. from Resident to Non-Resident, a new demat account shall be opened for the purpose.

DETAILS OF SEPARATE COLLECTING CENTRES FOR NON-RESIDENT APPLICATIONS SHALL BE PRINTED ON THE CAF.

The distribution of the Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. The Bank is making the issue of Equity Shares on a rights basis to the Equity Shareholders and the Letter of Offer, Abridged Letter of Offer and the CAFs will be dispatched only to those Equity Shareholders who have a registered address in India. Any person who acquires Rights Entitlements or Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer, that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States.

8. No Offer in the United States

Neither the Rights Entitlements nor entitlements to apply for the issue of Equity Shares that may be purchased pursuant thereto have been, and will be, registered under the Securities Act, or any U.S. state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof or to, or for the account or benefit of, **U.S. Persons**, except in a transaction exempt from, or in a transaction not subject to, the registration requirements of the Securities Act. The Equity Shares referred to in this Draft Letter of Offer are being offered in India but not in the United States of America. The offering to which this Draft Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States of America, the territories or possessions thereof, or as a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, the Letter of Offer, Abridged Letter of Offer and the CAF should not be forwarded to or transmitted in or to, and the Letter of Offer, Abridged Letter of Offer and the CAF shall not be dispatched to, the United States of America at any time, except in a transaction exempt from, or in a transaction not subject to, the registration requirements of the Securities Act. None of our Bank, the Registrar, the Lead Managers or any other person acting on behalf of our Bank will accept subscriptions from any person, or the agent of any person, who appears to be, or who our Bank, the Registrar, the Lead Managers or any other person acting on behalf of our Bank has reason to believe is, a resident of the United States of America and to whom an offer, if made, would result in requiring registration of the Letter of Offer with the United States Securities and Exchange Commission.

9. Utilisation of Issue Proceeds

The Board of Directors declares that:

Our Bank shall not have any recourse to the Issue proceeds until the approval for trading the Equity Shares is received from the Stock Exchanges.

Our Bank is raising capital to meet future capital adequacy requirements and not for any specified project(s). Hence details of unutilized monies and monies utilized will not be separately available for disclosure in the balance sheet of our Bank. Further, the need to transfer funds to separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956, amended shall not be applicable in case of our Bank.

The funds received against this Issue will be kept in a separate bank account and our Bank will have access to such funds only after finalisation of the basis of allotment in consultation with the Designated Stock Exchange.

10. Undertakings by our Bank in connection with the Issue

1. The complaints received in respect of the Issue shall be attended to by our Bank expeditiously and satisfactorily.

2. All steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchange where the Equity Shares are to be listed are taken within seven Working Days of finalization of basis of allotment.

3. The funds required for dispatch of refund order/Allotment advice/letters of Allotment/Share Certificate to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by our Bank.

4. Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the investors within 15 days of Issue Closing Date giving details of the Refund Bank where refunds shall be credited along with the amount and expected date of electronic credit of refund.

5. Adequate arrangements shall be made to collect all ASBA applications and to treat all ASBA applications similar to non – ASBA applications while finalizing the basis of allotment.

6. The Share Certificates/ refund orders/Allotment advice/Letter of Allotment to the Non-resident Indians shall be dispatched within the specified time.

7. No further issue of securities affecting equity capital of our Bank shall be made till the Equity Shares issued/offered through the Letter of Offer are listed or till the Application Money are refunded on account of non-listing, under-subscription etc. Our Bank accepts full responsibility for the accuracy of information given in this Draft Letter of Offer and confirms that to best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Draft Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts. All information shall be made available by the Lead Managers and the Issuer to the 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 shows, presentations, in research or sales reports etc.

11. Arrangements for disposal of odd lots

Since the market lot for our Bank's Equity Shares is one, there is no question of disposal of odd lots.

12. Caution

• Clubbing of folios/securities for the purpose of making a consolidated payment is not permitted.

• Cheques/demand drafts/pay orders should be payable at Mumbai for the full amount. Outstation payment instructions or payments for less than the full amount will be rejected.

• Investors are advised not to close or transfer their demat accounts between the period of application until the time of allotment or receipt of credit in their account so as to avoid rejection of credit from the Depositories and resultant delay in receiving the intimation of allotment.

II Principal Terms and Conditions of the Issue of Equity Shares

1. Face value

Each Equity Share shall have the Face Value of ₹ 10.

2. Fractional entitlements

For Equity Shares being offered on a rights basis under this Issue, the shareholders holding 1 Equity Share on the Record Date will be offered [•] entitlement. In all other cases, the shareholders fractional entitlements on the Record Date will be ignored if such entitlement is less than [•] and will be rounded off to the next integer if the entitlement is [•] or more.

For example, a shareholder holding 1 Equity Share on the Record Date will be given [•] entitlement for rights. In case he holds [•] Equity Shares on the Record Date his entitlement will be [•] which is rounded off to the next integer i.e. [•] share. A shareholder holding [•] Equity Shares on the Record Date is eligible for [•] Rights Entitlements where [•] will be ignored and he will be offered [•] Equity Shares only.

An illustration stating the Rights Entitlement for number of Equity Shares is set out below:

No of Equity Shares held on Record Date	Eligible Entitlement	Final Entitlement (Rounding off to next integer)
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]

3. Issue Price

Each Equity Share shall be offered at an Issue Price of ₹ [●] for cash at a premium of ₹ [●] per Equity Share. The Issue Price will be arrived in consultation between our Bank and the Lead Managers.

4. Entitlement Ratio

The Rights Equity Shares are being offered to the existing Eligible Equity Shareholders in the ratio of [●] Rights Equity Shares for every [●] Equity Share held on the Record Date i.e. [●].

5. Terms of payment

The entire amount of ₹ [●] per Equity Share shall be payable on application.

The payment on Application would be applied as under:

	Towards Share Capital	Towards share premium account
On Application	₹ 10 per Equity Share	₹ [●] per Equity Share

A separate cheque/ demand draft/ pay order must accompany each CAF.

All payments should be made by cheque/bank demand draft/ pay order drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the bankers clearing house located at the center where the CAF is accepted. Outstation cheques /money orders/postal orders will not be accepted and CAFs accompanied by such cheque/money orders/postal orders are liable to be rejected. The Registrar to the Issue will not accept any payments against applications, if such payments are made in cash.

Pursuant to the RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stock invest scheme has been withdrawn and accordingly, payment through Stock invest will not be accepted in the Issue.

Where an applicant has applied for additional Equity Shares and is allotted lesser number of shares than applied for, the excess Application Money shall be refunded. The excess Application Monies would be refunded within 15 days from the Issue Closing Date, and if there is a delay beyond 8 days from the stipulated period, our Bank and every Director of our Bank who is an officer in default shall be jointly and severally liable to repay the money with interest at the rate of 15% p.a. for the delayed period.

For Equity Shareholders wishing to apply through the newly introduced ASBA process for rights issues, kindly refer section titled "Procedure for Application through the Applications Supported by Blocked Amounts ("ASBA") Process" beginning on page 175 of this Draft Letter of Offer.

7. Rights of Equity Shareholders

Subject to applicable laws, Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared. However, the declaration of dividend by the Bank is subject to certain restrictions. Please refer to the restrictions on the payment of dividend in the section titled "Regulation and Policies - Restrictions on Payment of Dividends" on page 108 of this Draft Letter of Offer;

- Right to attend general meetings and exercise voting powers, unless prohibited by law. The Bank Acquisition Act states that no shareholder of the Bank, other than the GoI shall be entitled to exercise voting rights in respect of the shares held by him in excess of one percent of the total voting rights of all the shareholders of the Bank. The power of shareholders to exercise voting rights is subject to certain restrictions. For information on restrictions on the power of shareholders to exercise voting rights, please refer to the section titled "Regulation and Policies - Restriction on Share Capital and Voting Rights" on page 109 of this Draft Letter of Offer;

- Right to vote on a poll either in person or by proxy;

- Right to receive offer for right shares and be allotted bonus shares if announced;

- Right to receive surplus on liquidation;
- Right of free transferability shall be subject to the provisions of section 3(2D) of the Bank Acquisition Act and Regulations 17 and 19 of the Bank Regulations. However, the right of free transferability is subject to certain restrictions as prescribed under our Constitutional Documents; and

- Such other rights, as may be available to a shareholder of a corresponding new bank under the Banking Regulation Act, our Constitutional Documents and under the listing agreements executed with the Stock Exchanges. However, please note that not all rights available to shareholders of a company are available to the shareholders of a corresponding new bank. For information on these rights, please see the section titled "Regulations and Policies – Comparative Table of Rights of Shareholders under the Companies Act, 1956 and under Regulations applicable to Corresponding New Banks" on page 75 of this Draft Letter of Offer.

8. Issue of Duplicate Share Certificates

Subject to our Constitutional Documents, if any Share Certificate is mutilated or defaced or the pages for recording transfers of the Equity Shares are fully utilized, our Bank against the surrender of such Share Certificate may replace the Share Certificate, provided that it shall be replaced as aforesaid only if the Share Certificate number and the distinctive numbers are legible. If any Share Certificate is destroyed, stolen, lost or misplaced, then upon production of proof thereof to the satisfaction of our Bank and upon furnishing such indemnity/surety and/or such other documents as our Bank may deem adequate, a duplicate Share Certificate shall be issued.

9. Quoting of Permanent Account Number (PAN) Mandatory

As per the circular no. SEBI/CFD/DIL/DIP/28/2007/29/11 dated November 29, 2007, quoting of PAN has been made mandatory for all primary market transactions. Further, in accordance with the circular no. SEBI/CFD/DIL/MB/IS/1/2008/11/03 dated March 11, 2008; SEBI has stated that the applicants are not required to submit the photocopies of PAN.

III How to Apply?

1. Procedure for Application

Application should be made on the printed CAF, provided by our Bank except as mentioned under the head application on plain paper and should be completed in all respects. For details see "Application on Plain Paper" beginning on page 163 of this Draft Letter of Offer. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. The CAF will be printed in black ink for all Equity Shareholders. In case the original CAFs are not received by the Investor or is misplaced by the Investor, the Investor may request the Registrar to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. In case the signature of the Equity Shareholder(s) does not tally with the specimen registered with our Bank, the application is liable to be rejected.

