Our Bank was constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.
Head Office: 112, J.C. Road, Bangalore 560 002, Karnataka, India
Tel: 80 22221541 / 80 22100250 Fax: 80 22248831
Contact Person: B Nagesh Babu, Assistant General Manager, Company Secretary and Compliance Officer
E-mail: hosecretarial@canarabank.com Website: www.canarabank.com

FOR PRIVATE CIRCULATION TO THE ELIGIBLE EQUITY SHAREHOLDERS OF CANARA BANK (THE "BANK" OR "OUR BANK" OR THE "ISSUER") ONLY

ISSUE OF [●] EQUITY SHARES WITH A FACE VALUE OF ₹ 10 (TEN) EACH ("RIGHTS EQUITY SHARES") FOR CASH AT A PRICE OF ₹ [●] INCLUDING A PREMIUM OF ₹ [●] PER EQUITY SHARE AGGREGATING TO ₹ 11,280 MILLION ON RIGHTS BASIS IN THE RATIO OF [●] RIGHTS EQUITY SHARES FOR EVERY [●] FULLY PAID UP EQUITY SHARES HELD ON THE RECORD DATE I.E. [●], 2016 ("RIGHTS ISSUE"/ "ISSUE").

THE ISSUE PRICE FOR THE RIGHTS EQUITY SHARES IS [●] TIMES THE FACE VALUE OF THE EQUITY SHARES. FOR MORE DETAILS, PLEASE REFER TO THE CHAPTER TITLED "TERMS OF THE ISSUE" ON PAGE [●] OF THIS LETTER OF OFFER. THE ENTIRE ISSUE PRICE FOR THE EQUITY SHARES IS PAYABLE ON APPLICATION

GENERAL RISKS

Investment 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 being offered in the issue have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this Letter of Offer. The Rights Entitlements and the Rights Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended ("**Securities Act**") and are being offered and sold outside the United States to non – U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**"). **Investors are advised to refer to the chapter titled "Risk Factors" on page [●] of this 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 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 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 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 BSE Limited ("BSE"), and the National Stock Exchange of India Limited ("NSE"). Our Bank has received "in-principle" approval from BSE and NSE for listing the Rights Equity Shares arising from this Issue vide their respective letters dated **[●]** and **[●]**.**NSE** is the Designated Stock Exchange for this Issue.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
SBI Capital Markets Limited 202, Maker Tower 'E', Cuffe Parade, Mumbai 400 005 **Tel:** + 91 22 22178300 **Fax:** + 91 22 22188332 **Email:** canara.rights@sbicaps.com **Investor Grievance Email:** investor.relations@sbicaps.com **Website:** www.sbicaps.com **Contact Person**: Mr. Aditya Deshpande / Mr. Ronak Shah **SEBI Registration No.:** INM000003531 **Corporate Identification No:** U99999MH1986PLC040298	**Karvy Computershare Private Limited** Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad, Telengana 500032, India **Tel:** +91 40 67162222 **Fax:** +91 40 23431551 **Email:** canarabank.rights@karvy.com **Investor Grievance Email:** einward.ris@karvy.com **Website:** www.karisma.karvy.com **Contact Person:** Mr. Murali Krishna **SEBI Registration No:** INR000000221 Corporate Idenitification Number: U74140TG2003PTC041636

ISSUE PROGRAMME

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

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SECTION-I- GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or requires, the following terms shall have the meanings given below in this Letter of Offer. References to statutes, rules, regulations, guidelines and policies will be deemed to include all amendments and modifications notified thereto.

In this Letter of Offer, unless otherwise indicated or the context otherwise requires, all references to "Canara Bank", "the/ our" "Bank", "Issuer", "we", "our" and "us" are to "Canara Bank" and references to "you" are to the prospective investors in the Issue.

BANK RELATED TERMS

Term	Description
Associates	(a) Canfin Homes Limited (b) Commonwealth Trust (India) Limited (c) Regional Rural Banks • Pragathi Krishna Gramin Bank • Kerala Gramin Bank
Auditors of our Bank	The Joint Statutory Central Auditors of our Bank, being: (a) Ram Raj & Co., Chartered Accountants (b) V.K. Niranjan & Co., Chartered Accountants (c) J.L. Sengupta & Co., Chartered Accountants (d) J. Singh & Associates, Chartered Accountants
Auditors to the Issue	Ram Raj & Co., Chartered Accountants
Bank	Canara Bank having its head office at 112, J.C. Road, Bangalore- 560 002, Karnataka, India
The BR Act/ Banking Regulation Act	The Banking Regulation Act, 1949 and subsequent amendments thereto
Board of Directors / Board	The Board of Directors of our Bank or the constituted Committee(s) authorized to act on its behalf unless specified otherwise
Chairman	The Chairman of our Bank
Canara Bank Regulations	Canara Bank (Shares and Meetings) Regulations, 2000, as amended
CBSL	Canara Bank Securities Limited
CCSL	Canbank Computer Services Limited
CFL	Canbank Factors Limited
Canara HSBC OBC Life Insurance Co. Ltd	Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited
CRAMC	Canara Robeco Asset Management Company Limited
Canfina	Canbank Financial Services Limited
Constitutional Documents	The Banking Companies Act read with the Banking Regulation Act, Canara Bank Regulation and the Nationalised Banks (Management and Miscelleaneous Provisions) Scheme, 1970
CVCFL	Canbank Venture Capital Fund Limited
CBTL	Canara Bank (Tanzania) Limited
Joint Venture	Commercial Indo Bank LLC, Moscow
Promoter	The President of India, acting through the Ministry of Finance, GOI
Promoter Group	The promoter group of our Bank as determined in terms of Regulation 2 (1) (zb) of ICDR Regulations.
"We", "us", "our", "the Issuer", "the Bank", "our Bank", "Canara Bank"	Unless the context otherwise indicates or implies, refers to Canara Bank, a bank constituted under the constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970

Subsidiaries	a) Canbank Venture Capital Fund Limited; b) Canbank Financial Services Limited; c) Canbank Computer Services Limited; d) Canara Bank Securities Limited; e) Canbank Factors Limited; f) Cananra Bank (Tanzania) Limited; g) Canara Robeco Asset Management Company Limited; and h) Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited
Underwriter	SBI Capital Markets Limited

ISSUE RELATED TERMS

Term	Description
Abridged Letter of Offer / "ALOF"	The abridged letter of offer to be sent to Eligible Equity Shareholders of our Bank with respect to this Issue in accordance with the SEBI 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(s) to whom Rights Equity Shares are allotted.
Applicant	Eligible Equity Shareholder(s) and/or Renouncees who make an application for the Rights Equity Shares pursuant to the Issue in terms of this Letter of Offer, including an ASBA Applicant
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 authorizing the SCSB to block the amount payable on application in their specified bank account
ASBA Account	Account maintained with a SCSB and specified in the CAF or plain paper application, as the case may be, for blocking the amount mentioned in the CAF, or the plain paper application, as the case may be
ASBA Investor(s)	An applicant(s) who: a) holds the shares of our Bank in dematerialized form as on the record date and has applied for their Rights entitlements and / or additional Rights Equity Shares in dematerialized form; b) has not renounced his/her entitlements in full or in part; c) are notrenouncees; and d) are applying through blocking funds in a bank account maintained with SCSBs. All QIBs, Non-Institutional Investors and other Investors whose application value exceeds ₹ 2 lakhs complying with the above conditions may participate in this Issue through the ASBA process only
Audited Consolidated Financial Statements	Our Bank's consolidated financial statements as of and for the years ended March 31, 2016 and 2015
Audited Standalone Financial Statements	Our Bank's standalone financial statements as of and for the years ended March 31, 2016 and 2015
Escrow Bankers	Canara Bank and HDFC Bank Limited.
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.
Consolidated Certificate	In case of holding of Equity Shares in physical form, the certificate that would be issued for the Equity Shares Allotted to each folio
Controlling Branches / Controlling Branches of the SCSBs	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/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries

Designated Branches	Such branches of the SCSBs which shall collect CAF or the plain paper application, as the case from ASBA investor and a list of which is available on http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries
Designated Stock Exchange	NSE
Equity Shares	The Issued, Subscribed and Fully 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
Investor(s)	The Eligible Equity Shareholder(s) of our Bank as on the Record Date and the Renouncees, who have submitted an application to subscribe to the Issue
Issue/Rights Issue	Issue of [●] Fully Paid Equity Shares with a face value of ₹ 10 (Ten) each ("Rights Equity Shares") for cash at a price of [●] including a premium of ₹ [●] aggregating up to ₹ 11,280 million 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 are available to our Bank
Issue Price	[●] per Rights Equity Share
Lead Manager	SBI Capital Markets Limited
Listing Agreement	The agreement entered into by our Bank with the Stock Exchanges
LODR	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
LOF/ Letter of Offer	The letter of offer dated [●] filed with the Stock Exchanges.
Non Institutional Investors	Investor, including any company or body corporate, other than a Retail Individual Investor and a QIB
Offering Documents	Offering Documents shall mean this Letter of Offer, Abridged Letter of Offer and CAF
Limited Reviewed Financial Statements	Our Bank's unaudited reviewed standalone and consolidated financial statements of the Issuer as of and for the six months period ended September 30, 2016
Qualified Foreign Investors/ QFI	Qualified Foreign Investor as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 (as amended), registered with SEBI under applicable laws in India. A Qualified Foreign Investor may buy, sell or otherwise continue to deal in securities without registration as Foreign Portfolio Investors subject to compliance with conditions specified in the SEBI (Foreign Portfolio Investors) Regulations, 2014
QIBs or Qualified Institutional Buyers	Qualified institutional buyers as defined under Regulation 2 (1)(zd) of the SEBI Regulations
Record Date	[●]
Refund Banker	[●]
Registrar to the Issue	Karvy Computershare Private Limited
Renouncee(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
SBI Capital Markets Limited / SBICAP	SBI Capital Markets Limited, 202, Maker Tower 'E', Cuffe Parade, Mumbai – 400 005
SAF(s)	Split Application Form (s)
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/cms/sebi_data/attachdocs/1365051213899.html.
Stock Exchanges	BSE and NSE, as the context may refer to, where our Equity Shares are currently listed
Working days	All days other than second and fourth Saturdays of the month, Sundays or public holidays, on which commercial banks in Karnataka and Mumbai are open for business

CONVENTIONAL AND GENERAL TERMS / ABBREVIATIONS

Term	Description
AGM	Annual General Meeting
AMC	Asset Management Company
AY	Assessment Year
AS	Accounting Standards notified pursuant to the Companies (Accounting Standards) Rules, 2006, as amended
BG	Bank Guarantee
BSE	BSE Limited
CDSL	Central Depository Services (India) Limited
CIN	Corporate Identity Number
CIT(A)	Commissioner of Income Tax (Appeals)
CRISIL	Credit Rating Information Services of India Limited
Current Year	The financial year 2016-17
Act / Banking Companies Act	Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
Companies Act 2013	The Companies Act, 2013, to the extent notified and applicable
DD	Demand Draft
DEMAT	Dematerialised (Electronic/Depository as the context may be)
Depository	A depository registered with SEBI under the SEBI (Depository and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended
Depository Participant/	A depository participant as defined under the Depositories Act
DIN	Director Identification Number
DP	Depository Participant
EGM	Extra-Ordinary General Meeting
EPS	Earnings Per Share
FCNR	Foreign Currency Non Resident
FDI	Foreign Direct Investment
FEDAI	Foreign Exchange Dealers of India
FEMA	Foreign Exchange Management Act, 1999 and the subsequent amendments
FII	Foreign Institutional Investor (as defined under the SEBI (Foreign Portfolio Investors) Regulations, 2014) registered with SEBI under applicable laws in India
FIMMDA	Fixed Income Money Market and Derivatives Association of India
FIPB	Foreign Investment Promotion Board
Foreign Portfolio	Foreign Portfolio Investor as defined under the Securities and Exchange Board of India
Financial Year/Fiscal	Period of 12 months ended March 31 of that particular year
FVCI	Foreign Venture Capital Investors as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000 (as amended) registered with SEBI under applicable laws in India
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GOI / Government	Government of India
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
ICDR Regulations/ SEBI Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and subsequent amendments thereto
IFRS	International Financial Reporting Standard
IFSC	Indian Financial System Code
IIM	Indian Institute of Management
Indian GAAP	Generally accepted accounting principles followed in India
IISc	Indian Institute of Science
ISB	Indian School of Business
ISIN	International Securities Identification Number allotted by a Depository
IIT	Indian Institute of Technology
IT ACT	Income Tax Act, 1961, as amended
ITAT	Income Tax Appellate Tribunal
LC	Letter of Credit

