



STATE BANK OF TRAVANCORE

(Subsidiary of the State Bank of India)

Our Bank was constituted under the State Bank of India (Subsidiary Banks) Act, 1959 as a subsidiary of State Bank of India. (For further details please refer to the chapter titled "History of our Bank and Other Corporate Matters" on page 51 of this Draft Letter of Offer.)

Head Office: Poojapura, Thiruvananthapuram-695 012

Tel: + 91 0471 2359975/2351903 **Fax:** +91 0471 2351861

Contact Person: Mr. V.Viswanathan, Compliance Officer

E-mail: cmsb@sbt.co.in **Website:** www.statebankoftravancore.com

FOR PRIVATE CIRCULATION TO THE EQUITY SHAREHOLDERS OF OUR BANK ONLY

DRAFT LETTER OF OFFER

ISSUE OF [●] EQUITY SHARES WITH A FACE VALUE OF ₹10/- EACH ("RIGHTS EQUITY SHARES") FOR CASH AT A PRICE OF ₹[●]/- INCLUDING A PREMIUM OF ₹[●]/- AGGREGATING UPTO ₹500 CRORES 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. [●] ("RIGHTS ISSUE/ ISSUE").

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

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and Investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, Investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. **Investors are advised to refer to the chapter titled "Risk Factors" beginning on page 8 of this Draft Letter of Offer before making an investment in this Issue.**

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 Issue, which is material in the context of this Issue, that the information contained in this Draft Letter of Offer is true and correct in all material respects 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"), the National Stock Exchange of India Limited ("NSE"), the Madras Stock Exchange Limited ("MSE") and the Cochin Stock Exchange Limited ("CSE"). Our Bank has received "in-principle" approval from BSE, NSE, MSE and CSE for listing the Rights Equity Shares arising from this Issue *vide* letters dated [●], [●], [●] and [●] respectively. [●] is the Designated Stock Exchange for this Issue.

LEAD MANAGERS TO THE ISSUE

REGISTRAR TO THE ISSUE



BOB Capital Markets Limited

3rd Floor, South Wing, UTI Tower, Gn Block,
Bandra Kurla Complex, Bandra East,
Mumbai 400 051

Tel: +91 22 6138 9300

Fax: +91 22 6671 8535

E-mail: sbtrights@bobcaps.in

Website: www.bobcaps.in

Contact person: Ms. Preeti Swaroop/
Mr. Shardwan Charla

SEBI Registration No.: INM000009926



SBI
Capital
Markets
Limited

SBI Capital Markets Limited*

202, Maker Tower 'E', Cuffe Parade
Mumbai 400 005

Tel: + 91 22 22178300

Fax: + 91 22 22188332

Email: sbtrights@sbicaps.com

Website: www.sbicaps.com

Contact Person: Ms. Apeksha A. Munwane/
Mr. Nikhil Bhiwapurkar

SEBI Registration No.: INM000003531



Integrated Enterprises (India) Limited

2nd Floor, Kences Tower,
No.1Ramakrishna Street, North Usman Road,
T. Nagar, Chennai 600 017,

Tel: + 91 44 2814 0801-03

Fax: +91 44 2814 3378

E-mail: sbtrights@iepinidia.com

Website: www.iepinidia.com

Contact Person: Mr. K. Balasubramanian

SEBI Registration No.: INR000000544

ISSUE PROGRAMME

ISSUE OPENS ON

[●]

LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS

[●]

ISSUE CLOSES ON

[●]

* SBI Capital Markets Limited is a subsidiary of State Bank of India, which is the promoter of the Issuer. SBI Capital Markets Limited has signed the due diligence certificate and accordingly has been disclosed as a Lead Manager. Further, in compliance with the proviso to regulation 21A(1) and explanation (iii) to regulation 21A(1) of SEBI (Merchant Bankers) Regulations, 1992, SBI Capital Markets Limited would be involved only in the marketing of the Issue



TABLE OF CONTENTS

PRESENTATION OF FINANCIAL INFORMATION.....2

ABBREVIATIONS AND TECHNICAL TERMS.....3

RISK FACTORS8

SUMMARY.....26

SELECTED FINANCIAL INFORMATION.....27

GENERAL INFORMATION.....32

CAPITAL STRUCTURE38

OBJECTS OF THE ISSUE41

STATEMENT OF TAX BENEFITS42

REGULATIONS AND POLICIES.....50

HISTORY OF OUR BANK AND OTHER CORPORATE MATTERS.....51

OUR MANAGEMENT54

FINANCIAL STATEMENTS62

CERTAIN OTHER FINANCIAL INFORMATION103

STOCK MARKET DATA FOR EQUITY SHARES OF OUR BANK105

ACCOUNTING RATIOS AND CAPITALISATION STATEMENT107

OUTSTANDING LITIGATION AND DEFAULTS108

LICENSES AND APPROVALS111

STATUTORY AND OTHER INFORMATION.....112

TERMS AND PROCEDURE OF THE ISSUE.....122

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION.....146

DECLARATION.....147



PRESENTATION OF FINANCIAL INFORMATION

Unless stated otherwise, the financial information used in this Draft Letter of Offer is derived from our Bank's financial statements as of fiscal year 2011, prepared in accordance with Indian GAAP and the Banking Regulation Act, 1949 and in accordance with the ICDR Regulations, as stated in the report of our Statutory Auditors, M/s. Saha Ganguli & Associates, Chartered Accountants; M/s. Ramanatham & Rao, Chartered Accountants; M/s. Jain & Jain, Chartered Accountants; M/s. Jagdish Chand & Co., Chartered Accountants; M/s. B.V Rao & Co., Chartered Accountants and M/s. Sridhar & Co., Chartered Accountants.

Our fiscal year commences on April 1 and ends on March 31 of the next year. Unless stated otherwise, references herein to a fiscal year, are to the fiscal year ended March 31 of a particular year. We prepare our financial statements in accordance with Indian GAAP and the Banking Regulation Act, 1949. Indian GAAP differs significantly in certain respects from International Financial Reporting Standards and US Generally Accepted Accounting Principles. Neither the information set forth in the financial statements nor the format in which it is presented should be viewed as comparable to information prepared in accordance with International Financial Reporting Standard or any accounting principles other than principles specified in the Indian Accounting Standards. We do not provide a reconciliation of our financial statements to IFRS to IFRS or US GAAP financial statements. 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.

CURRENCY OF PRESENTATION

Unless otherwise stated, throughout this Draft Letter of Offer, all figures have been expressed in INR. All references to "Rupees", "INR", "Rs.", "Re." or "₹" are to Indian Rupees, the official currency of the Republic of India.

The words "Lakh" or "Lac" mean "100 thousand" and the word "million" means "10 Lakh" and the word "crore" means "10 million" or "100 Lakhs" and the word "billion" means "1,000 million" or "100 crores".

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



ABBREVIATIONS AND TECHNICAL TERMS

Unless the context otherwise indicates or requires, the following terms shall have the meanings given below in this Draft Letter of Offer.

CONVENTIONAL/ GENERAL TERMS

Term	Description
Board	The Board of Directors of our Bank or the Committee(s) authorised to act on its behalf unless specified otherwise.
Companies Act	The Companies Act, 1956, as amended from time to time.
Depository	A depository registered with SEBI under the SEBI (Depository and Participant) Regulations, 1996, as amended from time to time.
ICDR Regulations/ SEBI Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and subsequent amendments thereto.
Subsidiary Banks Act	The State Bank of India (Subsidiary Banks) Act, 1959 as amended from time to time.
ISIN	International Securities Identification Number allotted by a Depository.

ISSUE RELATED TERMS

Term	Description
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 the ICDR Regulations.
Allotment	Unless the context otherwise requires, the allotment of Rights Equity Shares pursuant to the Issue.
Allottee	Unless the context otherwise requires, an Investor to whom Rights Equity Shares are allotted.
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 Rights Equity Shares applied for in the Issue at the Issue Price of ₹ [●] per Equity Share.
ASBA/Application Supported by Blocked Amount	The application (whether physical or electronic) used by a shareholder to make an application authorising the SCSB to block the amount payable on application in their specified bank account.
ASBA Investor	An applicant who: a) holds the shares of our Bank in dematerialised form as on the record date and has applied for entitlements and / or additional shares in dematerialised form; b) has not renounced his/her entitlements in full or in part; c) is not a renouncee; and d) is applying through a bank account maintained with SCSBs.
Bankers to the Issue	[●].
BOB Capital Markets Limited / BOBCAPS	BOB Capital Markets Limited, 3 rd Floor, South Wing, UTI Tower, Gn Block, Bandra Kurla Complex, Bandra East, Mumbai 400 051.
CAF/ Composite Application Form	The application form used by an Investor to make an application for allotment of Rights Equity Shares pursuant to this Issue.
Controlling Branches	Such branches 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/Index.jsp?contentDisp=Section&sec_id=6 .
Designated Branches	Such branches of the SCSBs which shall collect CAF from ASBA investor and a list of which is available on http://www.sebi.gov.in/Index.jsp?contentDisp=Section&sec_id=6 .
Designated Stock Exchange	[●].



Term	Description
DLOF / Draft Letter Of Offer	This Draft Letter of Offer dated May 28, 2011 for the rights issue of Equity Shares of ₹10 each at a premium.
Equity Shares	The Issued, Subscribed and Paid Up Equity Share Capital of our Bank and the new Equity Shares of our Bank offered pursuant to the Rights Issue of face value ₹10/- each.
Equity Shareholders/Eligible Equity Shareholders	Means a holder/beneficial owner of Equity Shares of our Bank as on the Record Date i.e. [●]
Investors	The Eligible Equity Shareholders of our Bank as on the Record Date and the Renounees, who have submitted an application to subscribe to the Issue.
Issue/Rights Issue	Issue of [●] Equity Shares with a face value of ₹10/- each (“Rights Equity Shares”) for cash at a price of ₹[●]/- including a premium of ₹[●]/- aggregating up to ₹500 crores 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.
Issue Closing Date	[●]
Issue Opening Date	[●]
Issue Proceeds	The proceeds of this Issue that is available to our Bank.
Issue Price	₹[●]/- per Rights Equity Share.
Lead Managers	BOB Capital Markets Limited and SBI Capital Markets Limited.
Listing Agreement	The Agreement entered into by our Bank with the Stock Exchanges upon listing of its Equity Shares.
LOF/ Letter of Offer	The letter of offer dated [●] filed with the Stock Exchanges after incorporating SEBI comments on the Draft Letter of Offer.
Offering Documents	Offering Documents shall include the Draft Letter of Offer and Letter of Offer.
Record Date	[●]
Registrar to the Issue	Integrated Enterprises (India) Limited, 2 nd Floor, Kences Tower, No.1 Ramakrishna Street, North Usman Road, T. Nagar, Chennai 600 017.
Renounee(s)	Any person(s) who has / have acquired Rights Entitlements from the Eligible Equity Shareholders.
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.
Rights Equity Shares	Equity Shares arising out of the Rights Issue.
SAF(s)	Split Application Form (s).
SBI Capital Markets Limited / SBICAPS	SBI Capital Markets Limited, 202, Maker Tower ‘E’ Cuffe Parade, Mumbai 400 005.
Self Certified Syndicate Bank / SCSB	The banks which are registered with SEBI under the 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/Index.jsp?contentDisp=Section&sec_id=6 .
Stock Exchanges	BSE, NSE, MSE and CSE as the context may refer to.

BANK/INDUSTRY RELATED TERMS

Term	Description
Act	Income Tax Act, 1961.
Adjusted Net Bank Credit (ANBC)	(Net Bank credit plus investments made by banks in the non-SLR Bonds held in HTM category) or credit equivalent amount of off balance sheet exposures whichever is higher.
Associate Banks	State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore.
“We”, “us”, “our”, “the Issuer”, “the Bank”, “our Bank”, “State	Unless the context otherwise indicates or implies, refers to State Bank of Travancore, a bank constituted under the State Bank of India (Subsidiary



Term	Description
Bank of Travancore” or “SBT”	Banks) Act, 1959.
Auditors	The current statutory auditors of our Bank, being: 1. M/s. Saha Ganguli & Associates, Chartered Accountants; 2. M/s. Ramanatham & Rao, Chartered Accountants; 3. M/s. Jain & Jain, Chartered Accountants; 4. M/s. Jagdish Chand & Co., Chartered Accountants 5. M/s. B.V Rao & Co., Chartered Accountants; and 6. M/s. Sridhar & Co., Chartered Accountants.
CARE	Credit Analysis and Research Limited.
Chairman	The Chairman of our Bank.
Current Year	The financial year 2011-12.
CRISIL	Credit Rating Information Services of India Limited.
Financial Year/Fiscal Year/FY	Financial Year means financial year ending March 31.
ICRA	ICRA Limited.
Previous Year	The financial year 2010-11.
Promoter	State Bank of India
Repatriation	“Investment on repatriation basis” means an investment the sale proceeds of which are, net of taxes, eligible to be repatriated out of India, and the expression ‘Investment on non-repatriation basis’, shall be construed accordingly.
The BR Act/ Banking Regulation Act	The Banking Regulation Act, 1949 and subsequent amendments thereto.

ABBREVIATIONS

Term	Description
AMC	Asset Management Company
AY	Assessment Year.
AS	Accounting Standards as issued by The Institute of Chartered Accountants of India.
BG	Bank Guarantee.
BSE	Bombay Stock Exchange Limited.
CDSL	Central Depository Services (India) Limited.
CSE	Cochin Stock Exchange Limited.
DD	Demand Draft.
DEMAT	Dematerialised (Electronic/Depository as the context may be).
DIN	Director Identification Number.
DIR	Differential Interest Rate
DP	Depository Participant.
EPS	Earnings Per Share.
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 FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000] registered with SEBI.
FIPB	Foreign Investment Promotion Board.
FY	Financial Year/Fiscal Year.
GOI / Government	Government of India.
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India.
IFRS	International Financial Reporting Standard.
ITAT	Income Tax Appellate Tribunal.



Term	Description
MIS	Management Information System.
MSE	Madras Stock Exchange Limited.
NABARD	National Bank for Agriculture and Rural Development.
NBFC	Non Banking Financial Company
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/GIR No.	Income Tax Permanent Account Number/General Index Reference Number.
RBI	Reserve Bank of India.
SBI	State Bank of India.
SSI	Small Scale Industries.
SPV	Special Purpose Vehicle.
SEBI	Securities and Exchange Board of India.
SEBI (SAST) Regulations, 1997/ Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto.
SIDBI	Small Industries Development Bank of India.
ST	Service Tax.
TAN	Tax Deduction Account Number.
US GAAP	United States Generally Accepted Accounting Principles.

TECHNICAL AND INDUSTRY TERMS AND ABBREVIATIONS

Term	Description
AFS	Available for sale.
ANBC	Adjusted Net Bank Credit.
ATMs	Automated Teller Machines.
Bps	Basis points.
CAIIB	Certified Associate of Indian Institute of Bankers.
CAR	Capital Adequacy Ratio.
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	Debts Recovery Tribunal.
ECGC	Export Credit and Guarantee Corporation of India Limited.
EPS	Earnings Per Share.
FBT	Fringe Benefit Tax.
FLC	Foreign Letter of Credit.
GAAP	Generally Accepted Accounting Principles.
HFT	Held for trading.
HTM	Held to Maturity.
IRDA	Insurance Regulatory and Development Authority.
KYC	Know Your Customer Norms as stipulated by the Reserve Bank of India.
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.



Term	Description
NPA	Non-Performing Asset.
NEFT	National Electronic Fund Transfer.
MSME	Micro Small and Medium Enterprises.
PAT	Profit after Tax.
PBIT	Profit before Interest and Tax.
RIDF	Rural Infrastructure Development Fund.
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.
SGL	Subsidiary General Ledger.
SLR	Statutory Liquidity Ratio.
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, capital reserves and Innovative Perpetual Debt Instruments as reduced by equity investments in subsidiaries (50 %), 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, subordinated debt and reduced by investment in subsidiaries (50%).
WDV	Written down value.
YTM	Yield to Maturity.

**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. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the price of our Equity Shares could decline, and you may lose all or part of your investment. 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.

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 Banks 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.*

Unless stated otherwise, the financial information in this section is derived from our Bank's financial statements as of March 31, 2011 and wherever applicable the relevant year ended March 31.

A. INTERNAL RISK FACTORS

- 1. We are involved in certain legal proceedings that, if determined against us, could have adverse impact on our financial condition.*

Our Bank is party to various legal proceedings including civil proceedings, suits, consumer matters, labour related proceedings, taxation disputes etc. The proceedings are pending at various forums and are at different stages of adjudication.

A summary of the litigations against our Bank is as under:

			As on May 15, 2011
S No.	Brief Description	No. of Cases	Amount Involved (₹ in crores)
1.	Proceedings with statutory authorities including proceedings filed against our Bank on disputed tax claims	3	27.03
2.	Labour cases against our Bank	154	0.73
3.	Civil/ Consumer proceedings against our Bank	124	50.04
	Total	281	77.80



A summary of the litigations filed by us is as under:

As on May 15, 2011

S No.	Brief Description	No. of Cases	Amount Involved (₹ in crores)
1.	Suits filed by our Bank against defaulting borrowers	25,827	1,152.18
2.	Proceedings filed by our Bank on disputed tax claims	18	223.17
3	Civil Consumer cases filed by our Bank	1	Not Quantifiable
4	Labour Cases filed by our Bank (appeals)	6	0.05
	Total*	25,852	1,375.40

*Total does not include non-quantifiable cases

In the event that an unfavourable order(s) is/are passed, the same may have an adverse effect on our financial condition. The brief particulars of the matters that may have a material adverse effect on our Bank's revenues are as detailed under the chapter "Outstanding Litigations and Defaults" on page 108 of this Draft Letter of Offer.

2. Any orders passed against our Bank in respect of the disputed tax proceedings may adversely impact our financial performance.

There are 21 disputes relating to tax assessments in which the aggregate amount involved is approximately ₹250.20 crores – proceedings by our Bank (₹223.17 crores) and proceedings against our Bank (₹27.03 crores). Though the Bank has provided for such disputed tax amount, any liability/liabilities arising on account of current or future tax disputes may have an adverse impact on our Bank's financial condition. The brief particulars of the matters that may have a material adverse effect on our Bank's revenues are as detailed under the chapter titled "Outstanding Litigations and Defaults" on page 108 of this Draft Letter of Offer.

3. We have written off loans amounting to ₹152.47 crores for the year ended March 31, 2011. Having to write off bad debts and to engage in litigation for recovery may impact our business and results of operations.

As per the audited financial statements for the year ended March 31, 2011, our Bank has written off (including technical write off) 20,939 accounts falling under the categories of Agriculture, SSI, Other Priority and Non Priority sectors, amounting to ₹152.47 crores. Our Bank initiates legal proceedings for recovery of amounts outstanding. Further, our Bank conducts recovery drives in each of its branches, through bank adalat, compromise settlements and lok adalats. Having to write off bad debts and to engage in litigation for recovery may impact our business and results of operations.

4. Our business could suffer if we are unable to manage our risks and control the level of our NPAs.

From Fiscal 2010 to 2011, the total value of our net NPAs have moved from ₹350.40 crores to ₹450.99 crores, which represents 0.91% of our net advances as of March 31, 2010 and 0.98% of our net advances as of March 31, 2011. Various factors, like a rise in unemployment, inflation, economic slowdown in India and other parts of the world, a sharp and sustained rise in the interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates may cause an increase in the level of our NPAs and have an adverse impact on the quality of our loan portfolio. The inability of the borrowers to repay loans due to the factors mentioned above may translate into mounting NPAs.



The year –wise data of our Bank’s NPAs is as under:

₹ in crores

Particulars	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Gross Advances	24,902.34	28,439.69	32,948.55	38,802.37	46,470.55
Gross NPAs	540.11	549.74	526.00	641.98	835.23
% of Gross NPAs to Gross Advances	2.17%	1.93%	1.60%	1.65%	1.80%
Net Advances	24,629.89	28,136.62	32,601.43	38,461.26	46,044.23
Net NPAs	267.62	267.71	187.54	350.40	450.99
% of Net NPAs to Net Advances	1.09%	0.95%	0.58%	0.91%	0.98%

As on March 31, 2011, out of gross NPAs of ₹835.23 crores, 23.16% comprised of NPAs from Trading sector. As per RBI guidelines, banks are required to maintain a Provision Coverage Ratio (PCR) of 70%. Our Provision Coverage Ratio as on March 31, 2011 is 69.01%. RBI has granted permission to the Bank for achieving the prescribed PCR of 70% by September 30, 2011. Although our Bank is increasing its efforts to improve collections and to foreclose on existing impaired loans, there cannot be any assurance that we will be successful in our efforts or that the overall quality of our Bank’s loan portfolio will not deteriorate in the future. If our Bank is unsuccessful in controlling or reducing its impaired loans, or if there is a significant increase in its impaired loans, our Bank’s future financial performance could be adversely affected.

5. Our Bank has a regional concentration in the State of Kerala and thereby exposing us to regional risks.

As of March 31, 2011, out of 792 branches, 621 of our Bank’s branches were located in the state of Kerala. As per the audited financial statements of March 31, 2011, 59.34 %, 51.21% and 65.83% of our Bank’s total business, loans and advances and deposits respectively, were derived from our operations in Kerala. Our concentration in Kerala exposes our Bank more acutely to any adverse economic and/or political circumstances in the State as compared to those public and private sector banks that have a more diversified national presence. If there is a sustained downturn in the economy of Kerala, our Bank’s financial performance and operations may be adversely affected.

6. Our Bank is exposed to various industry sectors. Deterioration in the performance of any of the sectors where our Bank has significant exposure, may adversely impact our business.

Our Bank’s credit exposure is to various sectors. As per the audited financial statements on March 31, 2011, the most significant exposure was to the NBFC sector, which represented 8.02% of our Bank’s outstanding loans, advances and investments. The top 10 sectors to which our Bank had exposure to as on March 31, 2011 is as under:

S No	Sector	Exposure (₹ in crores)	% of total funded Exposure
1	NBFCs	5,132.09	8.02%
2	Trading	4,656.97	7.28%
3	Infrastructure	3,729.31	5.83%
4	Iron & Steel	2,551.15	3.99%
5	Textiles	2,099.06	3.28%
6	Construction	1,197.67	1.87%
7	Chemicals, Dyes, Paints etc	1,031.15	1.61%
8	Food	710.42	1.11%
9	Gems & Jewellery	603.95	0.94%
10	Engineering	427.78	0.67%
	Total	22,139.55	34.60%



Any significant deterioration in the performance of a particular sector, including due to regulatory action or policy announcements by Central or State government authorities, may adversely impact the ability of borrowers in that industry to service their debt obligations to our Bank. As a result, our Bank would experience increased delinquency risk which may adversely impact our Bank's financial performance and operations. For further details, please refer to our financial statements and notes thereto beginning from page 63 of this Draft Letter of Offer.

7. As on March 31, 2011, we had a contingent liabilities amounting to ₹18,733.55 crores including derivatives. Any crystallization of our significant contingent liabilities could materially and adversely affect our business, financial conditions, result of operations and prospects.

As on March 31, 2011, we had contingent liabilities amounting to ₹18,733.55 crores. Most of the liabilities have been incurred during the normal course of business. In the event of there being a crystallization of any of the liabilities stated below, we may be required to honour the demands raised. Any crystallization of our significant contingent liabilities could materially and adversely affect our business, financial conditions, result of operations and prospects.

S. No.	Contingent Liabilities	As on March 31, 2011 ₹ in crores
1	Claims against the Bank not acknowledged as debts	5.25
2	Liability on account of outstanding Forward Exchange Contacts (including derivatives)	10,185.11
3	Liability on account of outstanding single currency interest rate swap contracts	1,034.58
4	Guarantees given on behalf of constituents a) In India b) Outside India	3,179.69 9.43
5	Acceptances, Endorsements & other Obligations	3,641.26
6	Disputed Income Tax Liability	177.52
7	Other items for which the bank is contingently liable a) Revaluation of FLCs b) Contingent for Capital Exposure	499.66 1.05
	Total	18,733.55

8. Our results of operations depend to a great extent on our net interest income which in turn depends on the interest rate movements. Our Bank's Net interest income as per the audited financial statements for the year March 31, 2011 was ₹1,696.03 crores constituting 74.48% of our Bank's net operating income. Volatility in interest rates and other market conditions could adversely impact our business and financial results.

Interest rates are sensitive to many factors beyond our control, including the RBI's monetary policy, deregulation of the financial sector in India and domestic and international economic and political conditions. As per the audited financial statements for the year ended March 31, 2011, the net interest income of our Bank was ₹1,696.03 crores representing 74.48% of our net operating income as against ₹1400.18 crores representing 72.62% of our net operating income for the year ended March 31, 2010 which is an increase of 21.13% in net interest income. 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 interest expense relative to interest income leading to a reduction in our net interest income. Accordingly, volatility in interest rates could materially and adversely affect our business and financial performance. Unstable interest rates may also adversely affect the rate of growth of important sectors of the Indian economy, such as the corporate, retail and agricultural sectors, which may adversely impact our business.

As per the audited financial statements as on March 31, 2011, 80.13% of our total investments, were in government and other approved securities for SLR. Our Bank has also made investments in unrated bonds as part of its non-SLR portfolio. Returns on these investments are dependent to a large extent on interest rates. In a rising interest rate environment, especially if the increase is sudden or sharp, we could be materially and adversely affected by the decline in the market value of our government securities portfolio and other fixed income securities and may be required to further provide for depreciation in the "Available for Sale" and "Held for Trading" categories. As per the



audited financial statements as on March 31, 2011, 86.04% of our gross investments were in the “Held to Maturity” category, 11.24% in the “Available for Sale” category and 2.72% in the “Held for Trading” category. We are required to mark to market securities in the “Available for Sale” and “Held for Trading” categories which are subject to market risk. In respect of securities under the Held to Maturity category, we are not required to mark the same to market but are required to amortise the difference between acquisition cost and face value of the security over the residual maturity period of the security wherever the acquisition cost is greater than the face value.

9. *We derive a portion of our other income from our Government operations, a slowdown in which could affect our Bank's business.*

As per the audited financial statements for the year ended March 31, 2011, total Government business turnover was ₹7,815.45 crores and commissions earned from such transactions for the corresponding period was ₹54.19 crores or 9.32% of our Bank's other income in comparison to ₹48.02 crores earned from Government business turnover of ₹6851.94 crores which is 9.10% of our Bank's other income for the year ended March 31, 2010. The Government is not obligated to choose our Bank to conduct any of its transactions. If the Government does choose another bank to perform such tasks or reduce the quantum of business with our Bank, our Bank's business will be affected.

10. *Our Bank may be subject to volatility in income from our treasury operations that could materially and adversely impact our financial results. During the financial year 2011, ₹1,246.99 crores (excluding interest on interbank funds) constituting 21.46% of our total income was derived from treasury operations.*

We derive 21.13% and 21.46% (excluding interest on inter bank funds) of our total income in Fiscal 2010 and Fiscal 2011, respectively, from our treasury operations. Though our income from our treasury operations have been stable over the last two years, there is no guarantee that in the future, our Bank will not experience volatility in its income from treasury operations. Any significant or sustained decline in income generated from treasury operations would adversely impact our Bank's financial performance.

11. *A large portion of our deposits is constituted by NRI deposits and any volatility in the income of the NRIs can affect our Bank's business*

NRI deposits constituted 21.32% and 19.88% of our total deposits for the year ended March 31, 2010 and March 31, 2011 respectively. The deposits from NRIs are dependent on the economic conditions of the countries of their residence. Any sustained downturn in the economies of such countries can adversely affect the rollover of existing deposits and inflow of additional NRI deposits to our Bank.

12. *Our Bank is exposed to high concentrations of loans to a few borrowers and default by them would adversely affect our Bank's business.*

As per the audited financial statements as on March 31, 2011, aggregate loans to our Bank's twenty largest borrowers amounted to ₹7,417.64 crores (representing approximately 151.97% of our Bank's aggregate Tier I and Tier II capital and 15.96% of gross advances). Any deterioration in the credit quality of these assets would have an adverse effect on our Bank's financial condition and results of operations.

13. *Our Bank's funding is primarily through short-term and medium-term deposits. If depositors do not roll over deposited funds on maturity or if our Bank is unable to continue to increase its deposits, our Bank's liquidity could be adversely affected.*

Most of our Bank's funding requirements are met through short-term and medium-term funding sources, primarily in the form of term deposits. As per the audited financial statements on March 31, 2011, 91.04% of our Bank's total funding consisted of deposits and 27.60% of such total funding consisted of demand deposits and savings deposits. In the event that a substantial number of our depositors do not roll over deposited funds upon maturity, our Bank's liquidity position, business and results of operations would be adversely affected. As per the audited financial statements as on March 31, 2011, our Bank's total deposits increased to ₹58,157.92 crores registering an increase of 14.30% vis-à-vis our Bank's total deposits on March 31, 2010, ₹50,883.39 crores. Further, as per the audited financial statements on March 31, 2011, the top twenty depositors constitute 5.00 % of our total deposits.

**14. The mismatch between Assets and Liabilities could adversely affect our net profit.**

As on March 31, 2011, negative mismatches were observed on cumulative basis in the time buckets of 3 years and above of the total outflow. The asset liability mismatch table for the last three years are given below:

Buckets	Cumulative Negative Mismatch to Total Outflow		
	FY2009	FY2010	FY2011
6 months upto 1 year	-	-	-
1 year upto 3 years	-	-	-
3 years upto 5 years	(3.92%)	(3.39%)	(1.44%)
Above 5 years	(0.63%)	(1.54%)	(1.12%)

The cumulative mismatches are however within the tolerance level prescribed in our Asset-Liability Management Policy. Positions of mismatch create liquidity surplus or liquidity crunch situations and depending upon the interest rate movement, such situations may adversely affect our net interest income.

15. Our Bank is exposed to higher credit risk as Loans and advance to MSMEs as per the audited financial statements on March 31, 2011 which amounts to 18.26% of our Bank's loan portfolio.

Our Bank's portfolio of loans and advances to MSMEs has grown and the percentage of loans and advances to MSMEs on total advances as per the audited financial statements for the year ended March 31, 2011 was 18.26%. As part of our Bank's business, we will continue to focus on further growth in the MSME sector. Comprehensive third-party credit history reports for the majority of MSME borrowers are currently not available in India. As a result, our Bank is exposed to proportionate credit risk in the MSME segments which may adversely affect our business growth, results of operations and financial condition.

16. Significant security breaches in our Bank's computer systems and network infrastructure, fraud, systems failures and calamities would adversely impact our reputation and business.

Our Bank seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by our Bank's increased use of networking. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and networks. These concerns will intensify with our Bank's increased dependence on technology. Our Bank employs security systems, firewalls and password encryption, designed to minimise the risk of security breaches. Although there has been no security breaches of our computer or data storage systems in the past, however, these may not be sufficient to prevent fraud, break-ins, damage and failures. Further, our Bank does not have any insurance to protect against such information security breaches. A significant failure in security measures would have an adverse effect on our Bank's reputation business.

Given the increasing share of retail products and services and online transaction banking services to our Bank's business, the importance of systems technology to its business has increased significantly. Our Bank's principal delivery channels include its branches and ATMs.

With the implementation of CBS and other technology initiatives, the importance of systems technology to its business has increased significantly. However, the maintenance of the CBS by the technology provider is under an agreement between the provider and our promoter, State Bank of India on behalf of our Bank. Consequently, in the event of a breach or termination of such agreement for any reason whatsoever, our Bank's operations would be adversely affected.

Although our Bank currently has the technology and facilities in place to back up its systems and our Bank has established a data centre and disaster recovery sites at remote locations, any failure in its systems, particularly those utilised for its retail products and services and transaction banking, or the occurrence of natural calamities that affect areas in which our Bank has a significant presence, could have a significant adverse effect on its operations.



17. In order to grow its business, our Bank is required to maintain its capital adequacy ratio at the minimum level required by the RBI for domestic banks. Failure to meet capital adequacy requirements may result in RBI initiating actions such as restricting our lending and investment activities, payment of dividends, etc. which could materially and adversely affect our business growth, results of operations and financial condition. Further, there is no guarantee that our Bank will be able to access capital as and when it needs it for growth.

The RBI requires Indian banks to maintain a minimum risk weighted capital adequacy ratio of 9%, subject to a minimum Tier I capital adequacy ratio of 6%. Our Bank's capital adequacy ratio was 11.89% as of March 31, 2010, 10.82% as on March 31, 2011 under Basel I and 13.74% as on March 31, 2010 and 12.54 % on March 31, 2011 under Basel II. Our Bank is exposed to the risk of RBI increasing the applicable risk weight for different asset classes from time to time. Although our Bank has not, at any time, during the preceding 5 financial years, fallen below the minimum level of CAR as required by the RBI, certain adverse developments could affect our ability to continue to satisfy the capital adequacy requirements, including deterioration in our asset quality, declines in the values of our investments and changes in the minimum capital adequacy requirements. Furthermore, our ability to support and grow our business could be limited by a declining capital adequacy ratio if we are unable to access or have difficulty accessing the capital markets or have difficulty obtaining capital in any other manner. If we fail to meet capital adequacy requirements or any other norms as prescribed by the RBI, 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 business growth, results of operations and financial condition.

18. As per the audited financial statements on March 31, 2011, ₹22,422.35 crores which forms 48.70 % of our Bank's domestic advances had a tenure exceeding one year, exposing our Bank to risks associated with economic cycles which may adversely impact our Bank's future financial performance and the trading price of the Equity Shares.

As per the audited financial statements on March 31, 2011, domestic loans with a contractual tenure exceeding one year was ₹22,422.35 crores which forms 48.70 % of our Bank's domestic advances. The long tenure of these loans may expose our Bank to risks arising out of economic cycles. In addition, some of these loans are project finance loans. There can be no assurance that these projects will perform as anticipated or that such projects will be able to generate cash flows to service commitments under the loans. Our Bank is also exposed to 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 and a delay in project implementation or commissioning could lead to rise in delinquency rates and in turn, adversely impact our Bank's future financial performance and the trading price of the Equity Shares.

19. The legal requirement that the State Bank of India maintains a majority shareholding interest in our Bank of at least 51% may limit the ability of our Bank to raise appropriate levels of capital financing.