Applications will not be accepted by the Lead Manager(s) or by the Registrar to the Issue or by the Bank at any offices except in the case of postal applications as per instructions given in this Draft Letter of Offer.

The CAF consists of four parts:

Part A: Form for accepting the Equity Shares offered and applying for additional Equity Shares;

Part B: Form for renunciation of Equity Shares;

Part C: Form for application for Equity Shares by renouncees; and

Part D: Form for request for split application forms.

2. Option available to the Equity Shareholders

The CAF clearly indicates the number of Equity Shares that an Equity Shareholder is entitled to.

An Equity Shareholder will have the following five options:

A. Apply for his Rights Entitlement in full;
B. Apply for his Rights Entitlement in part (without renouncing the other part);
C. Apply for his Rights Entitlement in full and apply for additional Equity Shares;
D. Renounce his entire Rights Entitlement; or
E. Apply for his Rights Entitlement in part and renounce the other part.

Options A and B: Acceptance of the Rights Entitlement

The Equity Shareholders may accept their Rights Entitlement and apply for the Equity Shares offered, either (i) in full or (ii) in part, without renouncing the other part, by completing Part A of the CAF. For details in relation to submission of the CAF and mode of payment please refer to the sub-section titled "Submission of Application and Modes of Payment for the Issue" under this section titled "*Terms and Procedure of the Issue*" on page 151 of this Draft Letter of Offer.

Option C: Acceptance of the Rights Entitlement and Application for Additional Equity Shares

The Equity Shareholders are eligible to apply for additional Equity Shares, over and above their Rights Entitlements, provided that such Equity Shareholders have applied for all the Equity Shares without renouncing some or all of them in favor of any other person(s).

The application for the additional Equity Shares shall be considered and Allotment shall be made at the sole discretion of the Board of Directors, in consultation, if necessary, with the Designated Stock Exchange. Where the number of Equity Shares applied for exceeds the number of Equity Shares available for Allotment, the Allotment of additional Equity Shares shall be made on a fair and equitable basis with reference to the number of Equity Shares held by the applicant on the Record Date. For details of the manner in which applications for additional Equity Shares with shall be considered and allotment completed, please refer to the sub-section titled

"*Basis of Allotment*" under this section titled "*"Terms and Procedure of the Issue*" on page 151 of this Draft Letter of Offer.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional Equity Shares in Part A of the CAF. The Renouncee applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares.

Where the number of additional Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Options D and E: Renunciation of the Rights Entitlement

As an Equity Shareholder, you have the right to renounce your entitlement to the Equity Shares, in full or in part, in favor of one or more persons. Your attention is drawn to the fact that our Bank shall not allot and/or register any Equity Shares, in favor of:

- More than three persons, including joint holders;
- Partnership firms or their nominees;
- Minors;
- Hindu Undivided Families (HUFs); or
- Trusts or societies (unless registered under the Societies Registration Act, 1860 or the Indian Trusts Act, 1882 or any other law applicable to trusts and societies and is authorised under its constitution or bye-laws to hold equity shares of a company).

The person(s) in whose favor any Equity Shares are renounced should complete and sign Part C of the CAF and submit the CAF to the Bankers to the Issue on or prior to the Issue Closing Date along with the Application Money. Renouncees need not be existing Equity Shareholders of our Bank. Renouncees who have subscribed for all the Equity Shares renounced in their favor may also apply for additional Equity Shares. A Renouncee cannot further renounce.

Part 'A' of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part 'B' of the CAF) duly filled in shall be conclusive evidence for the Bank of the person(s) applying for Equity Shares in Part C of the CAF to receive allotment of such Equity Shares. The Renouncees applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares. Part 'A' of the CAF must not be used by the Renouncee(s) as this will render the application invalid. Renouncee(s) will have no further right to renounce any Equity Shares in favour of any other person.

However, the right of renunciation is subject to the express condition that the Board of Directors shall be entitled, in its absolute discretion, to reject the request from the renouncees for the allotment of Equity Shares without assigning any reason therefore.

Renunciation by and/or in favor of Non Residents

Any renunciation (i) from a resident Indian Equity Shareholder to a Non Resident, or (ii) from a Non Resident Equity Shareholder to a resident Indian, or (iii) from a Non Resident Equity Shareholder to a Non Resident is subject to the renouncer/ Renouncee obtaining the necessary approvals, including from the RBI under FEMA, and such approvals should be attached to the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the existing Equity Shareholders of the Bank who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of Renouncee shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

Procedure for Renunciation

(a) To renounce the entire Rights Entitlement in favor of one Renouncee

If you wish to renounce the Rights Entitlement indicated in Part A, in whole, please complete Part B of the CAF and send it to the renouncee. In case of joint holding, all joint holders must sign Part B of the CAF. The Renouncee should complete and sign Part C of the CAF. In case of joint Renouncees, all joint Renouncees must sign Part C of the CAF.

Renouncees shall not be entitled to further renounce their entitlement in favor of any other person.

(b) To renounce a part of the Rights Entitlement or the entire Rights Entitlement to more than one person

If you wish to either (i) accept the Rights Entitlement in part and renounce the balance or (ii) renounce the entire Rights Entitlement in favor of two or more Renouncees, the CAF must be first split into the requisite number of forms. For this purpose, you shall have to apply to the Registrar to the Issue. Please indicate your requirement of split application forms in the space provided for this purpose in Part D of the CAF and return the CAF to the Registrar to the Issue so as to reach them at the latest by the close of business hours on the last date for receiving requests for split application forms.

On receipt of the required number of split application forms from the Registrar to the Issue, the procedure as set out in paragraph (a) above will have to be followed.

In case the signature of the Equity Shareholder, who has renounced the Equity Shares, does not tally with the specimen registered with our Bank, the application is liable to be rejected.

A summary of the options available to the Equity Shareholders is set out below. You may exercise any of the following options with regard to the Equity Shares, using the CAF:

Option	**Option Available**	**Action Required**
A.	Accept your Rights Entitlement in full	Complete and sign Part A. (All joint holders must Sign)
B.	Accept your Rights Entitlement in part without renouncing the balance	Complete and sign Part A. (All joint holders must sign)
C.	Accept your Rights Entitlement in full and apply for additional Equity Shares	Complete and sign Part A including Block III relating to the acceptance of the Rights Entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)
D.	Renounce your Rights Entitlement in full to: 1. One person (Joint renounces are considered as one)	1) Complete and sign Part B (all joint holders must sign) indicating the number of Equity Shares renounced and hand it over to the Renouncee. The Renouncee must complete and sign Part C. (All joint renounces must sign)

Option	Option Available	Action Required
	2. More than one person	2) Complete and sign Part D (all joint holders must sign) requesting for split application forms. Send the CAF to the Registrar to the issue, so as to reach the Registrar on or prior to the last date for receiving requests for split application forms. Splitting will be permitted only once Upon receipt of the split application form, take action as indicated below: 1. Complete and sign Part B indicating the number of Equity Shares renounced and hand it over to the renounces. 2. Each of the renounces should complete and sign Part C for the Equity Shares with accepted by them.
E.	Accept a part of your Rights Entitlement and renounce the balance to one or more person(s)	Complete and sign Part D (all joint holders must sign) requesting for split application forms. Send the CAF to the Registrar to the Issue, so as to reach the Registrar on or prior to the last date for receiving requests for split application forms, Splitting will be permitted only once. Upon receipt of the split application form, take action as indicated below 1. For the Equity Shares you wish to accept, complete and sign Part A (All joint holders must sign) 2. For the Equity Shares you wish to renounce, complete and sign Part B indicating the number of Equity Shares with renounced and hand it over to the renounces 3. Each of the renounces should complete and sign Part C for the Equity Shares being accepted by them
F	Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the Renouncee must fill in and sign Part C.

3. Change and/ or introduction of additional holders

If you wish to apply for the Equity Shares jointly with any other person(s), not more than three, who is/are not already a joint holder(s) with you, it shall amount to a renunciation and the procedure for renunciation, as applicable, set out above will have to be followed. Even a change in the sequence of the names of joint holders shall amount to a renunciation and the procedure for renunciation, as applicable, set out above will have to be followed.

However, this right of renunciation is subject to the express condition that the Board of Directors of the Bank shall be entitled in its absolute discretion to reject the request for Allotment from the Renouncee(s) without assigning any reason thereof.

Please note that:

1. Part A of the CAF must not be used by any person(s) other than the Equity Shareholder to whom this DLOF has been addressed. If used, this will render the application invalid.

2. While applying for or renouncing their Rights Entitlement, joint holders must sign in the same order and as per the specimen signatures registered with our Bank.

3. Request for split application form should be made for a minimum of one Equity Share or in multiples of one Equity Share;

4. Request by the applicant for the Split Application Form should reach our Bank on or before [●].

5. Only the person to whom the Letter of Offer or Abridged Letter of Offer has been addressed to and not the renouncee(s) shall be entitled to renounce and to apply for split application forms. Forms once split cannot be split again.

6. Split form(s) will be sent to the applicant(s) by post at the applicant's risk.

7. In the case of a renunciation, the submission of the CAF to the Bankers to the Issue at the collecting branches specified on the reverse of the CAF together with Part B of the CAF duly completed shall be conclusive evidence of the right of the person applying for the Equity Shares to receive allotment of such Equity Shares.

For details on completing the CAF and other general instructions, please follow the instructions indicated on the reverse of the CAF. In addition, please refer to the sub-section titled "General Instructions for Applicants" under this chapter titled "*Terms and Procedure of the Issue*" on page 151 of this Draft Letter of Offer.

Investors must provide information in the CAF as to their savings bank / current account number and the name of the bank with whom such account is held, to enable the Registrar to print the said details in the refund orders after the names of the payee(s). Failure to comply with this may lead to rejection of the application. Bank account details furnished by the Depositories will be printed on the refund warrant in case of Equity Shares held in electronic form.