LIBOR	London Interbank Offered Rate
MAT	Minimum Alternate Tax
ME	Medium enterprises
MICR	Magnetic Ink Character Recognition
Mutual Fund/ MF	A mutual fund registered with SEBI under the SEBI (Mutual Funds). Regulations, 1996, as amended
MFIs	Micro Finance Institutions
MIS	Management Information System
Misc	Miscellaneous
MoF	Ministry of Finance
NABARD	National Bank for Agriculture and Rural Development
NAV	Net Asset Value
NBFC	Non Banking Financial Company
NECS	National Electronic Clearing Services
NEFT	National Electronic Funds Transfer
NIT	National Institute of Technology
NPCI	National Payments Corporation of India
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
p.a	Per Annum
PAN/GIR No.	Income Tax Permanent Account Number/General Index Reference Number
PAT	Profit After Tax
PBT	Profit Before Tax
PIN	Personal Identification Number
PLR	Prime Lending Rate
PPF	Public Provident Fund
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934, as amended
Regulation S	Regulation S under the Securities Act
RRBs	Regional Rural Banks
SAT	Securities Appellate Tribunal
SBI	State Bank of India
SB Accounts	Savings Bank Accounts
SSI	Small Scale Industries
SPV	Special Purpose Vehicle
SCRA	Securities Contracts (Regulation) Act, 1956, as amended
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended
SEBI	Securities and Exchange Board of India
SEBI (SAST) Regulations, 2011/ Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and subsequent amendments thereto
Securities Act	U.S. Securities Act of 1933, as amended
SIDBI	Small Industries Development Bank of India
ST	Service Tax
TAN	Tax Deduction Account Number
UAE	United Arab Emirates
US GAAP	United States Generally Accepted Accounting Principles
U.S./ US/ USA	United States of America

TECHNICAL AND INDUSTRY TERMS AND ABBREVIATIONS

Term	Description
AFS	Available for sale
ALCO	Asset Liability Management Committee
ALM	Asset Liability Management
ATMs	Automated Teller Machines
Basel I	Recommendations of the Basel Committee on Banking Supervision dated July 1988
Basel II	Recommendations of the Basel Committee on Banking Supervision dated June 2004

Basel III	Recommendations of the Basel Committee on Banking Supervision dated December 2010
CAM	Cash Accepting Machine
CAR	Capital Adequacy Ratio
CASA	Current and Saving Account Deposits
CBS	Core Banking Solution
CDR	Corporate Debt Restructuring
CPC	Central Processing Centre
CRAR	Capital to Risk Weighted Assets Ratio
CRR	Cash Reserve Ratio
CSR	Corporate Social Responsibilty
DBOD	Department of Banking Operations and Development
DRI Scheme	Differential Rate of Interest Scheme
DRT	Debts Recovery Tribunal
ECGC	Export Credit and Guarantee Corporation of India Limited
EPS	Earnings Per Share
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
EWIRM	Enterprise Wide Integrated Risk Management
GAAP	Generally Accepted Accounting Principles.
GNPA	Gross Non-Performing Assets
HTM	Held to Maturity
ICAAP	Internal Capital Adequacy Assessment Process
IBA	Indian Banks Association.
IBE	Interent Banking and E-Statement
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
NDS-OM	Negotiated Dealing System-Order Matching
NECS	National Electronic Clearing Services
NIM	Net Interest Margin
NPA	Non-Performing Asset
NPI	Non-Performing Investments
NEFT	National Electronic Fund Transfer
MOPT	Marketing Officer Performance Tracker
MSE	Micro and Small Enterprises
MSME	Micro Small and Medium Enterprises
OTS	One Time Settlement
PAT	Profit after Tax
PBIT	Profit before Interest and Tax
PMEGP	Prime Minister Employment Generation Program
PMJDY	Pradhan Mantri Jan Dhan Yojana
PUM	Passbook Updating Machine
QMS	Queue Management System
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
RTGS	Real Time Gross Settlement
RSTC	Regional Staff Training College
SARFAESI Act 2002 /	Securitisation and Reconstruction of Financial Assets and Enforcement of Security
SLR	Statutory Liquidity Ratio
SMEs	Small to Medium- Sized Enterprises
STT	Securities Transaction Tax
STC	Staff Training College
SWIFT	Society for Worldwide Interbrain Financial Telecommunication
Tier I Capital	The core capital of a bank, which provides the most permanent and readily available
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%)
UPI	Unified Payment Interface
WDV	Written down value

NOTICE TO OVERSEAS SHAREHOLDERS

The distribution of this Letter of Offer, the Abridged Letter of Offer or the CAF and the Issue to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer, Abridged Letter of Offer or CAF may come are required to inform themselves about and observe such restrictions. Our Bank is making this Issue on a rights basis to the Eligible Equity Shareholders of our Bank as on the Record Date and will dispatch this Letter of Offer/Abridged Letter of Offer and CAF only to Eligible Equity Shareholders who have a registered address in India or who have provided an Indian address. Those overseas shareholders who do not update the records with their Indian address or the address of their duly authorized representative in India, prior to the date on which we propose to dispatch the Letter of Offer / Abridged Letter of Offer and CAFs, shall not be sent this Letter of Offer / Abridged Letter of Offer and CAFs.

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

Any person who makes an application to acquire rights and the Equity Shares offered in the Issue will be deemed to have declared, represented, warranted and agreed that he is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations prevailing in his jurisdiction.

Neither the delivery of this Letter of Offer, the Abridged 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 at any time subsequent to the date of this Letter of Offer.

NO OFFER IN THE UNITED STATES

The Rights Entitlements and the Rights Equity Shares have not been and will not be registered under the Securities Act, or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof ("United States" or "U.S."), or to, or for the account or benefit of "U.S. persons" (as defined in Regulation S of the Securities Act), except in a transaction not subject to, or exempt from the registration requirements of the Securities Act. The offering to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any Rights Equity Shares or Rights Entitlement for sale in the United States or as a solicitation therein of an offer to buy any of the Rights Equity Shares or Rights Entitlement. There is no intention to register any portion of the Issue or any of the securities described herein in the United States or to conduct a public offering of securities in the United States. Accordingly, this Letter of Offer / Abridged Letter of Offer and the enclosed CAF should not be forwarded to or transmitted in or into the United States at any time. In addition, until the expiry of 40 days after the commencement of the Issue, an offer or sale of Rights Entitlements or Rights Equity Shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirement of the Securities Act. Neither we nor any person acting on our behalf will accept a subscription or renunciation from any person, or the agent of any person, who appears to be, or who we or any person acting on our behalf has reason to believe is, either a U.S. Person or otherwise in the United States when the buy order is made. Envelopes containing a CAF should not be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer, and all persons subscribing for the Rights Equity Shares and wishing to hold such Equity Shares in registered form must provide an address for registration of these Equity Shares in India. We are making the Issue on a rights basis to Eligible Shareholders and this Letter of Offer / Abridged Letter of Offer and CAF will be dispatched only to Eligible Shareholders who have an Indian address. Any person who acquires Rights Entitlements and the Rights Equity Shares will be deemed to have declared, represented, warranted and agreed that, (i) it is not and that at the time of subscribing for such Rights Equity Shares or the Rights Entitlements, it will not be, in the United States, (ii) it is not a U.S. Person and does not have a registered address (and is not otherwise located) in the United States when the buy order is made, and (iii) it is authorised to acquire the Rights Entitlements and the Rights Equity Shares in compliance with all applicable laws and regulations.

We reserve the right to treat any CAF as invalid which: (i) does not include the certification set out in the CAF to the effect that the subscriber is not a U.S. Person and does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the Rights Equity Shares or Rights Entitlement in compliance with all applicable laws and regulations; (ii) appears to us or our agents to have been executed in or dispatched from the United States; (iii) appears to us or our agents to have been executed by a U.S. Person; (iv) where a registered Indian address is not provided; or (v) where we believe that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; and we shall not be bound to allot or issue any Rights Equity Shares or Rights Entitlement in respect of any such CAF.

Rights Entitlements may not be transferred or sold to any person in the United States.

The contents of this Letter of Offer should not be construed as legal, tax or investment advice. Prospective investors may be subject to adverse foreign, state or local tax or legal consequences as **a result of the offer of Equity Shares. As a result, each investor should consult its own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the offer of Equity Shares. In addition, neither our Bank nor the Lead Manager are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under any applicable laws or regulations.**

FORWARD LOOKING STATEMENTS

Certain statements in this Letter of Offer are not historical facts but are “forward-looking” in nature. Forward looking statements appear throughout this Letter of Offer, including, without limitation, under the heading “Risk Factors”. Forward-looking statements include statements concerning our Bank’s plans, objectives, goals, strategies, future events, future revenues or financial performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our Bank’s competitive strengths and weaknesses, our Bank’s business strategy and the trends our Bank anticipates in the industries and the political and legal environment, and geographical locations, in which our Bank operates, and other information that is not historical information.

Words such as “believe”, “anticipate”, “estimate”, “seek”, “expect”, “continue”, “intend”, “predict”, “project”, “should”, “goal”, “future”, “could”, “may”, “will”, “would”, “targets”, “aims”, “is likely to”, “plan” and similar expressions, or variations of such expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.

These risks, uncertainties and other factors include, among other things, those listed under “Risk Factors”, as well as those included elsewhere in this Letter of Offer. Investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited, to:

- Ability to compete effectively in the industry in which we operate our business;
- Ability to manage our credit quality;
- General economic and political conditions, policies and regulations in India and globally, which have an impact on the our business activities;
- Ability to attract and retain qualified personnel;
- The performance of the financial markets in India and globally; and
- Any adverse outcome in the legal proceedings in which we are involved.

For a further discussion of factors that could cause our Bank’s actual results to differ, please refer the chapter titled “Risk Factors” on page [●] of this Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Bank nor the Lead Manager or any of their respective affiliates make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Neither our Bank nor the Lead Manager nor any of their respective affiliates or advisors have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI/Stock Exchanges requirements, our Bank and Lead Manager will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permissions by the Stock Exchanges for the Equity Shares allotted pursuant to this Issue.

CERTAIN CONVENTIONS, USE OF FINANCIAL, INDUSTRY AND MARKET DATA AND CURRENCY OF PRESENTATION

CERTAIN CONVENTIONS

References in this Letter of Offer to "India" are to the Republic of India and the "Government" or the "Central Government" is to the Government of India ("**GOI**").

Unless the context otherwise requires, a reference to "Bank"/ "we" / "us" / "our" is a reference to Canara Bank.

FINANCIAL DATA

Unless stated otherwise, the financial information used in this Letter of Offer is derived from our Bank's audited financial statements as of fiscal year 2016 and limited reviewed financial statements for the six months period ended September 30, 2016, prepared in accordance with Indian GAAP and the Banking Regulation Act, 1949, circulars and guidelines issued by the RBI from time to time and in accordance with the ICDR Regulations.