The Subsidiary Banks Act restricts State Bank of India's shareholding interests in our Bank from falling below 51%. This requirement could result in restrictions in the equity capital raising efforts of our Bank as the State Bank of India may not be able to fund any further investments that would allow it simultaneously to maintain its stake at a minimum of 51% and seek funding from the capital markets. As the Indian economy grows, more businesses and individuals will require capital financing. In order to meet and sustain increasing levels of growth in capital demand, our Bank will need to augment its capital base, whether through organic growth or capital market or other financing schemes. If our Bank is unable to grow its capital base in step with demand, its business, financial prospects and profitability may be materially and adversely affected.

20. Shareholder voting rights are subject to restrictions under Section 19 of the Subsidiary Banks Act.

Section 19 of the Subsidiary Banks Act does not allow any individual shareholder, other than the State Bank of India, to exercise voting rights in excess of ten percent of our Bank's issued capital. To the extent that Shareholders are unable to exercise all their voting rights with respect to the shares they own, their proportional voting power would be reduced.



21. Our Bank is exposed to risks related to lending, trading, hedging, settlement and other financial transactions. In case our Bank's customers or counterparties are unable to meet their respective contractual commitments, the same may materially and adversely affect our Bank's operations and financial condition.

Our Bank is exposed to risks related to lending, trading, hedging, settlement and other financial transactions. Some of our Bank's customers or counterparties may be unable or unwilling to meet their respective contractual commitments in relation to lending, trading, hedging, settlement and other financial transactions. This may materially and adversely affect our Bank's operations and may require our Bank to engage in protracted litigation and recovery proceedings which may not adequately compensate our Bank for losses suffered by it. As per the audited accounts for the year ended March 31, 2011 lending of our Bank was ₹46,044.23 crores, the Available for Sale and Held for Trading investments is ₹2,506.73 crores. The details of the same are available in the Financial Statements starting on page 63 of this Draft Letter of Offer.

22. There can be no assurance that the restructuring of our Bank's loans based on the criteria approved by our Bank would be sufficient for the borrowers to meet their obligations. Default on such restructured loans could increase our NPAs thereby affecting our financial performance.

Gross loans restructured during the year ended March 31, 2011 and March 31, 2010 were 0.49% and 2.29% respectively of the gross loans and advances outstanding as at the end of the respective periods. Our Bank has restructured loans and advances based upon a borrower's potential to restore its financial health. There can be no assurance that, the debt restructuring criteria approved by our Bank will be sufficient, and that the borrowers will be able to meet their obligations under the restructured loans. If a significant number of our Bank's customers are unable to repay the loans as per the restructured terms, these assets may become non-performing, thereby requiring additional provisions, additional capital and having a material adverse effect on our Bank's financial condition and results of operations.

23. Inability to foreclose on security in the event of a default may result in our Bank's failure to recover the expected value of the security.

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

In India, foreclosure on security generally requires a written petition to a court or tribunal. An application may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the security. While changes in law such as the enactment of the SARFAESI Act, 2002 has simplified the process of recovering NPAs enforcing securities and recover amounts owed from secured borrowers without the intervention of courts, there can be no assurance that such legislation result in timely recovery of NPAs. Any failure to recover the expected value of the security would adversely impact our Bank's financial condition and results of operations.

24. The value of the security held by our Bank may be overstated and may decline in the future thereby causing inadequate levels of security against the loans granted.

There can be no assurance that the loans granted by our Bank have adequate levels of security. The security may be over-valued and may not accurately reflect its liquidation value, which is the amount our Bank expects to recover from a sale of security less the expenses of such sale. In addition, some of the valuations in respect of security held by our Bank may be out of date or may not accurately reflect the value thereof. In certain instances where there are no purchasers for a particular type of security, it may not be fully realisable. Consequently, the protection afforded by security held by our Bank may be overstated. Any increase in our Bank's provisions would adversely affect our Bank's financial condition and results of operation, as well as its capital adequacy ratio, and could require it to raise additional capital.



25. Any downgrade in the ratings by credit rating agencies of our Bank's subordinated bonds could affect our Bank's ability to raise funds on a competitive basis, and our Bank's business, financial condition and operations.

While the Equity Shares of our Bank are not rated, our Innovative Perpetual Debt Instruments and Tier II subordinated bonds are rated by rating agencies as under:

Details	ISIN	Date of Issue	Amount (₹ crores)	Date of maturity	Interest (%)	Ratings		
						ICRA	CRISIL	CARE
Subordinated Debt - Tier II Bonds								
Series VI	INE654A09084	Jan 19, 2005	195	April 19, 2014	7.05	LAAA		
Series VII	INE654A09092	Sep 27, 2005	235	April 6, 2015	7.45	LAAA		AAA
Series VIII	INE654A09100	Feb 6, 2006	140	May 15, 2015	7.8	LAAA	AAA STABLE	
Series IX	INE654A09142	Jul 31, 2007	125	July 31, 2017	9.2	LAAA	AAA STABLE	
Series X	INE654A09159	Jan 8, 2008	125	Jan 8, 2018	9.18	LAAA	AAA STABLE	
Upper Tier II Bond	INE654A09126	Mar 1, 2007	200	Mar 1, 2022	9.65 upto Mar 1, 2017 10.15 upto Mar 1, 2022		AAA STABLE	AAA
Upper Tier II Bond	INE654A09134	May 18, 2007	300	May 18, 2022	10.25 upto May 5, 2017 10.75 upto May 18, 2022		AAA STABLE	AAA
Details	ISIN	Date of Issue	Amount (₹crores)	Call Option	Interest %	Ratings		
Innovative Perpetual Debt Instrument (IPDI) - Tier I Capital								
Series I	INE654A09118	Oct 31, 2006	200	Oct 31, 2016	9.34 upto Oct 30, 2016 9.84 from Oct 31, 2016		AAA STABLE	AAA
Series II	INE654A09167	Mar 31, 2008	100	Mar 31, 2018	9.95 upto Mar 30, 2018 10.45 from Mar 31, 2018		AAA STABLE	AAA
TOTAL			1620					

A downgrade in our credit ratings in future may affect our ability to raise capital on a competitive basis which may materially and adversely affect our business, financial condition and results of operations.



26. *Our Bank's employees are unionised and any adverse union action may affect our business.*

As on May 15, 2011, our Bank had 12,048 employees, including 4,438 officers, 5,366 clerks, 1,897 sub-staff and 347 part time employees. Further, 10,938 employees representing 90.79% of our total Bank's employees, belonged to unions/associations. While we believe that we have a strong working relationship with the unions, there can be no assurance that our Bank will continue to have such a relationship in the future.

27. *The proposed consolidation of the Associate Banks with the State Bank of India has resulted in opposition and may continue to face such opposition. Further we may face strikes from our Bank's associations and unions opposing certain policies of our Bank. Such opposition may lead to business disruptions, such as labour strikes, and adversely affect the Bank's operations.*

The State Bank of India is considering the consolidation of its Associate Banks with its business, but has faced and may continue to face opposition from Bank's Unions/Associations to such consolidation. On December 16, 2009 a strike was called by the All India Bank Employees' Association opposing the merger of the Associate Banks with the State Bank of India. Further there was a strike called on September 7, 2010 by the All India Bank Employees' Association supporting the demands of the national trade union convention. Although the strikes did not materially impact our Bank's operations, employee unions' opposition to any merger of the Associate Banks with the State Bank of India or any other demands may disrupt business operations and the delivery of banking services to customers.

28. *Our Bank's business is highly dependent on the continuation of our management team, skilled personnel and our Bank's ability to attract and retain talented personnel. Failure to retain key personnel or inability to manage attrition levels may have a material adverse impact on our Bank's business, its ability to grow and its control over various business functions.*

Our Bank is highly dependent on the services of its key management personnel. Our Bank's ability to meet future business challenges depends, among other things, on their continued employment and our Bank's ability to attract and recruit talented and skilled personnel. There can be no assurance that our Bank will be able to retain such key personnel. Competition for skilled and professional personnel in the banking industry is intense. Our Bank's remuneration scheme may not be as attractive as private sector banks which may affect our Bank's ability to attract / retain skilled personnel. The loss of key personnel or an inability to manage attrition levels across our Bank may have a material adverse impact on our Bank's business, its ability to grow and its control over various business functions.

29. *Our Bank's failure to manage growth effectively may adversely impact our business, our future financial performance and the market price of our Bank's Equity Shares.*

Our Bank has been witnessing growth in its business. Our Bank's total assets have increased from ₹59,454.70 crores for the year ended March 31, 2010 to ₹70,976.75 crores for the year ended March 31, 2011. The number of branches of our Bank, has grown from 748 as of March 31, 2010 to 792 as of March 31, 2011. 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 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.

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

As on May 15, 2011, we have 793 branches, out of which 766 are located on leased premises. In addition, we have 841 ATMs out of which 35 ATMs are located on the freehold properties of our Bank and the remaining 806 ATMs are on leased premises.



Further, the lease agreements in respect of 32 branches have expired as on May 15, 2011 and our bank is in the process of renewing the same. Any failure to renew lease agreements for any of our premises on terms and conditions favourable to us may require us to shift the concerned branch offices, regional offices or the ATMs to new premises. Consequently, our business operations may be disrupted and get adversely affected.

31. *We require certain statutory and regulatory permits and approvals for expansion i.e for opening up of new branches. Failure by us to procure the required permits and approvals may delay or prevent our expansion plans and may impact our future business.*

We require certain statutory and regulatory permits and approvals for expansion i.e for opening up of new branches. The permissions for opening up of new branches are subject to the branch licensing policy of RBI. Failure by us to procure the required permits and approvals and /or change in the branch licensing policy of RBI, may delay or prevent our expansion plans and may impact our future business

32. *We do not own the intellectual property rights attached to the logo used by our Bank and our ability to use the logo may be restricted, which may materially and adversely affect our goodwill and business.*

We do not own the intellectual property rights attached to the logo of our Bank. The logo used by our Bank is owned by our parent, the State Bank of India. We have not entered into any agreement of license with the State Bank of India to use the said logo. However, there can be no assurance that the State Bank of India would not in future, restrain our Bank from using the said logo or call upon our Bank to pay royalty in consideration of usage of the logo. Any such eventuality may require us to incur additional costs and may impact our brand recognition among customers.

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

Our Bank is exposed to various types of operational risks, including the risk of fraud or other misconduct by employees or outsiders, unauthorised transactions by employees or operational errors, including clerical or recordkeeping errors or errors resulting from faulty computer or telecommunications systems. Given the high volume of transactions of our Bank, certain errors may be repeated or compounded before they are discovered and successfully rectified. Although our Bank has established risk management systems to prevent and monitor fraud cases and monitor adherence to KYC norms, we cannot guarantee that such events will not occur in the future. Any such event could disrupt our reputation, operations, or otherwise have a material adverse effect on our business, financial condition or results of operation.

Our Bank also faces the risk that the design of controls of our Bank and procedures may prove inadequate, or may be circumvented, thereby causing delays in detection or errors in information. Although our Bank maintains a system of controls designed to keep operational risk at appropriate levels, there can be no assurance that our Bank will not suffer losses from operational risks in the future.

34. *We have in past received complaints / grievances from investors and which have taken time before these could be resolved. There can be no assurance that such complaints / grievances will not arise in future or we will adequately be able to resolve such complaints to the satisfaction of investors. In case SEBI initiates any action against our Bank on account of any pending investor complaint and passes any orders in future 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*

We receive complaints / grievances from investors on an ongoing basis and we strive to resolve such complaints at the earliest. However, there can be no assurance that we will be able to resolve such complaints / grievances to the satisfaction of the investor or such complaints / grievances will not arise in future. For the financial year ended March 31, 2011, we had received 87 investor complaints which have been resolved. In case we are not able to resolve any future investors complaints to the satisfaction of the investors and the SEBI initiates any action our Bank on account of any pending investor complaints and passes orders in future 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.



35. *We depend on the accuracy and completeness of information about customers and counterparties (Know Your Customer norms). Our reliance on any misleading information given by them may affect our results of operations and financial conditions.*

In deciding whether to extend credit or enter into other banking 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 on certain representations as to the accuracy and completeness of that information. 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.

36. *Our Bank's risk management policies and procedures may not be fully effective in mitigating unidentified or unanticipated risks, which could negatively affect our business and financial condition.*

Our Bank's risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risk are based upon observed historical market behaviour. As a result, these methods may not accurately predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, clients or other matters. This information may not in all cases be accurate, complete, up to date or properly evaluated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. Although our Bank has established these policies and procedures, they may not be fully effective.

37. *If our Bank is unable to adapt to rapid technological changes, its business could suffer.*

Our Bank's future success will depend in part on its ability to respond to technological advances and to 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 implement new technologies effectively or adapt its transaction processing systems to meet 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 conditions, customer requirements or technological changes, its business and the future financial performance of our Bank could be materially affected.

38. *We may not maintain historical dividends in the future as the same depends upon, among other factors, our earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws in India from time to time.*

While we have paid dividends in the past, there can be no assurance as to whether we will pay dividends in the future and, if so, the level of such future dividends. The declaration, payment and amount of any future dividends is subject to the discretion of the Board and will depend upon, among other factors, our earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws in India from time to time.

39. *Any future equity offerings by our Bank could lead to dilution of your shareholding or adversely affect the market price of the Equity Shares.*

As a shareholder of our Bank's Equity Shares, you could experience dilution to your shareholding in the event that we conduct future equity offerings. Such dilution can adversely affect the market price of the Equity Shares and could impact our ability to raise capital through an offering of our equity securities. In addition, any perception by investors that such issuance or sales will occur could also affect the trading price of the Equity Shares.

40. *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 on repatriation basis 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 122 of this Draft Letter of Offer.

EXTERNAL RISK FACTORS

41. There are certain restrictions as per Subsidiary Banks Act and Banking Regulation Act which have a bearing on the flexibility of our Bank’s operations and affect/restrict investor’s right. Further, any material changes in the regulations that govern our Bank could adversely affect our Bank’s business and financial performance.

Our Bank can carry on business/activities as specified in the Subsidiary Banks Act and the Banking Regulation Act. There are certain restrictions on our ability to pursue profitable avenues if they arise, in contrast with other companies.

Some of the restrictions include restrictions regarding:

- a) Setting up of subsidiaries by a Bank
- b) Management of the Bank including appointment of Directors
- c) Borrowings and creation of floating charge thereby hampering leverage. Banks may have to resort to unsecured debt instruments for borrowings
- d) Expansion of business as branches need to be licensed
- e) Production of documents and availability of records for inspection by shareholders
- f) Reconstruction of banks through amalgamation etc.
- g) Voluntary winding up.
- h) Ownership restrictions.

Declaration of dividend on share capital is also subject to the norms introduced by the RBI in that regard. As per Banking Regulation Act, no banking company would be able pay dividend on its shares until all its capitalised expenses (including preliminary, organisational 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.

42. Changes to interest rates, CRR and SLR may affect our business operations and profitability.

The RBI’s policies vis-a- vis interest rates, CRR and SLR are sensitive to many factors beyond our control, including the RBI’s monetary policy, deregulation of the financial sector in India and domestic and international economic and political conditions. Presently, the CRR prescribed by the RBI stands at 6% and the repo/ reverse repo rate at which banks borrow/ lend money from / to the RBI under liquidity adjustment facility is at 7.25% / 6.25%. Under the RBI regulations, we are required to maintain a minimum specified Statutory Liquidity Ratio of 24%, which stood at 24.49% of our net demand and time liabilities in cash and government or other approved securities as on March 31, 2011.

43. Regulations in India require our Bank to extend a minimum level of loans to certain specified sectors in India which may subject our Bank to lend to vulnerable economic sectors thus affecting our financial performance.

The priority sector lending norms of the RBI require all banks in India to extend at least 40 % of their ANBC to specified sectors, including agriculture and small scale industries, which are known as ‘priority sectors’. In accordance with regulatory requirements in India, at least 18% of our Bank’s ANBC, must be extended to the agricultural sector. In addition, the criteria for classifying agricultural loans as non-performing differ from the criteria applicable for non-agricultural loans. For example, loans to agricultural borrowers can only be classified as non-performing if the loan remains overdue for more than two harvest seasons. As on the last reporting Friday of the year ending March 31, 2011, total credit extended to priority sectors constituted 44.07 % of our Bank’s adjusted net bank credit, and credit extended to the agriculture sector constituted 14.17 %, of our ANBC. Like other Indian commercial banks, if our Bank fails to achieve the prescribed lending target to the priority sectors and/or the agricultural sector, we are required to contribute to the Rural Infrastructure Development Fund (“RIDF”) of NABARD or other financial institutions as specified by the RBI, being investments which may offer lower rates of return and our contribution to the same as on March 31, 2011 is ₹2419.98 crores. Although such priority sector



loans are extended to borrowers who have met our Bank's internal guidelines and against what our Bank believes to be adequate security, adverse economic circumstances, including those resulting from changes in government policies, adverse weather conditions and natural calamities, may adversely impact these priority sectors resulting in an increase in impaired loans in these sectors.

44. Changes to the prudential norms by the RBI requiring banks to maintain higher provisioning norms would adversely affect our profitability.

In the event of the RBI effecting any changes to the prudential norms requiring banks to maintain higher provisioning norms for non performing assets, such increase in provisioning requirement would adversely impact our profitability, business, financial condition or results of operations.

45. Restrictions on foreign direct investment in public sector banks may limit our ability to raise additional capital.

Foreign direct investment including portfolio investment, in public sector banks is limited to 20% of the bank's share capital. Further, such foreign investment in public sector banks is subject to the prior approval of the Central Government. Thus, our ability to raise additional capital from foreign investors is impaired as a result of these and other restrictions, which may adversely affect our business operations and growth.

46. 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. Pursuant to the same, our Bank has implemented the base rate regime. As 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. As banks are unable to lend at rates below their base rate (other than the exempted categories like staff loans, loans to agriculture sector, DIR loans etc), regardless of the creditworthiness of the borrower, it is possible that our Bank will be restricted from granting loans that would otherwise result in a profit, thereby adversely affecting our Bank's results of operations.

47. Banking is a heavily regulated industry and material changes in the regulations which govern our Bank, may adversely affect our business.

Banks in India are subject to detailed supervision and regulation by the RBI. In addition, the financial condition and results of operations of banks are susceptible to material change pursuant to changes in law, as well as to changes in regulations, government policies and accounting principles. Any such changes may adversely affect our Bank's business, future financial performance and the price of the Equity Shares.

48. Political instability and significant changes in the Government's policy on liberalisation of the Indian economy could impact our Bank's financial results and prospects.

India has been charting a course of economic liberalisation and our Bank's business could be significantly influenced by the economic policies of the Government. However, there can be no assurance that these liberalisation policies will continue in the future. The rate of economic liberalisation could change, and laws and policies affecting banking and finance companies, foreign investment, currency exchange and other matters affecting investment in our Bank's securities could change as well. Any significant change in liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our Bank's business in particular. If the Government introduces significant changes, the competitive position of our Bank's borrowers may be adversely affected and this may impact the quality of our Bank's loan portfolio.

49. A slowdown in economic growth in India could cause our Bank's business to suffer.

The Indian economy which was on a robust growth path up to 2007-08 witnessed moderation in 2008-09. The growth deceleration was primarily driven by knock on effects of the global economic crisis. Industrial growth experienced a significant downturn and the loss of growth momentum was evident in all categories. i.e. basic,



capital, intermediate and consumer goods. The services sector witnessed some moderation and the agriculture recorded a deceleration in growth.

Monetary growth witnessed moderation during 2008-09 reflecting deceleration in bank credit on the back of the slowdown in economic activity emanating from the deepening of the international financial turmoil.

Inflationary pressure in the economy strongly reflects on the domestic interest rates. Hikes in the CRR and the repo rates will necessitate banks to increase their Base Rate/BPLR. Call money rates would also move up mainly on account of higher pre-emption and credit off-take. Our Bank's business may be affected on account of the above factors.

50. The Indian banking industry is very competitive and our Bank's ability to grow depends on its ability to compete effectively.

The Indian banking industry is very competitive. Our Bank competes directly with large public sector banks, which have larger customer and deposit bases, larger branch networks and more capital. The large public sector banks are also expected to improve their customer service networks and technology platforms, which will allow them to enhance their competitive position against banks such as our Bank. Our Bank also competes with other private sector banks in India, some of which also have larger customer bases and greater financial resources than our Bank. In particular, other private sector banks may have operational advantages in implementing new technologies, rationalizing branches and recruiting employees through incentive-based compensation.

Mergers and consolidation among public sector banks as well and private sector banks may result in enhanced competitive strengths in pricing and delivery channels for the merged entities. Presently, foreign investment in private sector banks is permitted upto 74 % of the banks share capital, which could result in consolidation in the banking sector. Our Bank may face greater competition from larger banks as a result of such consolidation, which may adversely affect our Bank's future financial performance.

51. Any downgrading of India's rating by an international rating agency could have a negative impact on our economy.

Any adverse revision to India's credit rating for domestic and international debt by international rating agencies may adversely impact the Indian securities markets. Any such disruption could have an adverse effect on the price of our Bank's Equity Shares.

52. Financial instability in other countries, could disrupt our Bank's business.

Although economic conditions are different in each country, investors' reactions to developments in one country may have an adverse effect on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause 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.

53. We are exposed to fluctuations in foreign currency exchange rates.

As a financial intermediary, our Bank is exposed to exchange rate risk in its foreign exchange transactions. Although our Bank complies with regulatory limits on its unhedged foreign currency exposure, our Bank is exposed to fluctuation in foreign currency rates for its un-hedged exposure and any hedged exposure where the relevant counterparty fails to perform its obligations. Adverse movements in foreign exchange rates may also impact our Bank's borrowers negatively which may in turn adversely impact the quality of our Bank's exposure to these borrowers.



54. *Seasonal trends in the Indian economy affect our Bank's business*

Our Bank's business is affected by seasonal trends in the Indian economy that affect the overall banking industry. The period from October to March is the busy period in India for economic activity and, accordingly, we generally experience higher volumes of business during this period. From April to September, when economic activity typically decreases, our business volumes experience a corresponding decrease. As a result of this, the quarter to quarter comparison of historical results may not be accurate or a meaningful indicator of our future performance.

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

It may not be possible for investors in our Equity Shares to effect service of process outside of India on us or our directors and executive officers named in this Draft Letter of Offer who are residents of India or to enforce judgments obtained against us or these persons in foreign courts predicated upon the liability provisions of foreign countries. Moreover, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with Indian law and practice.

56. *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. 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 accounting personnel experienced in IFRS 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.

57. *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 are 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. A closure of, or trading stoppage on, either BSE or 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.



58. *Share price of our Bank may fall below the historical price levels.*

The share price data of our Bank incorporated herein pertains to Equity Shares prior to the Rights Issue. The price of Equity Shares of our Bank may potentially vary significantly following the Issue and may potentially fall to levels which are below the historical price levels of the Equity Shares.

59. *After this Issue, the price of our Equity Shares may be highly volatile.*

The prices of our Bank's Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- our profitability and performance;
- performance of our competitors in the Indian banking industry and the perception in the market;
- significant developments in India's fiscal, and other regulations;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures;
- the present state of our development, etc

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.

60. *Natural calamities could have a negative impact on the Indian economy and harm our Bank's business.*

India has experienced natural calamities such as earthquakes, floods, drought and a tsunami in recent years. The extent and severity of these natural disasters determines their impact on the Indian economy. Prolonged spells of abnormal rainfall and other natural calamities could have an adverse impact on the Indian economy which could adversely affect our Bank's business and the price of our Bank's Equity Shares.

61. *The market value of an investment in our Equity Shares may fluctuate due to the volatility of the Indian securities markets.*

The Indian Stock Exchanges have, in the past, experienced substantial fluctuations in the prices of listed securities. Such fluctuations and volatility could affect the market price and liquidity of the securities of Indian companies, including our Equity Shares. Moreover, there have been occasions when secondary market operations have been interrupted and/or affected due to temporary exchange closures, broker defaults and settlement delays. In addition, the governing bodies of the Indian Stock Exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements.

62. *Investors may be subject to Indian taxes arising out of capital gains.*

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



63. *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.*

In accordance with 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 BSE, NSE, MSE and CSE. 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 BSE, NSE, MSE and CSE. The shares allotted shall be listed with the stock exchanges within stipulated time period as per ICDR Regulations.

Prominent Notes:

- i) The RBI conducts regular inspections of banking companies under the provisions of the Banking Regulation Act. 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 reports of the RBI are strictly confidential. The Issuer is in dialogue with RBI in respect of observations made by RBI in their report for previous years. 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.
- ii) This Issue is of [●] Rights Equity Shares having a face value of ₹10/- each for cash at a premium of ₹[●] per Rights Equity Share on rights basis to the existing Equity Shareholders of our Bank aggregating upto ₹500 crores 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.
- iii) Net worth of our Bank as per the audited financial statements on March 31, 2011 was ₹2706.96 crores.
- iv) Our Bank has entered into certain related party transactions the cumulative value of which are ₹0.36 crores for the period ended March 31, 2011. The details of the same are disclosed in the section titled “Related Party Disclosures” on page 96 of this Draft Letter of Offer.
- v) Neither our Promoter or its Directors nor 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.
- vi) There are no transactions in Equity Shares by Directors of our Bank in the last six months.
- vii) The State Bank of India and/or other associates have not purchased or sold the Equity Shares of our Bank during the year immediately preceding the date of filing of this Draft Letter of Offer with the SEBI.
- viii) The Investors shall have an option to get the Rights Equity Shares in physical or dematerialised form.
- ix) Trading in Rights Equity Shares for all investors shall be in dematerialised form only. It is pertinent to note that BSE exit route scheme provides an exit to the small investors holding physical shares of companies where deliveries have to be given compulsorily in demat form only. Only small investors holding up to 500 shares of a company in physical form in respect of such companies where deliveries are to be given in demat form are eligible to avail of the said exit route scheme.
- x) Other than as stated in this Draft Letter of Offer under chapter titled “Our Management” on page 54 of this Draft Letter of Offer, our 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.



- xi) The Lead Managers to the Issue 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.
- xii) 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.
- xiii) An investor may contact the Lead Managers or the Compliance Officer of our Bank for any queries/complaints pertaining to the Issue.

**SUMMARY****THE ISSUE**

Pursuant to the resolution passed by our Board at its meeting held on December 28, 2010, our Bank has been authorised to make the following Rights Issue to the Equity Shareholders of our Bank with a right to renounce.

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” on page 122 of this Draft Letter of Offer.

Rights Equity Shares being offered	[●] Rights Equity Shares
Rights Entitlement for Rights Equity Shares	[●] Rights Equity Shares for every [●] Equity Shares held on the Record Date
Record Date	[●]
Face Value per Rights Equity Shares	₹10
Issue Price per Rights Equity Share	₹[●] at a premium of ₹[●] per Rights Equity Share
Issue size	₹[●] crores
Equity Shares outstanding prior to the Issue	[●] Equity Shares of ₹10 each
Equity Shares outstanding after the Issue	[●] Equity Shares of ₹10 each
Use of Issue Proceeds	See the chapter titled “Objects of the Issue” on page 41 of this Draft Letter of Offer.
Terms and Procedure of the Issue	For more information, please refer to the chapter titled “Terms and Procedure of the Issue” on page 122 of this Draft Letter of Offer.

Terms of Payment

The entire Issue Price will be paid on Application.



SELECTED FINANCIAL INFORMATION

The following tables set forth the summary of the financial information derived from our financial statements as of Fiscal 2011 and Fiscal 2010. Our financial statements have been prepared in accordance with Indian GAAP, the Banking Regulation Act, 1949 and the ICDR Regulations and are presented in the chapter titled “Financial Statements” beginning on page 62 of this Draft Letter of Offer. The summary financial information presented below should be read in conjunction with our financial statements, notes thereto beginning from page 62 of this Draft Letter of Offer.

BALANCE SHEET OF STATE BANK OF TRAVANCORE AS ON MARCH 31, 2011

₹ in Crores

PARTICULARS	Year Ended 31-Mar-11	Year Ended 31-Mar-10
CAPITAL AND LIABILITIES		
Capital	50.00	50.00
Reserves and Surplus	3,413.55	2,790.58
Deposits	58,157.92	50,883.38
Borrowings	5,726.50	3,250.15
Other Liabilities and Provisions	3,628.78	2,480.59
TOTAL	70,976.75	59,454.70
ASSETS		
Cash and Balance with Reserve Bank of India	4,709.57	3,468.04
Balances with Banks and Money at Call & Short Notice	142.97	665.12
Investments	17,926.99	15,844.39
Advances	46,044.23	38,461.26
Fixed Assets	221.37	202.82
Other Assets	1,931.62	813.07
TOTAL	70,976.75	59,454.70
Contingent Liabilities	18,733.55	13,115.36
Bills for Collection	2,283.29	1,889.22

STATE BANK OF TRAVANCORE
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

₹ in Crores

PARTICULARS	Year Ended 31-Mar-11	Year Ended 31-Mar-10
I. INCOME		
Interest Earned	5,228.76	4,378.12
Other Income	581.24	527.96
TOTAL	5,810.00	4,906.08
II. EXPENDITURE		
Interest Expended	3,532.73	2,977.94
Operating Expenses	1,101.31	955.87
Provisions & Contingencies	448.24	288.00
TOTAL	5,082.28	4,221.81
III. PROFIT		
Net Profit for the Year	727.72	684.27
Profit brought forward	1.70	1.23
TOTAL	729.42	685.50
APPROPRIATIONS		
Transfer to Statutory Reserves	181.93	171.37
Transfer to Capital Reserves (net of tax adjustments)	2.33	13.70
Transfer to Revenue and Other Reserves		
a) Special Reserve Derivatives (Hedging) (net of tax adjustments)	-	-
b) Reserve under Sec 36 of IT ACT	47.00	30.00
c) General Reserves	390.00	365.00
d) Investment Reserve Account	-	10.13
Proposed Dividend	50.00	80.00
Tax on Dividend	8.11	13.60
Interim Dividend Paid	40.00	-
Tax on Interim Dividend	6.64	-
Balance carried over to Balance Sheet	3.41	1.70
TOTAL	729.42	685.50
Basic and diluted Earnings per share (in ₹)	145.55	136.85



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

₹ in Crores

S No	Particulars	Year Ended March 31, 2011		Year Ended 31, 2010	
A	CASH FLOW FROM OPERATING ACTIVITIES		1,033.45		2,110.81
B	CASH FLOW FROM INVESTING ACTIVITIES		(65.49)		(74.06)
C	CASH FLOW FROM FINANCING ACTIVITIES		(248.58)		(358.24)
	NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		719.38		1,678.51
D	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,133.17		2,454.66
E	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D)		4,852.55		4,133.17
A	CASH FLOW FROM OPERATING ACTIVITIES				
	Net Profit for the year		727.72		684.27
	Add :Provision for Income Taxes & Fringe Benefit Tax	196.00		202.96	
	Provision for other Taxes	0.50		0.10	
	Deferred taxes	(42.20)		0.65	
	Net Profit before Taxes		882.02		887.98
	Adjustment for :				
	Depreciation charges	46.94		42.83	
	Provision for NPAs	245.50		80.53	
	Provision on standard assets	52.62		-	
	Provision on Restructured standard assets	(7.45)		25.65	
	Provision on Restructured NPA	(0.95)		(3.68)	
	Depreciation on Investments	6.62		(20.47)	
	Amortisation of Investments	110.21		138.43	
	Other provisions	(2.40)		85.85	
	Deferred Revenue Expenditure written off during the year	-		-	
	Dividend from subsidiaries (investing activity)	-		-	
	Interest paid on Innovative Perpetual Debt Instruments	28.63		28.63	
	Interest paid on Upper Tier II Bonds	50.05		50.05	
	Interest paid on SBT Bonds	65.15		65.97	
	Less : Direct Taxes	189.67		150.22	
	SUB-TOTAL	405.25		343.57	
	Adjustment for :				
	Increase / (Decrease) in Deposits	7,274.53		8,841.47	
	Increase / (Decrease) in Borrowings	2,476.36		822.38	
	(Increase) / Decrease in Investments	(2,199.43)		(2,730.64)	
	(Increase) / Decrease in Advances	(7,820.07)		(5,852.84)	
	Increase / (Decrease) in Other Liabilities	1,097.97		(224.62)	
	(Increase) / Decrease in Other Assets	(1,083.18)		23.51	
	NET CASH PROVIDED BY OPERATING ACTIVITIES		1,033.45		2,110.81
B	CASH FLOW FROM INVESTING ACTIVITIES				
	Investments in Subsidiaries and/or Joint Ventures				
	Income earned on such Investments				
	Fixed Assets	(65.49)		(74.06)	-
	NET CASH USED IN INVESTING ACTIVITIES		(65.49)		(74.06)



₹ in Crores

S No	Particulars	Year Ended 31-Mar-11		Year Ended 31-Mar-10	
C	CASH FLOW FROM FINANCING ACTIVITIES				
	Share Capital	-		-	
	Share Premium	-		-	
	Issue of Innovative Perpetual Debt Instruments	-		-	
	Issue of Upper Tier II Bonds	-		-	
	Issue of Subordinated Bonds	-		-	
	Redemption of IPDI Bonds	-		-	
	Redemption of Upper Tier II Bonds	-		-	
	Redemption of Subordinated Bonds	-		(120.00)	
	Interest Paid on IPDI Bonds	(28.63)		(28.63)	
	Interest Paid on Upper Tier II Bonds	(50.05)		(50.05)	
	Interest Paid on Subordinate Bonds	(65.15)		(65.97)	
	Dividends Paid	(104.75)		(93.59)	
	NET CASH PROVIDED BY FINANCING ACTIVITIES		(248.58)		(358.24)
D	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR				
	i) Cash in hand (including foreign currency notes and gold)	313.47		220.63	
	ii) Balances with Reserve Bank of India	3,154.57		2,108.10	
	iii) Balances with Banks and Money at Call and Short Notice	665.13		125.93	
			4,133.17		2,454.66
E	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR				
	i) Cash in hand (including foreign currency notes and gold)	343.42		313.47	
	ii) Balance with Reserve Bank of India	4,366.16		3,154.57	
	iii) Balances with Banks and Money at Call and Short Notice	142.97		665.12	
			4,852.55		4,133.17



GENERAL INFORMATION

Dear Equity Shareholder(s),

Pursuant to the resolution passed by our Board at its meeting held on December 28, 2010, our Bank has been authorised to make the following Rights Issue to the Equity Shareholders of our Bank with a right to renounce.