Investors must write their CAF Number at the back of the cheque/demand draft.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within 8 days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. Thus in case the original and duplicate CAFs are lodged for subscription, allotment will be made on the basis of the duplicate CAF and the original CAF will be ignored. If any Investor's request is in contravention of the above stipulation, he/ she shall face the risk of rejection of both the applications.

Our Bank or the Registrar to the Issue will not be responsible for postal delays or loss of duplicate CAF in transit, if any.

Applications by Non-resident Eligible Equity Shareholders

Applications received from the Non-resident Eligible Equity Shareholders for the Allotment of Rights Equity Shares shall, inter alia, be subject to the conditions as may be imposed from time to time by the RBI or any other regulatory authority, in the matter of refund of application moneys, Allotment of Rights Equity Shares, issue of letters of allotment/ certificates/ payment of dividends etc. The Letter of offer and CAF shall be despatched to Non-resident Eligible Equity Shareholders at their Indian address only.

Applications by Non Resident Indians

1. CAFs have been made available for eligible NRIs at our Registered Office and with the Lead Manager(s).

2. Eligible NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians and shall not use the forms meant for reserved category.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with demand draft (after deducting banking and postal charges) payable at Mumbai which should be drawn in favour of [●] in case of resident shareholders and non-resident shareholders applying on non-repatriable basis and in favour of [●] in case of non-resident shareholders applying on repatriable basis and send the same by registered post directly to the Registrar to the Issue so as to reach Registrar to the Issue on or before the Issue Closing Date. The envelope should be superscribed Central Bank of India – Rights Issue [•] in case of resident shareholders and Non-resident shareholders applying on non-repatriable basis, and Central Bank of India – Rights Issue in case of non-resident shareholders applying on repatriable basis. Application on plain paper will not be accepted from any U.S. address.

The application on plain paper, duly signed by the applicant(s) including joint holders, in the same order as per specimen recorded with our Bank, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

1. Name of Issuer, Central Bank of India
2. Name and address of the Equity Shareholder including joint holders
3. Registered Folio Number/ DP ID No. and Client ID No.
4. Number of shares held as on Record Date
5. Certificate numbers and distinctive numbers, if held in physical form.
6. Number of Rights Equity Shares entitled
7. Number of Rights Equity Shares applied for
8. Number of additional Equity Shares applied for, if any
9. Total number of Equity Shares applied for
10. Total Application Money paid on application at the rate of ₹ [•] per Equity Share
11. Particulars of demand draft
12. In case of Equity Shares allotted in physical form, Savings/Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order. In case of Equity Shares allotted in demat code, the bank account details will be obtained from the information available with the Depositories
13. The permanent account number (PAN) of the Equity Shareholder and where relevant, for each joint holder, except in respect of central and state government officials, residents of Sikkim (subject to the DP collects sufficient documentary evidence to verify that such persons are Sikkim residents) and officials appointed by the court (e.g. official liquidators and court receivers) who, in terms of a SEBI circular dated June 30, 2008 and July 20, 2006, may be exempt from specifying their PAN for transaction in the securities market, subject to submitting sufficient documentary evidence in support of their claim for exemption, provided that such transactions are undertaken on behalf of the central and State Government and not in their personal capacity
14. Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of our Bank.
15. In case of Non Resident Shareholders, NRE/ FCNR/ NRO A/c No. name and address of the bank and branch;

16. If payment is made by a draft purchased from NRE/ FCNR/ NRO A/c No., as the case may be, an account debit certificate from the bank issuing the draft, confirming that the draft has been issued by debiting NRE/ FCNR/ NRO account.

17. A representation that the Equity Shareholder is not a "U.S. Person" (as defined in Regulation S under the Securities Act) and is authorized to acquire the Equity Shares in compliance with the applicable laws and regulations;

18. Additionally, Non Resident applicants shall include the representation in writing that:

"I/We understand that the Rights Entitlement have not been, and will not be, registered under the Securities Act or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof or to, or for the account or benefit of, "**U.S. Persons**" (as defined in Regulation S under the Securities Act), except in a transaction exempt from, or in a transaction not subject to, the registration requirements of the Securities Act. The Rights Entitlement referred to in this application is being offered in India but not in the United States of America. The offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any shares or warrants or rights for sale in the United States, or the territories or possessions thereof, or as a solicitation therein of an offer to buy any of the said shares or warrants or rights. Accordingly, this application should not be forwarded to or transmitted in or to the United States at any time. None of our Bank, the Registrar, the Lead Managers or any other person acting on behalf of our Bank will accept subscriptions from any person, or the agent of any person, who appears to be, or who our Bank, the Registrar, the Lead Managers or any other person acting on behalf of our Bank has reason to believe is, a resident of the United States and to whom an offer, if made, would result in requiring registration of this application with the United States Securities and Exchange Commission.

I/We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorised or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/We understand and agree that the Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act."

Please note that Equity Shareholders who are making an application otherwise than on a CAF (i.e., on plain paper as stated above) shall not be entitled to renounce their rights and should not utilize the CAF for any purpose, including renunciation, even if it is received subsequently. If the Equity Shareholder does not comply with any of these requirements, he/she shall face the risk of rejection of both the applications and the Application Money received shall be refunded. However, our Bank and/or any Director of our Bank will not be liable to pay any interest whatsoever on the Application Money so refunded.

The Equity Shareholders are requested to strictly adhere to these instructions. Failure to do so could result in the application being rejected, with our Bank, the Lead Managers and the Registrar not having any liability to such Equity Shareholders.

IV. Submission of Application and Modes of Payment for the Issue (other than ASBA Applicants)

1. Resident Equity Shareholders/ Applicants

1. Applicants who are applying through CAF and residing at places where the bank collection centres have been opened by our Bank for collecting applications, are requested to submit their applications at the corresponding collection centre together with cheque / bank demand draft net of bank and postal charges, payable at Mumbai drawn on any bank (including a co-operative bank), for the full application amount favouring [●] and marked 'A/c Payee only'.

2. Applicants who are applying through CAF and residing at places other than places where the bank collection centres have been opened for collecting applications, are requested to send their applications together with a demand draft of amount after deducting bank and postal charges, for the full application amount favouring [●] and marked 'A/c Payee only' payable at Mumbai directly to the Registrar to the Issue by registered post so as to reach the Registrar to the Issue on or before the Issue Closing Date. Our Bank or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

3. Applicants who are applying on plain paper, are requested to send their applications on plain paper together with a demand draft of amount after deducting bank and postal charges, for the Equity Shares favouring [●] and marked 'A/c Payee only' payable at Mumbai directly to the Registrar to the Issue by registered post so as to reach the Registrar to the Issue on or before the Issue Closing Date. Our Bank or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

2. Non-Resident Equity Shareholders / Applicants

Application with repatriation benefits

Non-resident Equity Shareholders / applicants, applying on a repatriation basis, are required to submit the completed CAF / application on plain paper, as the case may be, along with the payment made through any of the following ways:

1. By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or

2. By local cheque / bank drafts remitted through normal banking channels or out of funds held in Non-Resident External Account (NRE) or FCNR Account maintained with banks authorized to deal in foreign currency in India, along with documentary evidence in support of remittance; or

3. By Indian Rupee draft purchased by debit to NRE/FCNR Account maintained elsewhere in India and payable in Mumbai; or FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

4. For Equity Shareholders / applicants, applying through CAF, the CAF is to be sent at the bank collection centre specified in the CAF along with cheques/drafts payable at Mumbai in favour of [●] and crossed 'A/c Payee only' for the amount payable.

5. For Equity Shareholders / Applicants, applying on a plain paper, the applications are to be directly sent to the Registrar to the Issue by registered post along with drafts (after deducting bank and postal charges) in favour of [●] payable at Mumbai and crossed 'A/c Payee only' for the amount payable so as to reach the Registrar to the Issue on or before the Issue Closing Date.

6. For Equity Shareholders/ Applicants applying through CAF but not residing at places where the collection centre is located, shall send the CAF to the Registrar to the Issue by registered post along with drafts of an amount after deducting bank and postal charges in favour of [●] payable at Mumbai and crossed 'A/c Payee only' for the amount payable so as to reach the Registrar to the Issue on or before the Issue Closing Date.

A separate cheque or bank draft must accompany each CAF. Applicants may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of NRIs who remit their application money from funds held in FCNR/NRE accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in U.S Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. Our Bank will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into U.S. Dollar or for collection charges charged by the applicant's Bankers.

Our Bank or the Registrar to the Issue will not be responsible for postal delays or loss of application in transit, if any Payments through Non Resident Ordinary Account (NRO account) will not be permitted.

Application without repatriation benefits

For Non-residents Equity Shareholders / applicants applying on a non-repatriation basis, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained at Mumbai or Rupee draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the Allotment of Equity Shares will be on non-repatriation basis.

For Non-resident Equity Shareholders/ applicants, applying through CAF, the CAF is to be sent at the bank collection centre specified in the CAF along with cheques/demand drafts payable at Mumbai drawn after deducting bank and postal charges in favor of [●] and crossed 'A/c Payee only' for the amount payable.

For Equity Shareholders/Applicants, applying on a plain paper, the applications are to be directly sent to the Registrar to the Issue by registered post along with demand drafts after deducting bank and postal charges drawn in favor of [●] so as to reach the Registrar to the Issue on or before the Issue Closing Date.

For Equity Shareholders/ Applicants applying through CAF but not residing at places where the collection centre is located, shall send the CAF to the Registrar to the Issue by registered post along with drafts of an amount after deducting bank and postal charges in favour of [●] for the amount payable so as to reach the Registrar to the Issue on or before the Issue Closing Date.

If the payment is made by a draft purchased from an NRE/FCNR/NRO account, an account debit certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRE/FCNR/NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New dematerialised accounts shall be opened for Equity Shareholders who have had that change in status from resident Indian to NRI.