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 31of a particular year. We prepare our audited 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. Further, our unaudited limited reviewed financial results for the six months period ended September 30, 2016 ("**Limited Review Financial Statements**") that appear in this Letter of Offer have been prepared by our Bank in accordance with Indian GAAP and other applicable statutory and / or regulatory requirements, including the requirements of the Listing Regulations. 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 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 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 Letter of Offer, all figures have been expressed in millions.

SECTION – II - RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this 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, or other risks that are not currently known or are now deemed immaterial, 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. 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.

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; and
3. Some events may not be material at present but may have material impact in future

Unless otherwise stated, the financial information of our Bank used in this section is derived from our audited standalone and consolidated financial statements as of and for the financial years 2016 and 2015 under Indian GAAP and our Bank's limited reviewed standalone and consolidated financial statements as of and for the six months ended September 30, 2016.

Risks Relating to Our Business

1. ***We are involved in certain material legal proceedings which if determined against us, could affect our business, results of operation and financial condition.***

We are party to various legal proceedings including suits, writ petitions, tax disputes etc. These proceedings are pending at different levels of adjudication before the various forums and if determined against us, may have an adverse impact on our business operations, profitability and financial condition.

Summary of outstanding legal proceedings, having material adverse effect, initiated against our Bank and Directors (in respect of matters relating to our Bank), as on date of this Letter of Offer:

Category	**Bank**		**Directors**	
	Total number of Cases	**Amount Involved in ₹ million (to the extent quantifiable)**	**Total number of Cases**	**Amount Involved in ₹ million (to the extent quantifiable)**
Civil proceedings	1	Non-quantifiable	-	-
Criminal proceedings	2	Non-quantifiable	-	-
Tax proceedings*	2	2,416.46	-	-

Summary of outstanding legal proceedings, having material adverse effect, initiated by our Bank, Directors (in respect of matters relating to our Bank), as on the date of this Letter of Offer:

Category	**Bank**		**Directors**	
	Total number of Cases	**Amount Involved in ₹ million (to the extent quantifiable)**	**Total number of Cases**	**Amount Involved in ₹ million (to the extent quantifiable)**
Civil proceedings	4	15573.57	-	-
Criminal proceedings	-	-	-	-
Tax proceedings*	6	39,772.35	-	-

Should any new development arise, such as a change in the Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which may increase our expenses and current liabilities. We can give no assurance that these legal proceedings will be decided in our favour. Any adverse outcome in any or all of these proceedings may have a material adverse effect on our business, results of operations and financial condition. For further information relating to these proceedings, please refer to chapter titled "Outstanding Litigation and other Defaults" on page [•] of this Letter of Offer.

2. ***Deterioration in the performance of any of the industry sectors to which we have significant exposure may adversely affect our business and, in turn, our results of operations.***

As of September 30, 2016, our Bank's five largest industry exposures (sum of fund based, non-fund based facilities and investment outstanding) (on a standalone basis) were to infrastructure at ₹ 729.27 billion, basic metal and metal products at ₹ 282.09 billion, all engineering at ₹ 256.87 billion , textiles at ₹ 192.36 billion and construction at ₹ 144.87 billion.

As of September 30, 2016, our Bank's total outstanding exposure to these five sectors (on a standalone basis) aggregated ₹ 1605.45 billion, constituting 51.01% of our total gross domestic advances. The global and domestic trends in these industries may have a bearing on our financial position. Any significant deterioration in the performance of a particular industry caused by events outside our control, such as global or domestic economic trends, regulatory action or policy announcements by Central Government or state Government authorities, could adversely affect the ability of borrowers in that industry to service their loans to us. As a result, we could experience increased delinquencies in such industries, which may adversely affect our business and results of operations. Moreover, concentration of exposure to a limited group of industries could exacerbate the adverse effect.

3. ***If we are not able to control or reduce the level of non-performing assets in our portfolio or any increase in our NPA portfolio, RBI mandated provisioning requirements may materially and adversely affect our business and results of operations.***

As of September 30, 2016, our Bank's net NPAs (on a standalone basis) amounted to ₹ 2,188.70 billion or 6.69% of our Bank's net advances. As of September 30, 2016, our Bank's provision coverage ratio (on a standalone basis) was 51.75%. We may need to make further provisions if there is dilution/deterioration in the quality of our security or downgrading of the account or recoveries with respect to such NPAs do not materialize in time or at all. This increase in provisions may adversely impact our financial performance.

Various factors could contribute to a rise in our NPA levels, including an adverse effect on the business and results of operations of our borrowers, a rise in unemployment, a sharp and sustained rise in interest rates, deterioration in the Indian economy, movements in global commodity markets and exchange rates and increased competition.

Under the directed lending regulations of the RBI, we are required to extend at least 40.0% of our adjusted net bank credit to certain eligible sectors, which are categorised as "Priority Sectors". We may experience a significant increase in NPAs in our directed lending portfolio, particularly in relation to loans to the agriculture sector and small enterprises, where we do not have significant control over the portfolio quality and where economic difficulties and the impact from inclement weather are likely to affect our borrowers more severely. Any change in the RBI's regulations may require us to increase our lending to relatively riskier segments, which may result in an increase in NPAs in the directed lending portfolio.

We cannot assure you that we will be successful or that the overall quality of our loan portfolio will not deteriorate in the future. If we are not able to control and reduce our NPAs, or there is an increase in NPAs, our business, financial conditions and results of operations could be adversely affected.

4. ***The level of restructured loans in our portfolio may increase and the failure of our restructured loans to perform as expected could adversely affect our business, results of operations and financial condition.***

Our assets include restructured loans. As at September 30, 2016, our total gross standard restructured loans (on a standalone basis) was ₹131.47 billion. We restructure assets based on borrower's potential to restore its financial health; however, there can be no assurance that borrowers will be able to meet their obligations under restructured advances as per regulatory requirements and certain assets classified as restructured, may be classified as delinquent. Any resulting increase in delinquency levels may adversely impact our business, financial condition and results of operations.

The RBI issued a framework and in March 2014, a corrective action plan for early identification and resolution of stressed assets. With effect from April 1, 2014, the guidelines introduced an asset classification category of "special mention accounts", which comprises cases that are not yet restructured or classified as nonperforming but which exhibit early signs of stress, as specified through various parameters. Banks in India are also required to share data with each other on certain categories of special mention accounts, set up joint lenders' forums and formulate action plans for resolution of these accounts. Failure to do so may result in accelerated provisioning for such cases.

Further, guidelines issued by the RBI relating to the identification and classification of NPAs may result in an increase in our loans classified as nonperforming and provisioning requirements. Any review on asset quality by the regulator, during specific or general inspection, can result in additional classification of our loans as NPAs thus increasing our provisioning requirements and adversely impacting our profitability in the future. The general provision on standard restructured advance at present as per RBI guidelines is 5% on restructured liability.

5. Our loan portfolio contains significant advances to the MSME sectors.

We are exposed to the MSME market in India to the extent of ₹701.20 billion as of September 30, 2016. As of September 30, 2016, our Bank's MSME loans (on a standalone basis) represented 22.28% of our outstanding total domestic gross advances. Our ability to receive repayment and interest upon these loans is dependent upon various factors, including the health of the overall economy, the ability of our borrowers to repay their loan, the results of operations of such borrowers and their business. These and other factors could lead to an increase in impairment losses and adversely affect our business and results of operations.

6. The adoption of the Basel III capital regulation framework in India may have an adverse effect on our results of operations.

We are subject to regulations relating to capital adequacy of banks, which determines the minimum amount of capital we must hold as a percentage of the risk-weighted assets on our portfolio, or capital-to-risk asset ratio ("**CRAR**").

On July 1, 2015, the RBI issued a master circular on Basel III capital regulations, consolidating all relevant guidelines on Basel III issued up to June 30, 2015 (together the "**Basel III Guidelines**"). The Basel III Guidelines came into effect on April 1, 2013, and, subject to a series of transitional arrangements to be phased in over a period of time, will be fully implemented by March 31, 2019.

The Basel III Guidelines require, among other things, higher levels of Tier I capital and common equity, capital conservation buffers, maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier I capital for investments in subsidiaries, changes in the structure of non-equity instruments eligible for inclusion in Tier I capital and loss absorbency features for non-equity Tier I and Tier II capital. The Basel III Guidelines also set out elements of regulatory capital and the scope of the capital adequacy framework, including disclosure requirements for components of capital and risk coverage. As of March 31, 2019, banks are required to maintain a common equity Tier I ratio of 5.5%, minimum Tier I capital ratio of 7.00%, minimum total capital of 9.0% and a capital conservation buffer of 2.5%, of our risk weighted assets. The banks also have to maintain a minimum Tier 1 Leverage Ratio of 4.5% during parallel run.

As at September 30, 2016, our capital adequacy ratio under the Basel III Capital Regulations was 12.19%, with a Tier I capital adequacy ratio of 8.87%, a Tier II capital adequacy ratio of 3.32% and CET I capital adequacy ratio of 8.25%. Although we are currently in compliance with the applicable capital adequacy requirements, certain adverse developments could affect our ability to satisfy these requirements in the future, including deterioration in our asset quality, decline in the value of our investments and our inability to meet any regulatory requirements or changes.

If the Basel Committee on Banking Supervision and RBI releases additional or more stringent guidelines on capital adequacy norms, which are given the effect of law in India in the future, we may be forced to raise or maintain additional capital in a manner that could adversely affect our business, financial condition and results of operations. In addition, these changes may result in the incurrence of substantial compliance and monitoring costs and there can be no assurance that any breach of applicable laws and regulations will not adversely affect our business and results of our operations.

7. SEBI and RBI have, in the past, issued warnings, imposed penalties against our Bank with regard to certain violations of the statutory regulations and had suspended our license / registration to act as the Bankers to the Issue. Any violations in future of regulatory requirements by our Bank may result in SEBI/ RBI/other regulatory authority issuing penalties, warnings and show cause notices against us, which may materially affect our business, results of operations and our financial conditions.

SEBI and RBI have issued following warnings, imposed penalties and suspended our registration to act as the Bankers to the Issue, against us in the past with respect to certain violations of the statutory regulations:

(a) On April 18, 2016, the RBI had issued a show cause notice against our Bank for certain irregularities with respect to non compliance of guidelines pertaining to ongoing monitoring of transaction, risk categorization of customers, reporting of CTRs/STR to FIU-IND, evidence of import with regard to advance remittances and follow up of import evidence for value less than USD 1,00,000. Accordingly, RBI vide Speaking Order dated July 15, 2016, levied a penalty of ₹ 20.00 million against our Bank.

(b) On July 25, 2014, RBI had imposed a penalty of ₹ 1.00 million on our Bank for non-compliance with the RBI guidelines on lending under consortium or multiple banking arrangements and guidelines on the end use of funds monitoring, including violations in relation to: (a) not exchanging information with other banks under multiple banking arrangements and (b) not obtaining regular certifications from company secretaries and chartered accountants in compliance with various statutory provisions.

(c) The Executive Trustee & Taxation Section of our Bank had received an administrative warning from SEBI vide its letter No. MIRSD-5/INSP/2012-013/23622/2013 dated September 17, 2013, after auditing Debenture Trust Department for the period from April 2006 to April 2012.

(d) On July 07, 2013, RBI had issued show cause notice against Bank with respect to certain non- compliances of the implementation of KYC-AML guidelines, cash transactions, sale of third party products etc. Accordingly, RBI vide Speaking Order dated July 12, 2013 imposed a penalty of ₹ 30.01 million against our Bank.