Issue of [●] Rights Equity Shares of ₹10/-each for cash at a premium of ₹[●]/- per Rights Equity Share aggregating up to ₹500 crores on a rights basis to the existing Equity Shareholders of our Bank, in the ratio of [●] Rights Equity Share for every [●] Equity Shares (i.e.[●]:[●]) held as on the Record Date i.e. [●].

For further details please refer to “Terms and Procedure of the Issue” beginning on page 122 of this Draft Letter of Offer.

HEAD OFFICE OF OUR BANK

State Bank of Travancore

Head Office: Poojapura, Thiruvananthapuram - 695 012

Tel: + 91 0471 2359975

Fax: +91 0471 2351861

Email: cmsb@sbt.co.in

Website: www.statebankoftravancore.com

Compliance Officer

Mr. V. Viswanathan

DGM, Finance and Accounts

State Bank of Travancore

Poojapura, Thiruvananthapuram-695 012

Tel: + 91 0471 2351903 /2359975

Fax: +91 0471 2351861

Email: cmsb@sbt.co.in

Investors may contact the Compliance Officer or Registrar to the Issue for any pre-Issue / post-Issue related matter such as non-receipt of letters of allotment/ share certificates/ refund orders, etc. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, ASBA Account number and the Designated Branch of the SCSBs where the CAF, or the plain paper application, as the case may be, was submitted by the ASBA Investors.

LEAD MANAGERS TO THE ISSUE

BOB Capital Markets Limited

3rd Floor, South Wing,

UTI Tower, Gn Block,

Bandra Kurla Complex, Bandra East,

Mumbai - 400 051

Tel: +91 22 6138 9300

Fax: +91 22 6671 8535

E-mail: sbtrights@bobcaps.in

Website: www.bobcaps.in

Contact person: Ms. Preeti Swaroop/ Mr. Shardwan Charla

SEBI Registration No.: INM000009926



SBI Capital Markets Limited

202, Maker Tower 'E',

Cuffe Parade,

Mumbai - 400 005

Tel: +91 22 22178300

Fax: +91 22 22188332

Email: sbtrights@sbicaps.com

Website: www.sbicaps.com

Contact Person: Ms. Apeksha A. Munwane / Mr. Nikhil Bhiwapurkar

SEBI Registration No.: INM000003531

Legal Advisors to the Issue

ALMT Legal

Advocates and Solicitors

#2, Lavelle Road,

Bangalore- 560 001

Tel: +91 80 4016 0000

Fax: +91 80 4016 0001

Email: sbt@almtlegal.com

Website: www.almtlegal.com

Contact Person: Mr. S.R Arun/ Ms. Dhanya Menon

Registrar to the Issue

Integrated Enterprises (India) Limited

2nd Floor, Kences Tower,

No.1 Ramakrishna Street,

North Usman Road, T. Nagar,

Chennai - 600 017

Tel: +91 44 2814 0801-03

Fax: +91 44 2814 3378

E-mail: sbtrights@iepindia.com

Website: www.iepindia.com

Contact Person: Mr. K. Balasubramanian

SEBI Registration No. : INR000000544

Auditors of our Bank

M/s. Saha Ganguli & Associates

Chartered Accountants

“SHANTINIKETAN”,

8, Camac Street,

6th Floor, Room No. 15,

Kolkata - 700 017

M/s. Ramanatham & Rao

Chartered Accountants

P.B. No. 2102, Flat No. 302,

Kala Mansion,

Sarojini Devi Road,

Hyderabad - 500 003



M/s. Jain & Jain

Chartered Accountants
601, Jolly Bhavan No. 2,
51, New Marine Lines,
Churchgate,
Mumbai - 400 020

M/s. Jagdish Chand & Co.

Chartered Accountants
H-20, LGF, Green Park (Main),
New Delhi - 110 016

M/s. B.V Rao & Co.

Chartered Accountants
FF 1, 49-28-12,
Satyalakshmi Vinayaka Towers,
Madhuranagar,
Vishakapatnam - 530 016

M/s. Sridhar & Co.

Chartered Accountants
“SREENIDHI”, T.C-37/275
Padmatheertham North Street
Fort, Thiruvananthapuram 695 023

BANKERS TO THE ISSUE

[•]

SELF CERTIFIED SYNDICATE BANKERS

APPLICATIONS SUPPORTED BY BLOCKED AMOUNT (ASBA): Eligible Equity Shareholders may apply through the ASBA process. ASBA can be availed by all the Eligible Equity Shareholders. The Eligible Equity Shareholders are required to fill the ASBA form and submit the same to their bank which in turn will block the amount in the account as per the authority contained in ASBA form and undertake other tasks as per the specified procedure. On allotment, amount will be unblocked and account will be debited only to the extent required to pay for allotment of shares. Hence, there will be no need of refunds etc. ASBA form can be submitted to several banks, the list of such banks are given in the ASBA form and is available on website of SEBI at http://www.sebi.gov.in/Index.jsp?contentDisp=Section&sec_id=6

For more details on the ASBA process, please refer to the details given in ASBA form and also please refer to the chapter titled “*Terms and Procedure of the Issue*” beginning on page 122 of the Draft Letter of Offer.

The list of banks that have been notified by SEBI to act as SCSBs for the **ASBA** Process are available at the SEBI website (URL reference: http://www.sebi.gov.in/Index.jsp?contentDisp=Section&sec_id=6). Details relating to designated branches of SCSBs collecting the ASBA forms, are available at the above mentioned link.



Credit Rating

As this is a Rights Issue of Equity Shares, credit rating is not required for this Issue. The details of the ratings received by our Bank for Innovative Perpetual Debt Instruments & Tier I / II subordinated bonds which are outstanding as on date are as follows:

Details	ISIN	Date of Issue	Amount (₹ crores)	Date of maturity	Interest (%)	Ratings		
						ICRA	CRISIL	CARE
Subordinated Debt - Tier II Bonds								
Series VI	INE654A09084	Jan 19, 2005	195	April 19, 2014	7.05	LAAA		
Series VII	INE654A09092	Sep 27, 2005	235	April 6, 2015	7.45	LAAA		AAA
Series VIII	INE654A09100	Feb 6, 2006	140	May 15, 2015	7.8	LAAA	AAA STABLE	
Series IX	INE654A09142	Jul 31, 2007	125	July 31, 2017	9.2	LAAA	AAA STABLE	
Series X	INE654A09159	Jan 8, 2008	125	Jan 8, 2018	9.18	LAAA	AAA STABLE	
Upper Tier II Bond	INE654A09126	Mar 1, 2007	200	Mar 1, 2022	9.65 upto Mar 1, 2017 10.15 upto Mar 1, 2022		AAA STABLE	AAA
Upper Tier II Bond	INE654A09134	May 18, 2007	300	May 18, 2022	10.25 upto May 5, 2017 10.75 upto May 18, 2022		AAA STABLE	AAA
Details	ISIN	Date of Issue	Amount (₹ crores)	Call Option	Interest %	Ratings		
Innovative Perpetual Debt Instrument (IPDI) - Tier I Capital								
Series I	INE654A09118	Oct 31, 2006	200	Oct 31, 2016	9.34 upto Oct 30, 2016 9.84 from Oct 31, 2016		AAA STABLE	AAA
Series II	INE654A09167	Mar 31, 2008	100	Mar 31, 2018	9.95 upto Mar 30, 2018 10.45 from Mar 31, 2018		AAA STABLE	AAA
TOTAL			1620					

**Statement of inter-se responsibilities between the Lead Managers**

BOBCAPS and SBICAPS are the Lead Managers for this Issue. Their responsibilities, *inter alia*, are:

No.	Activities	Responsibility	Co-ordinator
a)	Capital structuring with the relative components and formalities such as composition of equity.	BOBCAPS	BOBCAPS
b)	Liaison with Stock Exchanges and SEBI, including obtaining in-principle listing approval and completion of prescribed formalities with the Stock Exchanges and SEBI.	BOBCAPS,	BOBCAPS
c)	Due diligence of our Bank's operations /management /legal/ business plans etc. Drafting & design of the offer document and of statutory advertisement/publicity material including newspaper advertisements and memorandum/ brochure containing salient features of the offer document. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities (including finalization of Letter of Offer) with Stock Exchanges and SEBI.	BOBCAPS, SBICAPS*	BOBCAPS
d)	Drafting and approval of all publicity material other than statutory advertisement (mentioned in (3) above) including corporate advertisement, brochure, corporate film, etc.	BOBCAPS	BOBCAPS
e)	Marketing of the Issue, which will cover, inter alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) advertisement media, (ii) centres of holding conferences (iii) collection centres, (iv) distribution of publicity and issue material including application form, Letter of Offer, Abridged Letter of Offer and brochure and deciding on quantum of issue material.	BOBCAPS, SBICAPS*	SBICAPS*
f)	Selection of various agencies connected with the issue, namely Registrar to the Issue, Bankers to the Issue, printers and advertisement agencies.	BOBCAPS	BOBCAPS
g)	Follow-up with Bankers to the Issue to get estimates of Collection and advising the Issuer about closure of the Issue, based on correct figures.	BOBCAPS	BOBCAPS
h)	The post Issue activities will involve essential follow up steps, which must include finalization of basis of allotment / weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrar to the Issue, Bankers to the Issue and the bank handling refund business. Lead Managers shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with the Issuer Bank.	BOBCAPS	BOBCAPS

* SBI Capital Markets Limited is a subsidiary of State Bank of India, which is the promoter of the Issuer. SBI Capital Markets Limited has signed the due diligence certificate and accordingly has been disclosed as a Lead Manager. Further, in compliance with the proviso to regulation 21A(1) and explanation (iii) to regulation 21A(1) of SEBI (Merchant Bankers) Regulations, 1992, SBI Capital Markets Limited would be involved only in the marketing of the Issue.



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 ICDR Regulations. Our Board 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.

Impersonation

As a matter of abundant caution, 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 (a) who makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or otherwise induces a company to allot, or register any transfer of shares therein to him, or (b) any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”

Principal Terms of Loan and Assets charged as security as on March 31, 2011

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



CAPITAL STRUCTURE

The share capital of our Bank as on date of this Draft Letter of Offer is as under:

(₹ In crores)

	Aggregate nominal value	Aggregate Value at Issue Price
AUTHORISED SHARE CAPITAL		
50,00,00,000 Equity Shares of ₹10 each	500.00	
ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL BEFORE THE ISSUE		
5,00,00,000 Equity Shares of ₹10 each	50.00	
PRESENT ISSUE BEING OFFERED THROUGH THE DLOF		
[●]Rights Equity Shares of ₹10 each at a price of ₹[●]/- per share including a premium of ₹ [●]/- per Rights Equity Share.	[●]	[●]
PAID UP EQUITY SHARE CAPITAL AFTER THE ISSUE		
[●] Equity Shares of ₹10 each	[●]	
SHARE PREMIUM ACCOUNT		
Before the Issue		142.50
After the Issue		[●]

Details of shares held by promoter and promoter group

Our Bank is constituted as a subsidiary of the State Bank of India under the Subsidiary Banks Act. The State Bank of India is our promoter. The shares held by our promoter and promoter group as on March 31, 2011, being the latest shareholding pattern filed with the Stock Exchanges are as under:

Category of shareholders	No. of Equity Shares	Percentage of Shareholding
Promoter		
State Bank of India	3,75,00,780	75.00%
Promoter Group		
	Nil	Nil
Total*	3,75,00,780	75.00%

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

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

Intention and extent of participation by Promoter

Our Promoter has confirmed, by their letter dated January 25, 2011 that it shall subscribe to the full extent of their Rights Entitlement in the Issue. Our Promoter would also be subscribing to the unsubscribed portion of the Rights Issue, if any. The allotment of any unsubscribed portion of the Rights Issue shall be in compliance with the applicable laws/ rules in this regard.

As a result of subscription to their Rights Entitlement, any unsubscribed portion and consequent allotment, our Promoter may acquire Rights Equity Shares over and above their Rights Entitlement in this Issue. The subscription and acquisition of such additional Rights Equity Shares by our Promoter, if any, will not result in change of control of the management of our Bank. Allotment to our Promoter of any unsubscribed portion of the Rights Equity Shares, over and above their Rights Entitlement, if exercised, shall be done in compliance with applicable laws.



Shareholding Pattern of our Bank

The shareholding pattern of our Bank as on March 31, 2011, being the latest shareholding pattern filed with the Stock Exchanges is as under:

	Category of shareholder	Number of Shareholders	Total no. of shares	No. Of shares held in demat	Total shareholding as a % of total no. Of shares		Shares pledged of otherwise encumbered	
					As a % of A+B	As a % of A+B+C	No. of Shares	% of total no. of shares
A	Shareholding Of Promoter And Promoter Group							
(1)	Indian							
	Financial Institutions/Banks	1	3,75,00,780	3,75,00,780	75.00	75.00	-	-
	SUB TOTAL A(1)		3,75,00,780	3,75,00,780	75.00	75.00	-	-
(2)	Foreign		0.00	0.00	0.00	0.00	-	-
	SUB TOTAL A(2)							
	Total Shareholding of promoter and Promoter Group(A)=A(1)+A(2)	1	3,75,00,780	3,75,00,780	75.00	75.00	-	-
B	Public Shareholding							
(1)	Institutions							
	Mutual funds/UTI	2	42,000	42,000	0.08	0.08	-	-
	Financial Institutions/Banks	18	1,62,600	1,45,400	0.33	0.33	-	-
	Central Government/State Government	1	5,25,000	5,25,000	1.05	1.05	-	-
	Venture Capital Funds	-	-	-	-	-	-	-
	Insurance Companies	3	4,35,620	4,35,620	0.87	0.87	-	-
	Foreign Institutional Investors	23	16,43,650	16,43,500	3.29	3.29	-	-
	Foreign Venture Capital Investors	-	-	-	-	-	-	-
	Any other (foreign banks)	-	-	-	-	-	-	-
	SUB TOTAL B(1)	47	28,08,870	27,91,520	5.62	5.62	-	-
(2)	Non-Institutions							
	Bodies Corporate (Indian/Foreign/Overseas)	647	16,08,781	14,78,741	3.22	3.22	-	-
	Individuals							
(i)	Individual shareholders holding Nominal share Capital up to ₹1 Lakh	59,404	78,03,488	30,63,365	15.61	15.61	-	-
	Individual shareholders holding Nominal share Capital in excess of ₹1 Lakh	7	2,43,682	2,43,682	0.49	0.49	-	-
	Any other							
	Clearing Members	127	33,935	33,935	0.07	0.07	-	-
	Trusts	2	464	464	0.00	0.00	-	-
	SUB TOTAL B(2)	60,187	96,90,350	48,20,187	19.38	19.38	-	-
	Total Public Share Holding (B)=B(1)+B(2)	60,234	1,24,99,220	76,11,707	25.00	25.00	-	-
	TOTAL (A)+(B)	60,235	5,00,00,000	4,51,12,487	100.00	100.00	-	-
C	Shares held by Custodians and against which Depository Receipts have been issued							
	GRAND TOTAL (A)+(B)+(C)	60,235	5,00,00,000	4,51,12,487	100.00	100.00	-	-



Details of our Shareholders holding more than one per cent of the share capital of our Bank as on March 31, 2011 is as follows:

	Name of the Shareholder	No. of Shares	% of Paid up Share Capital
1	State Bank of India	3,75,00,780	75.00
2	India Capital Fund Limited	10,00,000	2.00
3	Governor of Kerala	5,25,000	1.05
	TOTAL	3,90,25,780	78.05

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 Equity Shares issued under the Draft Letter of Offer are listed or application moneys are 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 a preferential basis or issue of bonus or rights or public issue of shares or any other securities for a period of six months from the date of opening of the Issue.
3. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. Our Bank shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
4. 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.

**OBJECTS OF THE ISSUE**

We are a banking body corporate regulated by the RBI. The RBI guidelines require us to maintain a minimum CAR of 9% subject to a minimum Tier I CAR of 6%. As per our financial statements, as of March 31, 2011, our total CAR was 10.82% (under Basel I norms) including Tier-I CAR of 7.77% and Tier-II CAR of 3.05%; and our total CAR was 12.54% (under Basel II norms) including Tier-I CAR of 9% and Tier-II CAR of 3.54%.

The objects of the Issue is to augment our capital base to meet the capital requirements and growth in our assets, primarily our loan and investment portfolio. The Subsidiary Banks Act enable us to undertake the existing activities and the activities for which funds are raised by us through this Issue.

Requirement and Sources of Funds

Particulars	Amount (₹ in Crores)
Augment our capital base to meet our capital adequacy requirements arising out of growth in our business	[•]
Total	[•]

The stated objects of the Issue are proposed to be financed entirely from the proceeds of this Issue and hence, there is no other requirement of firm arrangements of finance to meet the objects of this Issue.

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

As we are engaged in the business of banking, we are seeking to strengthen our capital base to support the future growth in our assets and comply with the capital adequacy requirements applicable to us.

The expenses related to this Issue shall be met out of internal accruals of our Bank.

Monitoring of Utilisation of Funds

In terms of the Regulation 16(1) of the ICDR Regulations, as the Issuer is a bank, a monitoring agency is not required to be appointed.

Our Board shall monitor the utilisation of the proceeds of the Issue. We will disclose the details of the utilisation of the proceeds, under a separate head in our financial statements specifying the purpose for which such proceeds have been utilised or otherwise disclosed as per the disclosure requirements of our Listing Agreements with the Stock Exchanges.

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.



STATEMENT OF TAX BENEFITS

The Board of Directors
State Bank of Travancore
Head Office
Poojapura, Thiruvananthapuram-695 012

Dear Sir

Sub: Tax benefits to Bank and Share holders

With reference to your request regarding current position of tax benefits available to State Bank of Travancore, being a Scheduled Bank (“the Bank”) and to its shareholders as per the provisions of the Income-tax Act, 1961 (“the Act”) and the Wealth-tax Act, 1957 for year ending 31st March, 2012, same is as under:

Statement of Direct Tax Benefits available to State Bank of Travancore (“the Bank”) and its Shareholders

INCOME TAX

I. TO THE BANK

Special Tax Benefits

1. Under section 36(1)(iiia) of the Act, deduction is allowed for the pro rata amount of discount on zero coupon bond having regard to the period of life of such bond calculated in the manner as may be prescribed.
2. 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”.

3. Under section 36(1)(viii) of the Act, deduction is allowed 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 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 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. Under section 10(34) of the Act, any dividend income as referred to in section 115O of the Act which is declared, distributed or paid by any domestic company is exempt. However, under section 94 (7) of the Act, the losses arising from the sale/transfer of any securities or units purchased up to three months prior to the record date and sold/transferred within a period of three months in case of securities or with a period of nine months in case of units after such date, will be disallowed to the extent of dividend received on such shares which is claimed as tax exempt by the shareholder.
4. Under section 10(35) of the Act, the following incomes are exempt:
 - 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 may be.

5. Under 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, provided, the transaction of sale of such equity share or unit is chargeable to securities transaction tax. However, minimum alternate tax (MAT) of 18.5% (plus applicable surcharge and education cess) on book profits (which would include such long term capital gains) is payable under Section 115JB of the Act, if 18.5% of book profit computed as per provision of Section 115JB of the Act is higher than the total income tax payable as per normal provisions of the Act.
6. Under section 32 of the Act, deduction is allowed towards depreciation on tangible and intangible assets owned by it and used for the purpose of its business. The unabsorbed depreciation if any, can be carried forwarded to the subsequent years.
7. Under section 35 of the Act, deduction is allowed in respect of expenditure laid out or expended on scientific research not being in the nature of capital expenditure. Further a weighted deduction is allowed 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.
8. Under section 35DD of the Act, any expenditure incurred wholly and exclusively for the purposes of amalgamation, is allowed as deduction for an amount equal to one-fifth of such expenditure for each of the five successive years beginning with the year in which amalgamation takes place.
9. Under section 35 DDA of the Act, any expenditure by way of payment of any sum to an employee in connection with his voluntary retirement in accordance with any scheme or schemes of voluntary retirement, is allowed as deduction for an amount equal to one-fifth of such expenditure for each of the five successive years beginning with the year in which expenditure incurred.
10. Under section 36(1)(vii) of the Act, in addition to the deduction available under section 36(1)(viia) of the Act, a deduction is allowed 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



Income-tax Act.

11. Under section 36 (1) (xv) of the Act, 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” is allowed as deduction against such income.
12. Under 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 is not liable to capital gains under section 45 of the Act.
13. Under section 54EC of the Act and subject to conditions specified therein, long term capital gains is exempt to the extent such capital gain is invested in certain specified assets subject to a maximum of Rupees fifty lakhs per year, within six months from the date of transfer of capital asset.

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 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.

14. Under section 72AA of the Act, where there has been an amalgamation of a banking company with any other banking institution under a scheme sanctioned and brought into force by the Central Government, notwithstanding the provision of Section 2(1B) or Section 72A of the Act, the accumulated loss other than speculation loss and the unabsorbed depreciation of such banking company shall be deemed to be the loss or, as the case may be, allowance for depreciation of such banking institution for the previous year in which the scheme of amalgamation was brought into force and other provisions of the Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly.
15. Under section 80G of the Act, deduction (50% / 100%) is allowed in respect of donations to certain funds, charitable institutions, etc subject to a maximum of 10% of the gross total income (as reduced by any portion thereof on which income tax is not payable under any provision thereof and by any amount which is entitled to a deduction under any other provision of chapter VI A of the Act).
16.
 - i. Under section 80LA of the Act, where the gross total income of a scheduled bank or any bank incorporated by or under the laws of a country outside India and having an Offshore banking Unit in a Special Economic Zone or being an unit of an International Financial Services Centre includes specified income, there shall be allowed in accordance with and subject to the provisions of this section, a deduction from such income, of an amount equal to –
 - a. One hundred percent of such income for five consecutive assessment years beginning with the assessment year relevant to the previous year in which the permission under clause (a) of subsection (1) of section 23 of the Banking regulations Act, 1949 (10 of 1949) or registration under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or any other relevant law was obtained and thereafter.
 - b. Fifty percent of such income for five consecutive assessment years.
 - ii. the specified income referred to above shall be
 - a. From an offshore banking unit in a special economic zone.
 - b. From the business, referred to in the sub-section(1) of the section 6 of the Banking Regulation Act,1949 with an undertaking located in a special economic zone or any other undertaking which develops, develops and operates or develop, operates and maintains a Special Economic Zone



- c. From any Unit of the International Financial Services Centre from its business for which it has been approved for setting up in such a Centre in a Special Economic Zone.
17. Under 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%, provided, the transaction of sale of such equity share or unit is chargeable to securities transaction tax.
18. Under section 10(38) of the Act, the exemption for 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 paid. 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.

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

19. Under section 115 JAA (1A) of the Act, tax credit shall be allowed of any tax paid (MAT) under section 115 JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 10 years succeeding the year in which the MAT becomes allowable.

II. TO THE RESIDENT SHAREHOLDERS OF THE BANK

The following are the benefits as per the current tax laws to shareholders of the Bank:

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. Under section 10(34) of the Act, any dividend income as referred to in section 115O of the Act which is declared, distributed or paid by any domestic company is exempt. However, under section 94 (7) of the Act, the losses arising from the sale/transfer of any securities or units purchased up to three months prior to the record date and sold/transferred within a period of three months in case of securities or with a period of nine months in case of units after such date, will be disallowed to the extent of dividend received on such shares which is claimed as tax exempt by the shareholder.
3. Under 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, provided, the transaction of sale of such equity share or unit is chargeable to securities transaction tax. However, minimum alternate tax (MAT) of 18.5% (plus applicable surcharge and education cess) on book profits (which would include such long term capital gains) is payable under Section 115JB of the Act, if 18.5% of book profit computed as per provision of Section 115JB of the Act is higher than the total income tax payable as per normal provisions of the Act.
4. Under 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%, provided, the transaction of sale of such equity share or unit is chargeable to securities transaction tax.
5. Under section 10(38) of the Act, the exemption for 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 paid. 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.

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

6. Under section 36 (1) (xv) of the Act, 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 against such income.
7. Under section 54EC of the Act and subject to conditions specified therein, long term capital gains is exempt to the extent such capital gain is invested in certain specified assets subject to a maximum of Rupees fifty lakhs per year, within six months from the date of transfer of capital asset.

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 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.

8. Under section 54F of the Act, long term capital gains arising in the hands of an individual or HUF on transfer of Bonds/securities of the Bank is 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.

III. TO NON-RESIDENT SHAREHOLDERS INCLUDING NRIs, OCBs and FIIs

1. Under section 10(34) of the Act, any dividend income as referred to in section 115O of the Act which is declared, distributed or paid by any domestic company is exempt. However, under section 94 (7) of the Act, the losses arising from the sale/transfer of any securities or units purchased up to three months prior to the record date and sold/transferred within a period of three months in case of securities or with a period of nine months in case of units after such date, will be disallowed to the extent of dividend received on such shares which is claimed as tax exempt by the shareholder.
2. Long-term capital gains would arise to non-resident shareholders where the equity shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of Section 48 of the Income-tax 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.

Under 1st proviso of section 48 of the Act, in case of a non-resident, capital gains arising from the transfer of a capital asset being shares in, or debentures of, an Indian company shall be computed by converting the cost of acquisition, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing as result of the transfer of the capital asset into the same



foreign currency as was initially utilised in the purchase of the shares or debentures, and the capital gains so computed in such foreign currency shall be reconverted into Indian currency, so, however, that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing or arising from every reinvestment thereafter in, and sale of, shares in, or debentures of, an Indian company.

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.

3. Under section 10(38) of the Act, the exemption for 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 paid. 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.

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

4. Any Under section 36 (1) (xv) of the Act, 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” is allowed as deduction against such income.
5. Under section 54EC of the Act and subject to conditions specified therein, long term capital gains is exempt to the extent such capital gain is invested in certain specified assets subject to a maximum of Rupees fifty lakhs per year, within six months from the date of transfer of capital asset.

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 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.

6. Under section 54F of the Act, long term capital gains arising in the hands of an individual or HUF on transfer of Bonds/securities of the Bank is 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.

7. 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 Income-tax 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 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 Income-tax 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 Income-tax 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 Income-tax Act.

- (iii) Under section 115G of the Income-tax Act, a NRI would not be required to file a return of income under Section 139(1) of the Income-tax 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 Income-tax Act.
 - (iv) As per the provision of Section 115I of Income-tax 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 Income-tax Act.
8. 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 Income-tax Act. Under Section 115AD of the Income-tax Act, 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 Income-tax Act as stated above will not apply.
9. In accordance with and subject to the provisions of Section 115AD read with Section 196D(2) of the Income-tax 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.
10. 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.

IV. BENEFITS AVAILABLE TO MUTUAL FUNDS

Under Section 10(23D) of the Act, any income of a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, 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:

- (i) This statement is only intended to provide possible tax benefits under the current direct tax laws to the company or its share holders in a general and summary manner and does not purport to be a complete analysis of all provisions or possible tax implications of subscriptions, purchase, ownership, disposal of shares etc. Several of these benefits are dependent on compliance with the prescribed conditions under the relevant direct tax laws and the company or its share holders may or may not choose to comply with the prescribed conditions based on the



business/investment considerations prevailing at the relevant time and in the event of non compliance the tax benefit is not available in full or part .

- (ii) 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 which is proposed to be implemented from 1 April 2012.
- (iii) In view of the individual nature of tax implications each investor is advised to consult his own tax adviser with respect to specific tax implications.

This Letter is intended solely for information and for the inclusion in the Offer Document in connection with the proposed Right Issue of the Bank and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Thanking You

Yours Faithfully,

For M/s Saha Ganguli & Associates,
Chartered Accountants
Firm Registration No.302191 E

Sd/-
Partner : Mr.Samir Kumar Saha
Membership No. :51392

For Jain & Jain,
Chartered Accountants
Firm Registration No.103869W

Sd/-
Partner : Mr.Ajay B Jain
Membership No. : 110372

For B.V.Rao & Co
Chartered Accountants
Firm Registration No.003118S

Sd/-
Partner : Mr. A.R.Unni
Membership No. : 007447

Place: Thiruvananthapuram
Date: 23-05-2011.

For Ramanatham & Rao,
Chartered Accountants
Firm Registration No.002934S

Sd/-
Partner :Mr. K.Sreenivasan
Membership No. :206421

For Jagdish Chand & Co,
Chartered Accountants
Firm Registration No.000129N

Sd/-
Partner : Mr. Praveen Kumar Jain
Membership No. : No.085629

For Sridhar & Co
Chartered Accountants
Firm Registration No. 003978S

Sd/-
Partner : Mr. R Sridhar
Membership No. : 026343



REGULATIONS AND POLICIES

Our Bank is constituted under the provisions of the Subsidiary Banks Act and we are governed by the provisions thereof. The legislations governing banks in India are the Banking Regulation Act, 1949, Reserve Bank of India Act, 1934, the Negotiable Instruments Act, 1881 and the Banker's Books Evidence Act, 1891. Additionally, RBI, from time to time, issues guidelines to be followed by the banks. Compliance with all regulatory requirements is evaluated with respect to financial statements under Indian GAAP. As our Bank is listed on Indian Stock Exchanges, Listing Agreement entered into with the Stock Exchanges and various regulations of SEBI would also apply.

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.

**HISTORY OF OUR BANK AND OTHER CORPORATE MATTERS**

Our Bank was constituted under the Subsidiary Banks Act as a subsidiary of State Bank of India under the name “State Bank of Travancore” on January 1, 1960 pursuant to notifications issued under section 3 of the Subsidiary Banks Act.

In terms of Section 10(1) of the Subsidiary Banks Act, when our Bank was constituted, the corresponding bank, i.e. the Travancore Bank Ltd. stood transferred and vested in it. Travancore Bank Ltd.’s origin can be traced back to September 12, 1945 with the incorporation of the Travancore Bank Limited in the erstwhile state of Travancore. Subsequent to its incorporation under the Travancore Companies Act, IX of 1114, the Travancore Bank Limited was issued a certificate of commencement of business on October 29, 1945 by the Registrar of Joint Stock Companies.

Subsequently, at the instance of the RBI and SBI, 9 banks viz Travancore Forward Bank Limited, Kottayam Orient Bank Limited, The Bank of New India Limited, The Vasudeva Vilasom Bank Limited, The Cochin Nair Bank Limited, The Latin Christian Bank Limited, The Champkulam Catholic Bank Limited, The Bank of Alwaye Limited, The Chaldean Syrian Bank Limited got acquired/amalgamated in to our Bank.

Our Bank’s shares were listed at MSE on October 27, 1961 and at CSE on April 17, 1996. Our Bank, through a public issue in the year 1997, listed its Equity Shares on NSE and BSE.

Key Milestones of our Bank since 1997

Year ending March 31	Milestone
1997	<ul style="list-style-type: none"> Public issue of 11,54,000 Equity Shares of ₹ 100 each at a premium of ₹500 per share aggregating to ₹69.24 crores. Equity Shares of our Bank were listed on BSE and NSE.
2003	<ul style="list-style-type: none"> Total business turnover crossed ₹25,000 crores.
2004	<ul style="list-style-type: none"> 100% computerisation of our branches.
2005	<ul style="list-style-type: none"> Core Banking Solutions implemented in all branches of our Bank.
2007	<ul style="list-style-type: none"> Total business turnover crossed over ₹50,000 crores. Best Bank Award was bestowed by Kerala State Kudumbasree Mission for our Bank’s performance in poverty alleviation programmes and women empowerment projects.
2008	<ul style="list-style-type: none"> Opened Representative Office in Dubai.
2009	<ul style="list-style-type: none"> Launch of “MONEYTRANS E-REMIT”, a web based, fast and secured facility for remittances from Gulf countries developed in-house.
2010	<ul style="list-style-type: none"> Our Bank was conferred the Special Award for Excellence in MSE Lending for the year 2009-10 by the Ministry of Micro, Small and Medium Enterprises, the fifth time in last seven years.
2011	<ul style="list-style-type: none"> 792 branches and 833 ATMs spanning across 13 states and 3 Union Territories , ₹58,158 crores deposits, ₹46,044 crores advances, ₹1,175 crores operating profits. Gross business turnover of our Bank crossed ₹1,00,000 crores.

Our Main Objects

Being a bank constituted under the Subsidiary Banks Act, we are governed by the provisions of the said Subsidiary Banks Act. Sections 36, 36A and 37 of the Subsidiary Banks Act deal with the business of the subsidiary banks and the provisions of the Subsidiary Banks Act are as under:



Section 36 of the Subsidiary Banks Act: - Subsidiary Bank to act as agent of the State Bank.

(1) A subsidiary bank shall, if so required by the State Bank, act as agent of the State Bank at any place in India for:

- (a) paying, receiving, collecting and remitting money, bullion and securities on behalf of any Government in India; and
- (b) undertaking and transacting any other business which the Reserve Bank may, from time to time, entrust to the State Bank.

(2) The terms and conditions on which any such agency business shall be carried on by the subsidiary bank on behalf of the State Bank shall be such as may be determined by the State Bank, after consultation with the subsidiary bank and with the approval of the Reserve Bank.

Section 36A of the Subsidiary Banks Act: - Subsidiary bank to act as agent of the Reserve Bank

(1) A subsidiary bank shall, if so required by the Reserve Bank, act as agent of the Reserve Bank at all places in India, where it has a branch, for-

- (a) paying, receiving, collecting and remitting money, bullion and securities on behalf of any Government in India; and
- (b) undertaking and transacting any other business which the Reserve Bank may from time to time entrust to it.

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

Section 37 of the Subsidiary Banks Act: - Other business which a subsidiary bank may transact.