Our Bank or the Registrar to the Issue will not be responsible for postal delays or loss of application in transit, if any, on this account and applications received through mail after Issue Closing Date are liable to be rejected. Applications through mails should not be sent in any other manner except as mentioned above. The CAF along with the Application Money must not be sent to our Bank or the Lead Managers or the Registrar except stated otherwise. The Investors are requested to strictly adhere to these instructions.

Renouncees who are NRIs/FIIs/Non-resident should submit their respective applications either by hand delivery or by registered post with acknowledgement due to the Registrar to the Issue only along with the cheque/demand draft payable at Mumbai so that the same are received on or before the Issue Closing Date.

Note:

1. In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.

2. In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.

3. The CAFs duly completed together with the amount payable on application must be deposited with the collecting bank indicated on the reverse of the CAFs before the close of business hours on or before the Issue Closing Date. Separate cheque or bank draft must accompany each CAF.

4. In case of a CAF received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

Last date of Application

The last date for submission of the duly filled in CAF is [●] i.e. the Issue Closing Date. The Issue will be kept open for a minimum of 15 days and the Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

If the CAF together with the Application Money is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board, the offer contained in this Draft Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose off the Equity Shares hereby offered, as provided under the paragraph titled *"Basis of Allotment"* beginning on page 167 of this Draft Letter of Offer.

INVESTORS MAY PLEASE NOTE THAT THE RIGHTS EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALISED FORM.

V. Basis of Allotment

Subject to the provisions contained in this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the enclosed CAF, the provisions of our Constitutional Documents and approval of the Designated Stock Exchange, the Board will proceed to allot our Equity Shares in the following order of priority:

(a) Full allotment to those Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s) who has/have applied for Equity Shares renounced in their favour, in full or in part.

(b) For Equity Shares being offered on a rights basis under this Issue, the shareholders holding [•] Equity Share on the Record Date will be offered [•] entitlement. In all other cases, the shareholders fractional entitlements on the Record Date will be ignored if such entitlement is less than [•] and will be rounded off to the next integer if the entitlement is [•] or more. Eligible Equity Shareholders whose fractional entitlements are being ignored would be given preference in allotment of one additional Rights Equity Share each if they apply for additional Rights Equity Shares. Allotment under this head shall be considered if there are any unsubscribed Rights Equity Shares after Allotment under (a) above. If the number of Rights Equity Shares required for Allotment under this head are more than the number of Rights Equity Shares available after allotment under (a) above, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

(c) Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares, the Allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such Equity Shares will be at the sole discretion of the Board / Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and will not be a preferential allotment.

(d) Allotment to Renouncees who having applied for all the Equity Shares renounced in their favour, have applied for additional Equity Shares provided there is surplus available after making full Allotment under (a), (b) and (c) above. The Allotment of such Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.

(e) Allotment to any other person as the Board may in its absolute discretion deem fit provided there is surplus available after making full Allotment under (a), (b) (c) and (d) above.

After taking into account Allotment to be made under (a) and (b) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purpose of regulation 3(1)(b) of the Takeover Code which would be available for allocation under (c), (d) and (e) above..

After such Allotments as above, including the application for rights/renunciation and additional Equity Shares, any additional Equity Shares shall be disposed off by the Board of our Bank, in such manner as they think most beneficial to our Bank and the decision of the Board of our Bank in this regard shall be final and binding.

In the event of oversubscription, Allotment will be made within the overall size of the Issue

Our Bank expects to complete the allotment of Equity Shares within a period of 15 days from the Issue Closing Date in accordance with the Listing Agreement with NSE and BSE. In case of delay in Allotment our Bank shall, be required to pay interest on the same at a rate of 15 per cent p.a.

Our Bank shall retain no oversubscription.

Underwriting

Our Bank has not currently entered into any underwriting arrangement with Lead Managers in connection with the Issue.

VI. Allotment and Refund

Our Bank will issue and dispatch Allotment advice/letters of Allotment/Share Certificates/demat credit and/or letters of regret along with refund orders or credit the allotted Equity Shares to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date. If the amount to be refunded is not paid within eight days from the day our Bank becomes liable to pay it, our Bank and every Director of our Bank who is an officer in default shall be jointly and severally liable to repay the money with interest for the delayed period at 15% p.a..

Investors residing at 68 cities as set out in SEBI circular dated February 1, 2008 at centers where clearing houses are managed by the Reserve Bank of India ("**RBI**"), payment of refund would be done through NECS for applicants having an account at any of the centres where such facility has been made available to get refunds through direct credit and real time gross settlement ("**RTGS**").

In case of those Equity Shareholders or applicants who have opted to receive the Equity Shares in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Equity Shares shall be given separately. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of Issue Closing Date.

In case of those Equity Shareholders or applicants who have opted to receive the Equity Shares in physical form and in respect of which our Bank issues letters of Allotment, the corresponding Share Certificates will be delivered within three months from the date of Allotment thereof or such extended time as may be approved by the Bank Law Board under Section 113 of the Companies Act or other applicable provisions, if any. Allottees are requested to preserve such letters of Allotment, which will subsequently be exchanged for the Share Certificates.

The Allotment advice/letters of Allotment and refund orders exceeding ₹ 1,500 will be sent by registered post/speed post to the sole/first applicant's registered address in India. Refund orders up to the value of ₹ 1, 500/- will be sent under certificate of posting. Such refund orders will be payable at par at all places where the applications were originally accepted. The same will be marked "account payee only" and will be drawn in favor of the sole/first applicant. Adequate funds will be made available to the Registrar to the Issue for this purpose.

Our Bank shall ensure at par facility is provided for encashment of refund orders or pay orders at the places where applications are accepted.

As regards allotment/refund to Non-residents, the following further conditions shall apply

In the case of Non-resident Equity Shareholders or applicants who remit their Application Money from funds held in NRE/FCNR Accounts, refunds and/or payment of interest or dividend and other disbursements, if any, shall be credited to such accounts, the details of which should be furnished in the CAF. Subject to the approval of the RBI, in case of Non-resident Equity Shareholders or applicants who remit their application money through Indian Rupee demand drafts purchased from abroad, refund and/or payment of dividend or interest and any other disbursement, shall be credited to such accounts and will be made after deducting bank charges or commission in US Dollars, at the rate of exchange prevailing at such time. The Bank will not be responsible for any loss on account of exchange rate fluctuations for conversion of the Indian Rupee amount into US Dollars. The Share Certificate(s) will be sent by registered post to the address in India of the Non Resident Equity Shareholders or applicants.

The Letter of Offer/ Abridged Letter of Offer and the CAF shall be dispatched to only such Non-resident Equity Shareholders who have registered office address in India.

Mode of making Refund

Applicants should note that on the basis of name of the applicants, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the CAF, the Registrar to the Issue will obtain from the Depositories, the applicant's bank account details including nine digit MICR code. **Hence, applicants 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 applicants at the applicant's sole risk and neither the Lead Managers nor our Bank shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference:

I. NECS

Payment of refund would be done through NECS for applicants having an account at one of the centres specified by the RBI, where such facility has been made available.

This would be subject to availability of complete bank account details including MICR code wherever applicable from the depository. The payment of refund through NECS is mandatory for applicants having a bank account at any of the centres where NECS facility has been made available by the RBI (subject to availability of all information for crediting the refund through ECS), except where applicant is otherwise disclosed as eligible to get refunds through NEFT or Direct Credit or RTGS.

II. NEFT

Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) , if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. **Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.**

III. Direct Credit

Applicants that have bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Bankers to the Issue for the same will be borne by our Bank.

IV. RTGS

Payment of refund shall be undertaken through IFSC wherever the Applicants' bank has been assigned the Indian Financial System Code (IFSC).

Applicants having a bank account at any of the centres specified by RBI where such facility has been made available and whose refund amount exceeds ₹ 0.1 Million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Bank opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

For all the other applicants except for whom payment of refund is possible through I, II, III and IV, the refund orders would be dispatched "Under Certificate of Posting" for refund orders less than ₹ 1,500/- and through Speed Post/Registered Post for refund orders exceeding ₹ 1,500/-. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first applicant and payable at par.

Credit of refunds to Investors in any other electronic manner permissible under the banking laws, which are in force, and are permitted by the SEBI from time to time.

For shareholders opting for Allotment in physical mode, bank account details as mentioned in the CAF shall be considered for electronic credit or printing of refund orders, as the case may be. Refund orders will be made by cheques, pay orders or demand drafts drawn on the Refund Bank(s) and payable at par at places where the applications were received and will be marked account payee and will be drawn in the name of Sole/First Applicant. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Applicants.

Refund payment to Non-Resident

Where applications are accompanied by Indian rupee drafts purchased abroad and payable at [•] (as otherwise specified in this section titled "Terms and Procedure of the Issue"), refunds will be made in convertible U.S. dollars equivalent to Indian rupees to be refunded. Indian rupees will be converted into U.S. dollars at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned applicant and our Bank shall not bear any part of the risk.

Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO accounts respectively, on which such cheques were drawn and details of which were provided in the CAF. Export of letters of Allotment (if any)/ Share Certificates/ demat credit to Non-resident allottees will be subject to the approval of RBI.

Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders

Our Bank will issue and dispatch letters of Allotment/ Share Certificates and/ or letters of regret along with refund order or credit the allotted Equity Shares to the respective beneficiary accounts, if any within a period of fifteen days from the Issue Closing Date. The dispatch of share certificates/ refund orders and demat credit will be completed and the allotment and listing documents will be submitted to the stock exchanges within 15 days from the closure of the Issue.

If such money is not repaid within 8 days from the day our Bank becomes liable to pay it, our Bank shall pay that money with interest at the rate of 15% p.a.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. The Bank will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Allotment advice /Share Certificates/Demat Credit

Allotment advice/ Share Certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named Investor or respective beneficiary accounts will be credited within 15 days, from the Issue Closing Date. In case the Bank issues Allotment advice, the relative Share Certificates will be dispatched within one month from the date of the Allotment. Allottees are requested to preserve such allotment advice (if any) to be exchanged later for share certificates.