(e) The Corporate Merchant, Banking Division holding permanent registration as "Bankers to an Issue" received an order dated December 18, 2009 of SEBI warning them for violations committed in respect of public issue of M/s. Fine Agromatics Limited in the year 1995.

(f) Our Bank had paid a sum of ₹ 0.5 million on June 15, 2006 towards penalty imposed by RBI for delay in implementation of correct method for calculation of DTL/NDTL in the earlier years.

(g) SEBI had vide orders dated March 8, 2000 and October 10, 2002, suspended the Thousand Lights branch, Chennai and Bandra Branch, Mumbai, from acting as the Bankers to the Issue for a period of three months for alleged violation of its responsibility as Bankers to the Issue in the Initial Public Offering of M/s. Incap Financial Services Limited and M/s. Rajesh Exports Limited, respectively.

(h) In respect of the merchant banking services offered by our Bank, SEBI vide orders dated July 26, 1995 and September 28, 1995 had awarded one penalty point each against our Bank for failure in submitting the printed prospectus / letter of offer of a public issue to SEBI, within the prescribed time.

Any violation of regulatory requirements in future by our Bank may result in SEBI and/ or RBI issuing penalties, warnings and show cause notices against us, which may materially affect our business, results of operations and our financial conditions.

8. SEBI has, in the past, imposed penalty against one of our subsidiaries Canara Robeco Asset Management Company Limited ('CRAMCL') for failing to make certain material disclosures in the abridged offer document cum application form issued in relation to the conversion of "Canpep 93".

The Securities Appellate Tribunal upheld the order passed by the Adjudicating Officer of SEBI dated November 10, 2000, imposing a penalty of ₹ 0.30 million against Canbank Investment Management Services Limited (subsequently renamed as Canara Robeco Asset Management Company Limited) for failing to make certain material disclosures in the abridged offer document cum application form issued in relation to the conversion of "Canpep 93" from a close ended tax saving scheme to an open ended tax saving scheme.

9. One of our subsidiary, Canbank Financial Services Limited (Canfina) engaged in the business of NBFC, has been directed by the RBI vide its letter dated January 08, 2003 to dispose of its assets and wind up their business, as they have not been able to maintain the Net Owned Fund (NOF) less than the specified amount prescribed by RBI. Canfina has sought extensions from RBI from time to time, as they have filed various cases against defaulting borrowers and are in the process of recovering the dues. Any extension not provided by RBI or any failure in recovering the dues from the defaulting borrowers may affect our business and financial conditions.

Canbank Financial Services Limited (**Canfina**), engaged in the business of NBFC, has been directed by the RBI vide its letter dated January 08, 2003 to dispose of its assets and wind up their business, as they have not been able to maintain the Net Owned Fund (NOF) less than the specified amount prescribed by RBI. Canfina has sought extensions from RBI from time to time, as they have filed various cases against defaulting borrowers and are in the process of recovering the dues. RBI has vide letter dated January 19, 2015 granted further extension of time upto January 31, 2017 subject to the condition that Canfina should not carry on any financial acitvity during the extended period.

In the event, RBI does not grant any further extension of time to Canfina and instructs to wind up its assets or Canfina failing to recover the dues from the defaulting borrowers, our business and financial operations will be adversely affected.

10. Our Bank had incurred a loss in the FY 2016. In the event our net loss continues to increase, it may adversely affect our business and financial condition.

Due to sharp increase in provisions & contingencies on account of bad loans, our Bank reported net loss, on a consolidated basis, was ₹ 26.07 billions in FY 2016 as compared to a profit of ₹ 28.65 billions in FY 2015. In the event the NPAs increases any further our interest earnings and net profits will be impacted. If the net profit deteriorates further, our financial condition may be adversely affected.

11. Our Joint Statutory Central Auditors have highlighted a matter of emphasis in relation to the audited financial statements of our Bank as at and for the Fiscal year ended March 31, 2016.

Our Joint Statutory Central Auditors' report on the financial statements as at and for the year ended March 31, 2016 included an Emphasis of Matter paragraph that does not require any corrective adjustment in the financial information, as follows:

"We draw your attention to Schedule 18, Notes to Accounts reagrding Note No.5.1.2 to the financial statement regarding the change in the accounting policy w.r.t. change in the method of charging depreciation, change in the useful of life of certain fixed assets and the consequential effect on financial statements. Our opinion is not qualifi ed in respect of the above stated matters"

For the reference, below is the relevant extract from note of Schedule 18 to the financial statements:

"*Effect of Changes in Accounting Policies - Depreciation Policy on Fixed Assets.*

During the year the method of depreciation on Fixed Assets has been changed to straight line method (SLM), on the basis of useful life determined by management, as against WDV method being used hitherto. Bank has also adopted a policy of charging depreciation in the year of capitalisation at 100 percent of the normal rate of assets ready for use for 180 days or more and at 50 percent of the normal rate of assets ready for use for less than 180 days during that fi nancial year. The earlier policy of the Bank was to charge depreciation at 100 percent of the normal rate during the year of capitalisation irrespective of the number of days the assets was ready for use. The changes have been done to make more appropriate presentation of financial statements and have been effected from 01.04.2015 onwards and depreciation has been calculated accordingly.

Consequent to the change, depreciation of prior period amounting to ₹1.71 billion has been found to be in excess and depreciation charged for the year is higher by ₹0.7246 billion. As a result, the fixed assets and the profit before tax are higher by ₹2.44 billion".

Investors are urged to take a note of the matter of emphasis in the course of reviewing and evaluating our restated financial statements.

12. We are required to maintain cash reserve ratio ("CRR") and statutory liquidity ratio ("SLR"). Any increase in these requirements could adversely affect our business, financial condition and results of operations.

Under RBI regulations, we are subject to a CRR requirement. The CRR is a bank's balance held in a current account with the RBI calculated as a specified percentage of its net demand and time liabilities, excluding interbank deposits. In addition, under the Banking Regulation Act, all banks operating in India are required to maintain SLR. The SLR is a specified percentage of a bank's net demand and time liabilities by way of liquid assets such as cash, gold or approved unencumbered securities.

The CRR and SLR requirement is subject to changes by the RBI in order to manage money supply by absorbing excess liquidity or by infusing liquidity. To maintain the mandatory SLR, we have an investment portfolio primarily comprising fixed income, Government of India securities that could be adversely affected by fluctuation in interest rates, especially if the rise were sudden or sharp.

The RBI may increase the CRR and SLR requirements to significantly higher proportions as a monetary policy measure, as and when the same is warranted. Any increase in the CRR from the current levels could affect our ability to deploy our funds or make investments, which could in turn have a negative impact on our results of operations. If we are unable to meet the requirements of the RBI, the RBI may impose penal interest or prohibit us from receiving any further fresh deposits, which may have a material adverse effect on our business, financial condition and results of operations.

13. The Indian banking industry is very competitive and our success will depend on our ability to compete effectively

We face intense competition from Indian and foreign commercial banks in all our products and services. Some Indian public and private sector banks have recently experienced higher growth, achieved better profitability and increased their market shares, relative to us. Further liberalisation of the Indian financial sector could lead to a greater presence and new entries of Indian and foreign banks, as well as banks promoted by private sector companies, including industrial houses and non-banking financial institutions that meet the RBI's eligibility criteria, that offer a wider range of products and services, which could adversely affect our competitive environment. In addition, since we raise funds from market sources and individual depositors, we face increasing competition for mobilising such funds. The RBI has also issued guidelines on the banking license and also permitted entry of new private sector banks, payment banks and small banks in the banking industry.

Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services at reasonable returns and this may adversely affect our business.

14. Our funding is primarily short-term and if depositors do not roll over deposited funds upon maturity our business could be adversely affected.

Most of our incremental funding requirements are met through short-term funding sources, primarily in the form of retail deposits, as well as deposits from corporate customers and inter-bank deposits. We also obtain funding from capital reserves and borrowings. Our customer deposits generally have maturity in the range of 1–2 years. However, large portions of our assets have medium or long-term maturities, thus creating the potential for funding mismatches.

If a significant portion of our depositors do not roll over deposited funds upon maturity or do so for a shorter maturity than that of our assets, our structural liquidity position could be adversely affected. Our ability to raise fresh deposits and grow our deposit base depends in part on our ability to expand our network of branches.

High volumes of deposit withdrawals or failure of a substantial number of our depositors to roll over deposited funds upon maturity or to replace deposited funds with fresh deposits as well as our inability to grow our deposit base, could have an adverse effect on our liquidity position and our business.

15. The value of our collateral may decrease or we may experience delays in enforcing collateral when borrowers default on their obligations, which may result in failure to recover the expected value of collateral security exposing us to potential loss.

Substantial portions of our loans to corporate customers are secured by real assets, including property, plant and equipment. Our loans to corporate customers also include working capital credit facilities that are typically secured by a first lien on inventory, receivables and other current assets. In some cases, we may have taken further security of a first or second lien on fixed assets or a pledge of financial assets such as marketable securities. A substantial portion of our loans to retail customers is also secured by the assets financed, which are predominantly property and vehicles. Changes in economic conditions and asset prices may cause the value of our collateral to decline. We may not be able to realise the full value of our collateral as a result of, among other factors.

- delays in bankruptcy and foreclosure proceedings;

- defects or deficiencies in the perfection of collateral (including the inability to obtain approvals that may be required from third parties);

- fraud by borrowers;

- depreciation in value of the collateral, illiquid market for disposal of and volatility in the market prices for the collateral; and

- current legislative provisions or changes thereto and past or future judicial pronouncements.

In India, a foreclosure on collateral generally requires a written petition to an Indian court or tribunal. An application, when made, may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. In the event a corporate borrower makes a reference to a specialised quasi-judicial authority called the Board for Industrial and Financial Reconstruction ("**BIFR**"), any foreclosure or enforcement of collateral will be temporarily halted. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the "**SARFAESI Act**"), the Debt Recovery Tribunal Act, 1993 and the RBI's corporate debt restructuring ("**CDR**") mechanisms has strengthened the ability of lenders to resolve NPAs by granting greater rights as to enforcement of security and recovery of dues from corporate borrowers. While we believe that the SARFAESI Act has contributed to our enforcement efforts, there can be no assurance that the legislation will continue to have a favourable impact on our efforts to resolve NPAs. A failure to recover the expected value of collateral security could expose us to a potential loss. Any unexpected losses could adversely affect our business, results of operations and financial condition.

16. We and our customers are exposed to fluctuations in foreign exchange rates.

As a financial intermediary, we are exposed to exchange rate risk. We undertake various foreign exchange transactions to hedge our customers' business and for proprietary trading, which exposes us to various kinds of risks, including credit risk, market risk and exchange rate risk.

We have adopted a market risk management policy and forex dealing and trading operations policy to mitigate risks arising out of customer transactions and proprietary trading through various risk limits such as counterparty bank exposure limits, country wise exposure limits, customer limits, overnight limits, intraday limits, stop loss limits, aggregate gap limits and value-at-risk limits.

Some of our borrowers also enter into derivative contracts to manage their foreign exchange risk exposures. Some of our customers have incurred mark-to-market or crystallised losses on their foreign exchange contracts. The failure of our borrowers to manage their exposures to foreign exchange, derivative risk, adverse movements and volatility in foreign exchange rates may adversely affect our borrowers, the quality of our exposure to our borrowers and our business volumes and profitability. Defaults by our customers on their derivative contracts and their subsequent classification as NPAs may have an adverse impact on our profitability, business and the price of the Equity Shares.

17. Banking is a heavily regulated industry and material changes in the regulations which govern us could cause our business to suffer.