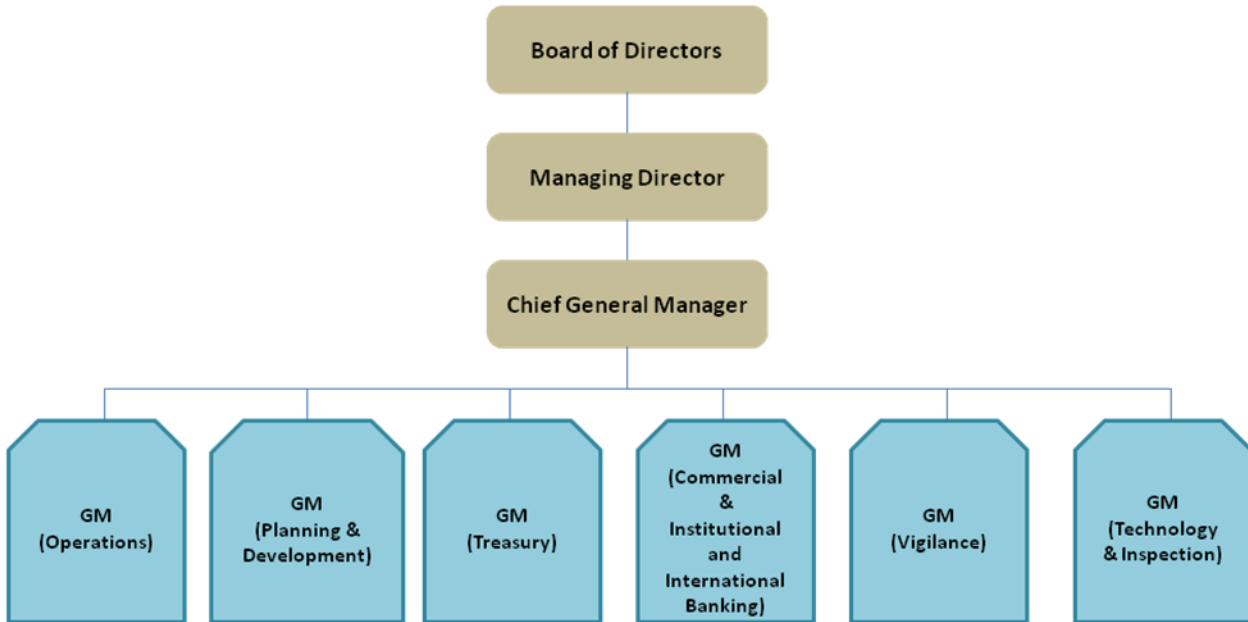
(1) Subject to the other provisions contained in this Act, a subsidiary bank may carry on and transact the business of banking as defined under the Banking Regulation Act, 1949 and may engage in one or more of the other forms of business as specified therein.

(2) The Central Government may, after consultation with the Reserve Bank and the State Bank, by order in writing—

- (a) authorise a subsidiary bank to do such other forms of business as the Central Government may consider necessary or expedient;
- (b) direct that any form of business as is mentioned in the order, shall be carried on subject to such restrictions, conditions and safeguards as may be specified therein; or
- (c) Prohibit a subsidiary bank from carrying on or transacting any form of business which, but for this clause, it is lawful for the subsidiary bank to engage in.



CORPORATE STRUCTURE



**GM – General Manager*



OUR MANAGEMENT

Our Board

The Board of Directors of our Bank is appointed in accordance with Section 25 of the Subsidiary Banks Act. The Board consists of 12 (twelve) Directors viz., the Chairman, Managing Director, four Directors nominated by SBI, one nominee each from Reserve Bank of India and Government of India, an Officer Employee Director, a workmen Director and two Directors elected by the Shareholders. The brief particulars of our Bank's Directors are set out below:

Sr No.	Name, Designation, Address, Occupation, Term and DIN	Nationality	Age (Years)	Other Directorships
1.	<p>Shri. Pratip Chaudhuri Chairman</p> <p>Appointed under Sec.25(1)(a) of the Subsidiary Banks Act</p> <p>Address: D-6, Kinellan Tower, 100-A, Nepean Sea Road, Mumbai- 400 006</p> <p>Occupation: Professional Banker</p> <p>Term: April 7, 2011 till September 30, 2013</p> <p>DIN: 00915201</p>	Indian	57	<p>Chairman of the following entities:</p> <ul style="list-style-type: none"> ▪ State Bank of India ▪ State Bank of Patiala ▪ State Bank of Mysore ▪ State Bank of Hyderabad ▪ State Bank of Bikaner and Jaipur ▪ State Bank of India (California) ▪ State Bank of India (Canada) ▪ SBI Funds Management Pvt. Ltd. ▪ SBI Global Factors Ltd. ▪ SBI Life Insurance Company Ltd. ▪ SBI Capital Markets Ltd. ▪ SBICAPS Ventures Ltd. ▪ SBI DFHI Ltd. ▪ SBI Cards & Payment Services P. Ltd. ▪ SBI Pension Funds P. Ltd. ▪ SBI General Insurance Company Ltd. ▪ SBI SG Global Securities P Ltd. <p>Director in the following entities:</p> <ul style="list-style-type: none"> ▪ GE Capital Business Process Management Services P. Ltd. ▪ Export Import Bank of India
2.	<p>Shri. P. Pradeep Kumar Managing Director</p> <p>Appointed under Section 25(1)(aa) read with Section 29 (1) of the Subsidiary Banks Act</p> <p>Address: Bank House, Cliff House Rose Road, Nanthencode, Thiruvananthapuram 695 012</p> <p>Occupation : Professional Banker</p> <p>Term: 2(two) years with effect from September 9, 2010.</p> <p>DIN : N.A.</p>	Indian	55	Nil
3.	<p>Dr. J. Sadakkadulla Director (RBI Nominee)</p> <p>Appointed under Sec. 25 (1) (b) the Subsidiary Banks Act.</p> <p>Address : B-8, RBSC Campus, Reserve Bank Staff College, Reserve Bank of India, 359, Anna Salai,</p>	Indian	54	Nil



Sr No.	Name, Designation, Address, Occupation, Term and DIN	Nationality	Age (Years)	Other Directorships
	<p>Teynampet, Chennai 600 018.</p> <p>Occupation: Principal & Chief General Manager, Reserve Bank Staff College, Chennai.</p> <p>Term: January 03, 2011 – Until further orders</p> <p>DIN: N.A.</p>			
4	<p>Shri B.S. Gopalakrishna Director (SBI Nominee)</p> <p>Appointed under Sec. 25 (1) (c) of the Subsidiary Banks Act.</p> <p>Address : Flat No. 10A, Madhuban Apartments, Nariman Point, Mumbai 400021</p> <p>Occupation: General Manager, (A & S), State Bank of India.</p> <p>Term: September 20, 2009 – Until further orders.</p> <p>DIN: 02956556</p>	Indian	58	<p>Director in the following entities:</p> <ul style="list-style-type: none"> ▪ State Bank of Mysore ▪ State Bank of Hyderabad ▪ State Bank of Patiala ▪ State Bank of Bikaner & Jaipur ▪ SBI Commercial & International Bank Limited.
5	<p>Shri. B. Ramesh Babu Director (SBI Nominee)</p> <p>Appointed under Sec. 25 (1) (c) of the Subsidiary Banks Act.</p> <p>Address : B1-103, Samruddhi, SBI Officers Quarters, Sion East, Mumbai 400 022</p> <p>Occupation: Deputy General Manager, State Bank of India.</p> <p>Term: December 25, 2010 – Until further orders.</p> <p>DIN: N.A</p>	Indian	51	<p>Director in the following entities:</p> <ul style="list-style-type: none"> ▪ State Bank of Mysore ▪ State Bank of Hyderabad ▪ State Bank of Patiala ▪ State Bank of Bikaner & Jaipur
6	<p>Shri. C. N. Venugopalan Director</p> <p>Appointed under Sec. 25 (1) (c) of the Subsidiary Banks Act.</p> <p>Address: “Nandanam”, Kesari Junction, N Paravoor, Kerala- 683513</p> <p>Occupation: Retired Banker</p> <p>Term: 3(three) years with effect from</p>	Indian	60	Nil



Sr No.	Name, Designation, Address, Occupation, Term and DIN	Nationality	Age (Years)	Other Directorships
	January 11, 2011 to January 10, 2014. DIN: N.A			
7	<p>Shri. K. Muraleedharan Pillai Workmen Employee Director</p> <p>Appointed under Sec.25(1)(ca) of the Subsidiary Banks Act</p> <p>Address: Kuzhikkattu Veedu, Thazhathu Kulakada, P.O. Kollam Dist., Kerala- 691521</p> <p>Occupation : Professional Banker</p> <p>Term: 3(three) years with effect from July 19, 2010 or till he ceases to be a workmen employee of our Bank, or until further orders, whichever is earlier.</p> <p>DIN: N.A</p>	Indian	56	Nil
8	<p>Shri. C. Rajkumar Non Workmen Director</p> <p>Appointed under Sec.25(1)(cb) of the Subsidiary Banks Act</p> <p>Address: 5D, SFS Richmond, Temple Road, Sashamangalam, Thiruvananthapuram. 695010</p> <p>Occupation : Professional Banker; Chief Manager of State Bank of Travancore</p> <p>Term: 3(three) years with effect from October 01, 2010 or till he ceases to be an employee of our Bank, or until further orders, whichever is earlier.</p> <p>DIN: N.A</p>	Indian	49	Nil
9	<p>Shri. Gyan Chand Pipara Director</p> <p>Appointed under Sec. 25 (1) (d) of the Subsidiary Banks Act</p> <p>Address: 10, Vasant Razab Society, Near Gold Coin Complex, Jodhpur Cross Road, Satellite Road, Ahmedabad – 380015</p> <p>Occupation: Practicing Chartered Accountant</p>	Indian	52	<ul style="list-style-type: none"> ▪ Civic Buildcon Private Limited ▪ Pipara Consultants Private Limited ▪ KMB Realities Private Limited



Sr No.	Name, Designation, Address, Occupation, Term and DIN	Nationality	Age (Years)	Other Directorships
	<p>Term: 3(three) years with effect from May 15, 2009 to May 14, 2012.</p> <p>DIN: 01773749</p>			
10	<p>Shri. T. Balakrishnan Director elected by Shareholders</p> <p>Elected under Sec.25(1)(d) of the Subsidiary Banks Act</p> <p>Address: 8/1947, 'ADRТА'(2/1784-C), P.O. Civil Station, Kozhikode-673 020.</p> <p>Occupation: Retired Banker</p> <p>Term: 3(three) years with effect from February 01, 2011</p> <p>DIN: N.A</p>	Indian	64	Nil
11	<p>Shri. K.T. Rajagopalan Director elected by Shareholders</p> <p>Elected under Sec. 25 (1) (d) of the Subsidiary Banks Act.</p> <p>Address: "Sayujyam", E- 65, Kattachal Road, Tirumala, Thiruvananthapuram- 695006.</p> <p>Occupation: Retired Banker</p> <p>Term: 3(three) years with effect from February 01, 2011</p> <p>DIN: N.A</p>	Indian	63	Nil
12	<p>Shri. P. Vinayagam Director (G.O.I. Nominee)</p> <p>Appointed under Sec. 25 (1) (e) of the Subsidiary Banks Act</p> <p>Address: N- 324, Sector- 8, R.K. Puram, New Delhi- 110022</p> <p>Occupation: Deputy Secretary, Department of Financial Services, Ministry of Finance</p> <p>Term: January 27, 2010 – until further orders.</p> <p>DIN: N.A.</p>	Indian	54	Nil



Our Board of Directors meets, regularly in accordance with the requirements of our Bank, at least six times in a year and at least once in a quarter. The Board meetings were held ten times during the year 2010-11 and twice since April 1, 2011 till May 28, 2011.

Details of current and past directorship(s) in listed companies whose shares have been/ were suspended or delisted

- (iv) None of our Directors are or were directors of listed companies whose shares have been/were suspended from being traded on BSE and/or NSE at any time during the last five years from the date of this Draft Letter of Offer.
- (v) None of our Directors are or were directors of listed companies whose shares have been/were delisted from stock exchanges.

Brief profile of our Directors

Shri. Pratip Chaudhuri, *Chairman*

Shri. Pratip Chaudhuri, Chairman of the State Bank Group, is the Chairman of our Bank. His appointment was effected *vide* notification dated April 07, 2011 issued by the Ministry of Finance, Government of India under the State Bank of India Act, 1955. He holds Bachelor's degree in Science and has a Masters Degree in Business Administration (Finance). He has an experience of 37 years in banking sector across the group; amongst others, he held positions of Deputy Managing Director- International Banking at State Bank of India and Managing Director of erstwhile State Bank of Saurashtra.

Shri. P. Pradeep Kumar, *Managing Director*

Shri. Pradeep Kumar is the whole time Managing Director of our Bank. His appointment was effected *vide* notification dated August 28, 2010 issued by the State Bank of India under section 25(1)(aa) read with section 29(1) of the Subsidiary Banks Act. He holds a Master's Degree in Statistics and is a Certified Associate of Indian Institute of Bankers (CAIIB). He has an experience of 35 years in the banking sector and has held many responsible positions such as Country Head (US Operations) and General Manager (Network-II), Chennai of State Bank of India prior to being appointed as the Managing Director of State Bank of Travancore.

Dr. J. Sadakkadulla, *Director, RBI Nominee*

Dr. J. Sadakkadulla is the Nominee Director appointed on behalf of Reserve Bank of India. He was nominated and appointed under Sec. 25 (1) (b) the Subsidiary Banks Act. He holds a Ph.d in Economics with MS (Management) degree from Arthur D. Little School of Management, Boston, Massachusetts, USA. He also holds a Masters and Bachelors degree in Agricultural Science. He is currently the Principal and Chief General Manager of the Reserve Bank Staff College, Chennai, the central banking academy for RBI officers. He has an experience of over 3 decades in the fields of policy, operations and training and has served as the Regional Director, RBI, Chandigarh amongst the various positions held by him in the organization.

Shri. B. S. Gopalakrishna, *Director, SBI Nominee*

Shri. Gopalakrishna is the Nominee Director appointed on behalf of State Bank of India. He was nominated and appointed under Sec. 25 (1) (c) the Subsidiary Banks Act. He holds a Masters Degree in Economics. Currently he is the General Manager (Associates & Subsidiaries of State Bank of India). He has 38 years of experience in the field of banking.

Shri. B. Ramesh Babu, *Director, SBI Nominee*

Shri. B. Ramesh Babu is the Nominee Director appointed on behalf of State Bank of India. He was nominated and appointed under Sec. 25 (1) (c) the Subsidiary Banks Act. He holds a Master's Degree in Commerce and a



certification in Trade Finance, FCI Course on International Factoring. He is working as a Deputy General Manager (Associates & Subsidiaries) State Bank of India and has 31 years of experience in banking.

Shri. C. N. Venugopalan, Director,

Shri. Venugopalan is appointed by State Bank of India under Sec. 25 (1) (c) the Subsidiary Banks Act. He holds a Bachelors Degree in Commerce and is a Certified Associate of Indian Institute of Bankers (CAIIB – Part 1). He was associated with the Union Bank of India for a period of 30 years across various assignments.

Shri. K. Muraleedharan Pillai, Workmen Employee Director

Shri. K. Muraleedharan Pillai is the Workmen Employee Director of our Bank. He was appointed under Sec. 25(1)(ca) the Subsidiary Banks Act. He has completed his BSc. LLB. He has 30 years of experience and is currently working with our Bank.

Shri. C. Rajkumar, Non Workmen Director

Shri. C. Rajkumar is the Officer Employee Director of our Bank. He was appointed by Government of India under Sec. 25(1)(cb) the Subsidiary Banks Act. He holds a Bachelor Degree in Science (Physics). He is serving as Chief Manager with our Bank and has 27 years of experience in banking.

Shri. Gyan Chand Pipara, Director,

Shri. Gyan Chand Pipara is appointed by State Bank of India under Sec. 25 (1) (d) of the Subsidiary Banks Act. He holds Bachelor's Degrees in Commerce (Honours) and Law and is a Fellow member of the Institute of Chartered Accountants of India. He is the founding partner of Pipara & Co, Chartered Accountants and is a practicing chartered accountant with an experience of 25 years in the field of audit, tax and management consultancy.

Shri. T. Balakrishnan, Shareholder Director

Shri. T. Balakrishnan is a Shareholder Director of our Bank. He was elected under Sec.25 (1) (d) the Subsidiary Banks Act. He holds a Master's degree in Arts. He has 3 decades of experience across the banking sector and held important positions in associate banks including State Bank of Mysore and State Bank of Saurashtra. He retired as a Deputy General Manager of our Bank.

Shri. K. T. Rajagopalan, Shareholder Director

Shri. K. T. Rajagopalan is a Shareholder Director of our Bank. He was elected under Sec.25 (1) (d) the Subsidiary Banks Act. He holds a Master's Degree in Science. He has 3 decades of experience across the banking sector and held important positions in associate banks including State Bank of Patiala. He retired as the General Manager of our Bank.

Shri. P. Vinayagam, Director, G.o.I. Nominee

Shri. P. Vinayagam is the Nominee Director appointed by Government of India under Sec. 25 (1) (e) of the Subsidiary Banks Act. He holds a Bachelors Degree in Arts. Currently, he is working as Deputy Secretary at the Department of Financial Services, Ministry of Finance, Government of India. He has 31 years experience in the Government Service.

Compensation payable to our Directors

With respect to compensation for members of the Board, sitting fees are paid as per provisions of the Subsidiary Banks Act and the State Bank of India (Subsidiary Banks) Regulations, 1959. The fees payable for Board meetings to the i) Reserve Bank of India nominee, ii) Share Holders nominees and iii) Non-Executive Director under section 25(i)(c) of Subsidiary Banks Act, is ₹5,000/- (Rupees Five Thousand Only) per meeting and for other Board-level Committees fees is ₹2,500/- (Rupees Two Thousand Five Hundred Only) per meeting.

**Compensation to the Chairman**

No remuneration or sitting fees is paid by our Bank to the Chairman.

Compensation to our Managing Director

Sr No.	Remuneration	
1.	Salary Basic Pay: Dearness Allowance: Fixed Personal Allowance: City compensatory Allowance: Deputation Allowance: Special Balancing Allowance:	₹ 67,000/- per month ₹ 35,376/- per month ₹1,394/- per month ₹ 375/- per month ₹ 2,300/- per month ₹ 4,355/- per month
	Total:	₹ 110,800/- per month
	Perquisites	
2.	House Rent Allowance	He is entitled to furnished Accommodation
3.	Entertainment allowance	₹ 37,000/- per annum
4.	Provident Fund	₹6,830/- per month
5.	Medical Benefits	
	(i) Medical Aid	At actuals
	(ii) Hospitalization	He is entitled to the same upon hospitalization on actual basis.
	(iii) Superannuation medical benefit	Nil
6.	Leave:	
	Privilege Leave:	One day for every eleven (11) days of service i.e. 33 days in a year.
	Casual Leave:	12 days in a year
	Sick Leave:	30 days per year up to 18 years of service.
7.	Leave Fare Concession	As per the rules of the Bank
8.	Gratuity	As per rules of the Bank
9.	Traveling and Halting Allowances	As per Bank norms.
12.	Telephone	Reimbursement on actual basis.

Performance linked Incentive to Managing Director

As per the letter dated July 18, 2007 from State Bank of India, the Managing Director of our Bank is eligible, subject to the achievement of certain quantitative and qualitative parameter, to receive performance linked incentives, up to a maximum amount of ₹ 6.5 lakhs per annum. The Ministry of Finance, Department of Financial Services, has vide a letter dated September 20, 2010 notified the performance linked incentives payable to whole time directors of public sector banks. In accordance with the same, our Managing Director is eligible, subject to the achievement of certain quantitative and qualitative parameters, to receive performance linked incentives up to a maximum amount of ₹ 8 lakhs per annum.

Except as stated above and as per applicable laws, there are no other benefits available to our Managing Director or to any other Directors.

Family Relationship between our Directors

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



Shareholding of our Board of Directors in our Bank as on May 15, 2011 is as follows:

Name of Director	No. of Equity Shares held
Shri. Pratip Chaudhuri	Nil
Shri. P. Pradeep Kumar	Nil
Dr. J. Sadakkadulla	Nil
Shri B.S. Gopalakrishna	Nil
Shri B. Ramesh Babu	Nil
Shri. C. N. Venugopalan	Nil
Shri. K. Muraleedharan Pillai	Nil
Shri C. Rajkumar	Nil
Shri. Gyan Chand Pipara	Nil
Shri. T. Balakrishnan	210
Shri. K.T. Rajagopalan	100
Shri. P. Vinayagam	Nil

Interest of Directors

Except as stated in Related Party Disclosures on page 96 appearing in the chapter titled “Financial Statements” on page 62 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 Managing Director will be interested to the extent of remuneration paid to him for services rendered by him. 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.

Save and except as disclosed in this Draft Letter of Offer, our Bank has not entered into any contract, agreement or arrangement during the preceding two years from the date of this Draft Letter of Offer in which our Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

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.

Arrangement with major shareholders, customers, suppliers or others, pursuant to which a director was selected as a director or member of senior management.

Our Bank has no arrangement or understanding with any major shareholders, customers, suppliers or others, pursuant to which a director was selected on our board or as a member of senior management. The directors on the board of our Bank have been appointed in pursuance of the provisions of Section 25 of the Subsidiary Bank Act.

Details of service contracts entered into by the directors with the issuer providing for benefits upon termination of employment

Save and except as required by applicable law, our Bank has not entered into any service contracts providing for benefits upon termination of employment.



FINANCIAL STATEMENTS

Sr. No.	Content	Page Number
1.	Audited Financial Statements for the years ended March 31, 2011 and March 31, 2010 of our Bank with the report issued by our Auditors	63



AUDITORS' REPORT

To,
The Board of Directors
State Bank of Travancore,
Head Office,
Poojapura
Thiruvananthapuram – 695 012

Dear Sirs,

1. We are engaged to report on the financial statements of State Bank of Travancore (“the Bank”) for the year ended 31st March 2011, as approved by the Board of Directors of the Bank, annexed to this report in Annexure I to IV for the purpose of inclusion in Draft letter of Offer and Letter of Offer (‘the Offering documents’) prepared by the Bank in connection with the proposed Rights Issue of Equity Shares, in accordance with the requirements of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009 (‘the Regulations’) as amended to date.
2. We have examined such Financial statements taking into consideration:
 - a) The terms of our engagement agreed upon with you as per our letter of engagement dated 2nd May 2011 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 for Rs. 500 crores under the Regulations .
 - b) The Guidance Note on Reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India.
3. We report that the figures disclosed in the financial statements have been extracted by the Management from the Audited Financial Statements for the year ended 31st March 2011. These Statements have been audited by M/s. Saha Ganguli & Associates,Kolkata, M/s Ramanatham & Rao,Hyderabad , M/s. Jain & Jain,Mumbai., M/s. Jagdish Chand & Co, New Delhi, M/s. B.V.Rao & Co, Visakhapatnam, M/s. Sridhar & Co , Thiruvananthapuram, Chartered Accountants in respect of which an unqualified audit opinion dated 27th April 2011 has been issued.
4. For the purpose of this report we have not performed any additional audit procedures on the above referred audited financial statements of the Bank for the year ended 31st March 2011 including evaluating the possible impact, if any, of subsequent events on the earlier audited financial statements of the Bank and we have no responsibility to update our report for events and circumstances occurring after the date of report.
5. These Financial statements have been prepared using the same set of accounting policies disclosed in the Audited Financial Statements as at 31st March 2010 except the changes having no material impact on the Accounts. The Significant Accounting Policies and Note to Accounts as disclosed in audited accounts for the year ended 31st March 2011 have been reproduced in offer documents.
6. We have not audited any financial statement of the Bank as of any date or for any period subsequent to 31st March 2011. 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 31st March 2011.
7. 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:
 - (i) Accounting Ratios enclosed as Annexure V and
 - (ii) Capitalization Statement enclosed as Annexure VI
8. 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(3C) of the Companies Act 1956 and requirements of the Regulations as amended till date.
9. 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 us nor should this report be construed as a new opinion on any of the financial statement referred to herein.
 10. This report is intended solely for your information and for inclusion in the Offering Documents in connection with the proposed Rights Issue of Equity Shares by the Bank and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For M/s Saha Ganguli & Associates,
Chartered Accountants
Firm Registration No.302191 E

Sd/-

Partner : Samir Kumar Saha
Membership No. :51392

For Jain & Jain,
Chartered Accountants
Firm Registration No.103869W

Sd/-

Partner : Ajay B Jain
Membership No. : 110372

For B.V.Rao & Co
Chartered Accountants
Firm Registration No.003118S

Sd/-

Partner : A.R.Unni
Membership No. : 007447

For Ramanatham & Rao,
Chartered Accountants
Firm Registration No.002934S

Sd/-

Partner :K.Sreenivasan
Membership No. :206421

For Jagdish Chand & Co,
Chartered Accountants
Firm Registration No.000129N

Sd/-

Partner : Praveen Kumar Jain
Membership No. : No.085629

For Sridhar & Co
Chartered Accountants
Firm Registration No. 003978S

Sd/-

Partner : R Sridhar
Membership No. : 026343

Place: Thiruvananthapuram
Date: 23-05-2011.



ANNEXURE I

BALANCE SHEET OF STATE BANK OF TRAVANCORE AS ON MARCH 31, 2011

₹ Crores

PARTICULARS	SCHEDULE	As on 31-Mar-11	As on 31-Mar-10
CAPITAL AND LIABILITIES			
Capital	1	50.00	50.00
Reserves and Surplus	2	3,413.55	2,790.58
Deposits	3	58,157.92	50,883.38
Borrowings	4	5,726.50	3,250.15
Other Liabilities and Provisions	5	3,628.78	2,480.59
TOTAL		70,976.75	59,454.70
ASSETS			
Cash and Balance with Reserve Bank of India	6	4,709.57	3,468.04
Balances with Banks and Money at Call & Short Notice	7	142.97	665.12
Investments	8	17,926.99	15,844.39
Advances	9	46,044.23	38,461.26
Fixed Assets	10	221.37	202.82
Other Assets	11	1,931.62	813.07
TOTAL		70,976.75	59,454.70
Contingent Liabilities	12	18,733.55	13,115.36
Bills for Collection		2,283.29	1,889.22
Principal Accounting Policies	17		
Notes to Accounts	18		



ANNEXURE II

STATE BANK OF TRAVANCORE
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

₹ Crores

PARTICULARS	SCHEDULE	Year Ended 31-Mar-11	Year Ended 31-Mar-10
I. INCOME			
Interest Earned	13	5,228.76	4,378.12
Other Income	14	581.24	527.96
TOTAL		5,810.00	4,906.08
II. EXPENDITURE			
Interest Expended	15	3,532.73	2,977.94
Operating Expenses	16	1,101.31	955.87
Provisions & Contingencies		448.24	288.00
TOTAL		5,082.28	4,221.81
III. PROFIT			
Net Profit for the Year		727.72	684.27
Profit brought forward		1.70	1.23
TOTAL		729.42	685.50
APPROPRIATIONS			
Transfer to Statutory Reserves		181.93	171.37
Transfer to Capital Reserves (net of tax adjustments)		2.33	13.70
Transfer to Revenue and Other Reserves			
a) Special Reserve Derivatives (Hedging) (net of tax adjustments)		-	-
b) Reserve under Sec 36 of IT ACT		47.00	30.00
c) General Reserves		390.00	365.00
d) Investment Reserve Account		-	10.13
Proposed Dividend		50.00	80.00
Tax on Dividend		8.11	13.60
Interim Dividend Paid		40.00	-
Tax on Interim Dividend		6.64	-
Balance carried over to Balance Sheet		3.41	1.70
TOTAL		729.42	685.50
Principal Accounting Policies	17		
Notes to Accounts	18		
Basic and diluted Earnings per share (in `)		145.55	136.85



ANNEXURE III

SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT & LOSS ACCOUNT

Rs in crores

SCHEDULE 1 – CAPITAL	31-Mar-11	31-Mar-10
Authorised Capital (50,00,00,000 equity shares of Rs.10/- each)	500.00	500.00
Issued, Subscribed, Called-up & Paid-up Capital (5,00,00,000 equity shares of Rs.10/- each)	50.00	50.00
TOTAL	50.00	50.00

	SCHEDULE 2 - RESERVES AND SURPLUS	31-Mar-11	31-Mar-10
I.	Statutory Reserves		
	Opening Balance	1,028.19	856.82
	Additions during the year	181.94	171.37
	Deductions during the year	-	-
	Total	1,210.13	1,028.19
II.	Capital Reserves		
	Opening Balance	76.41	62.71
	Additions during the year	2.33	13.71
	Deductions during the year	-	-
	Total	78.74	76.42
III.	Share Premium		
	Opening Balance	142.50	142.50
	Additions during the year	-	-
	Deductions during the year	-	-
	Total	142.50	142.50
IV.	Revenue and Other Reserves		
a)	Special Reserve account for Profit on Rupee-Yen swaps		
	Opening Balance	5.92	5.92
	Additions during the year	-	-
	Deductions during the year	-	-
	Total	5.92	5.92
b)	Reserve under Sec 36 of IT ACT		
	Opening Balance	60.00	30.00
	Additions during the year	47.00	30.00
	Deductions during the year	-	-
	Total	107.00	60.00
c)	General Reserves		
	Opening Balance	1,465.72	1,100.72
	Additions during the year	390.00	365.00
	Deductions during the year	-	-
	Total	1,855.72	1,465.72
d)	Investment Reserve Account		
	Opening Balance	10.13	-



	Additions during the year	-	10.13
	Deductions during the year	-	-
	Total	10.13	10.13
V	Balance in Profit & Loss Account	3.41	1.70
	TOTAL	3,413.55	2,790.58

₹ Crores

SCHEDULE 3 - DEPOSITS		31-Mar-11	31-Mar-10
A I	Demand Deposits		
	From Banks	318.13	353.74
	From Others	2,613.07	2,043.85
	Total	2,931.20	2,397.58
II	Savings Bank Deposits	14,701.75	13,075.98
III	Term Deposits		
	From Banks	241.12	655.88
	From Others	40,283.85	34,753.94
	Total	40,524.97	35,409.82
	TOTAL DEPOSITS	58,157.92	50,883.38
B I	Deposits of Branches in India	58,157.92	50,883.38
II	Deposits of Branches outside India	-	-

SCHEDULE 4 - BORROWINGS		31-Mar-11	31-Mar-10
I	Borrowings in India		
	i) Reserve Bank of India	-	-
	ii) Other Banks (State Bank of India)	-	-
	iii) Other Institutions and Agencies	3,670.74	1,535.04
	iv) Capital Instruments	1,620.00	1,620.00
II	Borrowings outside India	435.76	95.11
	TOTAL	5,726.50	3,250.15
III	Secured Borrowings included in the above	-	-

SCHEDULE 5 - OTHER LIABILITIES & PROVISIONS		31-Mar-11	31-Mar-10
I.	Bills Payable	820.69	827.88
II.	Inter Office Adjustments (net)	1,232.98	122.15
III.	Interest Accrued	670.20	523.08
IV.	Others (including provisions) #	904.91	1,007.48
	TOTAL	3,628.78	2,480.59

includes Provision against Standard Assets



₹ Crores

SCHEDULE 6 - CASH & BANK BALANCES WITH RBI		31-Mar-11	31-Mar-10
I.	Cash in hand (including foreign currency notes)	343.41	313.47
II.	Balances with Reserve Bank of India		
	i) in Current Account	4,366.16	3,154.57
	ii) in Other Accounts	-	-
	Total	4,366.16	3,154.57
TOTAL		4,709.57	3,468.04

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE		31-Mar-11	31-Mar-10
I.	In India		
	i) Balances with Banks		
	a) in Current Accounts	7.30	35.52
	b) in Other Deposit Accounts	0.01	200.00
	ii) Money at Call & Short Notice		
	a) with Banks	-	250.00
	b) with other institutions	-	-
	Total (i&ii)	7.31	485.52
II.	Outside India		
	i) in Current Accounts	-	-
	ii) in Other Deposit Accounts	135.66	179.60
	iii) Money at Call & Short Notice	-	-
	Total (i,ii & iii)	135.66	179.60
TOTAL (I & II)		142.97	665.12

SCHEDULE 8 - INVESTMENTS		31-Mar-11	31-Mar-10
A I	Investments in India in		
	i) Government securities	14,361.20	13,593.22
	ii) Other approved securities	13.03	30.89
	iii) Shares	105.48	92.66
	iv) Debentures and Bonds	2,120.95	1,633.80
	v) Subsidiaries and/or joint ventures/ Regional Rural Banks	-	-
	vi) Others	1,326.33	493.82
	Total (i to vi)	17,926.99	15,844.39



A II. Investments outside India in		
i) Government securities (including local authorities)	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Other investments	-	-
Total (i to iii)	-	-
TOTAL (A I & A II)	17,926.99	15,844.39
B I. Investment in India		
i) Gross Value of Investments	17,955.74	15,880.75
ii) Aggregate provision for depreciation	28.75	36.36
iii) Net Value of Investments	17,926.99	15,844.39
B II. Investments outside India	-	-
TOTAL (B I & B II)	17,926.99	15,844.39

SCHEDULE 9 - ADVANCES	31-Mar-11	31-Mar-10
A i) Bills Purchased & Discounted	2,985.38	2,261.77
ii) Cash Credits, Overdrafts & Loans repayable on demand	18,147.47	15,065.49
iii) Term Loans	24,903.81	21,003.51
iv) Amount Receivable from GOI under ADWS 2008	7.57	130.49
Total (A)	46,044.23	38,461.26
B i) Secured by Tangible Assets (includes advances against Book Debts)	36,571.77	29,928.47
ii) Covered by Bank/Government Guarantees	967.98	771.87
iii) Unsecured	8,504.48	7,760.92
Total (B)	46,044.23	38,461.26
C I Advances in India		
Priority Sector	17,254.10	14,091.45
Public Sector	2,584.84	2,898.59
Banks	-	-
Others	26,205.29	21,471.22
Total (C1)	46,044.23	38,461.26
C II Advances outside India		
Due from Banks	-	-
Due from Others	-	-
<i>Bills purchased & discounted</i>	-	-
<i>Syndicated Loans</i>	-	-
<i>Others</i>	-	-
Total (C II)	-	-



₹ Crores

SCHEDULE 10 - FIXED ASSETS	31-Mar-11	31-Mar-10
I. Premises		
At cost as on 31st March of the preceding year	78.61	65.31
Additions during the year	2.06	13.32
Deductions during the year	0.05	0.02
Depreciation to date	30.72	27.90
Net Block of Premises	49.90	50.71
II. Other Fixed Assets (including Furniture & Fixtures)		
At cost as on 31st March of the preceding year	486.76	430.86
Additions during the year	79.79	72.85
Deductions during the year	27.14	16.95
Depreciation to date	367.94	334.65
Net Block of Other Fixed Assets	171.47	152.11
III. Leased Assets		
At cost as on 31st March of the preceding year	4.67	4.67
Additions during the year	-	-
Deductions during the year	-	-
Depreciation to date	4.67	4.67
Net Block of Leased Assets	-	-
TOTAL NET BLOCK	221.37	202.82

SCHEDULE 11 -OTHER ASSETS	31-Mar-11	31-Mar-10
I. Inter Office Adjustments (net)	-	-
II. Interest Accrued	501.81	461.76
III. Tax paid in Advance/ Tax Deducted at source (net of Provisions)	61.69	68.52
IV. Stationery & Stamps	3.34	3.43
V Non banking assets acquired in satisfaction of claims	0.21	0.25
VI Others #	1,364.57	279.11
Total	1,931.62	813.07
# Includes:		
Deferred Expenditure - Pension 2nd Option & Gratuity	537.53	-
Deferred Tax Assets (Net)	208.91	166.71

₹ Crores

SCHEDULE 12 - CONTINGENT LIABILITIES	31-Mar-11	31-Mar-10
I. Claims against the Bank not acknowledged as debts	5.25	5.12
II. Liability for partly paid Investments	-	-



III.	Liability on account of outstanding forward exchange contracts	10,185.11	6,754.18
IV.	Liability on account of outstanding single currency int. rate swap contracts	1,034.58	140.00
V	Guarantees given on behalf of constituents:-		
	In India	3,179.69	2,779.05
	Outside India	9.43	8.25
VI	Acceptances, endorsements & other obligations	3,641.26	3,278.55
VII.	Disputed Income-tax liability	177.52	150.21
VIII.	Other items for which the Bank is contingently liable		
	Revaluation of FLCs	499.66	-
	Contingent for Cap Exposure	1.05	-
	TOTAL	18,733.55	13,115.36
	Bills for Collection	2,283.29	1,889.22

₹ Crores

SCHEDULE 13 - INTEREST EARNED		31-Mar-11	31-Mar-10
I.	Interest/Discount on Advances/Bills	4,027.86	3,363.08
II.	Income on Investments	1,148.68	957.90
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	5.78	10.90
IV.	Others	46.44	46.24
	TOTAL	5,228.76	4,378.12

₹ Crores

SCHEDULE 14 - OTHER INCOME		31-Mar-11	31-Mar-10
I.	Commission, Exchange & Brokerage	369.15	336.32
II.	Profit on sale of investments	357.71	93.36
	Less: Loss on sale of Investments	259.40	14.37
	Total	98.31	78.99
III.	Profit on revaluation of Investments	-	-
	Less: Loss on revaluation of investments	-	-
	Total		
IV.	Profit on sale of land, buildings & other assets	0.19	0.74
	Less: Loss on sale of land, building & other assets	0.56	0.52
	Total	-0.37	0.22
V	Profit (net of loss) on exchange transactions	40.29	39.99
VI	Income earned by way of dividends etc from subsidiaries/companies and/or joint ventures abroad/in India	-	-
VII	Miscellaneous Income	73.86	72.44
	TOTAL	581.24	527.96



SCHEDULE 15 - INTEREST EXPENDED	31-Mar-11	31-Mar-10
I. Interest on Deposits	3,122.99	2,745.17
II. Interest on R.B.I. / Inter-bank Borrowings	165.20	9.87
III. Others	244.54	222.90
TOTAL	3,532.73	2,977.94

SCHEDULE 16 - OPERATING EXPENSES	31-Mar-11	31-Mar-10
I. Payments to & Provisions for Employees	700.39	615.14
II. Rent, Taxes & Lighting	86.14	74.58
III. Printing & Stationery	8.84	7.68
IV. Advertisement & Publicity	7.87	8.60
V. Depreciation on Bank's Property	46.94	42.83
VI. Directors' Fees, Allowances and Expenses	0.43	0.39
VII. Auditors' Fee and Expenses	12.01	8.78
VIII. Law Charges	6.91	6.65
IX. Postage, Telegrams, Telephones etc.	7.11	5.15
X. Repairs & Maintenance	13.70	11.75
XI. Insurance	51.67	45.67
XII. Other Expenditure	159.30	128.66
TOTAL	1,101.31	955.87

**SCHEDULE 17 – PRINCIPAL ACCOUNTING POLICY 2010-11****1. GENERAL**

The accompanying financial statements have been prepared under the historical cost convention as modified for foreign currency transactions and they conform to Generally Accepted Accounting Principles (GAAP) in India, which comprise the statutory provisions, guidelines of regulatory authorities and Reserve Bank of India (RBI), Accounting Standards and guidance notes issued by the Institute of Chartered Accountants of India (ICAI) and the practices prevalent in the banking industry in India.