Option to receive Equity Shares in Dematerialized Form

Applicants to the Equity Shares of our Bank issued through this Issue shall be allotted the Equity Shares in dematerialised (electronic) form at the option of the applicant. Our Bank has signed agreements dated July 11, 2007 and July 10, 2007 with NSDL and CDSL respectively, which enables the Investors to hold and trade in Equity Shares in a dematerialised form, instead of holding the securities in the form of physical certificates.

In this Issue, the allottees who have opted for Equity Shares in dematerialised form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a Depository Participant. The CAF shall contain space for indicating number of shares applied for in demat and physical form or both. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. CAF, which do not accurately contain this information, will be given the Equity Shares in physical form. No separate applications for Equity Shares in physical and/or dematerialized form should be made. If separate applications are made, the application for physical Equity Shares will be treated as multiple applications and is liable to be rejected. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR BANK CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

Procedure for availing the facility for allotment of Equity Shares in this Issue in the electronic form is as under:

1. Open a beneficiary account with any Depository Participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is exhibited in the records of our Bank. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as with our Bank). In case of Investors having various folios in our Bank with different joint holders, the Investors will have to open separate accounts for such holdings. Those Equity Shareholders who have already opened such Beneficiary Account(s) need not adhere to this step.

2. For Equity Shareholders already holding Equity Shares of our Bank in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. It may be noted that the allotment of Equity Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares of our Bank are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of our Bank.

3. Responsibility for correctness of information (including applicant's age and other details) filled in the CAF vis-à-vis such information with the applicant's Depository Participant, would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be the same as registered with the applicant's Depository Participant.

4. If incomplete / incorrect beneficiary account details are given in the CAF or where the investor does not opt to receive the Equity Shares in dematerialized form, the applicant will get Equity Shares in physical form.

5. Applicants must necessarily fill in the details (including the beneficiary account number or client ID number) appearing in the CAF under the heading 'Request for shares in Electronic Form'.

6. Applicants should ensure that the names of the Applicants and the order in which they appear in the CAF should be the same as registered with the applicant's Depository Participant.

7. The Equity Shares allotted pursuant to this Issue allotted to investors opting for dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment

advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue. The applicant's Depository Participant will provide to him the confirmation of the credit of such Equity Shares to the applicant's depository account.

8. Renouncees will also have to provide the necessary details about their beneficiary account for Allotment of securities in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.

9. Renouncees can also exercise the option to receive Equity Shares in the demat form by indicating in the relevant column in the CAF and providing the necessary details about their beneficiary account. It may be noted that Equity Share arising out of this Issue can be received in demat form even if the existing Equity Shares are held in physical form. Nonetheless, it should be ensured that the Depository Participant account is in the name of the applicant(s) in the same order as per specimen signatures appearing in the records of the Depository Participant/Bank. It may be noted that shares in electronic form can be traded only on the Stock Exchange having electronic connectivity with NSDL or CDSL.

10. Dividend or other benefits with respect to the Equity Shares held in dematerialised form would be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the Depository Participant to our Bank as on the Record Date.

11. It may be noted that shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL.

VII. General instructions for applicants

(a) Please read the instructions printed on the enclosed CAF carefully.

(b) Application should be made on the printed CAF, provided by our Bank except as mentioned under the head "**Application on Plain Paper"** and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Draft Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the applicants, details of occupation, address, father's / husband's name must be filled in block letters.

(c) The applicant may accept the Rights Entitlement and apply for the Equity Shares offered, either in full or in part by filling Block III of Part A of the enclosed CAF and submit the same along with the application money payable to the Bankers to the Issue or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as be specified by the Board of Directors thereof in this regard.

(d) Payments should be made in cheque/demand draft drawn on any bank which is situated at and is a member of sub-member of the banker's clearing house located at the centre where application is accepted. Outstation cheques/ demand drafts will not be accepted and application(s) accompanied by such cheques/demand drafts will be rejected. The Registrar will not accept cash along with CAF.

(e) The CAF together with cheque / demand draft should be sent to the Bankers to the Issue / collecting bank or to the Registrar to the Issue and not to **our Bank or Lead Managers** to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by our Bank for collecting applications, will have to make payment by demand draft payable at [•] of amount after deducting bank and postal charges, and send their application forms to the Registrar to the Issue by REGISTERED POST. If any portions of the CAF is / are detached or separated or if the application is sent to anyone other than the Bankers to the Issue / collecting bank or to the Registrar to the Issue such application is liable to be rejected.

Applications where separate cheques/demand drafts are not attached for amounts to be paid for Equity Shares are liable to be rejected.

(f) PAN Number: Whenever the application(s) is/are made, the applicant or in the case of an application in joint names, each of the applicants, should mention his/her Permanent Account Number (PAN) allotted under the IT Act. The copy of the PAN card or PAN allotment letter is not required to be submitted with the CAF. Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Applicant should not submit the GIR number instead of the PAN as the application will get rejected on this ground. In terms of SEBI Circulars bearing no. MRD/DoP/Cir-20/2008 dated June 30, 2008 and July 20, 2006, certain categories of investors (namely the Central Government, State Government, residents of Sikkim and the officials appointed by the courts e.g. Official liquidator, Court receiver etc. (under the category of Government)) shall be exempted from submitting their PAN, only if such organisations submit sufficient documentary evidence to support the veracity of their claim for such exemption.

(g) Bank Account Details: It is mandatory for applicants to provide information as to their savings/current account number and the name of the bank with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected. **SHAREHOLDERS MAY PLEASE NOTE THAT FOR SHARES HELD IN DEMAT MODE, THE BANK ACCOUNT DETAILS SHALL BE OBTAINED FROM THE DEPOSITORIES. SHAREHOLDERS MAY ENSURE THAT THE BANK ACCOUNT DETAILS ARE UPDATED WITH THE DEPOSITORIES.**

(h) Payment by cash: The Registrar will not accept any payments against any applications, if made in cash. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.

(i) Signatures should be either in English or Hindi or in any other language specified in the Eight Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with our Bank or depositories.

(j) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the memorandum and articles of association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case the above referred documents are already registered with our Bank, the same need not be a furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Bankers to the Issue.

(k) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Bank. Further, in case of joint applicants who are renouncees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.

(l) Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, *inter alia*, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of share certificates, etc. In case a Non-Resident or PIO/NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF. **The Abridged Letter of Offer and CAF shall be dispatched to non-resident Eligible Equity Shareholders at their Indian address only.**

(m) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of allotment, should be sent to Registrar to our Bank; **Link Intime India Pvt. Ltd.**, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400078 in the case of Equity Shares held in physical form and to the respective depository participant, in case of Equity Shares held in dematerialized form.

(n) Split Application Forms cannot be re-split.

(o) Only the person or persons to whom Equity Shares have been offered and not renouncee(s) shall be entitled to obtain split forms.

(p) Applicants must write their CAF number at the back of the cheque / demand draft.

(q) Only one mode of payment per application should be used. The payment must be by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.

(r) A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or postdated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash.

(s) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

(t) An applicant which is a mutual fund can make a separate application in respect of each scheme of the mutual fund registered with SEBI and such applications in respect of more than one scheme of the mutual fund shall not be treated as multiple applications provided that the application clearly indicate the scheme concerned for which the application has been made. The application made by the asset management company or custodian of a mutual fund shall clearly indicate the name of the concerned scheme for which the application is made.

Procedure for Applications by Mutual Funds

A separate application can be made in respect of each scheme of an Indian mutual fund registered with the SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

Applications made by asset management companies or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

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 NAV in the Rights 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.

Grounds for Technical Rejections

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

1. Applications which are not completed or are not accompanied with the application money payable, are liable to be rejected;

2. Amount paid does not tally with the amount payable for;

3. Bank account details (for refund) are not given;

4. In case of physical shareholders, bank account details (for refund) are not given;

5. Age of first applicant not given;

6. PAN allotted under the IT Act has not been mentioned by the applicant, except for CAFs on behalf of central or state government officials appointed by the Courts or residents of Sikkim;

7. In case of Application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;

8. If the signature of the existing shareholder does not match with the one given on the Application Form and for renouncees if the signature does not match with the records available with their depositories;

9. If the Applicant desires to receive Equity Shares in electronic form, but the CAF does not have the Applicant's depository account details;

10. CAF are not submitted by the Applicants within the time prescribed as per the CAF and the Letter of Offer and the Abridged Letter of Offer;

11. Applications not duly signed by the sole/joint Applicants;

12. Applications by OCBs unless approved by RBI;

13. Applications accompanied by Stockinvest;

14. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's identity;

15. Applications by ineligible Non-residents on account of restriction or prohibition under applicable local laws.

16. Applications that do not include the certification set out in the CAF to the effect that the subscriber is not a U.S. Person and is purchasing the Equity Shares in an "offshore transaction" (as defined in Regulation S), and is authorised to acquire the Equity Shares in compliance with all applicable laws and regulations; and where a registered address in India has not been provided

17. Applications which have evidence of being executed in/dispatched from the US

18. Applications where our Bank believes that the CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; or

19. Multiple applications, including where an applicant submits a CAF and a plain paper application.

20. Duplicate Applications, including cases where an investor submits CAFs along with plain paper applications.

21. Applications by Renouncees who are persons not competent to contract under the Indian Contract Act, 1872, including minors;

22. In case the GIR number is submitted instead of the PAN;

23. Please read the Abridged Letter of Offer and the instructions contained therein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of the Letter of Offer and Abridged Letter of Offer and must be carefully followed. An application is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.

Procedure for Application through the Applications Supported by Blocked Amount ("ASBA") Process

SEBI, by its circular dated August 20, 2009, introduced in rights issue - application supported by blocked amount wherein the Application Money remains in the ASBA Account until Allotment. Mode of payment through ASBA in rights issue became effective on August 20, 2009. Since this is a new mode of payment in rights issues, set forth below is the procedure for applying under the ASBA procedure, for the benefit of the shareholders.

This section is only to facilitate better understanding of aspects of the procedure which is specific to ASBA investors. ASBA investors should nonetheless read this document in entirety.