Banks in India are subject to detailed supervision and regulation by the RBI. In addition, banks are subject generally to changes in Indian law, as well as to changes in regulation and government policies and accounting principles. The laws and regulations governing the banking sector may change in the future to be in line with Basel III guidelines or independently of any guidance and any such changes may have an adverse effect on the products or services we offer, the value of our assets or of the collateral available for our loans or our business in general. Since 2005, the RBI has made several changes in regulations applicable to banking companies, including:

- implementation of Basel III capital regulation;
- additional capital and provisions for unhedged foreign currency exposure;
- additional capital for credit value adjustments;
- guidelines on framework for domestic systemically important banks;
- guidelines on intra group exposures;
- framework for revitalising distressed assets;
- risk-weights on certain categories of loans for computation of capital adequacy;
- general provisioning requirements for various categories of assets;
- capital requirements and accounting norms for securitisation;
- policy interest rates, cash reserve ratio, cessation of payment of interest on cash reserve balances;
- limits on investments in financial sector enterprises and venture capital funds; and
- directed lending requirements.

As a public sector Bank, we are subject to an annual financial inspection by the RBI. In the past, the RBI has made certain observations during such inspection concerning our business and operations. In the event that we are unable to meet or adhere to the guidance or requirements of the RBI, the RBI may impose strict enforcement and monitoring measures on us, which may have an adverse effect on our business, financial condition or results of operations.

The Banking Regulation Act and the Banking Companies Act, impose a number of restrictions, which affect our operating flexibility and investors' rights, including:

- We cannot pay any dividend on the Equity Shares until all our capitalised expenses (including preliminary expenses, organisation 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. Payment of dividend is further governed by the RBI guidelines, which imposes certain additional requirements.

- The forms of business that we may engage in are specified and regulated by the Banking Regulation Act. We cannot directly or indirectly deal in the buying, selling or bartering of goods by ourselves or for others, except in connection with the realisation of security given to or held by us. We also cannot engage in any trading, buying, selling or bartering of goods for others other than in connection with bills of exchange received for collection or negotiation, or in connection with the administration of estates as executor, trustee or otherwise, or in connection with any business specified under Section 6(1)(o) of the Banking Regulation Act. We may only undertake business activities permitted by the Banking Regulation Act (to the extent applicable to our Bank) or specifically permitted by the RBI, which may restrict our ability to pursue profitable business opportunities as they arise.

- We are required to create a reserve fund and transfer at least 20.0% of our profit each year to the reserve fund before paying any dividends. Further, payment of dividends is subject to the prior approval of the RBI, unless we comply with the requirements of the minimum capital adequacy ratio of 9.0% for the preceding two completed years and the accounting year for which we propose to declare the dividend, and have a net NPA ratio of less than 7.0%

- We are subject to restrictions in the incorporation of subsidiaries, which may prevent us from exploiting emerging business opportunities in areas other than banking. We may not open new places of business and transfer our existing places of business, which may hamper our operational flexibility.

We also require certain statutory and regulatory permits and approvals to operate our business, including registrations under the relevant shops and establishments acts. We cannot assure you that we have obtained the necessary licenses under the relevant state legislations, including governing the registration of shops and establishments for our branches particularly where specific exemptions have not been provided for scheduled commercial banks. Failure by us to renew, maintain or obtain the required permits or approvals, may result in the interruption of our operations or delay or prevent our expansion plans and may have a material and adverse effect on our business, financial condition and results of operations.

18. We have written off loans amounting to ₹33.87 billion during FY 2016. 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 FY 2016, our Bank has written off (including technical write off) (on a standalone basis) ₹ 33.87 billion, falling under the categories of Agriculture, SSI, Other Priority and Non Priority sectors. Our Bank initiates legal proceedings for recovery of amounts outstanding. Further, our Bank conducts recovery drives in each of our 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.

19. We are subject to various operational and other risks associated with the financial industry, which if materialised, may have an adverse effect on our business.

The proper functioning of our financial control, risk management, accounting or other data collection and processing systems, together with the communication networks connecting our various branches and offices is critical to our operations and ability to compete effectively. We are exposed to many types of operational risk, including:

1. fraud or other misconduct by employees or outsiders;

2. unauthorised transactions by employees or third parties (including violation of regulations for the prevention of corrupt practices, and other regulations governing our business activities);

3. misreporting or non-reporting with respect to statutory, legal or regulatory reporting and disclosure obligations;

4. shortfalls or failures in our systems and controls; and

5. operational errors, including clerical or record keeping errors, or errors resulting from faulty computer or telecommunications systems.

Our growth exposes us to additional operational and control risks. The increasing size of our operations, which use automated control and recording systems as well as manual checks and record keeping, exposes us to the risk of errors in control and record keeping. Given our high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. As a result, should the design of our controls and procedures prove inadequate, or are circumvented, we face the risk of potential delays in detection or errors in information. We also outsource some functions, such as collections, to other agencies. We are therefore further exposed to the risk that external vendors may be unable to fulfill their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as we are), and to the risk that our (or our vendors') business continuity and data security systems prove inadequate.

We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to deterioration in customer service and to loss or liability to us. A partial or complete failure of any of our primary systems or communication networks could adversely affect our decision-making process, risk management or internal controls as well as our timely response to market conditions.

Although we maintain a system of controls designed to keep operational risk at appropriate levels, we cannot assure you that we will not suffer losses from operational risks in the future that may be material in amount and adversely affect our reputation by the occurrence of any such events involving our employees, customers or third parties. For a discussion of how operational risk is managed,. In addition, we may also be exposed to other types of risk during our operations and from entering into transactions, including but not limited to credit risk, counterparty risk, market risk, liquidity risk and operational risk.

20. We face maturity mismatches between our assets and liabilities. If we fail to sustain or achieve growth of our deposit base, including our current and savings account deposit base, our business may be adversely affected.

We meet our funding requirements through short-term (i.e. maturity up to one year) and long-term (i.e., maturity for more than one year) deposits from retail depositors and mid-to-large corporate depositors. Banks usually face a bucket-wise asset-liability mismatch where, typically, the inflows do not match with the outflows in that particular bucket, based on residual maturity.

Asset liability mismatch results in liquidity risk that reflects the possible mismatch of assets and liabilities in a particular bucket. The liquidity risk in a bank arises on account of unanticipated withdrawals of deposits, nonrenewal of deposits and delay in anticipated repayment of advances. The cumulative negative mismatches within the time bands are observed in certain time buckets in the time bands of 8 to 14 days; over 3 years & upto 5 years; and over 5 years of the total outflow respectively. The cumulative mismatches are however within the tolerance level prescribed in our Asset-Liability Management Policy.

We have constituted an Asset Liability Committee ("ALCO") to address the abovementioned risks. The ALCO regularly reviews the asset liability mismatch and takes appropriate steps to ensure that we are not exposed to liquidity risk either, in the short or long-term. However, if the abovementioned risks materialise, we may face liquidity problem, resulting in an asset liability mismatch. As a result, we may be required to pay higher rates to attract deposits, which may have an adverse impact on our business and results of operations.

Any failure on our part to minimize the asset liability mismatch resulting in higher liquidity risk may adversely affect our business, financial condition and results of operations

21. Our inability to effectively manage credit, market and liquidity risks and inaccuracy of our valuation models and accounting estimates may have an adverse effect on our earnings, capitalisation, credit ratings and cost of funds.

Our risk management techniques may not be fully effective in mitigating our 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. In the event future risk exposures are greater than the historical measures indicated, our risk management methods may be inadequate. Our strategies and techniques are, to some degree, based on our management's subjective judgment based on past experience and individual perception. To the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk is ineffective, we may not be able to effectively mitigate our risk exposures, particularly to market environments or against particular types of risk. Further, some of our risk management strategies may be ineffective in a difficult or less liquid market environment, where other market participants may be attempting to use the same or similar strategies to deal with the difficult market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants. Other risk management methods depend upon an evaluation of information regarding markets, customers or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated.

Our balance sheet growth is dependent upon economic conditions, as well as upon our ability to securitize, sell, purchase or syndicate particular loans or loan portfolios. Our trading revenues and interest rate risk are dependent upon our ability to properly identify and mark-to-market, changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon the effectiveness of our management of migrations in credit quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for loan losses.

To the extent our assessments, assumptions or estimates prove inaccurate or unpredictive of actual results, we could suffer higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing our liquidity risk because it affects the evaluation of our credit ratings by rating agencies. Rating agencies may reduce, indicate their intention to reduce, or withdraw their ratings, at any time. Any reduction in our ratings (or withdrawal of ratings) may increase our borrowing costs, limit our access to capital markets and adversely affect our ability to sell or market our products, engage in business transactions, particularly long-term transactions and derivatives transactions, or retain our customer base. Conditions in the international and Indian debt markets may adversely affect our access to financing and liquidity. This, in turn, could reduce our liquidity and negatively affect our operating results and financial condition.

22. We could be adversely affected by the inability of our vendors to perform their contractual obligations. Failure to perform these obligations by our vendors may materially and adversely affect our business, financial condition and results of operations.

We are dependent on various vendors for certain non-core elements of our operations including implementing IT infrastructure and hardware, branch roll-outs, networking, managing our data center, and back-up support for disaster recovery. We have also outsourced certain activities, including the installation and management of our ATMs. Generally, we have agreements with only one-service providers for each outsourced activity and such agreements are typically non-exclusive and short term. However, if such agreements are terminated or not renewed or replaced in a timely manner, this may result in a disruption of our operations. Failure to perform any of these functions by our vendors or service providers may materially and adversely affect our business, financial condition and results of operations.

23. Our business and financial performance are dependent on increasing our area coverage through the branch network, any failure to do so may adversely affect our business.

As of March 31, 2015, the number of our branches was at 5,682 branches and as of September 30, 2016, the number of our Bank's branches was at 5,868 branches. In the future, we may not be able to effectively manage this growth or achieve the desired profitability in the expected timeframe, or at all, or meet the expected increase in our CASA percentage or improvement in other indicators of financial performance from the expansion.

24. We may seek growth opportunities through acquisitions or be required to undertake mergers by the RBI, which exposes us to integration and other acquisition risks.

We compete principally with other nationwide commercial banks in India. We also face competition from a number of regional banks, development banks, specialised banks and subsidiaries and branches of foreign banks operating in India, as well as various other financial institutions, including credit card companies, securities companies and investment trust companies.

We may seek growth opportunities through acquisitions or be required to undertake mergers as mandated by the RBI. In the past, the RBI has ordered mergers of weak banks with other banks primarily in the interest of depositors of the weak banks. Any future acquisition or merger is subject to risks and uncertainties, some of which are beyond our control, including:

- difficulties in operating the integrated information technology system, electronic banking system, risk management and other systems;
- challenges in harmonising the two or more corporate cultures;
- difficulties in maintaining asset quality;
- difficulties in leveraging synergies and rationalising operations;
- difficulties in retaining and attracting customers and new talent;
- difficulties in developing new skills required for new businesses and markets;
- diversion of management's attention required to integrate the two businesses following the acquisition or merger, one or more of which could have an adverse effect on our business; and
- Potential legal proceedings against such acquisitions or mergers.

25. System failures could adversely impact our business

Given the significance of retail products and services and transaction banking services in our business, the importance of systems technology to our business has increased significantly. Our principal delivery channels include ATMs, internet banking, mobile banking and call centres. Any failure in our systems, particularly for retail products and services and transaction banking, could harm our reputation and significantly affect our operations and the quality of our customer service, which could result in business and financial losses and adversely affect the price of the Equity Shares.

Moreover, 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 we have established these policies and procedures, they may not be fully effective.