2. TRANSACTIONS INVOLVING FOREIGN EXCHANGE

- 2.1 Monetary assets and liabilities denominated in Foreign Currencies are translated at the Foreign Exchange Dealers Association of India (FEDAI) rates prevailing on the Balance Sheet date.
- 2.2 Guarantees / Standby Letters of Credit, Letters of Credit, Forward Rate Agreements, Foreign Currency Options and Forward Exchange Contracts are translated at FEDAI rates as on the Balance Sheet date.
- 2.3 Income and Expenses are translated at the market exchange rates prevailing on the date of the respective transactions. Interest earned but not due on foreign currency funds deployed abroad, are translated at the FEDAI rates as on the balance sheet date.
- 2.4 In accordance with the guidelines of FEDAI all outstanding forward exchange contracts in each currency are revalued on the Balance Sheet date at the corresponding forward rates for the respective maturity of the contract. The difference between revalued amount and the contracted amount is recognized as profit or loss, as the case may be.
- 2.5 Premium received / paid on outstanding currency options has been accounted for as per FEDAI guidelines.

3. INVESTMENTS – Domestic

Investments are accounted for in accordance with the extant regulatory guidelines. The Bank has changed (w.e.f.) 01.01.2011 the method of accounting of investments from 'Trade Date' to 'Settlement Date' method.

3.1 Classification

Investments are classified into three categories namely: Held to Maturity, Available for Sale and Held for Trading. Investments are further classified into the following six groups in the balance sheet:

(i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Subsidiaries / Joint Ventures and (vi) Others (CPs, Mutual Funds, Units, etc.)

3.2 Basis of Classification

Investments that the Bank intends to hold till maturity are classified as Held to Maturity.

Investments that are held principally for resale within 90 days from the date of purchase are classified as Held for Trading.

Investments that are not classified in the above two categories are classified as Available for Sale.

An investment is classified as 'Held to Maturity', 'Available for Sale' or 'Held for Trading' at the time of its purchase and subsequent shift amongst categories is done in conformity with Regulatory Guidelines.



3.3 Valuations and Accounting

(i) In determining the cost of an investment:

- a. Brokerage / commission received on subscription is reduced from the cost.
- b. Brokerage / commission etc., paid in connection with the acquisition of investments is charged to revenue and not included in cost.
- c. Broken period interest paid / received on debt instruments is treated as interest expended / income and is not included in cost / sale consideration.
- d. Cost is determined on the weighted average cost method.
- e. The transfer of a security amongst the above three categories is accounted for at the least of the acquisition cost / book value / market value on the date of transfer and the depreciation, if any, on such transfer is fully provided for.

(ii) Held to Maturity categories:

Each security is carried at acquisition cost or at amortized cost, if acquired at a premium over the face value. Any premium on acquisition is amortized over the remaining maturity period of the security on constant yield basis. Such amortization of premium is adjusted against income under the head “Interest on investments”.

Profit on sale / redemption of securities is recognized as income and appropriated to Capital Reserve net of taxes and mandatory transfer to statutory reserves.

(iii) Available for Sale and Held for Trading categories:

- a. The value of investments held under the Available For Sale category is determined as per Reserve bank of India guidelines as under:
 - Central Government Securities: Marked to market on the basis of prices declared for the purpose of valuation jointly by Fixed Income Money Market and Derivatives Association of India (FIMMDA) and Primary Dealers Association of India (PDAI).
 - State Government Securities and Other Trustee Securities: Marked to market on the basis of prices derived out of the yield for respective maturities declared for the purpose of valuation jointly by FIMMDA and PDAI.
 - Shares: Wherever Stock Exchange quotations are available valuation is done as per lower of the quotations in Bombay Stock Exchange or National Stock Exchange. Wherever current quotations are not available and in respect of unquoted shares (i) Valuation is as per Book Value (without considering Revaluation Reserves, if any) ascertained from the latest Balance Sheet of the Company (which is not more than one year prior to the date of valuation) (ii) In case the latest Balance Sheet is not available, the shares are valued at ₹1.00/- per Company.
 - Bonds & Debentures: Valued on the YTM method for the respective maturity and rating put out by FIMMDA and PDAI.
 - Mutual Fund Units: Quoted Mutual Fund Units are valued as per Net Asset Value as declared by the Mutual Fund.
 - Treasury Bills, Certificates of Deposits and Commercial Papers are valued at carrying cost.
 - Preference Shares are valued at lower of market value determined on YTM basis and its redemption value.



- b. Each security in the above two categories is revalued at the market price or fair value determined as per Regulatory Guidelines and only the net depreciation of each group for each category is provided for and net appreciation is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.
- (iv) Security receipts issued by an Asset Reconstruction Company (ARC) are valued in accordance with the guidelines applicable for Non-SLR investments.
- (v) Investments are classified as performing and non-performing based on the following guidelines issued by the RBI.
 - a. Interest / Instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.
 - b. In the case of equity shares, in the event of the investment in the share of any company is valued at `1.00/- per company on account of the non-availability of the latest balance sheet, those equity shares would be reckoned as NPI.
 - c. If any credit facility availed by the issuer is NPA in the books of the Bank, investment in any of the securities issued by the same issuer would also be treated as NPI and vice versa.
 - d. The above would apply mutatis mutandis to preference shares where the fixed dividend is not paid.
 - e. The investments in debentures / bonds, which are deemed to be in the nature of advance, are also subjected to NPI norms as applicable to investments.
- (vi) The Bank has adopted the Uniform Accounting Procedure prescribed by the RBI for accounting of Repo and Reverse Repo transactions.

3.4 Interest Rate Swaps and Forward Rate Agreements

- a. Interest Rate Swaps and Forward Rate Agreements have been undertaken for hedging purposes only and hence the cash flows are accounted on accrual basis and the balances are carried at Notional Principal Value.
- b. When a hedge becomes naked in part or full owing to shrinking portfolio, and if allowed to continue till maturity, it is marked to market at regular intervals.
- c. The periodical net cash flows arising out of Interest Rate Swaps in domestic currency are booked as income / expenditure.
- d. The periodical net cash flows arising out of Interest Rate Swaps in foreign currency are booked as income / expenditure and form part of the exchange position in Forex transactions.
- e. The Forward Rate Agreements in foreign currency are valued at FEDAI rate prevailing on the Balance Sheet date and the outstanding position is shown under Contingent liabilities.
- f. Gain / Loss arising out of swap transactions in respect of Tier I / II bonds, is computed separately. Losses, if any, are fully provided for. Gains on reset or sale is recognized as Income and appropriated to Special Reserve net of taxes and mandatory transfer to statutory reserve.

3.5 Non-Performing Investments

All such securities where repayment of principal or interest not serviced within 90 days from the due date are classified as Non-performing Investments, except securities guaranteed by the Central Government, which is, treated as performing investments notwithstanding arrears of principal / interest payments. In respect of investments classified as Non-performing, appropriate provisions are made for the depreciation in the value. The depreciation requirement in respect of these securities is not set off against appreciation in respect of other performing securities.

4. ADVANCES



4.1 All advances have been classified under four categories i.e., (i) Standard Assets (ii) Sub-Standard Assets (iii) Doubtful Assets and (iv) Loss Assets as per RBI directives / guidelines.

4.2 Advances shown in the Balance Sheet are net of:

- a. Provision made on Non-Performing Assets (NPA)
- b. Uncollected Interest Income in respect of NPA
- c. Bills rediscounted with IDBI / SIDBI
- d. Claims received
- e. Diminution in fair value of Restructured Assets
- f. Technical write-off
- g. Inter-Bank Participations with Risk sharing

4.3 Provision on advances have been made in accordance with RBI guidelines / directives as under:

a. For Standard Assets:

- (i) 0.25% on direct advance to agriculture and SME sectors
- (ii) 1.00% on advances to commercial real estate.
- (iii) 2.00% on Teaser Home Loans
- (iv) 0.40% on all other advances

b. For all Non-Performing Assets (NPA):

(i) Sub-standard Assets:

- (a) A general provision of 10%
- (b) Additional provision of 10% for exposures, which are unsecured ab-initio (where realizable value of security is not more than 10% ab-initio)

(ii) Doubtful assets at 20%, 30% or 100% of the secured portion based on the number of years the account remained as "Doubtful Asset" and at 100% of the unsecured portion of the outstanding after netting retainable amount of the guarantee cover under the scheme of Export Credit and Guarantee Corporation (ECGC) / Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), wherever applicable and

(iii) Loss Assets at 100%.

4.4 Restructuring of Advances: In respect of restructured accounts, where the outstanding is ₹1.00 crore and above, the erosion in the fair value of the advance is computed as the difference between the fair value of the loan before and after restructuring.

Fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at a rate equal to the Bank's BPLR as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring. Fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at a rate equal to the Bank's BPLR as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

In respect of restructured accounts, where the outstanding is less than ₹1.00 crore, the amount of diminution in the Fair value has been computed at 5% of the outstanding.

4.5 In the case of suit filed accounts, legal expenses are charged to Profit & Loss account and credited to revenue expenditure, when recovered.



4.6 Financial assets sold to Asset Reconstruction Company (ARC) / Securitisation Company (SC) are recognized as under:

- a. In case the sale is at a price lower than the Net Book Value (NBV), the difference is charged to the Profit & Loss account.
- b. In the case the sale is at a price higher than the NBV, the surplus provision is not reversed but held separately for meeting the loss if any on future sale of financial assets.

5. DEPOSITS

Interest on deposits, with provision for re-investment of interest, is capitalized for every completed quarter and shown as principal.

6. FIXED ASSETS & DEPRECIATION

6.1 Premises and other fixed assets have been accounted for at historical cost. Pending registration, the land and buildings acquired by the Bank are capitalized, based on letters of allotment / agreement and the physical possession.

6.2

- a. Cost of mobile sets / phones up to `5000,
- b. Cost of furnishing items like curtains (including stitching charges) / carpets / mattresses and pillows irrespective of cost and
- c. Other individual items costing `1000 or less are charged to profit and loss account in the year of purchase.

6.3 Depreciation on premises and other fixed assets including system software is provided for on written down value method in the manner and at rates as per Income Tax Act / Rules except as under:

No	Description of Fixed Assets	Method of charging Depreciation	Depreciation / Amortization rate
1.	Computers	Straight Line Method	33.33% every year
2.	Computer Software forming an integral part of hardware	Written Down Value Method	60%
3.	Computer Software which does not form an integral part of hardware	Straight Line Method	100% in the year of Acquisition

6.4 In respect of assets acquired during the year, depreciation is charged for half year in respect of assets used for 182 days or less and for the full year in respect of assets used for more than 182 days, except depreciation on computers and software, which is charged for the full year irrespective of the period for which the asset was put to use. No depreciation is provided in the year of sale / disposal of an asset.

6.5 In respect of Leasehold Properties, the lease premium is amortized over the period of the lease.

7. EMPLOYEE BENEFITS

7.1 Short Term Employee benefits:

Amount of short-term employee benefits, such as casual leave and medical benefits, expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service.

7.2 Post Employment benefits:



(i) Defined Contribution Plan

The Bank operates a Provident Fund scheme, which is a defined contribution plan. All eligible employees are entitled to receive benefits under the Bank's Provident Fund scheme. The Bank contributes monthly at a determined rate (currently 10% of employee's basic pay plus eligible allowance). These contributions are made to a fund set up by the Bank and administered by a Board of Trustees. The Bank has no liability for future provident fund benefits other than its annual contribution, and recognizes such contributions as an expense in the year to which they relate.

(ii) Defined Benefit Plan

- a. The Bank operates gratuity, pension and resettlement schemes, which are defined benefit plans.
- b. The Bank provides for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on superannuation, on death while in employment or on termination of employment. The rate of gratuity payable to an employee is 15 days based on the rate of wages / salary last drawn by the employee as per the Payment of Gratuity Act, 1972 for every completed year of service. Gratuity is payable to an employee on the termination of his employment after he has rendered continuous service for a period of not less than 5 years (on retirement, resignation, except death & disablement). To be eligible under SBT (Employees) Gratuity Regulations, 1972 minimum service required is 10 years. The Bank makes annual contribution to the Fund administered by the Board of Trustees based on independent actuarial valuation carried out annually. The maximum amount payable as per the Payment of Gratuity Act, 1972 is ₹10.00 lakhs. The amount payable to the employees will be higher of the amount calculated as per SBT (Payment of Gratuity to Employees) Regulations and Payment of Gratuity Act, 1972, subject to deduction of Income Tax on amount in excess of ₹10.00 lakhs.
- c. The Bank provides for pension to all eligible employees who have opted for pension and joined the services of the Bank on or before 31st March 2010. The benefit is in the form of monthly payments as per rules and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The Bank makes annual contributions to fund administered by Board of Trustees based on an independent external actuarial valuation carried out annually.
- d. The cost of providing defined benefits is determined using the projected unit credit method with actuarial valuations being carried out at each balance sheet date. Actuarial gains / losses are immediately recognized in the statement of profit and loss and are not deferred.
- e. The bank has exercised the option of recognizing the transitional liability on adoption of Accounting Standard 15 (2005) for its defined benefit schemes against revenue and other reserves.
- f. Defined Contributory Pension Scheme: Employees, joining services of the Bank on or after 1st April 2010 are eligible for Defined Contributory Pension Scheme in line with the New Pension Scheme introduced for employees of Central Government.
- g. The additional liability on account of reopening of pension option for serving employees who had not opted for pension earlier as well as the enhancement in gratuity limits is being amortized over a period of five years beginning with the financial year ending March 31, 2011 as per the RBI notification.
- h. The additional liability on account of reopening of pension option for retired employees who had not opted for pension earlier as well as the enhancement in gratuity limit is being charged to the profit and loss account.

(iii) Other Long Term Employee benefits:



- a. All eligible employees of the bank are eligible to encash certain portion of their earned leave while in employment or on retirement, on death or on termination of employment, subject to a maximum amount. This is paid by the Bank as and when the liability arises.
- b. The cost of providing other long-term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each balance sheet date. Past service cost is immediately recognized in the statement of profit and loss and is not deferred.

8. PROVISION FOR TAXATION

- a. Income tax expense is the aggregate amount of current tax, deferred tax and wealth tax. Current year taxes are determined in accordance with the prevailing tax rates and tax laws. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the year.
- b. Deferred tax assets and liabilities are recognized on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or subsequently enacted prior to the balance sheet date. The impact of changes in the deferred tax assets and liabilities is recognized in the profit and loss account.
- c. Deferred tax assets are recognized and reassessed at each reporting date, in accordance with Accounting Standard 22 and based upon Management's judgment as to whether realization is considered certain. Deferred tax assets are recognized only if there is virtual certainty that such deferred tax assets can be realized against future taxable income.

9. REVENUE RECOGNITION

- 9.1 Income: Interest and other income are recognized on accrual basis except for the following, which are recognized on cash basis:
- a. Interest and other income on NPA, projects under implementation with time over run and government guaranteed accounts where interest is not received regularly, as per Reserve Bank of India guidelines;
 - b. Dividend on investment in shares and income distributed on units of Mutual Funds;
 - c. Locker Rent;
 - d. Exchange on demand bills purchased / commission on bills sent for collection;
 - e. Interest on Overdue bills on realization basis;
 - f. Income on cross selling products;
 - g. Interest on Non Performing Investments and
 - h. Insurance claims
- 9.2 Adjustment in respect of recoveries made in NPA accounts – the recoveries made are appropriated in the order of Charges, Interest and then to Principal in live NPA and in respect of protested bills accounts, the recoveries made are appropriated in the order of Principal, Charges and then to unrealized Interest.
- 9.3 Income from interest on refund of income tax is accounted for in the year the assessment order is passed by the concerned authority.
- 9.4 Expenditure: Revenue expenditure is accounted for on accrual basis except Property Taxes and Bank's liabilities in respect of disputes pertaining to additional rent / lease rent, which are accounted for on cash basis.

10. NET PROFIT

The net profit disclosed in the Profit and Loss account is arrived at, after making provisions for the following:



- a. Provision for taxes on Income including Deferred Tax and Wealth Tax,
- b. Provision for Non-performing Advances and / or Investments,
- c. Provision on Standard Assets,
- d. Interest sacrifice on restructured accounts,
- e. Depreciation on Investments,
- f. Transfers to contingencies and
- g. Other usual and necessary provisions.

11. IMPAIRMENT OF ASSETS

Impairment loss, if any, on Fixed Assets is recognized in accordance with the Accounting Standard 28 issued in this regard by the Institute of Chartered Accountants of India.

12. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In conformity with Accounting Standard 29, “Provisions, Contingent Liabilities and Contingent Assets”, the Bank recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligations, and when a reliable estimate of the amount of the obligation can be made.

SCHEDULE 18 – NOTES TO ACCOUNTS

1. CAPITAL

Capital Adequacy Ratio

The Capital to Risk-weighted Assets Ratio (CRAR) as assessed by the Bank on the basis of the financial statements and guidelines issued by the Reserve Bank of India (RBI) has been computed as below:

a. As per BASEL - I

Particulars	31.03.2011	31.03.2010
i) Capital to Risk-Weighted Assets Ratio (CRAR)	10.82%	11.89%
ii) Capital to Risk-Weighted Assets Ratio (Tier I)	7.77%	8.00%
iii) Capital to Risk Weighted Assets Ratio (Tier II)	3.05%	3.89%
iv) Percentage of share holding of the Government of India	Nil	Nil
v) Amount raised during the year by issue of IPDI	Nil	Nil
vi) Amount raised during the year by issue of Upper Tier II instruments	Nil	Nil

b. As per BASEL - II

As per the extant guidelines of RBI, Bank has migrated to New Capital Adequacy framework with effect from 31.03.2008. Bank has adopted Standardized Approach for Credit Risk, Standardized Duration Approach for Market Risk and Basic Indicator Approach for Operational Risk towards compounding the minimum Capital under BASEL - II.

Prudential Floor as on 31.03.2011

While migrating to BASEL - II framework, RBI has set out a Prudential Floor on minimum capital for the smooth transition from BASEL - I framework to BASEL - II framework. The Prudential Floor is higher of “minimum capital is required to be maintained as per BASEL - II framework or as a percentage (prescribed as 80% for the financial year ending 31st March 2011) of minimum capital requirement computed as per BASEL - I framework” for credit and market risks.

Prudential Floor Capital computation as on 31.03.2011 is given below:



(Rs. in crores)

S. No.	Particulars	31.03.2011
i)	Total Risk Weighted Assets as per BASEL - II	38932.39
ii)	Minimum Capital to be maintained as per BASEL – II [(i) * 9%]	3503.92
iii)	Total Risk Weighted Assets as per BASEL - I	45097.57
iv)	Minimum Capital to be maintained as per BASEL - I [(iii) * 9%]	4058.78
v)	80% of minimum capital requirement as per BASEL - I [(iv) * 80%]	3247.03
vi)	Actual Capital Funds maintained	4881.08
vii)	Prudential Floor [higher of (ii) or (v)]	3503.92
viii)	Excess capital maintained above the Prudential Floor [(vi) minus (vii)]	1377.16

The Bank has complied with the Prudential Floor stipulated by RBI as on 31.03.2011.

Particulars	31.03.2011	31.03.2010
i) Capital to Risk Weighted Assets Ratio (CRAR)	12.54%	13.74%
ii) Capital to Risk Weighted Assets Ratio (Tier I)	9.00%	9.24%
iii) Capital to Risk Weighted Assets Ratio (Tier II)	3.54%	4.50%

(As compiled by the Management and relied upon by the Auditors)

c. Subordinate debts and Hybrid instruments raised as part of Tier I / Tier II Capital

(Rs. in crores)

Details	Year of issue	Tenor	Interest Rate %	Amount 31.03.2011	Amount 31.03.2010
Subordinated Debt					
Series VI	2004-2005	111 months	7.05	195.00	195.00
Series VII	2005-2006	115 months	7.45	235.00	235.00
Series VIII	2005-2006	111 months	7.80	140.00	140.00
Series IX	2007-2008	120 months	9.20	125.00	125.00
Series X	2007-2008	120 months	9.18	125.00	125.00
Upper Tier II Bond	2006-2007	180 months	9.65	200.00	200.00
Upper Tier II Bond	2007-2008	180 months	10.25	300.00	300.00
Innovative Perpetual Debt Instrument (IPDI) - Tier I Capital					
Series I	2006-2007	Perpetual	9.34	200.00	200.00
Series II	2007-2008	Perpetual	9.95	100.00	100.00
Total				1620.00	1620.00

2. INVESTMENTS

(Rs. in crores)

Particulars	31.03.2011	31.03.2010
Value of Investments		
Gross value of Investments	17955.74	15880.75
a) In India	17955.74	15880.75
b) Outside India	Nil	Nil
Less: Provisions for Depreciation	28.75	36.36
a) In India	28.75	36.36
b) Outside India	Nil	Nil
Net value of Investments	17926.99	15844.39
a) In India	17926.99	15844.39
b) Outside India	Nil	Nil
Movement of Provisions held towards Depreciation on Investments		
Opening Balance (as on 1 st April)	36.36	72.10
Add: Provisions made during the year	6.62	Nil
Less: Write back of excess provisions during the year	0.00	20.47
Less: Write-off during the year	14.23*	15.27



Closing Balance (as on 31 st March)	28.75	36.36
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* Depreciation on account of shifting of securities Rs.14.03 crore and write off ARCIL (Core Health care Rs. 0.20 crore)

2.1 In accordance with the RBI guidelines, the Bank’s domestic gross investment portfolio has been classified into three categories. The classification as on 31.03.2011 is given hereunder:

(Rs. in crores)

Classification	31.03.2011		31.03.2010	
	Amount	%	Amount	%
Held to Maturity - HTM	15449.01	86.04	13727.24	86.43
Available for Sale - AFS	2017.52	11.24	2148.50	13.54
Held for Trading - HFT	489.21	2.72	5.01	0.03
Total	17955.74	100.00	15880.75	100.00

Domestic HTM securities (SLR) as a percentage of Net Demand and Time Liabilities works out to 21.57% as against a stipulated maximum level of 25%

2.2 Repo transactions during the year 2010- 11

(Rs. in crores)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on 31/03/2011
Securities sold under Repo				
Government Securities *	55.00 (Nil)	1950.00 (Nil)	423.00 (Nil)	1000.00 (Nil)
Corporate Debt Securities	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Securities purchased under reverse Repo				
Government Securities *	25.00 (15.00)	805.00 (787.00)	36.04 (73.79)	Nil (Nil)
Corporate Debt Securities	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)

* Amount represents LAF. (Note: Figures in brackets relate to the previous year)

2.3 Non-SLR Investment Portfolio

Issuer composition of Non-SLR Investments as on 31.03.2011

(Rs. in crores)

S. No.	Issuer	Amount	Extent of Private Placement	Extent of ‘Below Investment Grade’ Securities	Extent of ‘Un-rated’ Securities	Extent of ‘Unlisted’ Securities
(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	PSUs	91.77 (114.30)	5.20 (24.93)	1.50 (1.50)	1.50 (26.64)	5.20 (5.20)
2	Financial Institutions	2537.05 (1789.04)	12.52 (1763.08)	Nil (Nil)	Nil (18.97)	12.52 (18.97)
3	Banks	590.60 (126.06)	52.55 (40.18)	Nil (Nil)	Nil (4.08)	Nil (Nil)
4	Private Corporate	341.56 (206.53)	40.03 (45.39)	2.54 (2.76)	12.69 (167.68)	50.84 (49.40)
5	Subsidiaries & JVs	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)



6	Others	6.90 (2.40)	6.90 (2.40)	Nil (Nil)	Nil (2.40)	Nil (2.40)
7	Provision held towards Depreciation	15.12 (18.05)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
8	Total *	3552.76 (2220.28)	117.20 (1875.98)	4.04 (4.26)	14.19 (219.77)	68.56 (75.97)

* Total figure arrived net of depreciation. (Note: Figures in brackets relate to the previous year)

Non Performing Non-SLR Investments

(Rs. in crores)

Particulars	31.03.2011	31.03.2010
Opening balance	1.51	2.50
Additions during the year since 01.04.2010	2.98	Nil
Reductions during the above period	0.40	0.99
Closing balance	4.09	1.51
Total Provisions held	4.09	1.51

- 2.4 In compliance with RBI guidelines, the Bank has changed the Accounting Policy 3 with effect from 01.01.2011 regarding accounting of investments, from 'trade date' to 'settlement date' and this change has no impact on these financial statements.

3 DERIVATIVES

3.1 Interest Rate Swap / Forward Rate Agreement / Options

Rupee Based

(Rs. in crores)

Particulars	31.03.2011	31.03.2010
The notional Principal of Swap agreements		
- Interest Rate Swap	Nil	Nil
- Coupon only Swap	140.00	140.00
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	14.00	21.00
- Collateral required by the Bank upon entering into swaps	Nil	Nil
Concentration of credit risk arising from the swaps	Nil	Nil
The fair value of the swap book	(9.41)	(5.98)

Forex Based

(Rs. in crores)

Particulars	31.03.2011	31.03.2010
i. The notional Principal of Swap agreements		
- Interest Rate Swap	894.58	Nil
- Coupon only Swap	Nil	Nil
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	7.55	Nil
- Collateral required by the Bank upon entering into swaps	Nil	Nil
Concentration of credit risk arising from the swaps	Nil	Nil
The fair value of the swap book	(0.26)	Nil

(Derivative transactions are made based on the certificates obtained by the Management from the Exporters)

- (a) The Bank has entered into (1) Interest Rate Swap (Coupon only swaps) for hedging the interest rate risks of Tier II Bonds and (2) Interest Rate Swap for hedging the interest rate risks of FCNR (B) deposits. No swap transaction was undertaken for trading purpose during the year.



- (b) All the Interest Rate Swaps are within the counter party exposure limits.
- (c) The value and maturity of the hedge have not exceeded the underlying liabilities and no stand-alone transactions are initiated / outstanding.
- (d) The Coupon only swaps are done in Japanese Yen and Indian Rupees receiving Fixed Rate interest in Indian Rupee and paying Japanese Yen LIBOR for one year (plus a spread) with a cap of 1%.
- (e) Forex based Interest Rate Swaps are done in US Dollars receiving fixed and paying six month LIBOR – linked floating rate interest.
- (f) Carrying value of the Notional Principal amount of the outstanding swaps is same as the Notional Principal amount and outstanding Interest Rate Swaps arrived at RBI reference rate as on trade dates.
- (g) The Bank has not offered any collateral for undertaking the swaps.
- (h) There is no concentration of credit risks arising from Interest Rate Swaps undertaken during the year.
- (i) No Forward Rate Agreement transaction was undertaken during the year.

3.2 Exchange Traded Interest Rate Derivatives (Rupee & Forex)

(Rs. in crores)

S. No.	Particulars	Amount
i)	Notional Principal amount of exchange traded interest rate derivatives undertaken during the year.	Nil
ii)	Notional Principal amount of exchange traded interest rate derivatives outstanding as on 31.03.2011.	Nil
iii)	Notional Principal amount of exchange traded interest rate derivatives and not “highly effective”.	Nil
iv)	Marked-to-market value of exchange traded interest rate derivatives outstanding and not “highly effective”.	Nil

3.3 Options

- (a) Options offered to customers have been covered back to back in the market.
- (b) The carrying value of the Notional Principal Amount of the outstanding options arrived at FEDAI rates and the fair value as on 31.03.2011 are:

(Rs. in crores)

Particulars	Carrying Value		Fair Value	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Option Contracts	Nil	9.36	Nil	0.28

3.4 Disclosures on risk exposure in derivatives

a) Qualitative Disclosure

- (i) Bank has started trading in currency futures through MCX Exchange with IL&FS as Clearing agent as per Board approved policy.
- (ii) As risk measurement and monitoring, the hedge instrument is marked to the market at periodical intervals to ensure its effectiveness.
- (iii) Identifying an underlying, employing a derivative to hedge the Rate Sensitive Gap and reviewing the effectiveness based on interest rate view are some of the processes in risk mitigation.



- (iv) Hedge transactions are accounted on accrual basis and no marking to market is done. However, fair value and likely loss in the event of counter party default is disclosed. Credit Risk is mitigated through counter party exposure norms set internally.

b) Quantitative Disclosure

Rupee Based (Rs. in crores)

S. No.	Particulars	Currency Derivatives		Interest Rate Derivatives	
		31.03.2011	31.03.2010	31.03.2011	31.03.2010
1	Derivatives (Notional Principal Amount)				
	a) For Hedging	Nil	Nil	140.00	140.00
	b) For Trading	Nil	Nil	Nil	Nil
2	Marked to Market Positions				
	a) Asset (+)	Nil	Nil	Nil	Nil
	b) Liability (-)	Nil	Nil	(9.41)	(5.98)
3	Credit Exposure	Nil	Nil	14.00	21.00
4	Likely impact of one percentage change in interest Rate (100*PV01)				
	a) On Hedging derivatives	Nil	Nil	0.12	0.01
	b) On Trading derivatives	Nil	Nil	Nil	Nil
5	Maximum and Minimum of 100*PV01 observed during the year				
	a) On Hedging	Nil	Nil	0.12 / 0.01	0.07 / 0.01
	b) On Trading	Nil	Nil	Nil	Nil

Forex Based (Rs. in crores)

S. No.	Particulars	Currency Derivatives		Interest Rate Derivatives	
		31.03.2011	31.03.2010	31.03.2011	31.03.2010
1	Derivatives (Notional Principal Amount)				
	a) For Hedging	Nil	Nil	894.58	Nil
	b) For Trading	Nil	Nil	Nil	Nil
2	Marked to Market Positions				
	a) Asset (+)	Nil	Nil	Nil	Nil
	b) Liability (-)	Nil	Nil	(0.26)	Nil
3	Credit Exposure	Nil	Nil	7.55	Nil
4	Likely impact of one percentage change in interest Rate (100*PV01)				
	a) On Hedging derivatives	Nil	Nil	Nil	Nil
	b) On Trading derivatives	Nil	Nil	Nil	Nil
5	Maximum and Minimum of 100*PV01 observed during the year				
	a) On Hedging	Nil	Nil	Nil	Nil
	b) On Trading	Nil	Nil	Nil	Nil

(Disclosure is made based on the intimation received by the Management from the Counter party banks viz. State Bank of India, ICICI Bank, etc.)