The Bank and the Lead Managers are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Draft Letter of Offer. Equity shareholders who are eligible to apply under the ASBA process are advised to make their independent investigations and ensure that the number of Equity Shares applied for by such Equity Shareholders do not exceed the applicable limits under laws or regulations**.**

ASBA Process

An ASBA Investor can submit his application through CAF/plain paper, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA investor or bank account utilised by the ASBA investor is maintained. The SCSB shall block an amount equal to the application amount in the ASBA Account specified in the CAF, physical or electronic, on the basis of an authorisation to this effect given by the account holder at the time of submitting the CAF. The application data shall thereafter be uploaded by the SCSB in the web enabled interface of the Stock Exchanges as prescribed under circular issued by SEBI - SEBI/CFD/DIL/DIP/38/2009/08/20 dated August 20, 2009 or in such manner as may be decided in consultation with the Stock Exchanges. The amount payable on application shall remain blocked in the ASBA Account until finalisation of the basis of allotment and consequent transfer of the amount against the allocated Equity Shares to the separate account opened by the Bank for Rights Issue or until failure of the Issue or until rejection or withdrawal of the ASBA application, as the case may be. Once the basis of allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful ASBA Investors to the separate account opened by the Bank for Rights Issue. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue

The Lead Managers, our Bank, its directors, and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to applications accepted by SCSBs, applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.

Equity Shareholders who are eligible to apply under the ASBA Process

The option of applying for Equity Shares in the Issue through the ASBA process is only available to a shareholder of our Bank on the Record Date and who:

- Is holding Equity Shares in dematerialised form and has applied for entitlements or additional Equity Shares in the Issue in dematerialised form;
- Has not renounced his entitlements in full or in part;
- Has not split the CAF;
- Is not a Renouncee to the Issue;
- Applies through blocking of funds in bank account maintained with one of the SCSBs.

CAF

The Registrar will dispatch the CAF to all Equity Shareholders as per their entitlement on the Record Date for the Issue. Those Equity Shareholders who wish to apply through the ASBA payment mechanism will have to select for this mechanism in Part A of the CAF and provide necessary details.

Application in electronic mode will only be available with such SCSB who provides such facility. The Equity Shareholder shall submit the CAF to the SCSB for authorizing such SCSB to block an amount equivalent to the Application Money in the said bank account maintained with SCSB. Please note, no more than 5 applications (including CAF and plain paper) can be submitted per bank account in the Issue. In case of withdrawal / failure of the Issue, the Lead Managers, through the Registrar to the Issue, shall notify the SCSBs to unblock the blocked amount of the Equity Shareholder applying through ASBA within one day from the day of receipt of such notification.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain a duplicate CAF and wanting to apply under ASBA process may make an application to subscribe for the Issue on plain paper.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with our Bank, must be submitted at a Designated Branch of a SCSB on or before the Issue Closing Date and should contain the following particulars;

- Name of the Issuer, being Central Bank of India;
- Name and address of the Equity Shareholder, including any joint holders;
- DP ID number and client ID number;
- Number of Equity Shares held as on the Record Date;
- Rights Entitlement;
- Number of Equity Shares applied for;
- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Total Application Money;
- Savings/Current Account Number along with name and address of the SCSB and Designated Branch from which the money will be blocked;
- The permanent account number (PAN) of the Equity Shareholder and where relevant, for each joint holder, except in respect of Central and State Government officials, residents of Sikkim and officials appointed by the court (e.g., official liquidators and court receivers) who, in terms of a SEBI circulars dated June 30, 2008 and July 20, 2006, may be exempt from specifying their PAN for transacting in the securities market, subject to submitting sufficient documentary evidence in support of their claim for exemption, provided that such transactions are undertaken on behalf of the Central and State Government and not in their personal capacity;
- A representation that the Equity Shareholder is not a "U.S. Person" (as defined in Regulation S under the Securities Act);
- Signature of the Equity Shareholders to appear in the same sequence and order as they appear in the records of our Bank;
- Incase of Non Resident Shareholders, NRE/FCNR/NRO A/c no., name and address of the SCSB and Branch
- In the application, the ASBA Investor shall, inter alia, give the following confirmations/declarations:

  a. That he/she is an ASBA Investor as per the SEBI ICDR Regulations and

  b. That he/she has authorized the SCSBs to do all acts as are necessary to make an application in the Issue, upload his/her application data, block or unblock the funds in the ASBA Account and transfer the funds from the ASBA Account to the separate account maintained by our Bank for Rights Issue after finalization of the basis of allotment entitling the ASBA Investor to receive Equity Shares in the Issue etc

The Equity Shareholder shall submit the plain paper application to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB

If an applicant makes an application in more than one mode i.e. both in the CAF and on plain paper, then both the applications may be liable for rejection.

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on http://www.sebi.gov.in/pmd/scsb.html. For details on Designated branches of SCSB collecting the CAF, please refer the above mentioned SEBI link.

If the Investor violates any of these requirements, he/she shall face the risk of rejection of both the applications. Our Bank shall refund such application amount to the Investor without any interest thereon.

Acceptance of the Issue

You may accept the Rights Entitlement and apply for the Equity Shares offered, either in full or in part without renouncing the balance,, by filling Part A of the CAF sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of our Bank in this regard.

Mode of payment

The shareholder applying under the ASBA Process agrees to block the entire amount payable on application (including for additional Equity Shares, if any) with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the Application Money, in a bank account maintained with the SCSB.

Any amount equivalent to the Application Money paid in cash, by money order or by postal order, or a CAF of an ASBA applicant accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the SCSB bank accounts, shall not be accepted. After verifying that sufficient funds are available in the bank account provided in the CAF, the SCSB shall block an amount equivalent to the Application Money mentioned in the CAF until it receives instructions from the Registrar to unblock the Application Money on withdrawal or rejection of the CAF. Upon receipt of intimation from the Registrar, the SCSBs shall transfer such amount as per Registrar's instruction allocable to the shareholders applying under the ASBA process from bank account with the SCSB mentioned by the shareholder in the CAF. This amount will be transferred in terms of the SEBI Regulations, into the separate bank account opened by our Bank for the Rights Issue. The balance amount remaining after the finalisation of the basis of allotment shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Managers to the respective SCSB.

However, the Application Money may be unblocked in the ASBA Account prior to receipt of notification from the Registrar to the Issue by the Controlling Branch in relation to the finalization of the basis of allotment in the Issue in the event of withdrawal or failure of the Issue or a withdrawal or rejection of the CAF submitted by an ASBA applicant, as the case may be. In the event of withdrawal or rejection of a CAF, the Registrar to the Issue shall give instructions to the controlling branch to unblock the Application Money in the relevant ASBA Account, within one day of receipt of such instructions.
The shareholders applying under the ASBA process would be required to block the entire amount payable on their application at the time of the submission of the CAF. The SCSB may reject the application at the time of acceptance of CAF if the bank account with the SCSB details of which have been provided by the shareholder in the CAF does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, our Bank would have a right to reject the application only on technical grounds.

Electronic Registration of applications

Upon receipt of the CAF, or the plain paper applications, as the case may be, the Designated Branch of the SCSBs shall register and upload the applications using the online facilities of the Stock Exchanges.

At the time of registering each application, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:

- Name of the Equity Shareholder(s);
- Application Number;
- Permanent Account Number; and
- Depository Participant identification number and client identification number of the ASBA applicant's beneficiary account.

A system generated TRS will be given to the ASBA applicant upon request as proof of the registration of the application. It is the ASBA applicant's responsibility to obtain the TRS from the relevant Designated Branches of the SCSBs. The registration of the application by the Designated Branch of the SCSB does not guarantee that the Equity Shares applied for shall be allocated to the ASBA applicant. Such TRS will be nonnegotiable and by itself will not create any obligation of any kind.

The Stock Exchanges offer a screen-based facility for registering applications for this Issue which will be available on the terminals of Designated Branches during the Issue period. The permission given by the Stock Exchanges to use their screen-based facility should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Bank, or the Lead Managers or the Designated Branches of the SCSBs have been cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements; nor does it take any responsibility for the financial or other soundness of the Bank. The Designated Branches can also set up facilities for offline electronic registration of applications subject to the condition that they will subsequently upload the offline data file into the online facilities on a regular basis.

Options available to the shareholder applying under the ASBA Process

The summary of options available to the shareholders is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the CAF received from Registrar:

Option Available	Action Required
1 Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A of the CAF (All joint holders must sign)
2 Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)

The shareholder applying under the ASBA Process will need to select the ASBA option process in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the SCSB with the relevant details required under the ASBA process option and SCSB blocks the requisite amount, then that CAF would be treated as if the shareholder has selected to apply through the ASBA process option.

On selecting the ASBA option in the CAF, the ASBA applicant confirms that he/she is an ASBA Applicant under the applicable provisions of the SEBI ICDR Regulations and is deemed to have authorized: (i) the SCSBs to do all acts as are necessary to make an application in the Issue, blocking or unblocking of funds in the ASBA Account and transfer funds to the Bank's account on receipt of instruction from the Registrar to the Issue after finalization of the basis of allotment; and (ii) the Registrar to the Issue to issue instructions to the SCSBs to unblock the funds in the ASBA Account, upon finalization of the basis of allotment.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares (as the case may be) that you are entitled too, provided that you have applied for all the Equity Shares (as the case may be) offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and Allotment shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under paragraph titled "Basis of Allotment" on page 167 of this Draft Letter of Offer.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional Equity Shares in Part A of the CAF.

Renunciation under the ASBA Process

Renouncees cannot participate in the ASBA Process. Eligible Equity Shareholders are renouncing their Rights Entitlement in whole or in part will not be eligible to apply under the ASBA process.

Last date of Application

The last date for submission of the duly filled in CAF is [●]. The Issue will be kept open for a minimum of 15 days and the Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date. If the CAF together with the amount payable is not received by the Bankers to the Issue/Registrar to the Issue or if the CAF is not received by the SCSB on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/Committee of Directors, the offer contained in the Draft Letter of Offer shall be deemed to have been declined and the Board/Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under paragraph titled "Basis of Allotment" on page 167 of this Draft Letter of Offer.