26. We are subject to certain contractual restrictions and increased regulatory control on account of our Subsidiaries.

We have entered into shareholder agreements with third parties in relation to a few of our Subsidiaries, which contain certain restrictions. For instance, there are restrictions on our ability to transfer our shareholding to third parties and on our ability to carry on certain activities similar to the business carried on by our Subsidiaries. These restrictive covenants may limit our ability and our Subsidiaries' ability to take certain material decisions in relation to their respective businesses.

Further, due to the nature of our Subsidiaries' business we may be subject to increased regulatory control. For instance, we may require prior approval of the relevant regulatory authorities, including the IRDA and the RBI for transferring our shareholding in some of our Subsidiaries to a third party. Additionally, in terms of the regulations notified by the IRDA, the shareholding of a related foreign entity in our Bank may be taken into account, on a proportionate basis, in computing the total foreign equity participation in Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited, which may affect our ability to raise capital in the future.

27. If we are unable to adapt to rapid technological changes, our business could suffer.

Our future success and ability to compete with other banks will depend, in part, on our ability to respond to technological advances, development of human resources and emerging banking industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies effectively or adapt transaction-processing systems to our customers' satisfaction or emerging industry standards. Further, if we are unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business could suffer.

28. A major part of our branch network is concentrated in southern India and thereby exposing us to regional risks.

As at September 30, 2016, out of our 5,868 branches, 2,668 branches are located in the southern states of India. 44.58% of our business (advances + deposits) is conducted in the southern states of India as at September 30, 2016. Our concentration in the southern states exposes us to any adverse geological, ecological, economic and/or political circumstances in that region as compared to other public and private sector banks that have diversified national presence. Any disruption, disturbance or breakdown in the economy of southern India could adversely affect the result of our business and operations.

29. Any inability to attract and retain talented professionals may negatively affect us.

Our business is growing more complex as we expand our operations and our product lines. Our growth and continued success depends in part on the continued service of key members of our management team and our ability to continue to attract, train, motivate and retain highly qualified professionals. We believe our employees are a significant source of our competitive advantage and are thus a key element of our growth strategy. The successful implementation of our strategy depends on the availability of skilled management, both at our head office and at each of our business units and international locations and on our ability to attract and train technologically sound, young professionals. As we generally pay wages that are lower than those paid by private sector banks, it could adversely affect our ability to hire and retain qualified employees. We also do not maintain any key person insurance. If we or one of our business units or other functions fail to staff their operations appropriately, or lose one or more of our key senior executives or qualified young professionals and fail to replace them in a satisfactory and timely manner, our business, and operations, including our control and operational risks, may be adversely affected.

30. Our employees are unionized and any union action may adversely affect our operations and business.

Approximately 94.65% of our employees belong to trade unions as of November 30, 2016. While we believe we have strong working relationships with the unions to which our employees belong, there can be no assurance that we will be able to maintain such relationships in the future. In the past, we have experienced work stoppages and strikes initiated by various trade unions of public sector banks across the country and certain regions. If these trade unions were to call for a work stoppage or other similar action, we may be forced to suspend all or part of our operations until disputes are resolved. If any work stoppage were to occur, our operations would be disrupted and our business would be adversely affected.

31. Materialization of our contingent liabilities could affect our results of operations and financial condition.

As of September 30, 2016, our Bank had (on a consolidated basis) contingent liabilities of ₹ 3,180.84 billion on account of claims against us that are not acknowledged as debt, liabilities on account of outstanding forward exchange contracts, guarantees, acceptances, endorsements and other obligations, interest rate swaps and others. If our contingent liabilities crystallise, it may have an adverse effect on our results of operations and financial condition.

32. As the Government controls a majority of our issued share capital, our strategy and operations may be affected by the Government's public policy decisions.

The Government controls a majority of our issued share capital. As of the date of this Letter of Offer, the Government directly held 66.30% of our issued share capital. In addition, under Section 3(2E) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970, no shareholder other than the Government may exercise voting rights in respect of any Equity Shares held by such shareholder in excess of 10.0% of the total voting rights of our shareholders. Although historically we have enjoyed a certain degree of autonomy from the Government in the management of our affairs and strategic direction, as our controlling shareholder, the Government is able to exercise effective control over us. Further, the Chairman, Managing Director & CEO and the Executive Directors are appointed by the Government. The remaining Directors are non-executive Directors that represent the Government, the RBI, shareholders and the workmen and non-workmen staff of our Bank. Although our management runs the day-to-day operations, the Government may determine material policies as a majority and controlling shareholder.

We are mandated under the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 to, among other things; serve the needs of development of the Indian economy in conformity with national policies and objectives. From time to time, we may be required to take actions in furtherance of public policy considerations and the Government's broader objectives for the banking industry, which are not necessarily in our best commercial interests. We cannot assure you that the Government's future policy decisions will not have an adverse effect on our results of operations and financial condition.

33. We depend on the accuracy and completeness of information about customers and counterparties.

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

34. We are party to multiple recovery proceedings against Deccan Chronicle Holdings Limited, Nakoda Limited and Winsome Diamonds & Jewellery Limited, and may incur losses in the event of adverse findings against us in these proceedings.

We are party to multiple recovery proceedings against Deccan Chronicle Holdings Limited, Nakoda Limited and Winsome Diamonds & Jewellery Limited amounting to aggregate liability of ₹6.78 billion, ₹5.89 billion and ₹12.04 billion respectively, excluding interest. On September 30, 2016, these facilities have been deemed as NPAs by our Bank and recovery proceedings in relation these facilities have been initiated in forums across multiple jurisdictions.

In the event any judgment or order is passed in favor of the aforementioned parties, our Bank may incur losses to the extent of our entire book liability or a part of it. Further, even if our Bank succeeds in the recovery proceedings, the aggregate value of the assets may not be sufficient to offset the entire amount in the disputes.

35. If we do not effectively manage our foreign operations or our international expansion, these operations may incur losses or otherwise adversely affect our Bank's business and results of operations.

As of September 30, 2016, our Bank had a network of eight international branches and offices in nine countries, one representative office in Sharjah, UAE, a joint venture bank in Moscow and a subsidiary in Tanzania. We intend to continue expanding our international operations. As we have a number of foreign branches, a representative office and a joint venture, we may be subject to additional risks relating to compliance with a wide variety of national and local laws, restrictions on the import and export of certain intermediates, banking regulations, technologies and multiple, and possibly overlapping, tax structures.

Moreover, the loan portfolio of our international branches and subsidiaries includes foreign currency loans to Indian companies for their Indian operations (as permitted by regulations) as well as for their overseas ventures, including cross-border acquisitions. This exposes us to specific additional risks, including the failure of the acquired entities to perform as expected and our inexperience in various aspects of the economic and legal framework of overseas markets.

In addition, we face competition from banks in other countries that may have more experience and resources in those countries or in international operations generally. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture or complying with unfamiliar laws and regulations. If we do not effectively manage our foreign operations and expansion, we may lose money in these countries, which could adversely affect our business and results of operations.

36. Our business is particularly vulnerable to interest rate risk, and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, income from our treasury operations and our financial performance.

Interest rate risk depends upon the nature of gaps in risk sensitive assets and rate sensitive liabilities. In case of volatility in interest rates our net interest income could be adversely affected by a rise or fall in interest rates on assets and liabilities, especially if the changes were sudden or sharp. If such a fluctuation in interest rates were to occur, our net interest margin could be adversely affected because the interest paid by us on deposits could increase at a higher rate than the interest received by us on advances and other investments. The requirement that we maintain a portion of our assets in fixed income Government securities could also have a negative impact on our net interest income and net interest margin because we typically earn interest on this portion of our assets at rates that are generally less favorable than those typically received on our other interest-earning assets.

In the past, the Indian financial markets had been negatively affected by the volatile global financial market on account of certain European nations' debt troubles, recent move to break away by the U.K from Euro and doubts on the fiscal sustainability of the U.S, Japan and other countries, like China and Russia etc.

In the future, if the yield on our interest-earning assets does not increase at the same time or to the same extent as our cost of funds, or if our cost of funds does not decline at the same time or to the same extent as the yield on our interest-earning assets, our net interest income and net interest margin would be adversely affected.

We are also exposed to interest rate risk through our treasury operations. A rise in interest rates or greater interest rate volatility could adversely affect our income from treasury operations or the value of our fixed income securities trading portfolio. Sharp and sustained increases in the rates of interest charged on floating rate home loans, which constitute a material proportion of our loan portfolio, would result in an extension of loan maturities and higher monthly installments due from our borrowers, which in turn could result in higher rates of default in this portfolio and adversely affect our business, results of operations and financial condition.

37. If we fail to maintain desired levels of customer deposits or loans, our business operations may be adversely affected.

Customer deposits are our primary source of funding. However, many factors affect the growth of deposits, some of which are beyond our control, such as economic and political conditions, competition, availability of investment alternatives and retail customers' changing perceptions toward savings. For example, retail customers may reduce their deposits and increase their investment in securities for a higher return, while SMEs and mid-corporate customers may reduce their deposits in order to fund projects in a favorable economic environment. In the event of a decrease in deposits, we may be required to pay higher interest rates to attract deposits, which could adversely affect our performance. If we fail to maintain our desired level of deposits, our liquidity position, financial condition and results of operations may be materially and adversely affected. In such event, we may need to seek more expensive sources of funding, and it is uncertain whether we will be able to obtain additional funding on commercially reasonable terms as and when required. Our ability to raise additional funds may be impaired by factors over which we have little or no control, such as deteriorating market conditions or severe disruptions in the financial markets.

Conversely, we may not be able to reduce our deposits if we experience surplus liquidity. We must find ways to lend surplus funds to existing or new borrowers in order to earn interest income and protect our net interest margin. If we cannot secure sufficient loan volumes or earn sufficient interest on our lending, due to economic conditions or other factors, our ability to earn income and maintain and increase our net interest margin may be adversely affected along with our business and results of operations.

38. We face significantly different credit risks compared to banks in developed countries.

Our principal business is providing financing to our customers, most of which are based in India. The credit risk profiles of our borrowers differ significantly from those of borrowers of most banks in developed countries, due to factors such as uncertainty in the regulatory, political, economic and industrial environment prevalent in India as compared to developed countries.

Risk concentration may also arise due to the adverse developments in a particular industry or country, which may have a contagion effect on other industries, or countries that have a close economic linkage with it.

We are subject to the credit risk that our borrowers may not pay in a timely fashion or at all. Increased competition arising from economic liberalization in India, variable industrial growth, a sharp decline in commodity prices, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a large number of the projects were entered into, may have reduced the profitability of some of our borrowers. In the event a substantial number of our borrowers default on their loans, the effects of such defaults would be adverse toward our business, results of operations and financial condition.

39. We may not be able to detect money-laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and harm our business or reputation.

We are required to comply with applicable anti-money laundering ("**AML**") and anti-terrorism laws and other regulations in India and in other jurisdictions where we have operations. These laws and regulations require us, among other things, to adopt and enforce know-your-customer ("**KYC**") policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. While we have adopted policies and procedures aimed at detecting and preventing the use of our banking networks for money-laundering activities and by terrorists and terrorist related organizations and individuals generally, such policies and procedures may not completely eliminate instances where our products or services may be used by other parties to engage in money-laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. Our business and reputation could suffer if any such parties use our products or services for money-laundering or illegal or improper purposes.

No assurance can be made that such measures will be fully successful in preventing the violation of AML and KYC procedures and consequently the adverse effects such violations would have to our business, results of operations and financial condition.

40. Majority of our branches are located on premises that have been leased. The termination of any of these leases or our inability to exercise our rights under the lease agreements may cause disruption in our operations.