4. ASSET QUALITY

4.1 Non-Performing Asset

(Rs. in crores)

Particulars	31.03.2011	31.03.2010
i) Net NPAs to Net Advances (%)	0.98%	0.91%
ii) Movement of NPAs (Gross)		
(a) Opening balance	641.98	526.00
(b) Additions during the year	745.06	570.83
(c) Reductions during the year	551.81	454.85
(d) Closing balance #	835.23	641.98



iii) Movement of Net NPAs		
(a) Opening Balance	350.40	187.54
(b) Additions during the year	499.93	489.36
(c) Reductions during the year	399.34	326.50
(d) Closing balance #	450.99	350.40
iv) Movement of Provisions for NPAs (Excluding provision on Standard Assets)		
(a) Opening balance @	290.81	337.62
(b) Provisions made during the year	245.50	81.47
(c) Write-off of excess provision (Utilized for write-off)	152.47	123.66
(d) Write back of excess provisions / reversal *	0.11	4.62
(e) Closing balance @	383.95	290.81

Note: For the purpose of arriving at Net NPA, claims received from ECGC are deducted from the Gross NPA.

Closing balance of Gross & Net NPA is net of Interest Not Collected (INCA) and Uncollected Interest Previous Year (UIPY).

* Includes Rs.0.95 lakhs written back in respect of interest sacrifice in restructured NPA accounts and Rs.1.06 crore relating to technical write off.

@ Includes Floating Provision of Rs.100 crore

4.2 Details of Loan Assets subjected to Restructuring during the year

(Rs. in crores)

Particulars of Accounts Restructured	CDR Mechanism		SME Debt Restructuring		Others	
	31.03.11	31.03.10	31.03.11	31.03.10	31.03.11	31.03.10
Standard advances restructured						
Number of Borrowers	2	1	7	12	32	114
Amount outstanding	49.18	18.78	16.50	0.71	164.06	870.02
Sacrifice (Diminution in the fair value)	0.60	4.03	0.10	0.03	1.01	23.08
Sub-Standard advances restructured						
Number of Borrowers	0	0	1	19	0	20
Amount outstanding	0.00	0.00	0.06	0.52	0.00	0.27
Sacrifice (Diminution in the fair value)	0.00	0.00	0.00	0.03	0.00	0.01
Doubtful advances restructured						
Number of Borrowers	0	0	0	0	0	0
Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00
Sacrifice (Diminution in the fair value)	0.00	0.00	0.00	0.00	0.00	0.00
Total						
Number of Borrowers	2	1	8	31	32	134
Amount outstanding	49.18	18.78	16.56	1.23	164.06	870.29
Sacrifice (Diminution in the fair value)	0.60	4.03	0.10	0.06	1.01	23.09

4.3 Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction



(Rs. in crores)

Particulars	31.03.2011	31.03.2010
1. Number of accounts	Nil	Nil
2. Aggregate value (net of provisions) of accounts sold to SC / RC	Nil	Nil
3. Aggregate consideration	Nil	Nil
4. Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
5. Aggregate gain / loss over net book value	Nil	Nil

4.4 Details of Non-performing financial assets purchased / soldA. Details of Non-performing financial assets purchased

(Rs. in crores)

Particulars	31.03.2011	31.03.2010
1. (a) Number 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

(Rs. in crores)

Particulars	31.03.2011	31.03.2010
1. Number of accounts sold	1	Nil
2. Aggregate outstanding	1.58	Nil
3. Aggregate consideration received	0.48	Nil

4.5 Provision on Standard Assets

(Rs. in crores)

Particulars	31.03.2011	31.03.2010
Provision made during the year towards Standard Assets	52.62	Nil
Cumulative Provision held for Standard Assets (Included under 'Other Liabilities & Provisions' in Schedule 5 to the Balance Sheet)	200.90	148.28

4.6 Sector-wise NPAs

S. No.	Sector	Percentage of NPAs to Total Advances in that Sector	
		31.03.2011	31.03.2010
1	Agriculture & Allied Activities	0.83	0.78
2	Industry (Micro & Small, Medium and Large)	2.06	1.92
3	Services	1.65	2.03
4	Personal Loans	1.31	1.29

4.7 Movement of NPA

(Rs. in crores)

Particulars	2010-11	2009-10
Gross NPA as on 1 st April of particular year (Opening balance)	641.98	526.00
Additions (fresh NPA) during the year	745.06	570.83



Sub - Total (A)	1387.04	1096.83
Less:		
i) Up gradations	176.50	159.10
ii) Recoveries (excluding recoveries made from upgraded accounts)	222.84	172.09
iii) Write-offs	152.47	123.66
Sub - Total (B)	551.81	454.85
Gross NPA as on 31 st March of following year (Closing balance) (A-B)	835.23	641.98

4.8 Overseas Assets, NPAs and Revenue

(Rs. in crores)

Particulars	Amount
Total Assets	135.66
Total NPAs	Nil
Total Revenue	0.35

4.9 Provision coverage ratio (PCR)

Particulars	2010-11	2009-10
Provisioning to Gross Non-Performing Assets of the Bank	69.01%	69.67%

RBI has granted permission to the Bank for achieving the prescribed Provision Coverage Ratio (PCR) of 70% by 30.09.2011.

BUSINESS RATIOS

Particulars	31.03.2011	31.03.2010
i) Interest Income as a percentage of Working Funds	8.20	8.05
ii) Non-Interest income as a percentage of Working Funds	0.91	0.97
iii) Operating profit as a percentage to Working Funds	1.84	1.94
iv) Return on Assets	1.12	1.26
v) Business (Deposits plus Advances) per Employee (Rs. in crores)	8.88	6.96
vi) Profit per Employee (Rs. in crores)	0.08	0.06

ASSET LIABILITY MANAGEMENT

Maturity Pattern of certain items of Assets and Liabilities as at 31.03.2011:

(Rs. in crores)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	94.45 (160.55)	1468.85 (1300.39)	1018.27 (1250.30)	327.74 (464.82)	3791.94 (3154.97)	2955.51 (4464.86)	5924.17 (7339.82)	14014.50 (9813.66)	10911.97 (7847.35)	17650.52 (15086.66)	58157.92 (50883.38)
Advances	145.17 (141.62)	991.74 (706.43)	328.14 (485.81)	575.60 (790.72)	6507.41 (5838.87)	5710.04 (4467.40)	9363.78 (6412.84)	7173.47 (6109.25)	3704.96 (3242.98)	11543.91 (10265.34)	46044.22 (38461.26)
Investments	112.29 (67.88)	109.46 (80.67) *	Nil (Nil)	53.89 (320.94)	1226.12 (490.86)	391.13 (534.98)	549.81 (408.74)	2091.63 (2734.62)	4006.66 (2555.92)	9386.00 (8649.78)	17926.99 (15844.39)
Borrowings	22.63 (10.53)	245.27 (95.10)	Nil (Nil)	Nil (Nil)	1050.49 (3.80)	518.98 (654.89)	1209.10 (57.39)	876.49 (807.97)	378.40 (195.29)	1425.14 (1425.17)	5726.50 (3250.14)
Foreign Currency Assets	107.39 (44.57)	857.57 (267.45)	8.33 (312.03)	66.72 (79.63)	148.69 (388.52)	127.25 (537.52)	308.19 (30.96)	594.60 (Nil)	301.70 (Nil)	166.96 (Nil)	2687.40 (1660.68)



Foreign Currency Liabilities	16.69 (15.54)	270.65 (87.97)	16.96 (101.28)	37.05 (41.14)	132.54 (177.75)	386.6 (286.67)	1116.06 (437.59)	494.76 (463.99)	132.43 (48.66)	83.66 (0.09)	2687.40 (1660.68)
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* Regrouped. (Figures in brackets relate to previous year)

Note: In compiling the above data certain assumptions as per RBI guidelines and estimates have been made by the Management and relied upon by the Auditors.

EXPOSURES

7.1 Exposure to Real Estate Sector

(Rs. in crores)

Particulars	31.03.2011	31.03.2010
a. Direct Exposure		
i) Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (individual housing loans eligible for inclusion in priority sector advances may be shown separately)	7435.51 (PSA 4540.70)	6134.64 (PSA 4886.00)
ii) Commercial Real Estate		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.) Exposure would also include non-fund based (NFB) limits;	759.43	579.07
iii) Investments in Mortgage Based Securities (MBS) and other securitised exposures		
- Residential	0.00	0.00
- Commercial Real Estate	0.00	0.00
b. Indirect Exposure		
Fund and non fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	1340.30	1194.76
Total Exposure to Real Estate Sector	9535.24	7908.47
(As compiled by the Management and relied upon by the Auditors)		

7.2 Exposure to Capital Market

Particulars	(Rs. in crores)	
	31.03.2011	31.03.2010
i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds, the corpus of which is not exclusively invested in corporate debt	175.49	145.32
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 equity-oriented mutual funds	0.02	0.03



iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	Nil	Nil
iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	Nil	10.00
v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	70.01	116.15
vi) Loans sanctioned to corporate against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	Nil	Nil
vii) Bridge loans to companies against expected equity flows / issues	Nil	Nil
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	Nil	Nil
ix) Financing to stockbrokers for margin trading	Nil	Nil
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 ceilings (both direct and indirect)	6.90	Nil
Total Exposure to Capital Market	252.42	271.50
(As compiled by the Management and relied upon by the Auditors)		

7.3 Risk Category-wise Country Exposure

(Rs. in crores)

Risk Category	Based on Bank's Country Risk Management Policy			
	Exposure (net) as at 31.03.2011	Provision Held as at 31.03.2011	Exposure (net) as at 31.03.2010	Provision Held as at 31.03.2010
Insignificant	1.43	Nil	2.62	Nil
Low	535.62	Nil	402.15	Nil
Moderate	45.52	Nil	35.03	Nil
High	1.09	Nil	14.98	Nil
Very High	25.44	Nil	13.43	Nil
Off Credit / Restricted	0.00	Nil	17.17	Nil
Total	609.10	Nil	485.38	Nil

For compiling the country-wise risk exposure, the Bank has used the Country Risk Management Policy last reviewed and approved by the Board at its meeting held on 28.12.2010. Since the Bank does not have net funded exposure of more than 1% of its total assets as on 31.03.2011 to any of the Countries, provision for Country risk is not necessary.

7.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Bank

In terms of the Loan Policy, the exposure to a single borrower should not exceed 15% of Bank's capital funds. In exceptional circumstances with the approval of the Executive Committee of Bank's Board, additional exposure to a borrower up to a maximum of 5% of capital funds may be considered subject to the borrower consenting to the Bank to make appropriate disclosures in its Annual Report.



Prudential norm at 15% of Capital funds as on 31.03.2010 for Single borrower is Rs.659.59 crore and 40% for Group borrowers is Rs.1758.89 crore. During the year Bank has not exceeded the exposure ceiling to individual / group borrowers.

7.5 Unsecured Advances

(Rs. in crores)

Particulars	31.03.2011	31.03.2010
Unsecured Advances against intangible securities such as charge over the rights, licenses, authority, etc. #	714.32	1279.29
Other Unsecured Advances	7790.16	6481.63

The estimated value of rights, licenses, authorities etc. charged on the total amount of advances are as follows:

(Rs. in crores)

31.03.2011	31.03.2010
760.15	1642.04

MISCELLANEOUS

8.1 Amount of Provisions made for Taxes during the year:

(Rs. in crores)

Particulars	31.03.2011	31.03.2010
Income Tax including Deferred tax	153.80	258.00
Wealth Tax	0.50	0.10
Dividend Distribution Tax	14.75	13.60

8.2 Disclosures of Penalties imposed by Reserve Bank of India

During the year RBI has not imposed any penalty on the Bank.

DISCLOSURE AS PER ACCOUNTING STANDARDS (AS)

9.1 Accounting Standard 5: Net Profit or Loss for the period, prior period items and changes in Accounting Policies

There are no material prior period income / expenditure items requiring disclosure under Accounting Standard 5.

9.2 Accounting Standard 6: Depreciation Accounting

Break up of total depreciation for the year for each class of assets is as under:

(Rs. in crores)

Class of Assets	31.03.2011	31.03.2010
Premises	2.87	2.95
Other Fixed Assets	44.08	39.87
Leased Assets	Nil	Nil

9.3 Accounting Standard 9: Revenue Recognition

Certain items of income are recognized on realization basis as per Accounting Policy number 9.1. These are considered not material in terms of RBI guidelines, and hence do not require disclosure.

9.4 Accounting Standard 15 (Revised): Employee Benefits

9.4.1. Significant changes in the Principal Accounting Policies



During the year, the Bank reopened the pension option for such of its employees who had not opted for the pension scheme earlier. As a result of exercise of which by 3720 continuing employees, the Bank has incurred a liability of Rs.558.35 crore. Further, during the year, the limit of gratuity payable to the employees of the Bank was also enhanced pursuant to the amendment to the Payment of Gratuity Act, 1972. As a result the gratuity liability of the Bank has increased by Rs.113.56 crore.

In terms of the requirements of the Accounting Standard 15, Employee Benefits, the entire amount of Rs.671.91 crore (i.e. Rs.558.35 crore + Rs.113.56 crore) is required to be charged to the Profit and Loss Account. However, the RBI has issued a Circular No. DBOD.BP.BC.80 / 21.04.018 / 2010-11) on Re-opening of Pension Option to Employees of Public Sector Banks and Enhancement in Gratuity Limits – Prudential Regulatory Treatment, dated 09.02.2011. In accordance with the provisions of the said Circular, the Bank would amortize the amount of Rs.671.91 crore over a period of five years. Accordingly, Rs.134.38 crore (representing one-fifth of Rs.671.91 crore) has been charged to the Profit and Loss Account. In terms of the requirements of the aforesaid RBI circular, the balance amount carried forward, i.e., Rs.537.53 crore (Rs.671.91 crore – Rs.134.38 crore) does not include any employees relating to separated / retired employees and shown under ‘Other Assets’ – Schedule 11.

Had such a circular not been issued by the RBI, the profit of the Bank would have been lower by Rs. 537.53 crore pursuant to application of the requirements of Accounting Standard 15

9.4.2. Employee Benefits

i) Defined Benefit Pension Plan and Gratuity

The following table sets out the status of the defined benefit Pension Plan, Gratuity Plan and Resettlement Plan as required under Accounting Standard 15:

	(Rs. in crores)	
Particulars	Pension Plan	Gratuity
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 01.04.2010	1003.80	267.16
Current Service Cost	47.52	16.39
Interest Cost	87.34	23.40
Actuarial Gains / (Losses)	376.75	(0.13)
Past Service Cost (Non-Vested Benefit)	Nil	Nil
Past Service Cost (Vested Benefit)	Nil	Nil
Benefits paid	(80.50)	(29.15)
Closing defined benefit obligation at 31.03.2011	1434.91	277.67
Change in Plan Assets		
Opening fair value of Plan Assets at 01.04.2010	837.80	257.68
Expected Return on Plan Assets	62.84	19.33
Contributions by Employer	25.02	Nil
Benefit paid	(80.50)	(29.15)
Actuarial Gains / (Losses)	445.10	7.10
Closing fair value of Plan Assets at 31.03.2011	1290.26	254.96
Reconciliation of present value of the obligation and fair value of the Plan Assets		
Present Value of Funded obligation at 31.03.2011	1434.91	277.67
Fair Value of the Plan Assets at 31.03.2011	1290.26	254.96
Deficit / (Surplus)	144.65	22.71
Experience adjustment on Plan Assets	Nil	Nil
Experience adjustment on Plan Liabilities	Nil	Nil
Unrecognized Past Service Cost	Nil	Nil
Net Liability / (Asset)	144.65	22.71
Amount Recognized in the Balance Sheet		
Liabilities	1434.91	277.67
Assets	1290.26	254.96
Net Liability / (Asset) recognized in Balance Sheet as at 31.03.2011	144.65	22.71



Net Cost recognized in the profit and loss account		
Current Service Cost	47.52	16.39
Interest Cost	87.34	23.40
Expected return on Plan Assets	(62.84)	(19.33)
Net actuarial losses (Gain) recognized during the quarter	(68.35)	(7.23)
Past Service Cost (Non-Vested Benefit) Recognized	Nil	Nil
Past Service Cost (Vested Benefit) Recognized	Nil	Nil
Total costs of defined benefit plans included in current year P&L under Schedule 16 'Payments to and Provisions for Employees'	3.67	13.23
Reconciliation of expected return and actual return on Plan Assets		
Expected Return on Plan Assets	62.84	19.33
Actuarial Gain / (Loss) on Plan Assets	445.10	7.10
Actual Return on Plan Assets	507.94	26.43
Reconciliation of opening and closing Net Liability recognized in Balance Sheet		
Opening Net Liability as at 01.04.2010	166.00	9.48
Expenses as recognized in profit and loss account	3.67	13.23
Employers' contribution	(25.02)	0.00
Net Liability / (Asset) recognized in Balance Sheet as at 31.03.2011	144.65	22.71
Expected Contribution in the next Financial Year (2011-12)	161.44	21.00

ii) Investments under Plan Assets of Gratuity Fund & Pension Fund (Other than accrued interest, bank balance and other assets) as on 31.03.2011 are as follows:

(Rs. in crores)

Category of Assets			
Gratuity Fund		Pension Fund	
Amount	% of Plan Assets	Amount	% of Plan Assets
239.13	93.79%	1138.62	88.24%

Out of the above following investment are made in State Bank of India:

(Rs. in crores)

Category of Assets			
Gratuity Fund		Pension Fund	
Amount	% of Plan Assets	Amount	% of Plan Assets
72.00	30.11 %	52.00	4.03%

iii) All the actuarial gains and losses have been fully recognized in the statement of profit and loss.

iv) Brief description of type of plan:

Pension is paid to all eligible pension optees, on superannuation, voluntary retirement, etc. To be eligible for pension, the employee should have put in minimum ten years of service.

Gratuity is payable to all eligible employees on superannuation, voluntary retirement, etc. To be eligible for gratuity, the employee should have put in minimum five years of service.

v) The expected return on plan assets over the accounting period is based on an assumed rate of return. The assumed rate of return is 7.50% per annum.

Principal assumptions considered in the actuarial report:

Particulars	Defined Benefit Pension Plans	Gratuity
Discount Rate as at 01.04.2010	7.00%	7.00%
Expected Rate of return on Plan Asset as at 01.04.2010	7.50%	7.50%
Salary Escalation as at 01.04.2010	6.00%	6.00%



Discount Rate as at 31.03.2011	8.50%	8.50%
Expected Rate of return on Plan Asset as at 31.03.2011	7.50 %	7.50%
Salary Escalation as at 31.03.2011	6.00%	6.00%

vii) The estimates of future salary increase; considered in actuarial valuation, take into account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

9.4.3 Defined Contribution Plan

Amount of Rs.9.38 crore is recognized as an expense towards the Provident Fund scheme of the Bank included under the head 'Payments to and provisions for employees' in profit and loss account.

9.4.4. Other Long term Employee Benefits

Amount of Rs.20.42 crore is recognized as an expense towards Other Long term Employee Benefits included under the head 'Payments to and Provisions for Employees' in profit and loss account.

9.5 Accounting Standard 17: Segmental Reporting

Part A: Business Segments

Pursuant to RBI guidelines, the Bank has re-classified the business segments in which the Bank operates into:

- a. Corporate / Wholesale Banking
- b. Retail Banking
- c. Treasury and
- d. Other Banking Operations

The classification has been done on the basis of following criteria:

- i) *Corporate / Wholesale Banking*: All loan and advance accounts with exposure of above Rs.5 crore are classified under wholesale / corporate Banking.
- ii) *Retail*: All loan and advance accounts which are not covered above will be taken as Retail Banking.
- iii) *Treasury*: Entire investment portfolios are classified under Treasury segment.
- iv) *Other Banking Operations*: The Bank does not have Other Banking Operations segment.

Allocation of Income and Expenses and Assets / Liabilities:

- (a) Income and Expenses and Assets / Liabilities directly attributed to particular segment are allocated to the relative segment.
- (b) Items that are not directly attributable to segments are allocated to retail and wholesale segments in proportion to the business managed / ratio of number of employees / ratio of directly attributable income.
- (c) The Bank has certain common assets / liabilities and income / expense that cannot be attributed to any particular segment and hence the same are treated as unallocated.

Part B: Business segments



Business Segments	Treasury		Corporate / Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Revenue	1252.77	1047.80	1843.40	1722.72	2713.83	2135.56	0.00	0.00	5810.00	4906.08
Result	54.27	17.36	334.83	388.73	492.93	481.89	0.00	0.00	882.03	887.98
Unallocated expenses									0.00	0.00
Operating profit *									882.03	887.98
Income taxes									154.30	203.71
Extraordinary profit / loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net profit									727.73	684.27
Other Information										
Segment assets	22769.53	19966.96	19966.60	17718.46	27970.02	21534.06	0.00	0.00	70706.15	59219.48
Unallocated assets									270.60	235.22
Total assets									70976.75	59454.70
Segment liabilities	6017.61	3474.87	26275.97	23888.13	38683.17	32091.70	0.00	0.00	70976.75	59454.70
Unallocated liabilities									0.00	0.00
Total liabilities									70976.75	59454.70
* Operating profit is arrived at after deduction of provisions & contingencies of Rs.293.94 crore (previous year Rs.167.86 crore)										

@ Cross Selling income is included under ‘Retail Banking’ segment

Part C: Geographic Segment

The Bank operates only in the Domestic segment and therefore, no separate disclosure under geographic segment is made.

9.6 Accounting Standard 18: Related Party Disclosures

The Key Managerial Personnel of the Bank and their remuneration (including superannuation benefits) are as below:

Name	Designation	Period	Salary & Allowances(Rs.)	Perquisites (Rs.)
Shri A K Jagannathan	Managing Director	01.04.2010 to 30.04.2010	1588928	72410
Shri S Balachandran	Managing Director (In-charge)	01.05.2010 to 08.09.2010	936733	174527
Shri P Pradeep Kumar	Managing Director	09.09.2010 to 31.03.2011	690543	107797

Note: As all the other related parties are State Controlled Enterprises as defined in Accounting Standard 18 issued by the Institute of Chartered Accountants of India, transactions with them are not disclosed.

9.7 Accounting Standard 19: Leases



The properties taken on lease / rental basis are renewable / cancelable at the option of the Bank. The Bank's liabilities in respect of disputes pertaining to additional rent / lease rent are recognized on settlement or on renewal.

9.8 Accounting Standard 20: Earnings Per Share

Earnings per share has been computed as under:

Particulars	31.03.2011	31.03.2010
Net Profit (Rs. in crores)	727.73	684.27
Weighted Average Number of Equity Shares	5,00,00,000	5,00,00,000
Earnings per share in Rupees - Basic	145.55	136.85
Earnings per share in Rupees – Diluted	145.55	136.85

9.9 Accounting Standard 22: Accounting for Taxes and Income

The breakup of the Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL) as on 31.03.2011 into major components of the respective balances are as under:

(Rs. in crores)

Tax effects of timing differences	Opening balance as on 1.4.2010	Adjustment during the year in P&L	Closing balance as on 31.3.2011
Deferred Tax Assets (DTA)			
Provision for Bad & Doubtful debts and Provision on Standard Assets	50.40	-50.40	0.00
Provision on Employee Benefits	104.41	-41.30	63.11
Depreciation & Amortization of Investments	13.46	140.84	154.30
Total Deferred Tax Assets	168.27	49.14	217.41
Deferred Tax Liabilities (DTL)			
SBT Special HL Insurance Premium	0.00	3.37	3.37
Depreciation on Fixed Assets	1.56	3.57	5.13
Total Deferred Tax Liabilities	1.56	6.94	8.50
Net Deferred Tax Assets / (Liabilities)	166.71	42.20	208.91

9.10 Accounting Standard 28: Impairment of Assets

In the opinion of the Management, there is no impairment to the assets to which Accounting Standard 28 on "Impairment of Assets" applies.

9.11 Accounting Standard 29: Statement of Provisions, Liabilities and Contingent Liabilities

a) Movement in Provision for Contingent liabilities

(Rs. in crores)

Particulars	31.03.2011	31.03.2010
Balance as on 1 st April	1.72	1.72
Additions during the year	Nil	Nil
Utilized / Reversed during the year	Nil	Nil
Balance as on 31 st March	1.72	1.72

b) Contingent liabilities



Liabilities at Item - I, VI and VII of Schedule 12 of the Balance Sheet are dependent upon the outcome of court / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligations, development and raising of demand by concerned parties, respectively.

c) Claims against the Bank, not acknowledged as debts

Total claims against the Bank, which is not acknowledged as debt comprise tax demands in respect of which the Bank is in appeal of Rs.177.52 crore and the cases sub-judice is Rs.5.25 crore of which, as per estimates, Bank may result in an outgo of Rs.1.72 crore and this has been fully provided for.

d) Amount of capital contract to be executed net of advances has been estimated to Rs.1.05 crore

FIXED ASSETS

- a) Depreciation on flats has been provided on the actual cost of acquisition, as land value is not separately available
- b) Gross value of Fixed Assets (other than Premises) jointly owned by State Bank of India and other Associate Banks amounts to Rs.699.57 crore (previous year Rs.634.32 crore). The share of the Bank is Rs.69.95 crore (previous year Rs.63.43 crore).

RECONCILIATION

Inter-Branch transactions, ATM balances, Accounts with State Bank of India and Associate Banks, Government (Central & State) transactions accounts, Draft Payable account, Nostro accounts, System Suspense account, Clearing and other Adjusting accounts are at various stages of reconciliation. In the opinion of the Management there will not be any material impact of such reconciliation on the financial statements.

OTHER / ADDITIONAL DISCLOSURES

12.1 Details of Provisions and Contingencies

(Rs. in crores)

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit & Loss account	2010-11	2009-10
Provision for Depreciation on Investment	6.62	(20.47)
Provision towards NPA	245.50	80.53
Provision towards Standard Asset	52.62	0.00
Provision made towards Income Tax	196.00	202.96 *
Other Provision and Contingencies (with details)		
a) Provision for interest sacrifice on restructured NPA accounts	(0.95)	(4.62)
b) Provision for interest sacrifice on restructured Standard Assets	(7.45)	26.59
c) Provision for other Miscellaneous items	(2.40)	2.25
d) Deferred Tax	(42.20)	0.65
e) Wealth Tax	0.50	0.10
TOTAL	448.24	287.99

* Net of excess provision written back of Rs.55.04 crore during 2009-10 pertaining to previous years.

12.2 Floating Provision

(Rs. in crores)

Particulars	2010-11	2009-10
a) Opening Balance in the floating provisions account	100.00	100.00
b) The quantum of floating provisions made in the accounting year	Nil	Nil
c) Amount of draw down made during the accounting year	Nil	Nil



d) Closing balance in the floating provisions account	100.00	100.00
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12.3 Disclosure of ComplaintsA. Customer Complaints

S. No.	Particulars	Numbers
1	Number of Complaints pending at the beginning of the year	38
2	Number of Complaints received during the year	1282
3	Number of Complaints redressed during the year	1307
4	Number of Complaints pending at the end of the year	13

B. Award passed by the Banking Ombudsman

S. No.	Particulars	Numbers
1	Number of Unimplemented Awards at the beginning of the year	Nil
2	Number of Awards passed by the Banking Ombudsmen during the year	Nil
3	Number of Awards implemented during the year	Nil
4	Number of Unimplemented Awards at the end of the year	Nil

12.4 Disclosure of Letter of Comforts (LoCs) issued by the Bank

The Bank has not issued any Letter of Comforts (LoCs) during the year.

12.5 Fees / Remuneration received in respect of Banc-assurance business undertaken by the Bank

The Bank has received the following fees / remuneration in respect of the Banc-assurance business undertaken by the Bank:

(Rs. in crores)			
S. No.	Nature of income	2010-11	2009-10
1	For selling Life Insurance Policy	17.16	8.73
2	For selling Non-Life Insurance Policy	2.01	2.39
3	For selling Mutual Fund products	1.39	1.06
4	Others - SBI Cards, etc.	0.01	0.01

12.6 Concentration of Deposits, Advances, Exposures and NPAsA. Concentration of Deposits

(Rs. in crores)		
Particulars	2010-11	2009-10
Total Deposits of twenty largest Depositors	2909.02	2864.82
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	5.00%	5.63%

B. Concentration of Advances

(Rs. in crores)		
Particulars	2010-11	2009-10
Total Advances to twenty largest Borrowers	7417.64	7121.25
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	16.11%	18.52%

C.D. Concentration of Exposures

(Rs. in crores)



Particulars	2010-11	2009-10
Total Exposure to twenty largest Borrowers / Customers	10104.75	9062.09
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	18.93%	20.35%

E. Concentration of NPA

(Rs. in crores)

Particulars	2010-11	2009-10
Total Exposure to Top four NPA accounts	187.71	112.93

12.7 Off-Balance Sheet SPVs sponsored

Name of the SPV sponsored	
Domestic	Overseas
Nil	Nil

12.8 Forward Exchange Contracts

Outstanding as on 31.03.2011	Rs.10185.11 crore
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12.9 Others

- a) The Bank implemented the Agriculture Debt Waiver and Relief Scheme (ADWDRS), 2008 as per the directives of Government of India. The eligible amount receivable under the Debt Waiver Scheme and Debt Relief Scheme is Rs.328.17 crore and Rs.15.18 crore respectively. The Bank has submitted audited claims for Rs.324.23 crore under Debt Waiver (SF / MF) and Rs.11.55 crore under Debit Relief (OTS) schemes respectively and the same have been received from the Government in full.

The claim for the balance amount of Rs.3.94 crore under Debt Waiver and Rs.3.63 crore under Debt Relief on account of grievances admitted by the Grievance Redressal Officers / relief paid to other farmers on payment of their share of 75% up-to the extended last date for such payment i.e. from 01.01.2010 to 30.06.2010 will be submitted to RBI before June 2011 as advised by them.

The Government of India has also decided to pay interest on the installments payable by them. The Bank has recognized a sum of Rs.8.08 crore on account of such interest receivable under the scheme and booked in Profit & Loss account for the financial year 2010-11.

Provision for the loss in Present Value (PV) terms for moneys receivable from the Government of India, for the accounts covered under the Debt Waiver Scheme and the Debt Relief Scheme, an amount of Rs.1.17 crore has been reversed to the Profit and Loss account in accordance with Para 21.1 of RBI Circular No. DBOD.NO.BP.BC.21/21.04.048/2010-11

- b) The Bank has not received the necessary information from the suppliers / service providers covered under Micro, Small and Medium Enterprises Development Act, 2006, with regard to their registration with the appropriate authority. Hence the information, to be disclosed under section 22 of the said Act, is not given.
- c) General Reserves as on 31.03.2011 includes an amount of Rs.6.50 crore transferred during 2009-10 being the amount of individual credit entries of value less than USD 2500 or equivalent, originated up-to March 2002 and outstanding in the Nostro accounts, in terms of RBI Circular No. DBOD.BP.BC.No.133/21.04.018/2008-09 dated 11.05.2009.



- 12.10** The Bank has implemented a Special Home Loan Scheme for the period December 2008 to June 2009, arising out of which one time insurance premium has been paid covering the life of the borrowers over the tenure of the home loan availed. The total premium paid amounting to Rs.12.69 crore on account of such scheme is being charged off over the average loan period and accordingly 1/10th of the premium has been charged to profit and loss account.
- 12.11** Bank has entered into an Inter-Bank participation contract with risk sharing basis as an issuing bank. In terms of the scheme of Inter-Bank Participants-Guidelines issued by RBI vide DBOD.No.BP.BC.57/62-82 dated 31.12.1988, the aggregate amount of participation of Rs.1000 crore outstanding as on 31.03.2011 has been reduced from the aggregate advances including from the sub-classifications.
- 12.12** Previous year's figures have been regrouped / rearranged wherever necessary.