Option to receive Equity Shares in Dematerialized Form

SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR BANK UNDER THE ASBA PROCESS CAN ONLY BE ALLOTTED IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE BEING HELD ON RECORD DATE.

Issuance of Intimation Letters

Upon approval of the basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the Controlling Branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

- The number of Equity Shares to be allotted against each successful ASBA;
- The amount to be transferred from the ASBA Account to the separate account opened by our Bank for Rights Issue, for each successful ASBA;
- The details of rejected ASBAs, if any, along with reasons for rejection to enable SCSBs to unblock the respective ASBA Accounts.

General instructions for shareholders applying under the ASBA Process

(a) Please read the instructions printed on the CAF carefully.

(b) Application should be made on the printed CAF/ plain paper only and should be completed in all respects. The CAF/ plain paper application found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Draft Letter of Offer are liable to be rejected. The CAF/ plain paper application must be filled in English.

(c) The CAF/ plain paper application in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to our Bank or Registrar or Lead Managers to the Issue.

(d) All applicants, and in the case of application in joint names, each of the joint applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. CAFs without PAN will be considered incomplete and are liable to be rejected.

(e) All payments will be made by blocking the amount in the bank account maintained with the SCSB. Payment by cash/cheque/demand draft is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the Application Money will be refunded and no interest will be paid thereon.

(f) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Thumb impression and Signatures other than in English or Hindi must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The shareholders must sign the CAF as per the specimen signature recorded with our Bank/or Depositories.

(g) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Bank. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.

(h) All communication in connection with application for the Equity Shares, including any change in address of the shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first/sole applicant shareholder, folio numbers and CAF number.

(i) Only the person or persons to whom Equity Shares have been offered and not renouncee(s) shall be eligible to participate under the ASBA process.

Do's:

a. Ensure that the ASBA process option is selected in part A of the CAF and necessary details are filled in. In case of non- receipt of the CAF, the application can be made on plain paper indicating the application through ASBA payment mechanism with all necessary details as indicated in this chapter titled "*Terms and Procedure of the Issue*" on page 151 of this Draft Letter of Offer.

b. In case your SCSB does not offer payment by electronic mode, please ensure that you submit your application in physical mode. Electronic mode is only available with certain SCSBs and not all SCSBs and you should ensure that your SCSB offers such facility to you.

c. Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.

d. Ensure that the CAFs are submitted at the SCSBs whose details of bank account have been provided in the CAF.

e. Ensure that you have mentioned the correct bank account number in the CAF.

f. Ensure that there are sufficient funds (equal to {number of Equity Shares applied for} X {Issue Price per Equity Share as the case may be}] available in the bank account maintained with the SCSB mentioned in the CAF before submitting the CAF to the respective Designated Branch of the SCSB.

g. Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the CAF, in the bank account maintained with the respective SCSB, of which details are provided in the CAF and have signed the same.

h. Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF/plain paper application in physical form.

i. Except for applications on behalf of the Central or State Government and the officials appointed by the courts and Sikkim residents, each applicant should mention their PAN allotted under the I. T. Act.

j. Ensure that the name(s) given in the CAF/ plain paper application is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF/ plain paper application.

k. Ensure that the Demographic Details are updated, true and correct, in all respects.

Don’ts:

a. Ensure that the Demographic Details are updated, true and correct, in all respects.

b. Do not apply on duplicate CAF after you have submitted a CAF to a Designated Branch of the SCSB.

c. Do not pay the amount payable on application in cash, by money order or by postal order.

d. Do not send your physical CAF/plain paper application to the Lead Managers to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB / Bank; instead submit the same to a Designated Branch of the SCSB only.

e. Do not submit the GIR number instead of the PAN as the application will get rejected on this ground.

f. Do not instruct their respective SCSBs to release the funds blocked under the ASBA process.

g. Do not submit more than 5 applications (including CAF and plain paper applications) per bank account maintained with an SCSB for the Issue.

Grounds for Technical Rejection for ASBA Process:

In addition to the grounds listed under paragraph titled “Grounds for Technical Rejection” mentioned on page 174 of this Draft Letter of Offer, applications under ASBA Process can be rejected on following additional grounds:

a. Application on split form.

b. Application for entitlements or additional Equity Shares in physical form.

c. DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar to the Issue.

d. Sending CAF/plain paper application to a Lead Managers / Registrar / Collecting Bank (assuming that such Collecting Bank is not a SCSB) / to a branch of a SCSB which is not a Designated Branch of the SCSB / Bank.

e. Renouncee applying under the ASBA process.

f. Insufficient funds are available with the SCSB for blocking the amount.

g. Funds in the bank account with the SCSB whose details are mentioned in the CAF having been frozen pursuant to regulatory orders.

h. Account holder not signing the CAF or declaration mentioned therein.

i. Application by shareholder holding Equity Shares in physical form

j. Submitting the GIR instead of the PAN.

k. Submitting more than 5 applications (including CAF and plain paper application) per bank account maintained with the SCSB for the Issue.

COMMUNICATIONS

All future communication in connection with ASBA applications made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first ASBA Investor, CAF number, details of Depository Participant, number of Equity Shares applied for, date of CAF, name and address of

the Designated Branch where the application was submitted and bank account number of the ASBA Account, with a copy to the relevant SCSB. The Registrar to the Issue shall obtain the required information from the SCSBs for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or willful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held.

ASBA Investors can contact the Compliance Officer, the Designated Branch where the application was submitted, or the Registrar to the Issue in case of any pre or post-Issue related problems such as non receipt of credit of Allotted Equity Shares in the respective beneficiary accounts, blocking of excess amount, etc.

Depository account and bank details for shareholders applying under the ASBA Process

IT IS MANDATORY FOR ALL THE SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF/PLAIN PAPER APPLICATION. SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF/ PLAIN PAPER APPLICATION 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 CAF/ PLAIN PAPER APPLICATION.

Shareholders applying under the ASBA Process should note that on the basis of name as provided by them, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF/ plain paper application, the Registrar to the Issue will obtain from the Depository their demographic details such as address, bank account details for printing on refund orders / advice and occupation ("Demographic Details"). Hence, shareholders applying under the ASBA process should carefully fill in their Depository Account details in the CAF/ plain paper application.

These Demographic Details would be used for all correspondence with such shareholders including mailing of the letters intimating unblock of ASBA Account of the respective Shareholder. The Demographic Details given by shareholders in the CAF/ plain paper application would not be used for any other purposes by the Registrar. Hence, shareholders are advised to update their Demographic Details as provided to their Depository Participants. By signing the CAF/ plain paper application, the shareholders applying under the ASBA process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating allotment and intimation of unblocking or refund (if any) would be mailed at the address of the shareholder applying under the ASBA process as per the Demographic Details received from the Depositories. Refunds, if any, will be made directly to the bank account in the SCSB and which details are provided in the CAF and not the bank account linked to the DP ID. Shareholders applying under the ASBA process may note that delivery of letters intimating unblocking of bank account 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 shareholder in the CAF would be used only to ensure dispatch of letters intimating unblocking of bank account.

Note that any such delay shall be at the sole risk of the shareholders applying under the ASBA process and none of the Bank, the SCSBs or the Lead Managers shall be liable to compensate the Shareholder applying under the ASBA process for any losses caused to such shareholder 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 the parameters, namely, names of the shareholders (including the order of names of joint holders), the DP ID and the beneficiary account number, client ID and PAN mentioned in the CAF then such applications are liable to be rejected.

Transfer of Funds

The Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA bank accounts for (i) transfer of requisite funds to the separate bank account maintained by our Bank, (ii) rejected / unsuccessful ASBAs.

In case of failure or withdrawal of the Issue, on receipt of appropriate instructions from the Lead Managers through the Registrar to the Issue, the SCSBs shall unblock the bank accounts latest by the next day of receipt of such information.

Applications through ASBA under Power of Attorney

In case of applications made under the ASBA process pursuant to a power of attorney, a certified copy of the power of attorney must be submitted along with the CAF/plain paper application. Failing this, the Bank reserves the right to accept or reject any CAF, without assigning any reason therefor.

The Bank, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the CAF, subject to such terms and conditions that the Bank and the Lead Managers may deem fit.

Disposal of application and application money

No acknowledgment will be issued for the Application Moneys received by our Bank. However, the Bankers to the Issue / Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

In case an application is rejected in full, the whole of the Application Money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the applicant within fifteen days from the Issue Closing Date. The dispatch of share certificates/ refund orders and demat credit will be completed and the allotment and listing documents will be submitted to the stock exchanges within fifteen days from the Issue Closing Date.

Restriction on Share Capital and Voting Rights

Public sector banks can issue equity shares as per the SEBI Guidelines.

The paid up capital of corresponding new banks may be increased by such amounts as the board of directors of the corresponding new bank may, after consultation with the RBI and with the previous sanction of the government, raise by public issue or preferential allotment or private placement, of equity shares or preference shares in such manner as may be prescribed, provided that the government's shareholding does not fall below 51% of the paid up capital of the bank.

No shareholder of the corresponding new bank, other than the government, shall be entitled to exercise voting rights in respect of any shares held by them in excess of one percent of the total voting rights of all the shareholders of the corresponding new bank.

Further, a preference share-holder may vote only on resolutions which directly affect rights attached to his preference shares.

Restriction on foreign ownership of Banks

Foreign investment in corresponding new banks is regulated by the provisions of the Bank Acquisition Act. Under section 3(2D) of the Banking Acquisition Act, foreign investment in corresponding new banks is subject to an overall statutory limit of 20% of the paid-up capital of the bank.

Section 3(2D) of the Bank Acquisition Act states as follows:

"(2D) The shares of every corresponding new bank not held by the Central Government shall be freely transferable:

Provided that no individual or company resident outside India or any company incorporated under any law not *in force in India or any branch of such company, whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of the corresponding new bank so that such investment in aggregate exceed the percentage, not being more than twenty per cent, of the paid-up capital, as may be specified by the Central Government by notification in the Official Gazette.*

Explanation— For the purposes of this clause "company" means any body corporate and includes a firm or other association of individuals."