Majority of our premises are leased. Such leases are typically for a period of five to ten years. Although we have renewed the majority of our leases in the past, our business, financial condition, and operating results could be adversely affected if we are unable to negotiate favorable lease renewal terms for our existing branches. In case of non-renewal of our leases for our existing branches, we will be forced to procure alternative space for our existing branches. Although we procure space that satisfies the safety, operational and financial criteria for our branches, we cannot assure you that we will be able to identify such space at commercially reasonable terms or at all. Failure to identify such space can adversely affect our financial condition and results of operation.

Further, any breach of the terms and conditions of these lease agreements could result in the termination of the lease agreements and force us to establish operations at another location, which may disrupt our operations temporarily.

Additionally, we cannot assure you that all the lease agreements for our branches are adequately stamped as per the requirements of applicable laws. Any such irregularity may result in our inability to enforce our rights under such lease agreements, which may disrupt our operations and adversely affect our business, financial condition and result of operations.

41. Our insurance coverage could prove inadequate to satisfy potential claims. If we were to incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have a material adverse effect on our business, results of operations and financial condition.

We have taken out insurance within coverage consistent with industry practice in India to cover certain risks associated with our business, including money and securities in safe or transit, goods held in trust, commission, currency and buildings. We cannot assure you that our current insurance policies will insure us fully against all risks and losses that may arise in the future. In addition, even if such losses are insured, we may be required to pay a significant deductible on any claim for recovery of such loss or the amount of the loss may exceed our coverage for the loss. In addition, our insurance policies are subject to annual review, and we cannot assure you that we will be able to renew these policies on similar or otherwise acceptable terms, if at all. If we were to incur a serious uninsured loss or a loss that significantly exceeded the limits of our insurance policies, it could have a material adverse effect on our business and financial condition.

42. One of our registered trademarks has expired. Failure to protect our intellectual property may adversely affect our reputation, goodwill and business operations.

One of our trademarks registered as a word mark with the Trademarks Registry bearing Application No. 732150 has expired as on December 18, 2016. We have not made any application for renewal of the same. There is no assurance that our application for renewal when filed shall result in renewal of the trademark in a timely manner or at all or that third parties would not infringe upon our trademark or any order restraining or prohibiting us from using the trademark, shall adversely affect the business prospects, reputation and goodwill of our Bank. In such a case protection of the trademark in India may be difficult and we may be a party to litigation for infringement. In addition, our Bank may not be able to detect any unauthorized use or take appropriate and timely steps to protect our trademarks. Our inability to protect the same could adversely affect our business. We cannot provide any assurance that third parties will not infringe upon our trademark, trade names, logos or brand names and thereby cause damage to our business prospects, reputation or goodwill.

Risks Relating to India and Other Economic and Market Risks

43. A slowdown in economic growth in India and other countries could cause our business to suffer.

In light of the increasing linkage of the Indian economy to other economies, the Indian economy will be increasingly influenced by economic and market conditions in other countries. As a result, slowdown in growth in the United States, Europe and other countries in the developed world and a slowdown in economic growth in major emerging markets such as China could have an adverse impact on economic growth in India. A slowdown in the pace of growth in the Indian economy could result in lower demand for credit and other financial products and services, and higher defaults among corporate, retail and rural borrowers, which could adversely impact our business, financial performance, shareholders' fund, ability to implement our strategy and the trading price of the Equity Shares.

44. *Financial instability in India and other countries where we have business or operations could disrupt our business and cause the trading price of the Equity Shares to decrease.*

The Indian market and the Indian economy are, to a certain extent, influenced by economic and market conditions in other countries, particularly market conditions in the United States and Europe. Although, financial turmoil elsewhere in the world in the past years has had limited impact on the Indian economy, investors should be aware that there is a recent history of financial crises and boom-bust cycles in multiple markets in both the emerging and developed economies which leads to risks for all financial institutions, including us. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of India or other markets may cause volatility in the Indian financial markets and indirectly, in the Indian economy in general. This could negatively impact the Indian economy, including the movement of exchange rates, interest rates and flow of funds in India. Any significant financial disruption could have an adverse effect on our business, future financial performance and the trading price of the Equity Shares. Further, although the recent financial crisis has had a limited direct impact on us, the widening of credit spreads resulted in mark-to-market and realised losses on our investment and derivative portfolios, constrained our international debt capital market borrowings and adversely impacted our profitability. Moreover, we remain subject to the risks posed by the indirect impact of the global credit crisis on the economy, some of which cannot be anticipated and the vast majority of which are not in our control. We also remain subject to counterparty risk to financial institutions that fail or are otherwise unable to meet their obligations to us.

If communal disturbances or riots erupt in India, or if regional hostilities increase, this would adversely affect the Indian economy, and our business, financial condition and results of operations.

India has experienced communal disturbances, terrorist attacks and riots during recent years. If such events recur, our operational and marketing activities may be adversely affected, resulting in a decline in our income. The Asian region has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, including those between India and Pakistan. Hostilities and tensions may occur in the future and on a wider scale. Military activity or terrorist attacks in India, as well as other acts of violence or war could influence the Indian economy by creating a perception that investments in India involve higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have an adverse effect on the market for securities of Indian companies, including the Equity Shares.

45. *Natural calamities could have a negative impact on the Indian economy and could cause our business to suffer.*

India has experienced natural calamities such as earthquakes, floods and drought in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. In particular, climatic and weather conditions, such as the level and timing of monsoon rainfall, impact the agriculture sector which constitutes approximately 14% of India's GDP. Prolonged spells of below or above normal rainfall, other natural calamities, or global or regional climate change, could adversely affect the Indian economy and our business, especially our agriculture portfolio. Similarly, global or regional climate change or natural calamities in other countries where we or our borrowers operate could affect the economies of those countries and our exposure to those countries.

46. *Significant differences exist between GAAP as applied in India and other accounting principles with which investors may be more familiar.*

Our financial statements are prepared in conformity with Indian GAAP. GAAP as applied in India differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and accounting standards with which prospective investors may be more familiar with in other countries. We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP or a summary of principal differences between Indian GAAP, IFRS and U.S. GAAP relevant to our business. Furthermore, we have not quantified or identified the impact of the differences between Indian GAAP and IFRS or between Indian GAAP and U.S. GAAP as applied to our financial statements. As there are significant differences between GAAP as applied in India and IFRS and between GAAP as applied in India and U.S. GAAP, there may be substantial differences in our results of operations, cash flows and financial position if we were to prepare our financial statements in accordance with IFRS or U.S. GAAP instead of Indian GAAP.

Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisors for an understanding of the differences between Indian GAAP and IFRS and between Indian GAAP and US GAAP and how they might affect the financial information contained in this Letter of Offer.

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

As of November 25, 2016, India's foreign exchange reserves were U.S.$ 365.31 billion. A decline in India's foreign exchange reserves would have an impact on the exchange rate of the Rupee and could result in reduced liquidity and higher interest rates, which could adversely affect our business.

48. Any downgrading of India's debt rating by an international rating agency could adversely affect our business.

India's sovereign debt rating could be downgraded due to various factors, including changes in tax or financial policy or a decrease in India's foreign exchange reserves. According to the RBI, India's total foreign exchange reserves were over U.S. $ 366.78 billion as on August 26, 2016. India's foreign exchange reserves have grown consistently in the past. (Source: Reserve Bank of India). However, any decline in foreign exchange reserves could adversely affect the valuation of the Indian Rupee and could result in reduced liquidity that could adversely affect our future financial performance and the market price of the Equity Shares and could result in a downgrade of India's debt ratings. Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our business and limit our access to capital markets, increase the cost of funds, adversely impact our liquidity position, our shareholders' funds and the price of our Equity Shares.

49. Financial difficulty and other problems in certain long-term lending institutions and investment institutions in India could have a negative impact on our business and the trading price of the Equity Shares could decrease.

As an Indian bank, we are exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is referred to as "systemic risk," may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact with on a daily basis. Our transactions with these financial institutions expose us to credit risk in the event of default by the counterparty, which can be exacerbated during periods of market illiquidity. As the Indian financial system operates within an emerging market, we face risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions and banks. This in turn could adversely affect our business, future financial performance and the trading price of the Equity Shares.

50. You may not be able to enforce a judgment of a foreign court against us.

All our Directors and our executive officers are residents of India and nearly all our assets are located in India. India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, as amended ("**Civil Code**") on a statutory basis. Section 44A of the Civil Code provides for execution of decrees passed by courts in reciprocating territories, such territories having been declared by the Government by notification in the Indian Official Gazette. However, Section 44A of the Civil Code is applicable only to decrees or judgments under which sums of money are payable, but not payments n the nature of being a sum payable in respect of taxes, other charges of a similar nature, in respect of a fine or other penalties. If a decree is passed by a court of a non-reciprocating country, then that foreign judgment, if conclusive, can only be enforced by filing a suit upon that judgment. Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter thereby directly adjudicated upon, except:

- where the judgment has not been pronounced by a court of competent jurisdiction;
- where the judgment has not been given on the merits of the case;
- where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable;
- where the proceedings in which the judgment was obtained was opposed to natural justice;
- where the judgment has been obtained by fraud; or
- where the judgment sustains a claim founded on a breach of any law then in force

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Generally, there are considerable delays in the disposal of suits by Indian courts. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI to repatriate any amount recovered and any such amount repatriated may be subject to income tax in accordance with applicable laws and regulations.

51. Foreign Account Tax Compliance withholding may affect payments on the Equity Shares.

The U.S. "Foreign Account Tax Compliance Act" ("**FATCA**") imposes a new reporting regime and, potentially, a 30.0% withholding tax from any payment made on the Equity Shares after December 31, 2016, with respect to (i) certain payments from sources within the United States, (ii) "foreign pass- through payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Our Bank is classified as a financial institution for these purposes. If a withholding tax in respect of FATCA were to be deducted or withheld from any payments, neither our Bank nor any other person will pay additional amounts as a result of the deduction or withholding.

Risks Relating to the Issue

52. Fluctuations in the exchange rate between the Rupee and the U.S. dollar could have an adverse effect on the value of the Equity Shares, independent of our operating results.

The Equity Shares are quoted in Rupees on the BSE and NSE. Any dividends in respect of the Equity Shares will be paid in Rupees and subsequently converted into U.S. dollars for repatriation. Any adverse movement in exchange rates during the time it takes to undertake such conversion may reduce the net dividend to investors. In addition, any adverse movement in exchange rates during a delay in repatriating the proceeds from a sale of Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares, may reduce the net proceeds received by shareholders. The exchange rate between the Rupee and the U.S. dollar has changed substantially in the last two decades and could fluctuate substantially in the future, which may have an adverse effect on the value of the Equity Shares and returns from the Equity Shares, independent of our operating results.

53. Foreign investors are subject to foreign investment restrictions under Indian law that limits our ability to attract foreign investors, which may adversely impact the market price of the Equity Shares.

Under the foreign exchange regulations currently in force in India, transfers of shares between non- residents and residents are freely permitted (subject to certain exceptions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares is not in compliance with such pricing guidelines or reporting requirements and does not fall under any of the exceptions in the foreign exchange regulations, then the prior approval of the RBI will be required. Additionally, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no objection or a tax clearance certificate from th,e income tax authority. We cannot assure you that any required approval from the RBI or any other Government agency can be obtained on any particular terms or at all.

54. Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows and Indian banking regulations.

The amount of future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, terms and conditions of our indebtedness and capital expenditures. In addition, as an Indian bank, our ability to pay dividends is subject to restrictions under Indian banking regulations. See "*—Banking is a heavily regulated industry and material changes in the regulations which govern us could cause our business to suffer*". We cannot assure you that we will be able to pay dividends in the future.

55. We, or our customers, may engage in certain transactions in or with countries or with persons that are subject to U.S. and other sanctions.