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

₹ Crores

S No	Particulars	Year ended on March 31, 2011		Year ended on March 31, 2010	
A	CASH FLOW FROM OPERATING ACTIVITIES		1,033.45		2,110.81
B	CASH FLOW FROM INVESTING ACTIVITIES		(65.49)		(74.06)
C	CASH FLOW FROM FINANCING ACTIVITIES		(248.58)		(358.24)
	NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		719.38		1,678.51
D	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,133.17		2,454.66
E	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D)		4,852.55		4,133.17
A	CASH FLOW FROM OPERATING ACTIVITIES				
	Net Profit for the year		727.72		684.27
	Add :Provision for Income Taxes & Fringe Benefit Tax	196.00		202.96	
	Provision for other Taxes	0.50		0.10	
	Deferred taxes	(42.20)		0.65	
	Net Profit before Taxes		882.02		887.98
	Adjustment for :				
	Depreciation charges	46.94		42.83	
	Provision for NPAs	245.50		80.53	
	Provision on standard assets	52.62		-	
	Provision on Restructured standard assets	(7.45)		25.65	
	Provision on Restructured NPA	(0.95)		(3.68)	
	Depreciation on Investments	6.62		(20.47)	
	Amortisation of Investments	110.21		138.43	
	Other provisions	(2.40)		85.85	
	Deferred Revenue Expenditure written off during the year	-		-	
	Dividend from subsidiaries (investing activity)	-		-	
	Interest paid on Innovative Perpetual Debt Instruments	28.63		28.63	
	Interest paid on Upper Tier II Bonds	50.05		50.05	
	Interest paid on SBT Bonds	65.15		65.97	
	Less : Direct Taxes	189.67		150.22	
	SUB-TOTAL	405.25		343.57	
	Adjustment for :			-	
	Increase / (Decrease) in Deposits	7,274.53		8,841.47	
	Increase / (Decrease) in Borrowings	2,476.36		822.38	
	(Increase) / Decrease in Investments	(2,199.43)		(2,730.64)	
	(Increase) / Decrease in Advances	(7,820.07)		(5,852.84)	
	Increase / (Decrease) in Other Liabilities	1,097.97		(224.62)	
	(Increase) / Decrease in Other Assets	(1,083.18)		23.51	
	NET CASH PROVIDED BY OPERATING ACTIVITIES		1,033.45		2,110.81
B	CASH FLOW FROM INVESTING ACTIVITIES				
	Investments in Subsidiaries and/or Joint Ventures				
	Income earned on such Investments				
	Fixed Assets	(65.49)		(74.06)	-
	NET CASH USED IN INVESTING ACTIVITIES		(65.49)		(74.06)



₹ Crores

S No	Particulars	Year Ended 31-Mar-11		Year Ended 31-Mar-10	
C	CASH FLOW FROM FINANCING ACTIVITIES				
	Share Capital	-		-	
	Share Premium	-		-	
	Issue of Innovative Perpetual Debt Instruments	-		-	
	Issue of Upper Tier II Bonds	-		-	
	Issue of Subordinated Bonds	-		-	
	Redemption of IPDI Bonds	-		-	
	Redemption of Upper Tier II Bonds	-		-	
	Redemption of Subordinated Bonds	-		(120.00)	
	Interest Paid on IPDI Bonds	(28.63)		(28.63)	
	Interest Paid on Upper Tier II Bonds	(50.05)		(50.05)	
	Interest Paid on Subordinate Bonds	(65.15)		(65.97)	
	Dividends Paid	(104.75)		(93.59)	
	NET CASH PROVIDED BY FINANCING ACTIVITIES		(248.58)		(358.24)
D	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR				
	i) Cash in hand (including foreign currency notes and gold)	313.47		220.63	
	ii) Balances with Reserve Bank of India	3,154.57		2,108.10	
	iii) Balances with Banks and Money at Call and Short Notice	665.13		125.93	
			4,133.17		2,454.66
E	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR				
	i) Cash in hand (including foreign currency notes and gold)	343.42		313.47	
	ii) Balance with Reserve Bank of India	4,366.16		3,154.57	
	iii) Balances with Banks and Money at Call and Short Notice	142.97		665.12	
			4,852.55		4,133.17



CERTAIN OTHER FINANCIAL INFORMATION

Material changes and commitments, if any affecting financial position of our Bank

Except as disclosed in the section entitled “Material Developments” on page 110 of this Draft Letter of Offer there are no Material changes and commitments, if any affecting financial position of our Bank.

Week-end prices for the last four weeks, current market price; and highest and lowest prices of Equity Shares during the period with the relative dates

For details in connection with the week-end prices for the last four weeks, current market price and highest and lowest prices of the Equity Shares, please refer to the chapter titled “Stock Market Data for the Equity Shares of our Bank” beginning on page 104 of this Draft Letter of Offer.

**STOCK MARKET DATA FOR THE EQUITY SHARES OF OUR BANK**

Our Bank's Equity Shares are listed on BSE, NSE, MSE and CSE. As our Bank's Equity Shares are actively traded on BSE and NSE, stock market data has been given separately for BSE and NSE only.

The monthly high and low price of our Bank Equity Shares traded at BSE and NSE during the past six months were recorded are stated below:

BSE

Month	High Price(₹)	Date of High Price	Low Price (₹)	Date of Low Price
November, 2010	915.45	November 05, 2010	750.00	November 26, 2010
December, 2010	909.10	December 02, 2010	745.50	December 10, 2010
January, 2011	842.00	January 04, 2011	690.00	January 31, 2011
February, 2011	840.70	February 24, 2011	633.00	February 10, 2011
March, 2011	799.85	March 21, 2011	664.80	March 14, 2011
April, 2011	816.00	April 26, 2011	742.20	April 01, 2011

NSE

Month	High Price(₹)	Date of High Price	Low Price(₹)	Date of Low Price
November, 2010	919.00	November 08, 2010	751.00	November 25, 2010 and November 26, 2010
December, 2010	905.00	December 02, 2010	720.00	December 10, 2010
January, 2011	835.00	January 03, 2011	681.00	January 03, 2011
February, 2011	840.75	February 24, 2011	620.40	February 10, 2011
March, 2011	769.40	March 23, 2011	660.00	March 15, 2011
April, 2011	815.00	April 26, 2011	740.00	April 01, 2011

The high and low prices recorded on BSE and NSE for the preceding three years are stated below.

BSE

Fiscal Year	High Price (₹)	Date of High Price	Low Price(₹)	Date of Low Price
2008-09* (01 Apr 2008 – 20 Dec 2008)	5658.80	May 02, 2008	2015.00	November 24, 2008
2008-09* (21 Dec 2008 – 31 Mar 2009)	274.70	January 23, 2009	176.10	March 12, 2009
2009-10	673.00	February 02, 2010	210.00	April 01, 2009
2010-11	1080.00	August 24, 2010	574.00	July 14, 2010

NSE



Fiscal Year	High Price (₹)	Date of High Price	Low Price (₹)	Date of Low Price
2008-09* (01 Apr 2008 – 20 Dec 2008)	Nil	Nil	Nil	Nil
2008-09* (21 Dec 2008 – 31 Mar 2009)				
2009-10*	649.00	March 31, 2010 & January 21, 2010	437.00	December 21, 2009
2010-11	1083.00	August 25, 2010	580.00	May 25, 2010

* Our Bank Equity Shares have split from Rs.100/- per share into shares of Rs.10/- each in the ratio of 1: 10 since December 20, 2008.

The closing price of our Equity Shares as on December 29, 2010 (the trading day immediately following the day on which the Board resolution was passed approving the Rights Issue) was ₹ 835.55 on BSE and ₹837.20 on NSE.

Week end prices of Equity Shares of our Bank for the last four weeks on BSE and NSE along with the highest and lowest price are as below:

Week ended on	BSE			NSE		
	Closing Price(₹)	High Price(₹)	Low Price(₹)	Closing Price(₹)	High Price(₹)	Low Price(₹)
May 06, 2011	745.20	749.75	742.50	746.20	750.00	731.10
May 13, 2011	769.25	782.00	740.25	771.15	780.00	761.55
May 20, 2011	725.15	739.95	721.00	726.45	738.90	724.95
May 27, 2011	753.30	764.95	733.00	753.10	764.00	728.00

Note: High/Low prices based on closing quotations of BSE and NSE (Source: www.bseindia.com and www.nseindia.com)

The market capitalisation of our Equity Shares as on May 27, 2011 was ₹3766.50 crores on BSE based on a closing price of ₹753.30 and the market capitalisation of our Equity Shares on the NSE was ₹3765.50 crores based on a closing price of ₹753.10.

The Issue price of ₹ [●]/- has been arrived at in consultation between our Bank and the Lead Managers.



ACCOUNTING RATIOS AND CAPITALISATION STATEMENT

The following table presents certain accounting and other ratios derived from our Bank's audited financial statements as at March 31, 2011 and March 31, 2010, included in the chapter titled "Financial Statements" beginning on page 62 of this Draft Letter of Offer.

Particulars	Year Ended	
	31-Mar-11	31-Mar-10
a. No of Shares (in crores)	5.00	5.00
b. Net Worth (₹ in crores)	2706.96	2656.05
c. Net Profit (₹ in crores)	727.73	684.27
d. Basic Earnings Per Share (in ₹)	145.55	136.85
e. Return on Net Worth (in %)	26.88%	25.76%
f. Net Asset Value per equity share (in ₹)	541.39	531.21

Definition of Key Terms

Earnings per share	Net Profit Divided by weighted average number of equity shares outstanding at the end of each fiscal year
Net Asset Value per Equity Share	Net Worth (excluding Revaluation Reserves , Deferred Revenue Expenditure and Deferred Tax Asset) divided by number of equity shares outstanding at the end of each fiscal year
Return on Net worth	Net Profit / Net worth

CAPITALISATION STATEMENT

Particulars	(₹ in crores)	
	Pre-Issue as at March 31, 2011*	As adjusted for the Issue**
Loan Funds		
Long Term (Refer Note 1)	2680.03	[●]
Short Term (Refer Note 2)	3046.47	[●]
Total Debt	5726.50	[●]
Shareholders Funds		
Share Capital	50.00	[●]
Reserves & Surplus (Net of Revaluation Reserve and Deferred Tax Assets and Deferred Revenue Expenditure)	2656.96	[●]
Total Equity	2706.96	[●]
Long Term Debt / Equity Ratio	0.99	[●]

*The above has been computed on the basis of audited financial statements.

** Information pertaining to share capital and reserve post issue can be ascertained only after finalization of size and price of rights issue

Notes: 1. Long Term Debts represent Sub-ordinate Debt, Perpetual Debt and other Debts payable after one year.

2. Short Term Debts represent Debts maturing within one year from the date of above statement.

The Issue price of ₹ [●]/- has been arrived at in consultation between our Bank and the Lead Managers.



OUTSTANDING LITIGATIONS AND DEFAULTS

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 in terms of the disclosure required under Part E of Schedule VIII of ICDR Regulations. No disciplinary action has been taken by the SEBI/ Stock Exchanges against our Bank or our Directors. 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.

Summary of Litigations involving our Bank as of May 15, 2011

A summary of the litigations against us is as under:

As on May 15, 2011

S No.	Brief Description	No. of Cases	Amount Involved (₹ in crores)
1.	Litigations/disputes pertaining to securities law	NIL	NIL
2.	Criminal proceedings against our Bank	NIL	NIL
3.	Proceedings with statutory authorities including proceedings filed against our Bank on disputed tax claims	3	27.03
4.	Suits filed by/ against Bank for winding up/liquidation	NIL	NIL
5.	Labour cases against our Bank	154	0.73
6	Civil/ Consumer proceedings against our Bank	124	50.04
	Total	281	77.80

A summary of the litigations filed by us is as under:

As on May 15, 2011

Sl. No.	Brief Description	No. of Cases	Amount Involved (₹ in crores)
1.	Suits filed by our Bank against defaulting borrowers	25,827	1,152.18
2.	Proceedings filed by our Bank on disputed tax claims	18	223.17
3	Civil Consumer cases filed by our Bank	1	Not Quantifiable
4	Labour Cases filed by our Bank (appeals)	6	0.05
	Total*	25,852	1,375.40

*Total does not include non-quantifiable cases

Further, except as disclosed below, our Bank is not subject to:

- Any outstanding litigations, which does not impact the future revenues of our Bank, which impacts more than one percent of the net worth of our Bank for the last completed financial year.
- Any outstanding litigations which impacts the future revenues of our Bank, on a several basis which impacts more than one percent of the revenue of our Bank for the last completed financial year.

A. Pending matters which, if they result in adverse outcome, would materially and adversely affect the operations or the financial position of our Bank

Securities Related Cases

Nil

Criminal Cases

Nil

**Winding up proceedings**

Nil

Recovery proceedings*Proceedings initiated by our Bank*

No.	Case No.	Parties	Particulars	Status
1.	O.A. No. 28/2011	State Bank of India, State Bank of Patiala, State Bank of Hyderabad, State Bank of Travancore & others (Applicants) Vs. J B Diamond Ltd. and others (Defendants)	J B Diamond Ltd., which is engaged in the business of manufacture and export of cut and polished diamonds, the borrower, had availed working capital loan facilities from our Bank on a consortium basis. Thereafter, the borrower, J B Diamond Ltd. did not adhere to the terms of sanction and failed to repay our Bank, its share of the loan which amounts to ₹60.99 crores including interest till date of the suit. Consequently our Bank has filed a suit before Debt Recovery Tribunal at Mumbai along with other consortium banks for recovery of its share aggregating to ₹60.99 crores along with interest.	The matter is pending adjudication.
2.	O.A. No. 19/2010	State Bank of Travancore & others (Co-Applicants) Vs. Kerala State Cashew Development Corporation Ltd. & another (Defendants)	Kerala Cashew Development Corporation Limited, the borrower, had availed cash credit limit facilities from our Bank along with the other co-applicants, Punjab National Bank and State Bank of India. Thereafter, the borrower, did not adhere to the terms of sanction and has failed to repay our Bank's share of the loan which amounts to ₹68.05 crores including interest till date of the suit. Consequently our Bank along with other consortium banks has filed a suit before Debt Recovery Tribunal at Ernakulam for recovery of its share aggregating to ₹68.05 crores along with interest. Kerala Cashew Development Corporation Limited, the first Defendant has filed a written statement.	The matter is pending adjudication.
3.	O.A. No. 862/2010	State Bank of India, Oriental Bank of Commerce, State Bank of Patiala, State Bank of Travancore & others (Applicants) Vs. IDEB Projects Private Limited & others (Defendants)	IDEB Projects Private Limited, the borrower, had availed credit facilities from our Bank under Working Capital Consortium Agreement dated July 11, 2007 along with the other Applicants. Thereafter, the borrower, did not adhere to the terms of sanction and has failed to repay our Bank's share of the loan, which amounts to ₹48.92 crores including interest till date of the suit. Consequently our Bank along with other Applicants has filed a suit before Debt Recovery Tribunal at Bangalore for recovery of its share of ₹48.92 crores along with interest.	The matter is pending adjudication.

*Proceedings against our Bank*

Nil

Disputed tax claims*Proceedings initiated by our Bank*

No.	Case No.	Parties	Particulars	Status
1.	ITA/48T/07-08	State Bank of Travancore And Addl. Commissioner of Income Tax	Our Bank has filed an appeal before the Commissioner of Income Tax (Appeals), Thiruvananthapuram against the order of the Addl. Commissioner of Income Tax dated November 30, 2007 for the Assessment Year 2005-06. The issues pertain to inter alia disallowance of expenses, disallowances u/s 14A of the Income Tax Act, 1961, disallowances of deductions, etc.	The matter is pending adjudication. The disputed tax liability amounts to approximately ₹108.77 crores.
2.	Case no. not assigned	State Bank of Travancore And Commissioner of Income Tax	Our Bank has filed an appeal before the Commissioner of Income Tax (Appeals), Thiruvananthapuram against the order of the Assistant Commissioner of Income Tax dated January 31, 2011 for the Assessment Year 2008-09. The issues pertain to inter alia disallowance of expenses, disallowances u/s 14A of the Income Tax Act, 1961, disallowances of deductions, etc.	The matter is pending adjudication. The disputed tax liability amounts to approximately ₹27.31 crores.

Proceedings initiated against our Bank

Nil

B. Matters which are pending or which have arisen in the immediately preceding ten years involving

- i. Issues of moral turpitude or criminal liability on the part of our Bank– **None**
- ii. Material violation of statutory regulations by our Bank– **None**
- iii. Economic offences, where proceedings have been initiated against our Bank– **None**

MATERIAL DEVELOPMENTS AFTER MARCH 31, 2011

In the opinion of the Directors of our Bank, there has not arisen any circumstances since the date of the last financial statements as disclosed in the Draft Letter of Offer which will materially and adversely affect or is likely to affect the trading or profitability of our Bank, or the value of its assets, or our ability to pay our liabilities within the next twelve months.



LICENSES AND APPROVALS

On the basis of the existing approvals, our Bank may undertake this Issue and our Bank's current business activities and no further approvals from any government authority/RBI are required to continue these activities. Further, there are no new lines of activity/projects. 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.



STATUTORY AND OTHER INFORMATION

Authority for the Issue

Pursuant to the resolution passed by our Board at its meeting held on December 28, 2010 our Bank has been authorised to make this Rights Issue to the Equity Shareholders of our Bank with a right to renounce.

Other Approvals

The State Bank of India has, vide its letter dated January 25, 2011 accorded its in-principle approval for the Issue.

The Reserve Bank of India has, vide its letter dated March 01, 2011 accorded its approval for the Issue.

Prohibition by SEBI

Neither our Bank, nor our Promoter, nor our Directors or banks/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.

Further neither our Bank, nor our Promoter, nor our Directors have been declared as willful defaulters by RBI or any other governmental authority and there have been no violations of securities laws committed by them in the past or no such proceedings are pending against them for violation of securities laws.

Securities Related Business

Shri Pratip Chaudhuri, our Chairman, is associated with the following Banks/companies engaged in securities related business registered with SEBI in the capacity of chairman (in addition to the State Bank of Travancore):

1. State Bank of India
2. State Bank of Patiala
3. State Bank of Bikaner & Jaipur
4. State Bank of Hyderabad
5. State Bank of Mysore
6. SBI Funds Management Private Limited
7. SBI Capital Markets Limited
8. SBI SG Global Securities Services Private Limited

SEBI has not imposed any penalties and has not initiated any action against the above entities.

Shri. B. Ramesh Babu and Shri. B.S. Gopalakrishna, our Directors, are associated with the following Banks engaged in securities related business registered with SEBI in the capacity of Directors (in addition to the State Bank of Travancore):

1. State Bank of Patiala
2. State Bank of Mysore
3. State Bank of Hyderabad
4. State Bank of Bikaner and Jaipur

The SEBI has neither imposed any penalties nor initiated any action against the above entities.

Except as indicated above, there are no other entities related to our Bank or our Directors with which any of the above are associated as promoter/ director/ partner/ proprietor that is/ was associated with securities related business and registered with SEBI.

Eligibility for the Issue

Our Bank is an existing listed entity whose Equity Shares are listed on BSE, NSE, MSE and CSE. Our Bank is



eligible to undertake this Issue in terms of Chapter IV of the ICDR Regulations.

Our Bank is eligible to make disclosures in the Draft Letter of Offer as per Part E of Schedule VIII of the 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 SEBI;
- 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 SEBI;
- 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.

Compliance with Part E of Schedule VIII of the ICDR Regulations

We confirm that the provisions of Part E of Schedule VIII of the ICDR Regulations have been complied with. As our Bank satisfies the conditions specified in clause (1) of part E of ICDR Regulations, disclosures in the Draft Letter of Offer have been made in terms of clause (5) of Part E.

Disclaimer Clause of SEBI

“IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT LETTER OF OFFER. THE LEAD MANAGERS, BOB CAPITAL MARKETS 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 THE 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 ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGERS IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER, BOB CAPITAL MARKETS LIMITED AND SBI CAPITAL MARKETS LIMITED* HAVE HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MAY 28, 2011 WHICH READS AS FOLLOWS:

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:**



- (a) THE DRAFT LETTER OF OFFER FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - (b) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE 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 ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, 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. – NOT APPLICABLE
5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS 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 LETTER OF OFFER. – NOT APPLICABLE
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. – NOT APPLICABLE
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. – NOT APPLICABLE
8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE 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 OR CHARTER.



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 MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. – NOTED FOR COMPLIANCE
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 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 OR THE ISSUER, 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.”

** SBI Capital Markets Limited is a subsidiary of State Bank of India, which is the promoter of the Issuer. SBI Capital Markets Limited has signed the due diligence certificate and accordingly has been disclosed as a Lead Manager. Further, in compliance with the proviso to regulation 21A(1) and explanation (iii) to regulation 21A(1) of SEBI (Merchant Bankers) Regulations, 1992, SBI Capital Markets Limited would be involved only in the marketing of the Issue*

The filing of this Draft Letter of Offer does not, however, absolve our Bank from any liabilities under applicable provisions of law or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up, at any point of time, with the Lead Managers any irregularities or lapses in this Draft Letter of Offer.

Disclaimer from our Bank and 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 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 Eligible Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports *etc.* after filing of the Draft Letter of Offer with SEBI.

Investors who invest in the issue will be deemed to have been represented by our Bank and Lead Managers and our respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Bank, 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 Thiruvananthapuram, India only.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue will be the [●].

Disclaimer Clause of BSE

As required, a copy of the Draft Letter of Offer has been submitted to 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 NSE

As required, a copy of the Draft Letter of Offer has been submitted to NSE. We will incorporate the details of the permission letter in the Letter of Offer. 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.

Disclaimer Clause of MSE

As required, a copy of the Draft Letter of Offer has been submitted to MSE. The Disclaimer Clause as intimated by MSE 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 CSE

As required, a copy of the Draft Letter of Offer has been submitted to CSE. The Disclaimer Clause as intimated by CSE 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 RBI

A license authorising our Bank to carry on banking business has been obtained from the Reserve Bank of India in terms of Section 22 of our Banking Regulation Act, 1949. It must be distinctly understood, however, that in issuing the license the Reserve Bank of India does not undertake any responsibility for the financial soundness of our Bank or for the correctness of any of the statements made or opinion expressed in this connection

Filing



The Draft Letter of Offer has been filed with SEBI, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051. 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 this Draft 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 Draft 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 Draft 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 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 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 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 this Draft 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 U.S. SECURITIES ACT OF 1933, AS AMENDED (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 (THE "UNITED STATES" OR THE "U.S.") 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 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.

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 makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or 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”

Dematerialised Dealing

Our Bank has entered into agreements dated April 17, 2008 and April 21, 2008 with CDSL and NSDL and its Equity Shares bearing the ISIN No. INE654A01016.

Listing

The Equity Shares of our Bank are listed on BSE, NSE, MSE and CSE. 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 BSE by its letter dated [●], NSE by its letter dated [●], MSE by its letter dated [●] and CSE by its letter dated [●]. Our Bank will apply to BSE, NSE, MSE and CSE 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 (eight) days, be jointly and severally liable to repay the money with interest as prescribed under the applicable provisions of law.

Consents

Consents in writing of the Auditors, Compliance Officer, Directors, Lead Managers, Legal Advisor and Registrar 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 Letter of Offer for registration with the Stock Exchanges.

The Auditors of our Bank, M/s. Saha Ganguli & Associates, Chartered Accountants; M/s. Ramanatham & Rao, Chartered Accountants; M/s. Jain & Jain, Chartered Accountants; M/s. Jagdish Chand & Co., Chartered Accountants; M/s. B.V Rao & Co., Chartered Accountants and M/s. Sridhar & Co., Chartered Accountants have given their written consent for the inclusion of their Report and Statement of Tax Benefit in the form and content as appearing in this Draft Letter of Offer for registration with 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.

Expert Opinion, if any

Except for the Auditors’ Report and the Statement of Tax Benefits on page 62 and 42 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 Issue Agreement entered into by our Bank with the Lead Managers, copy of which is available for inspection at the Head Office of our Bank.

Fees Payable to the Registrars to the Issue



The fee payable to the Registrar to the Issue is as set out in the Memorandum of Understanding executed between our Bank and the Registrar to the Issue, copy of which is kept open for inspection at the Head Office of our Bank.

Expenses of the Issue

The expenses of the Issue payable by our Bank including printing and distribution expenses, publicity, listing fees, stamp duty and other expenses are estimated at ₹ [●](around [●]% of the total Issue size) and will be met out of the internal accruals of our Bank. The following table provides a break up of estimated issue expenses:

Category	Estimated expenses (₹ In crores)	% of the Issue Expenses	% of total Issue Size
Fees to the Lead Managers	[●]	[●]	[●]
Fees to the Registrar to the Issue	[●]	[●]	[●]
Fees to the Legal advisors	[●]	[●]	[●]
Fees to the Auditors	[●]	[●]	[●]
Advertising and Publicity Expenses	[●]	[●]	[●]
Printing, Postage, Stationery Expenses	[●]	[●]	[●]
Contingency, Stamp duty, Listing Fees, etc	[●]	[●]	[●]
Total	[●]	[●]	[●]

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 rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act.

Issue Schedule

Issue Opening Date:	[●]
Last date for requests for Split Application Forms:	[●]
Issue Closing Date:	[●]

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 Section 73 of the Companies Act.

Investors residing at centres where clearing houses are managed by RBI, payment of refund could be done through NECS only except where Investors are otherwise disclosed as applicable / eligible to get refunds through direct credit and RTGS/NEFT provided the MICR/IFSC details are recorded with the Depositories or the Bank.

In case of those Investors who have opted to receive their Rights Equity Share in dematerialised 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 speed post or registered post acknowledgement due intimating them about the mode of credit of refund within 15 days of closure of the Issue.

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 the applicable provisions of law.

All refund orders would be sent by registered post / speed post to the sole / first Investors' registered address. 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

Rights 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. Such shares will be held in abeyance and retained separately by our Bank.

Investor Grievances and Redressal System

Our Bank has adequate arrangements for redressal of Investor complaints as well as a well-arranged correspondence system developed for letters of routine nature. The share transfer and dematerialization for our Bank is being handled by our Registrar and Share Transfer Agent, Integrated Enterprises (India) Limited. Letters are filed category wise after being attended to. The Redressal norm for response time for all correspondence including shareholders complaints is within 10-15 days.

The Shareholders/Investors Grievances Committee consists of 3 directors comprising of Shri. T.Balakrishnan, as Chairman of the committee, Shri. P. Pradeep Kumar and Shri. K.T Rajagopalan as members of the said committee. All investor grievances received by our Bank has been handled by the Registrar and Share Transfer agent in consultation with the Compliance Officer

Status of Complaints

- (a) No. of shareholders complaints outstanding as of May 15, 2011: Nil
- (b) Total number of complaints received during the period from April 1, 2010 to March 31, 2011: 87
- (c) Total number of complaints received during the period from April 1, 2011 to May 15, 2011: 7
- (d) Status of the complaints: Out of the 7 complaints received by our Bank from April 1, 2011 to May, 15, 2011, we have resolved all 7 complaints.
- (e) Time normally taken for disposal of various types of investor grievances: 10-15 days

Investor Grievances arising out of this Issue

The investor grievances arising out of the Issue will be handled by Mr. V. Viswanathan (Compliance Officer), the Compliance Officer and Integrated Enterprises (India) Limited, the Registrars 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 Registrars for a period of at least one year from the last date of dispatch of letter of allotment/ share certificates / warrant/ refund order to enable the Registrars to redress grievances of Investors.

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 / cell 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 Renounees should be furnished.

The average time taken by the Registrar to the Issue for redressal of routine grievances will be around 10 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 or the Registrar to the Issue 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. V. Viswanathan

DGM, Finance and Accounts

State Bank of Travancore

Poojapura, Thiruvananthapuram-695 012

Tel: + 91 0471 2359975/2351903

Fax: +91 0471 2351137

Email: cmsb@sbt.co.in

The contact particulars of the Registrar to the Issue are as under:

Integrated Enterprises (India) Limited

2nd Floor, Kences Tower,

No.1, Ramakrishna Street,

North Usman Road, T. Nagar,

Chennai -600 017

Tel: + 91 44 2814 0801-03

Fax: +91 44 2814 3378

E-mail: sbtrights@iepindia.com

Website: www.iepindia.com

Contact Person: Mr. K. Balasubramanian

SEBI Registration No.: INR000000544



TERMS AND PROCEDURE OF THE ISSUE

The Rights Equity Shares, now being issued, are subject to the terms and conditions contained in the Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the CAF, the provisions of the Subsidiary Banks Act, guidelines and regulations issued by RBI, 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 security certificate and any other laws or rules as may be applicable and introduced from time to time.

Authority for the Issue

Pursuant to the resolution passed by the Board of Directors of our Bank at its meeting held on December 28, 2010, it has been decided to make the offer to the Eligible Equity Shareholders of our Bank, with a right to renounce.

State Bank of India vide its letter dated January 25, 2011 has given its approval to our Bank to raise capital through Rights Issue. Further, RBI has vide its letter dated March 01, 2011 granted its approval for the Rights Issue.

Ranking of Equity Shares

The Rights Equity Shares allotted pursuant to this Issue 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 the Banking Regulation Act, the Subsidiary Banks Act and guidelines issued by RBI from time to time.

Basis for the Issue

The Rights Equity Shares are being offered for subscription for cash to the Eligible 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 electronic form and on the Register of Members of our Bank in respect of the Equity Shares held in the physical form at the close of business hours on the Record Date i.e. [●], fixed in consultation with the Designated Stock Exchange.

The Equity Shares are being offered for subscription in the ratio of [●] Rights Equity Shares for every [●] Equity Shares held by the Equity Shareholders as on the Record Date.

Rights Entitlement

As your name appears as a beneficial owner in respect of the Equity Shares held in electronic form or appears in the Register of Members as an Equity Shareholder of the Bank as on the Record Date, you are entitled to the number of Rights Equity Shares shown in Block I of Part A of the enclosed CAF.

The Eligible Equity Shareholders are entitled to [●] Rights Equity Shares for every [●] Equity Shares held on the Record Date.

The distribution of the Draft Letter of Offer, 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. Our 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.

**Principal Terms of the Rights Equity Shares**Face value

Each Rights Equity Share shall have a face value of ₹10/-.

Issue Price

Each Rights Equity Share is being offered at a price of ₹[●]/- (including a premium of ₹[●]/- per Rights Equity Share).

Payment terms

All Investors shall have to make the full payment of the Issue Price of ₹[●]/- per Rights Equity Share at the time of making an Application.

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 on page 130 of this Draft Letter of Offer.

Entitlement Ratio

The Rights Equity Shares are being offered on a rights basis to the Eligible Equity Shareholders of our Bank in the ratio of [●] Rights Equity Shares for every [●] Equity Shares held on the Record Date.

Fractional entitlements

For Rights Equity Shares being offered under this Issue, if the shareholding of any of the Eligible Equity Shareholders is not in the multiple of [●] as on the Record Date, the fractional entitlement of such Eligible Equity Shareholders arrived at after multiplying such number of shares by [●] shall be ignored [as [●] Equity Shares are being offered for every [●] Equity Shares held]. Eligible Equity Shareholders whose fractional entitlements are being ignored would be given preference in allotment of one additional share each if they apply for additional shares as per the Basis for Allotment mentioned on page 134 of this Draft Letter of Offer.

An illustration stating the Rights Entitlement for number of Equity Shares is set out below:

Number of Equity Shares	Rights Entitlement
[●]	[●]
[●]	[●]

Those Eligible Equity Shareholders holding [●] Equity Shares or less than [●] Equity Shares and therefore entitled to zero Rights Equity Shares under this Issue shall be dispatched a CAF with zero entitlement. Such Eligible Equity Shareholders are entitled to apply for additional Rights Equity Shares and they would be given preference in allotment for one additional Rights Equity Share if they apply for the same. However, they cannot renounce the same in favour of third parties. A CAF with zero entitlement will be non-negotiable / non-renounceable.

Rights of our Equity Shareholders

Subject to applicable laws, our Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right to free transferability of shares; and



- Such other rights as may be available to a shareholder of a bank constituted under the Subsidiary Banks Act.

Arrangements for Disposal of Odd Lots

Our Bank's shares will be traded in dematerialised form only and therefore the marketable lot is 1 (ONE) share. Therefore, there is no possibility of any odd lots.

General terms of the Issue

Market Lot

The Equity Shares of our Bank are tradable only in dematerialised form. The market lot for Equity Shares in dematerialised mode is 1 (one) Equity Share. In case of holding of Equity Shares in physical form, our Bank would issue to the allottees 1 (one) certificate for the Rights Equity Shares allotted to each folio ("Consolidated Certificate"). In respect of consolidated certificates, our Bank will upon receipt of a request from the respective holder of Equity Shares, split such consolidated certificates into smaller denominations.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint holders with the benefit of survivorship subject to the provisions contained in the Subsidiary Banks Act.

Nomination:

In terms of Section 18A of the Subsidiary Banks Act, the nomination facility is available to the shareholders. However, as the regulations in this regard are yet to be framed and notified in the Official Gazette, the shareholders can avail the facility in due course, in accordance with the Subsidiary Banks Act and as per the procedure prescribed by the regulations.

In case the allotment of Rights Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Rights Equity Shares to be allotted in this Issue. Nominations registered with the respective Depository Participant ("DP") of the Investor would prevail. Any Investor desirous of changing the existing nomination is requested to inform their respective DP's.

Notices

All notices to the Eligible Equity Shareholders 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 Thiruvananthapuram with wide circulation and / or, will be sent by ordinary post / registered post / speed post to the registered holders of the Equity Shares from time to time.

Listing and trading of the Rights Equity Shares proposed to be issued

Our Bank's existing Equity Shares are currently listed on BSE, NSE, MSE and CSE under the ISIN INE654A01024. The fully paid up Rights Equity Shares proposed to be issued shall be listed and admitted for trading on BSE, NSE, MSE and CSE under the existing ISIN for fully paid up Equity Shares of our Bank.

The Rights Equity Shares allotted pursuant to this Issue will be listed as soon as practicable but in no case later than 7 working days from the date of finalization of basis of allotment. Our Bank has made an application for "in-principle" approval for listing of the Rights Equity Shares in accordance with clause 24(a) of the Listing Agreement to BSE, NSE, MSE and CSE through letters dated [●], [●], [●] and [●] respectively and has received such approval from BSE through letter no. [●] dated [●], NSE through letter no [●] dated [●], MSE through letter no [●] dated [●] and from CSE through letter no [●] dated [●]. 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 Draft Letter of Offer / Letter of Offer/ Abridged Letter of Offer and the CAF to the Eligible Equity Shareholders who have provided an Indian address.

Procedure for Application

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 Amount (“ASBA”) Process beginning on page 129 of this Draft Letter of Offer.

The CAF for the Rights Equity Shares would be printed in black ink for all the Eligible Equity Shareholders. In case the original CAF is 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.

The CAF consists of four parts:

Part A: Form for accepting the Rights Equity Shares and for applying for additional Rights Equity Shares;

Part B: Form for renunciation;

Part C: Form for application by renouncee(s);

Part D: Form for request for split Application forms.

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.

Application by Mutual Funds

In case of a mutual fund, a separate application can be made in respect of each scheme of the mutual fund registered with SEBI and such application in respect of more than one scheme of the mutual fund will not be treated as multiple applications provided that the applications clearly indicate the scheme concerned for which the application has been made. Applications made by AMCs or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which the application is being made.

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. As per the terms of the said regulations, an OCB is not be eligible to purchase equity or preference shares or convertible debentures offered on right basis by an Indian company, and no Indian company shall offer equity or preference shares or convertible debentures on right basis to an OCB without the prior approval of the RBI. Thus, such entities desirous 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 Abridged Letter of Offer and the CAF.

Thus, such entities desirous 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 our Bank is subject to an overall statutory limit of 20% of the paid up capital of the Bank under the Government Route.

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.