Hence, section 3(2D) of the Bank Acquisition Act prescribes that foreign investment in the aggregate is permitted in a corresponding new bank, like our Bank only until 20% under the automatic route. For public sector banks, the RBI monitors the ceilings on FII/NRI/PIO investments on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceilings, which is 18% for public sector banks. Once the aggregate net purchase of Equity Shares reaches the cut off points, further acquisition of Equity Shares by FIIs/NRIs/PIOs requires prior approval of the RBI. Accordingly, without prior approval of the RBI, the shareholding of Non-residents in the Bank cannot exceed 18 % of the paid up capital of the Bank.

In case the permission to deal in and for an official quotation of the Equity Shares is not granted by the Stock Exchanges, our Bank shall forthwith repay without interest, all monies received from the applicants in pursuance of this Draft Letter of Offer and if such money is not repaid within eight days after the day from which our Bank is liable to repay it, i.e. fifteen days after Issue Closing Date, we shall pay interest at the rate of 15% p.a.

The above is subject to the terms mentioned under the section titled "Basis of Allotment" on page 167 of this Draft Letter of Offer.

General Instructions

Issue Period

Issue Opens on	**[●], 2011**
Last date for receiving request for Split Application Forms	**[●], 2011**
Issue Closes on	**[●], 2011**

The Board may however decide to extend the Issue period as it may determine from time to time but not exceeding 30 days including the Issue Opening Date.

Allotment Schedule

1. Our Bank agrees that as far as possible allotment of Equity Shares offered to the shareholders shall be made within 15 days from the Issue Closing Date.

2. Our Bank further agrees that it shall pay interest @ 15% p.a. for the delayed period if the allotment has not been made and/or allotment letters / the refund orders have not been dispatched to the applicants/ refund instruction beyond 8 days from the date specified above.

General

Applications should be made only on the prescribed CAFs provided by our Bank and should be complete in all respects. Applications which are not complete or which are not accompanied with remittance of the proper amount calculated as aforesaid are liable to be rejected and the money paid in respect thereof will be refunded without interest.

The CAF must be filled in English in BLOCK LETTERS.

In case of joint holders, all joint holders must sign the CAF at the appropriate places in the same order as per specimen signatures recorded in the Register of Members of our Bank / Depository.

In case of Renouncee(s), the name of the applicant(s), details of occupation, address and father's/husband's name must be filled in Block Letters.

The CAF must be submitted to the Collection Centres as mentioned in the CAF/ Registrar to the Issue, as the case may be, in its entirety. If any of the parts A, B, C, D and the acknowledgement of the CAF is/are detached or separated; such applications will be rejected forthwith.

Any dispute or suit or action or proceeding arising out of or in relation to this Draft Letter of Offer or this Issue or in respect of any matter or thing contained therein and any claim by either party against the other shall be instituted or adjudicated upon or decided solely by the appropriate Court in Mumbai.

All communications in connection with your application for the Equity Shares should be addressed to the Registrar to the Issue.

Shareholder's Depository Account and Bank details

Shareholder(s) applying for shares in demat mode should note that on the basis of the name of the shareholder(s), Depository Participant's Name, Depository Participant's Identification Number and Beneficiary Account Number provided by them in the CAF, the Registrar to the Issue will obtain from the Depository the demographic details including the address, shareholder's bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These bank account details would be used for giving refunds to the shareholder(s). Hence, the shareholder(s) are requested to immediately update their bank account details as appearing in the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch / credit of refunds to the shareholder(s) at the shareholder's sole risk and neither the Lead Managers nor the Registrar to the Issue or the Refund Bank nor our Bank shall have any responsibility and undertake any liability for the same. Hence, applicants should carefully fill their Depository Account details in the CAF.

These demographic details would be used for all correspondences with the shareholder(s) including mailing of Allotment advice and printing of bank particulars on the refund order or for refunds through electronic transfer of funds, as applicable. By signing the CAF the shareholder(s) would be deemed to have authorized the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available in its records.

In case of shareholder(s) receiving refunds through electronic transfer of funds, delivery of refund orders/Allocation advice gets delayed if the same once sent to the address obtained from the depositories are returned undelivered.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR BANK CAN BE TRADED ON THE STOCK EXCHANGE ONLY IN DEMATERIALIZED FORM.

Important

1. Please read this Draft Letter of Offer carefully before taking any action. The instructions contained in the CAF are an integral part of the conditions of the Draft Letter of Offer, Abridged Letter of Offer and Letter of Offer must be carefully followed; otherwise the application is liable to be rejected.

All enquiries in connection with the Draft Letter of Offer or accompanying CAF and requests for split application forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and superscribed Central Bank of India -Rights Issue on the envelope) to the Registrar to the Issue at the following address:

Link Intime India Pvt. Ltd
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai 400078
Tel: 25963838, 25946970
Fax: 25946969
E-mail: centbank.rights@linkintime.co.in
Investor Grievance E-mail: centbank.rights@linkintime.co.in
Website: www.linkintime.co.in

Contact Person: Mr. Nilesh Chalke
SEBI Registration No: INR000004058

2. It is to be specifically noted that this Issue of Equity Shares is subject to the chapter entitled "*Risk Factors*" beginning on page 13 of this Draft Letter of Offer

3. Our Bank will not be liable for any postal delays and applications received through mail after the Issue Closure Date, are liable to be rejected and returned to the applicants.

4. The Issue will not be kept open for minimum 15 days and a maximum of 30 days, as may be determined by the Board of Directors.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The contracts referred to below (not being contracts entered into in the ordinary course of business carried on by our Bank or entered into more than two years prior to the date of this Draft Letter of Offer) which are or may be deemed material have been entered into by our Bank or are to be entered into by our Bank. Copies of these contracts, together with the copies of the documents referred to below, may be inspected at the Registered and Head Office of our Bank between 10.00 A.M. and 4.00 P.M. on any Working Day of our Bank from the date of the Draft Letter of Offer until the date of closing of the subscription list.

A) Material contracts

1. Appointment Letter dated January 12, 2011 from our Bank addressed to ICICI Securities Limited, Citigroup Global Markets India Private Limited, Enam Securities Private Limited, IDBI Capital Market Services Limited, RBS Equities (India) Limited and SBI Capital Markets Limited, appointing them as the Lead Managers to the Issue.
2. Issue Agreement between our Bank, ICICI Securities Limited, Citigroup Global Markets India Private Limited, Enam Securities Private Limited, IDBI Capital Market Services Limited, RBS Equities (India) Limited and SBI Capital Markets Limited dated January 24, 2011.
3. Agreement between our Bank and Link Intime India Private Limited dated November 04, 2010 to act as the Registrar to the Issue.

B) Documents

1. Central Bank of India (Shares and Meetings) Regulations, 1998, as amended.
2. Board resolution in relation to the Issue passed by the board of directors of our Bank dated July 29, 2010.
3. Prospectus for the initial public offering of our Bank (being the last public issue) dated August 01, 2007.
4. Government of India letter No. F.No.11/7/2008 – BOA dated June 22, 2010 indicating Government of India's participation in the Issue.
5. RBI letter no. DBOD.CO.BPD.9658./21.1.002/2010-11 dated December 21, 2010 granting approval for Issue.
6. Government of India letter no. F.No.11/13/2010-BOA dated January 18, 2011 granting approval for Issue.
7. Consents of Lead Managers to the Issue, Registrar to the Issue, Domestic Legal Advisor to the Issue, International Legal Counsel to the Lead Managers, Auditors, Directors of our Bank, Compliance Officer, Company Secretary as referred to, in their respective capacities.
8. Annual reports of our Bank for last 5 years and the half year ended September 30, 2010.
9. Report of the Auditors dated January 20, 2011 in relation to the Financial Statements of our Bank for the year ended March 31, 2010.
10. Report of the Auditors dated January 20, 2011 in relation to the Financial Statements of our Bank for the half year ended September 30, 2010.
11. Statement of Tax Benefits dated January 21, 2011.
12. In-principle listing approval dated [●] and [●] received from the BSE and the NSE respectively.
13. Tripartite Agreement between NSDL, our Bank and the Registrar for the Bank dated July 11, 2007.
14. Tripartite Agreement between CDSL, our Bank and the Registrar for the Bank dated July 10, 2007.
15. Due diligence certificate dated January 25, 2011 to SEBI from the Lead Managers to the Issue.
16. Notification dated May 17, 2007 issued by the Department of Economic Affairs (Banking Division), MoF, GoI, exempted the Bank from the application of Section 13 of the Banking Regulation Act for a period of five years from the date of the notification.

Any of the contracts or documents mentioned in this Draft Letter of Offer may be amended or modified at any time if so required in the interest of our Bank or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

DECLARATION

We hereby certify that no statement made in this Draft Letter of Offer contravenes any of the provisions of Constitutional Documents, guidelines issued by Government of India, SEBI ICDR Regulations and guidelines issued by the SEBI. All the legal requirements connected with the said Issue as also the guidelines, instructions etc. issued by SEBI, Government of India and any other competent authority in this behalf have been duly complied with. We further certify that all disclosures made in this Draft Letter of Offer are true and correct.

Signed by all the Directors and the General Manager Accounts

S. Sridhar
Chairman and Managing Director

Brijlal Kshatriya
Shareholder Director

Vijayalakshmi R. Iyer
Executive Director

Prof. N. Balakrishnan
Shareholder Director

Rajiv Kishore Dubey
Executive Director

Romesh Sabharwal
Part-time Non Official Director

Dr. Shashank Saksena
Government of India Nominee Director

Major (Retd.) Ved Prakash
Part-time Non Official Director

Salim Gangadharan
RBI Nominee Director

B. S. Rambabu
Workman Employee Director

P.V Raveendran
General Manager, Accounts

Place: Mumbai

Date: January 25, 2011