Acceptance of the Issue

You may accept the Issue and apply for the Rights Equity Shares offered, either in full or in part, by filling 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 collection 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 may be specified by the Board of our Bank in this regard. Investors at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn at par on a local bank / demand draft payable at [●] to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

Options available to the Eligible Equity Shareholders

The CAF will clearly indicate the number of Rights Equity Shares that the Eligible Equity Shareholder is entitled to. If the Eligible Equity Shareholder applies for an investment in Rights Equity Shares, then he can:

- Apply for his Rights Entitlement of Rights Equity Shares in part;
- Apply for his Rights Entitlement of Rights Equity Shares in part and renounce the other part of the Rights Equity Shares;
- Apply for his Rights Entitlement of Rights Equity Shares in full;
- Apply for his Rights Entitlement in full and apply for additional Rights Equity Shares;
- Renounce his Rights Entitlement in full.

Additional Rights Equity Shares

You are eligible to apply for additional Rights Equity Shares over and above the number of Rights Equity Shares you are entitled to, provided that you have applied for all the Rights Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Rights Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, in consultation, if necessary, with the Designated Stock Exchange and in the manner prescribed in the paragraph titled “Basis for the Allotment” beginning on page 135 of this Draft Letter of Offer.

If you desire to apply for additional Rights Equity Shares, please indicate your requirement in the place provided for additional Rights Equity Shares in Part A of the CAF. The Renouncee applying for all the Rights Equity Shares renounced in their favour may also apply for additional Rights Equity Shares.

Where the number of additional Rights 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.

**Renunciation**

This Issue includes a right exercisable by you to renounce the Rights Equity Shares offered to you either in full or in part in favour of any other person or persons. Your attention is drawn to the fact that our Bank shall not allot and / or register the Rights Equity Shares in favour of more than 3 persons (including joint holders), partnership firm(s) or their nominee(s), minors, HUF, any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act or any other applicable law relating to societies or trusts and is authorised under its constitution or bye-laws to hold Equity Shares).

Any renunciation from Resident Indian Shareholder(s) to Non-resident Indian(s) or from Non-resident Indian Shareholder(s) to Resident Indian(s) or from Non-resident Indian shareholder(s) to other Nonresident Indian(s) is subject to the Renouncer(s) / Renounee(s) obtaining the necessary approvals including the permission of the RBI under the FEMA and such permissions 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 derecognised 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 Eligible Equity Shareholders of our Bank who do not wish to subscribe to the Rights Equity Shares being offered but wish to renounce the same in favour of renounee shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

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 Bankers 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 our Bank of the person(s) applying for Rights Equity Shares of the CAF to receive allotment of such Rights Equity Shares. The Renounees applying for all the Rights Equity Shares renounced in their favour may also apply for additional Rights Equity Shares. Part ‘A’ of the CAF must not be used by the Renounee(s) as this will render the application invalid. Renounee(s) will have no further right to renounce any Rights Equity Shares in favour of any other person.

The right of renunciation is subject to the express condition that our Board shall be entitled in its absolute discretion to reject the request for Allotment to Renounee(s) without assigning any reason thereof.

Procedure of renunciation

To renounce all the Rights Equity Shares offered to an Eligible Equity Shareholder in favour of one Renounee

If you wish to renounce the offer indicated in Part ‘A’, in whole, please complete Part ‘B’ of the CAF. In case of joint holding, all joint holders must sign Part ‘B’ of the CAF. The person in whose favour renunciation has been made should complete and sign Part ‘C’ of the CAF. In case of joint renounees, all joint renounees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer under this Issue in favour of two or more Renounees, the CAF must be first split into the requisite number of forms.

Please indicate your requirement of split forms in the space provided for this purpose in Part ‘D’ of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms, i.e. [●]. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in the paragraph above shall have to be followed.

In case the signature of the Eligible Equity Shareholder(s), who has renounced the Rights Equity Shares, does not agree with the specimen registered with our Bank, the application is liable to be rejected.

**Renouncee(s)**

The person(s) in whose favour the Rights Equity Shares are renounced should fill in and sign Part 'C' of the CAF and submit the entire CAF to the Bankers to the Issue on or before the Issue Closing Date along with the application money in full. The Renouncee cannot further renounce.

Change and/ or introduction of additional holders

If you wish to apply for Rights Equity Shares jointly with any other person(s), not more than three, who is / are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed. However, this right of renunciation is subject to the express condition that our Board shall be entitled in its absolute discretion to reject the request for allotment from the Renouncee(s) without assigning any reason thereof.

Instructions for options

You may exercise any of the following options with regard to the Rights Equity Shares offered, using the enclosed CAF:

Sr. No.	Options Available	Action Required
1.	Accept the whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A (<i>All joint holders must sign</i>).
2.	Accept your Rights Entitlement in full and apply for additional Rights Equity Shares.	Fill in and sign Part A including Block III relating to the acceptance of Rights Entitlement and Block IV relating to additional Rights Equity Shares (<i>All joint holders must sign</i>).
3.	Renounce your Rights Entitlement in full to one person (<i>Joint Renouncees are considered as one</i>).	Fill in and sign Part B (<i>all joint holders must sign</i>) indicating the number of Rights Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C (<i>All joint Renouncees must sign</i>).
4.	Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s). OR Renounce your Rights Entitlement to all the Rights Equity Shares offered to you to more than one Renouncee.	Fill in and sign Part D (<i>all joint holders must sign</i>) requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Application Forms. Splitting will be permitted only once. On receipt of the Split Application Form take action as indicated below. For the Rights Equity Shares you wish to accept, if any, fill in and sign Part A. For the Rights Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Rights Equity Shares renounced and hand it over to the Renouncee. Each of the Renouncees should fill in and sign Part C for the Equity Shares accepted by them.
5.	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.



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.

Please note that:

- Part 'A' of the CAF must not be used by any person(s) other than the Eligible Equity Shareholders to whom the Draft Letter of Offer/ Letter of Offer/ Abridged Letter of Offer has been addressed. If used, this will render the application invalid.
- A request for split forms should be made for a minimum of 1 Rights Equity Shares or, in multiples thereof and one split form for the balance Rights Equity Shares, if any.
- A request by the Investor for the Split Application Form should reach the Registrar to the Issue on or before [●].
- Only the Eligible Equity Shareholders to whom the Abridged Letter of Offer /Letter of Offer has been addressed shall be entitled to renounce and to apply for split application forms. Forms once split cannot be split further.
- Split form(s) will be sent to the Investor(s) by post at the Investors' risk.
- Equity Shareholders may not renounce in favour of persons or entities who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities laws.
- While applying for or renouncing their Rights Entitlement, joint holders must sign in the same order and as per the specimen signatures registered with the Bank.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the Investor, the Registrar to the Issue will issue a duplicate CAF on the request of the Investor 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 a duplicate CAF should reach the Registrar to the Issue within 7 (seven) days from the Issue Opening Date. Please note that those who are making the application in the duplicate CAF should not utilise the original CAF for any purpose including renunciation, even if it is received / found subsequently. If the Investor violates any of these requirements, he / she shall face the risk of rejection of both the CAFs.

Our Bank/ Registrar will not be responsible for postal delays or loss of duplicate CAF in transit, if any.

Application on Plain Paper

An Eligible 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 a demand draft, net of bank and postal charges payable at Chennai which should be drawn in favour of 'State Bank of Travancore – Rights Issue' or 'State Bank of Travancore – Rights Issue – NR' and the Eligible Equity Shareholders should send the same by registered post directly to the Registrar to the Issue.

The envelope should be superscribed 'State Bank of Travancore– Rights Issue' and should be postmarked in India. The application on plain paper, duly signed by the Investors 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:

- Name of the Issuer, being State Bank of Travancore;
- Name and address within India, of the Eligible Equity Shareholder including joint holders;
- Registered Folio Number / DP and Client ID no.;
- Number of Equity Shares held as on Record Date;
- Number of Rights Equity Shares entitled;
- Number of Rights Equity Shares applied for;
- Number of additional Rights Equity Shares applied for, if any;



- Total number of Rights Equity Shares applied for;
- Total amount paid at the rate of ₹ [●]/- per Rights Equity Share ;
- Separate cheques / DDs are to be attached for amounts to be paid for Rights Equity Shares;
- Particulars of cheque / demand draft / Savings / Current Account Number and name and address of the bank where the Eligible Equity Shareholder will be depositing the refund order;
- Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Investor, and for each Investor in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue.
- Signature of the Rights Equity Shareholders to appear in the same sequence and order as they appear in the records of our Bank.

Please note that those who are making an application otherwise than on an original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. 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.

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. Set forth below is the procedure for applying under the ASBA procedure, for the benefit of the shareholders. Please note that in this Issue, the provisions relating to mandatory usage of ASBA facility by Qualified Institutional Buyers and Non Institutional Investors (i.e. who are applying in this Issue for Equity Shares for an amount exceeding ₹200,000) as per SEBI circular no. CIR/CFD/DIL/1/2011 dated April 29, 2011 will be incorporated at the stage of Letter of Offer.

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. 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 Shareholder do not exceed the applicable limits under laws or regulations.

Our 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. The lists of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on http://www.sebi.gov.in/Index.jsp?contentDisp=Section&sec_id=6. For details on designated branches of SCSBs collecting the CAF, please refer the above mentioned link.

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 mode, 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 our Bank for Rights Issue or until failure of the Issue or until rejection of the ASBA application, as the case may be. Once the basis of Allotment is finalised, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful ASBA Investors to the separate account opened by our 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, our directors, affiliates, associates and their respective 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 Equity Shareholders of our Bank on the Record Date and who:

- i. are holding Equity Shares in dematerialised form and have applied towards their rights entitlements or additional shares in the Issue in dematerialised form;
- ii. have not renounced their entitlements in full or in part;
- iii. have not split the CAF;
- iv. are not Renouncees; and
- v. can apply through a bank account 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. Equity Shareholders desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A of the CAF only. Application in electronic mode will only be available with such SCSB who provides such facility. The Equity Shareholder shall submit the CAF/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. The Equity Shareholder shall submit the CAF to the SCSB for authorizing such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB.

Equity Shareholders applying under the ASBA Process are also advised to ensure that the CAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on application as stated in the CAF will be blocked by the SCSB.

Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares offered, either in full or in part, 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 amount payable on application, in a bank account maintained with the SCSB. After verifying that sufficient funds are available in the bank account provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives instructions from the Registrar.

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 ICDR Regulations into the separate bank account maintained by our Bank as per the provisions of section 73(3) of the Companies Act, 1956. The balance amount remaining after the finalisation of the basis of allotment shall be either unblocked by the SCSBs or



refunded to the investors by the Registrar on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Managers to the respective SCSB.

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.

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:

Sr. No.	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 details as mentioned therein. 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.

Renunciation under the ASBA Process

Renounees cannot participate in the ASBA Process.

Option to receive Securities in Dematerialised 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 DEMATERIALISED 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 date by which the funds referred to in para above, shall be transferred to separate account opened by our Bank for Rights Issue; and
- 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 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/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. Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, CAFs / plain paper application 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. Cash payment 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 Equity Shareholders must sign the CAF / plain paper application as per the specimen signature recorded with our Bank / Depositories.
- (g) In case of joint holders, all joint holders must sign the relevant part of the CAF / plain paper application 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 Securities, 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 Shareholder, folio numbers and CAF number.
- (i) Only the person or persons to whom Securities have been offered and not renounee(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 with all necessary details as required under the para "Application on plain paper" appearing under the procedure for application under ASBA.
- (b) Ensure that you submit your application in physical mode only. 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 dematerialised form only.
- (d) Ensure that the CAF / plain paper application is submitted at the SCSBs whose details of bank account have been provided in the CAF / plain paper application.
- (e) Ensure that you have mentioned the correct bank account number in the CAF / plain paper application.
- (f) Ensure that there are sufficient funds (equal to {number of Equity Shares applied for} X {Issue Price per Equity Shares as the case may be}} available in the bank account maintained with the SCSB mentioned in the CAF / plain paper application 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 / plain paper application, in the bank account maintained with the respective SCSB, of which details are provided in the CAF/ plain paper application 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) Each applicant should mention their Permanent Account Number ("PAN") allotted under the Income Tax 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) Do not apply if you are in not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.
- (b) Do not apply on duplicate CAF after you have submitted a CAF / plain paper application to a Designated Branch of the SCSB.
- (c) Do not pay the amount payable on application in cash, money order or by postal order.
- (d) Do not send your physical CAFs / 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 is liable to be rejected on this ground.
- (f) Do not instruct your respective banks to release the funds blocked under the ASBA Process.

Grounds for Technical Rejection for ASBA Process:

In addition to the grounds listed under “Grounds for Technical Rejection” mentioned on page 141 of this Draft Letter of Offer, applications under ASBA Process may be rejected on following additional grounds:

- (a) Application for entitlements or additional shares in physical form.
- (b) DP ID and Client ID mentioned in CAF / plain paper application not matching with the DP ID and Client ID records available with the Registrar.
- (c) Sending CAF / plain paper application to the Lead Managers / Issuer / 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.
- (d) Renouncee applying under the ASBA Process.
- (e) Insufficient funds are available with the SCSB for blocking the amount.
- (f) Funds in the bank account with the SCSB whose details are mentioned in the CAF / plain paper application having been frozen pursuant to regulatory orders.
- (g) Account holder not signing the CAF / plain paper application or declaration mentioned therein.
- (h) Application on split form.

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 DEMATERIALIZED 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 / PLAIN PAPER APPLICATION 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 of these Shareholders, 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 demographic details of these Shareholders 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 bank 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 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. 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 / plain paper application 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 SCSBs, our Bank 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 three parameters, namely, names of the Shareholders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such applications are liable to be rejected.

Disposal of Investor Grievances

All grievances relating to the ASBA 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 on application, account number of the ASBA Bank Account and the Designated Branch or the collection centre of the SCSB where the CAF / plain paper application was submitted by the ASBA Investors.

Last date of Application

The last date for submission of the duly filled in CAF is [●]. The Issue will be kept open for 15 days and our Board 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 on or before the closure of banking hours on the aforesaid last date or such date as may be extended by our Board, the offer contained in the Draft Letter of Offer shall be deemed to have been declined and our Board shall be at liberty to dispose off the Rights Equity Shares hereby offered, as provided in the paragraph titled “Basis of Allotment” on page 135 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.

Basis of Allotment

Subject to the provisions contained in this Draft Letter of Offer, the Subsidiary Banks Act and the approval of the Designated Stock Exchange, our Board will proceed to allot the Rights Equity Shares in the following order of priority:

- (a) Full allotment to those Rights 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 Rights Equity Shares renounced in their favour, in full or in part.
- (b) For the Rights Equity Shares being offered under this Issue, if the shareholding of any of the Eligible Equity



Shareholders is not in the multiple of [●], the fractional entitlement of such Eligible Equity Shareholders arrived at after multiplying such number of shares by [●] shall be ignored [as [●] Equity Shares are being offered for every [●] Equity Shares held]. 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 Eligible Equity Shareholders who having applied for all the Rights Equity Shares offered to them as part of the Issue and have also applied for additional Rights Equity Shares. The allotment of such additional Rights 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 additional Rights Equity Shares will be at the sole discretion of the Board in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.
- (d) Allotment to Renouncees who having applied for all the Rights Equity Shares renounced in their favour, have applied for additional Rights Equity Shares provided there is surplus available after making full allotment under (a), (b) and (c) above. The allotment of such Rights Equity Shares will be on a proportionate basis at the sole discretion of the Board 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 considering the above Allotment, any additional Rights Equity Shares shall be disposed off by the Board, in such manner as they think most beneficial to our Bank and the decision of the Board 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 date of closure of the Issue in accordance with the listing agreement with BSE, NSE, MSE and CSE. In case of delay in allotment our Bank shall, as stipulated under Section 73(2A) of the Act, be required to pay interest on the same at a rate of 15 per cent p.a.

Allotment / Refund

Our Bank will issue and dispatch letter of allotment / share certificates / demat credit and / or letters of regret along with refund orders or credit the allotted Rights Equity Shares to the respective beneficiary accounts, if any, within a period of fifteen (15) days from the Issue Closing Date. 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 applicable provisions of law.

In case of those Investors who have opted to receive the Rights Equity Shares in dematerialised form using electronic credit under the depository system, an 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 intimating them about the mode of credit of refund within a period of fifteen (15) days from the Issue Closing Date.

In case of those Investors who have opted to receive the Rights Equity Shares in physical form, our Bank will issue the corresponding share certificates under applicable provisions of law, if any.

All refund orders would be sent by registered post / speed post to the sole / first Investor's registered address. 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.

Payment of Refund

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. *NECS (National Electronic Clearing Service)* – Payment of refund would be done through NECS for Investors having an account at any centre where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for Investors having a bank account at the centers where NECS facility has been made available by the RBI (subject to availability of all information for crediting the refund through NECS), except where the Investor, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
2. *NEFT (National Electronic Fund Transfer)* – Payment of refund shall be undertaken through NEFT wherever the Investors' 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 Investors 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 Investors through this method. Our Bank in consultation with the Lead Managers may decide to use NEFT as a mode of making refunds. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed herein.
3. *Direct Credit* – Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Bank.
4. *RTGS (Real Time Gross Settlement)* – Investors having a bank account at any of the centres where such facility has been made available and whose refund amount exceeds ₹2 lakhs, have the option to receive refund through RTGS. Such eligible Investors 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 NECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Bank. Charges, if any, levied by the Investors' bank receiving the credit would be borne by the Investor.
5. For all other Investors, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched through speed post/registered post. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par.

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. Our 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 will be dispatched to the registered address of the first named Investor or respective beneficiary accounts will be credited within 15 (fifteen) days, from the Issue Closing Date.

**Option to receive the Rights Equity Shares in Dematerialised Form**

The Investors have an option to get the Rights Equity Shares in physical or demat form.

Our Bank has signed a tripartite agreement dated April 21, 2008 with NSDL and the Registrar to the Bank and a tripartite agreement dated April 17, 2008 with CDSL and the Registrar to the Bank, which enables our Equity Shareholders to hold and trade in Equity Shares in a dematerialised form, instead of holding the Equity Shares in the form of physical certificates

In this Issue, the allottees who have opted for the Rights Equity Shares in dematerialised form will receive the Rights Equity Shares in the form of an electronic credit to their beneficiary account with a Depository Participant. The CAF shall contain a space for indicating the number of Rights Equity Shares applied for in demat and physical form or both. Investors will have to give the relevant particulars for this purpose appropriately in the CAF. Applications, which do not accurately contain this information, will be given the Rights Equity Shares in physical form. No separate applications for Rights Equity Shares in physical and / or dematerialised form should be made. If such applications are made, the application for physical Rights Equity Shares will be liable to be rejected.

The Rights Equity Shares will be listed on BSE, NSE, MSE and CSE.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR BANK CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALISED FORM.

The procedure for availing of the facility for allotment of the Rights Equity Shares in this Issue in the electronic form is as under:

- 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 Investors who have already opened such beneficiary account (s) need not adhere to this step.*
- For the Eligible Equity Shareholders already holding Equity Shares of our Bank in dematerialised form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Rights Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of Rights Equity Shares arising out of this Issue may be made in dematerialised form even if the original Equity Shares of our Bank are not dematerialised. 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.
- Responsibility for correctness of information (including Investor's age and other details) filled in the CAF *vis-à-vis* such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in the CAF should be the same as registered with the Investor's Depository Participant.
- Equity Share allotted to an Applicant in the electronic account form will be credited directly to the Applicant's respective beneficiary account(s) with depository participant.
- 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.
- Non-transferable allotment advice/refund orders will be directly sent to the Applicant by the Registrar to this Issue.
- If incomplete / incorrect beneficiary account details are given in the CAF the Investor will get the Rights Equity Shares in physical form.



- The Rights Equity Shares pursuant to this Issue allotted to Investors opting for dematerialised 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 Investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Securities to the Investor's depository account.
- Renouncees will also have to provide the necessary details about their beneficiary account for allotment of Rights Equity Shares in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.
- It may be noted that Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL.
- 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 date of the book closure.

General instructions for Investors

- (a) Please read the instructions printed on the enclosed CAF carefully.
- (b) Applications should be made on the printed CAF, provided by our Bank 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 the 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 Investors, details of occupation, address, father's / husband's name must be filled in block letters.
- (c) The CAF together with the cheque / demand draft should be sent to the Bankers to the Issue / Collecting Banks or to the Registrar to the Issue and not to our Bank or the Lead Managers to the Issue. Investors 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 Chennai of an amount net of bank and postal charges and send their application forms to the Registrar to the Issue by Registered Post. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.
- (d) Applications for any value made by the Investor, or in the case of joint names, each of the joint Investors, should mention his / her Permanent Account 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) Except for applications on behalf of the Central and State Government, the residents of Sikkim and the officials appointed by the courts, all Investors, and in the case of application in joint names, each of the joint Investors, should mention his/her PAN number allotted under the I.T. Act, 1961, irrespective of the amount of the application. CAFs without PAN will be considered incomplete and are liable to be rejected.
- (f) Investors are advised that it is mandatory 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. Applications not containing such details are liable to be rejected. For Eligible Equity Shareholders holding Equity Shares in dematerialised form, such bank details will be drawn from the demographic details of the Eligible Equity Shareholder in the records of the Depository.
- (g) All payments should be made by cheque / DD only. Cash payment 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.



- (h) Signatures should be either in English or Hindi or in any other language specified in the Eighth 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 Eligible Equity Shareholders must sign the CAF as per the specimen signature recorded with our Bank or the Depositories.
- (i) 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 to the serial number of the CAF and folio numbers / DP ID and Client ID Number. In case the above referred documents are already registered with our Bank, the same need not be 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.
- (j) 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 Investors who are Renounees, the number of Investors should not exceed three. In case of joint applicants, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.
- (k) Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Rights 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 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. Additionally, applications will not be accepted from NRs/NRIs in any jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws.

PLEASE NOTE THAT APPLICATIONS BY NRs / NRIs SHALL BE ACCEPTED ONLY AT CERTAIN SPECIFIED BRANCHES OF OUR BANK. THE DETAILS OF SUCH BRANCHES HAVE BEEN DETAILED IN THE CAF.

- (l) All communications in connection with applications for the Rights Equity Shares, including any change in addresses of the Eligible 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 Investor, folio numbers and CAF number. Please note that any intimation for change of address of the Eligible Equity Shareholders, after the date of allotment, should be sent to the Registrar to the Issue, in the case of Equity Shares held in physical form and to the respective Depository Participant, in case of Equity Shares held in dematerialised form.
- (m) Split forms cannot be re-split.
- (n) Only the person or persons to whom the Rights Equity Shares have been offered and not Renounee(s) shall be entitled to obtain split forms.
- (o) Investors must write their CAF number at the back of the cheque / demand draft.
- (p) 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.
- (q) A separate cheque / demand 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. (For payment against application in cash please refer point (f) above)



- (r) 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.
- (s) The distribution of this Draft Letter of Offer and issue of Equity Shares and Rights Entitlements to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons into whose possession the Letter of Offer may come are required to inform themselves about such restrictions and comply with the same

Grounds for Technical Rejections for Investors other than ASBA Investors

Investors are advised to note that applications are liable to be rejected on technical grounds, *inter alia* the following:

- Amount paid does not tally with the amount payable for;
- Bank account details (for refund) are not given and the same are not available with the DP (in the case of dematerialised holdings) or the Registrar (in the case of physical holdings);
- Except for CAFs on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN number not given for application of any value;
- In case of application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- If the signature of the existing shareholder on the CAF does not match with the records available with our Bank and/or the Depositories and in case of application by Renounees, if the signature of the Renounees do not match with the records available with their Depositories;
- Application forms are not submitted by the Investors within the time prescribed as per the application form and the Letter of Offer;
- Applications not duly signed by the sole / joint Investors;
- Applications by OCBs unless accompanied by specific approval from RBI permitting the OCBs to participate in the Issue.
- CAFs that do not include the certifications set out in the CAF to the effect that, the subscriber authorised to acquire the Rights Entitlements and Equity Shares in compliance with all applicable laws and regulations;
- CAFs which have evidence of being executed in/dispatched from any jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws;
- CAFs by ineligible non-residents Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where a registered address in India has not been provided;
- Applications where our Bank believes that the CAF is incomplete or acceptance of such CAFs may infringe applicable legal or regulatory requirements;
- Multiple applications
- Applications by renounees who are persons not competent to contract under the Indian Contract Act, 1872, including minors; and
- Duplicate Applications, including cases where an Investor submits CAFs along with a plain paper application.

Mode of payment for Resident Eligible Equity Shareholders / Investors

- All cheques / demand drafts accompanying the CAFs should be crossed 'A/c Payee only' and drawn in favour of 'State Bank of Travancore -Rights Issue'.
- Investors residing at places other than places where the bank collection centres have been opened by our Bank for collecting applications, are requested to send their applications together with Demand Draft for the full application amount, net of bank and postal charges crossed 'A/c Payee only' and drawn in favour of 'State Bank of Travancore -Rights Issue' payable at Chennai directly to the Registrar to the Issue by registered post so as to reach them 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.

Mode of payment for Non-Resident Eligible Equity Shareholders / Investors

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 Draft Letter of Offer/ Letter of Offer/ Abridged Letter of Offer and the CAF to the



Eligible Equity Shareholders who have provided an Indian address. Further, please refer to the paragraphs titled 'Availability of duplicate CAF' and 'Application on Plain Paper'.

As regards the application by non-resident Eligible Equity Shareholders / Investors, the following conditions shall apply:

Application with repatriation benefits

Payment by NRIs/ FIIs/ foreign investors must be made by demand draft / cheque payable at Mumbai/Chennai or funds remitted from abroad in any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at Mumbai/Chennai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque / demand draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Mumbai/Chennai; or
- By Rupee draft purchased by debit to NRE / FCNR Account maintained elsewhere in India and payable in Mumbai/Chennai ; or
- FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.
- All cheques / demand drafts submitted by non-residents applying on repatriable basis should be drawn in favour of 'State Bank of Travancore-Rights Issue - NR' payable at Chennai and crossed 'A/c Payee only' for the amount payable.

A separate cheque or bank draft must accompany each application form. Investors 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 non-residents 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 US 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 US Dollars or for collection charges charged by the Investor's Bankers.

PLEASE NOTE THAT APPLICATIONS BY NRs / NRIs SHALL BE ACCEPTED ONLY AT CERTAIN SPECIFIED BRANCHES OF OUR BANK. THE DETAILS OF SUCH BRANCHES HAVE BEEN DETAILED IN THE CAF.

Application without repatriation benefits

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Rupees or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Chennai. In such cases, the allotment of Rights Equity Shares will be on non-repatriation basis.

All cheques / demand drafts submitted by non-residents applying on non-repatriation basis should be drawn in favour of 'State Bank of Travancore -Rights Issue' payable at Chennai and must be crossed 'A/c Payee only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.



If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the 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 demat accounts shall be opened for Eligible Equity Shareholders who have had a change in status from resident Indian to NRI.

Note:

- In cases where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Rights Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.
- In case Rights Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application 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.

Our Bank is not responsible for any postal delay / loss in transit on this account and applications received through mail after closure of the Issue are liable to be rejected. Applications through mail 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 Residents should submit their respective applications either by hand delivery or by registered post with acknowledgement due to the Registrar to the Issue only at the below mentioned address alongwith the cheque / demand draft payable at Chennai so that the same are received on or before the closure of the Issue.

Integrated Enterprises (India) Limited

Second Floor, Kences Tower,
No. 1 Ramakrishna Street,
North Usman Road, T. Nagar,
Chennai – 600 017.

Restriction on Share Capital and Voting Rights

In terms of the Section 19 of the Subsidiary Bank Act, no shareholder, other than the State Bank of India, shall be entitled to exercise voting rights in respect of any shares held by him in excess of ten per cent of the issued capital of our Bank.

Impersonation

As a matter of abundant caution, 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 makes in a fictitious name an application to the Bank for acquiring, or subscribing for, any shares therein, or otherwise induces the Bank to Allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.

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.

Our Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.

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 the Rights Equity Shares allotted, will be refunded to the Investor within 15 days from the close of the Issue.

For further instructions, please read the CAF carefully.

Utilisation of Issue Proceeds

The funds received against this Issue will be kept in a separate bank account and our Bank shall utilise the funds collected in the Rights Issue only after the basis of allotment is finalised.

Undertakings by our Bank

Our Bank undertakes:

1. that the complaints received in respect of the Issue shall be attended to expeditiously and satisfactorily.
2. that all steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the securities are to be listed will be taken within seven working days of finalization of basis of allotment.
3. that the funds required for making dispatch of refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue.
4. that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the issue, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. that adequate arrangements shall be made to collect all ASBA applications and to consider them similar to Non-ASBA applications while finalizing the basis of allotment.
6. that the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.
7. that no further issue of securities affecting equity capital of our Bank shall be made till the securities issued/offered through the Draft 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.



Important

- Please read this Draft Letter of Offer/Letter of Offer carefully before taking any action. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this Draft Letter of Offer/ Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
- All enquiries in connection with the Draft Letter of Offer, Abridged Letter of Offer, 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 super scribed 'State Bank of Travancore - Rights Issue' on the envelope) to the Registrar to the Issue at the following address:

Integrated Enterprises (India) Limited

2nd Floor, Kences Tower,
No.1, Ramakrishna Street
North Usman road, T. Nagar
Chennai -600 017.

Tel: + 91 44 2814 0801-03

Fax: +91 44 2814 3378

E-mail: sbtrights@iepindia.com

Website: www.iepindia.com

Contact Person: Mr. K. Balasubramanian

SEBI Registration No.: INR000000544

- It is to be specifically noted that this Issue of Equity Shares is subject to the chapter titled 'Risk Factors' beginning on page 8 of this Draft Letter of Offer.
- The Issue will remain open for at least 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.
- The Rights Entitlement and the Equity Shares are not intended to be offered or sold to persons in the United States or any other jurisdiction where such offer or sale may be prohibited. 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 to sale in the United States, the territories or possessions thereof, or a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, this Letter of Offer and the CAF should not be dispatched or forwarded to or transmitted in or to, the United States at any time. The Bank and the Lead Manager reserve absolute discretion in determining whether to allow such participation as well as the identity of the persons who may be allowed to do so. Any person who acquires Rights Entitlements or Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Draft 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 or any other jurisdiction where such acquisition may be prohibited.



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 Head Office of our Bank between 10.00 A.M. and 3.00 P.M. on any working day of our Bank from the date of this Draft Letter of Offer until the date of closing of the subscription list.

A) Material contracts

1. Issue Agreement dated May 28, 2010 between our Bank, BOB Capital Markets Limited and SBI Capital Markets Limited.
2. Memorandum of Understanding between our Bank and Integrated Enterprises (India) Limited dated May 24, 2011 to act as Registrar to the Issue.

B) Documents

1. The State Bank of India (Subsidiary Banks) Act, 1959, as amended from time to time.
2. Board resolution in relation to the Issue passed on December 28, 2010.
3. Offer Document dated September 30, 1997 in relation to our Bank's Public Offer (being the last public undertaken by our Bank).
4. Letter dated January 25, 2011 issued by the State Bank of India according their in-principle approval for the Issue.
5. Letter dated March 01, 2011 Reserve Bank of India approving the Issue.
6. Notification dated April 07, 2011 issued by the Ministry of Finance, Government of India, in respect of appointment of Shri. Pratip Chaudhuri as Chairman of the State Bank of India.
7. Notification dated August 28, 2010 bearing ref. no SBD/NO.3/2010-11 in respect of appointment of Shri. P. Pradeep Kumar as the Managing Director of our Bank.
8. Consents of Lead Managers, Registrar to the Issue, Legal Advisor to the Issue, Directors of our Bank, Compliance Officer, M/s. Saha Ganguli & Associates, Chartered Accountants; M/s. Ramanatham & Rao, Chartered Accountants; M/s. Jain & Jain, Chartered Accountants; M/s. Jagdish Chand & Co., Chartered Accountants ; M/s. B.V Rao & Co, Chartered Accountants and M/s. Sridhar & Co., Chartered Accountants, as referred to, in their respective capacities.
9. Annual reports of our Bank for last five years.
10. Report of the Auditors dated May 23, 2011 in relation to the Financial Statements of our Bank for the year ended March 31, 2011.
11. Statement of Tax Benefits dated May 23, 2011, issued by the Auditors.
12. Initial listing applications for this Rights Issue dated [●], [●], [●] and [●] filed with BSE, NSE, MSE and CSE respectively.
13. Tripartite Agreement between NSDL, our Bank and the Registrar to the Bank dated April 21, 2008.
14. Tripartite Agreement between CDSL, our Bank and the Registrar to the Bank dated April 17, 2008.
15. Due diligence certificates dated May 28, 2011 to SEBI from BOB Capital Markets Limited and SBI Capital Markets Limited.

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

No statement made in this Draft Letter of Offer contravenes any of the provisions of the State Bank of India (Subsidiary Banks) Act, 1959, as amended or the Companies Act, 1956 and the rules made thereunder, as applicable. All the legal requirements connected with the said Issue as also the regulations, guidelines, instructions etc. issued by SEBI, Reserve Bank of India, 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.

No.	Name of Director	Signature
1.	Shri. Pratip Chaudhuri <i>Chairman</i>	Sd/-
2.	Shri. P. Pradeep Kumar <i>Managing Director</i>	Sd/-
3.	Dr. J. Sadakkadulla <i>Director</i>	Sd/-
4.	Shri. B.S. Gopalakrishna <i>Director</i>	Sd/-
5.	Shri. B. Ramesh Babu <i>Director</i>	Sd/-
6.	Shri. C.N. Venugopalan <i>Director</i>	Sd/-
7.	Shri. K. Muraleedharan Pillai <i>Director</i>	Sd/-
8.	Shri. C. Rajkumar <i>Director</i>	Sd/-
9.	Shri. Gyan Chand Pipara <i>Director</i>	Sd/-
10.	Shri. T. Balakrishnan <i>Director</i>	Sd/-
11.	Shri. K.T. Rajagopalan <i>Director</i>	Sd/-
12.	Shri. P Vinayagam <i>Director</i>	Sd/-

Signed by our General Manager (Treasury)

Signed by our Compliance Officer

Shri. Ravi Jha

Shri. V. Viswanathan

Date: May 28, 2011
Place: Thiruvananthapuram