U.S. law generally prohibits U.S. persons from, directly or indirectly, investing or otherwise doing business in or with certain countries (such as Iran, Myanmar, Sudan and Syria, among others) and with certain persons or businesses that have been specifically identified by the OFAC or other U.S. government agencies. Other governments and international or regional organizations also administer similar economic sanctions.

We provide transfer, settlement and other services to customers doing business with, or located in, countries to which certain OFAC-administered sanctions or other sanctions apply, such as Iran. Although we believe that we have compliance systems in place that are sufficient to block prohibited transactions, there can be no assurance that we are able to fully monitor all of our transactions for any potential violation. Although we do not believe that we are in violation of any applicable sanctions, if it were determined that transactions involving our participation violate U.S. or other sanctions, we could be subject to U.S. or other penalties, and our reputation and future business prospects in the United States or with U.S. persons, or in other jurisdictions, could be adversely affected. Further, investors in the Equity Shares could incur reputational or other risks as the result of our dealings, along with our customer's dealings in or with countries or with persons that are the subject of U.S. sanctions. The consequences of breaching such sanctions would adversely affect our business and results of operations.

PROMINENT NOTES

1. Issue of [•] Rights Equity Shares of face value of ₹ 10 each for cash at a price of ₹ [•] per Equity Share including a share premium of ₹ [•] per Equity Share aggregating to ₹ 11,280 million to the existing Eligible Equity Shareholders on a rights basis in the ratio of [•] Equity Shares for every [•] Equity Shares held by them on the Record Date (i.e. [•]).

2. As on March 31, 2016, our net worth (on a consolidated basis) was ₹ 2,59,110 million (excluding revaluation reserves).

3. For details of our transactions with the related parties during FY 2015-16 as per AS 18, the nature of such transactions and the cumulative value of such transactions, please refer the chapter titled "Financial Statements" on page [•] of this Letter of Offer.

4. Neither our promoter(s) nor its Directors or our Directors and their relatives have 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 Letter of Offer with Designated Stock Exchange.

SECTION III – INTRODUCTION

THE ISSUE

Pursuant to the resolution passed by our Board at its meeting held on September 23, 2016, our Bank has been authorized 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 of the Issue" on page [●] *of this Letter of Offer.*

Rights Equity Shares being offered by our Bank	[●] 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 each fully paid up
Issue Price per Rights Equity Share	₹ [●] (including a premium of ₹ [●] per Rights Equity Share)
Issue size	Not exceeding ₹ 11,280 Million
Equity Shares outstanding prior to the Issue	54,29,91,054 Equity Shares
Equity Shares outstanding after the Issue (assuming full subscription for and Allotment of the Rights Entitlement)	[●] Equity Shares
Use of Issue Proceeds	Please refer the chapter titled "Objects of the Issue" on page [●] of this Letter of Offer
Terms of the Issue	For more information, please refer to the chapter titled "Terms of the Issue" on page [●] of this Letter of Offer

Terms of Payment

Due Date	Amount
On the Issue application (i.e. along with the CAF)	₹ [●], which constitutes 100% of the Issue Price payable

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth below indicates a summary financial information derived from our Audited Financial Statements and the Limited Review Financial Statements:

STANDALONE BALANCE SHEET AS AT 31ST MARCH 2016

	As at 31.03.2016 (Rs. in mn)	As at 31.03.2015 (Rs. in mn)
CAPITAL AND LIABILITIES		
CAPITAL	54 29.91	47 51.97
RESERVES AND SURPLUS	3 1 06 02.10	31 38 40.36
DEPOSITS	479 79 15.62	473 84 01.03
BORROWINGS	26 87 33.16	25 67 15.67
OTHER LIABILITIES AND PROVISIONS	14 69 26.99	16 62 96.62
TOTAL	552 96 07.78	548 00 05.65
ASSETS		
CASH & BALANCES WITH RESERVE BANK OF INDIA	20 66 40.51	21 97 19.54
BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	36 06 96.07	26 66 91.40
INVESTMENTS	142 30 93.01	142 06 14.24
ADVANCES	324 71 48.24	330 03 55.15
FIXED ASSETS	7 19 81.02	6 94 94.47
OTHER ASSETS	22 00 48.93	20 31 30.85
TOTAL	552 96 07.78	548 00 05.65
CONTINGENT LIABILITIES	287 94 55.53	275 35 52.19
BILLS FOR COLLECTION	26 56 30.02	21 90 34.73

STANDALONE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2016

		For the year ended 31.03.2016 (Rs. in Mn)	For the year ended 31.03.2015 (Rs. in Mn)
I.	**INCOME**		
	INTEREST EARNED	**44 02 21.36**	43 75 00.43
	OTHER INCOME	**4 87 52.29**	4 55 02.50
	TOTAL	**48 89 73.65**	48 30 02.93
II.	**EXPENDITURE**		
	INTEREST EXPENDED	**34 25 87.75**	34 08 63.75
	OPERATING EXPENSES	**7 49 19.35**	7 26 35.51
	PROVISIONS AND CONTINGENCIES	**9 95 94.78**	4 24 77.43
	TOTAL	**51 71 01.88**	45 59 76.69
III.	**NET PROFIT FOR THE PERIOD**	**(2 81 28.23)**	2 70 26.24
IV	**APPROPRIATIONS**		
	TRANSFERS TO		
	STATUTORY RESERVES	-	68 00.00
	CAPITAL RESERVES	-	12 24.00
	INVESTMENT RESERVE ACCOUNT	-	36 08.00
	REVENUE RESERVE	-	38 76.96
	SPECIAL RESERVE	-	50 00.00
	PROPOSED DIVIDEND	-	54 09.67
	DIVIDEND TAX	-	11 07.61
	TOTAL	-	**2 70 26.24**
	ACCOUNTING POLICIES		
	NOTES ON ACCOUNTS		
	EARNINGS PER SHARE (BASIS AND DILUTED)(IN RS)	**(53.61)**	58.59

STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016

(Rs. in Million)

Cash Flow from Operating activities		31.03.2016	31.03.2015
Net profit after Tax		-28128.20	27026.30
Adjustments for:			
Provision for Tax		-3729.50	7950.00
Depreciation		1699.60	4270.60
Loss on revaluation of Investments		0.00	1034.80
Provision for Diminution in Fair Value and NPAs		101394.50	37294.57
Provision for Standard assets		-4592.00	1537.33
Interest on Tier I and Tier II bonds		10530.80	9371.50
Provision for contingencies and others		3844.20	2273.99
Profit / loss on sale of Fixed Assets		5.80	-13.60
Income from Investment in subsidiaries, JVs, etc		-631.40	-811.60
Provision for investment depreciation/ (appreciation)		2677.50	-6578.50
Sub total		**111199.50**	**56329.08**
Adjustments for:			
(Increase)/ Decrease in investments		-5156.30	-178334.80
(Increase)/ Decrease in advances		-47681.00	-327225.47
Increase/ (Decrease) in borrowings		-3670.90	-23602.10
Increase/ (Decrease) in deposits		59514.60	531172.80
(Increase)/ Decrease in other assets		-1918.00	-28724.80
Increase/ (Decrease) in other liabilities and provisions		-8375.20	4829.89
		-7286.80	**-21884.48**
Less: AdvanceTax paid		15000.00	16000.00
Cash Generated from Operating Activities	**(A)**	**60784.50**	**45470.90**
Cash Flow from Investing activities			
Income from investment in subsidiaries and/or JVs		631.40	811.60
Investment in JVs, Subsidiaries, etc		0.00	-1300.70
Net inflow/ outflow from sale/ purchase of fixed assets		-3803.80	-8259.90
Cash generated from Investing activities	**(B)**	**-3172.40**	**-8749.00**
Cash Flow from Financing activities			
Fresh issue of capital		677.90	139.40
Premium Received on Issue of share		23995.30	5560.60
Dividend and DDT paid		-6517.20	-2938.00
Payment of interest on Tier I and Tier II bonds		-10530.80	-9371.50
Fresh issue of bonds including sub-ordinated debts		15688.40	8011.40
Cash generated from Financing activities	**(C)**	**23313.60**	**1401.90**

Net Increase/ (Decrease) in cash and cash equivalents (A+B+C)	**80925.70**	**38123.80**
Opening Cash and Cash equivalents	**486410.90**	**448287.10**
Closing Cash and Cash Equivalents	**567336.60**	**486410.90**

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2016

	As at 31.03.2016 (Rs. in Mn)	As at 31.03.2015 (Rs. in Mn)
CAPITAL AND LIABILITIES		
CAPITAL	5 429.91	4 751.97
RESERVES AND SURPLUS	3 18 666.83	3 20 165.11
MINORITY INTEREST	4 492.31	3 786.51
DEPOSITS	47 97 489.38	47 37 249.90
BORROWINGS	2 69 634.23	2 57 628.21
OTHER LIABILITIES AND PROVISIONS	2 41 536.57	2 61 993.77
TOTAL	56 37 249.23	55 85 575.47
ASSETS		
CASH & BALANCES WITH RESERVE BANK OF INDIA	2 06 650.32	2 19 767.63
BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	3 60 787.13	2 66 707.97
INVESTMENTS	15 24 698.03	15 21 217.04
ADVANCES	32 49 923.62	33 02 938.70
FIXED ASSETS	72 057.61	69 699.89
OTHER ASSETS	2 23 132.52	2 05 244.24
TOTAL	56 37 249.23	55 85 575.47
CONTINGENT LIABILITIES	28 81 491.27	27 56 668.33
BILLS FOR COLLECTION	2 65 630.02	2 19 034.73

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2016

		For the Year ended 31.03.2016 (Rs. in Mn)	For the Year ended 31.03.2015 (Rs. in Mn)
I.	**INCOME**		
	INTEREST EARNED	4 40 394.87	4 38 133.72
	OTHER INCOME	51 312.58	47 334.47
	TOTAL	4 91 707.45	4 85 468.19
II.	**EXPENDITURE**		
	INTEREST EXPENDED	3 42 629.92	3 41 331.24
	OPERATING EXPENSES	75 919.37	72 660.27
	PROVISIONS AND CONTINGENCIES	99 861.13	42 896.49
	TOTAL	5 18 410.42	4 56 888.00
	SHARE OF EARNINGS IN ASSOCIATES	1 351.77	730.34
	CONSOLIDATED NET PROFIT FOR THE YEAR BEFORE DEDUCTING MINORITIES' INTEREST	- 25 351.20	29 310.53
	LESS: MINORITY INTEREST (NET LOSS)	718.88	663.85
	CONSOLIDATED PROFIT FOR THE YEAR ATTRIBUTABLE TO THE GROUP	- 26 070.08	28 646.68
III.	**APPROPRIATIONS**		
	TRANSFERS TO		
	STATUTORY RESERVE	4.50	6 829.70
	CAPITAL RESERVE	-	1 224.00
	INVESTMENT RESERVE	-	3 608.00
	SPECIAL RESERVE	-	5 000.00
	INTERIM DIVIDEND	-	-
	PROPOSED DIVIDEND	-	5 409.67
	DIVIDEND TAX	-	1 107.61
	BALANCE CARRIED OVER TO REVENUE AND OTHER RESERVES	- 26 074.58	5 467.70
	TOTAL	- 26 070.08	28 646.68
	SIGNIFICANT ACCOUNTING POLICIES		
	NOTES ON ACCOUNTS		
	EARNINGS PER SHARE (BASIC AND DILUTE) (IN RS)	- 49.69	62.10

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016

Rs. in Million

			31.03.2016	31.03.2015
I	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net profit after Taxes		-26070.08	28646.68
	ADJUSTMENTS FOR:			
	Provisions for Tax		-3785.18	8252.60
	Provision for Investment Depreciation		2677.50	-7281.58
	Provision for Non Performing Assets		96413.72	37809.23
	Provision for Standard Asset		-4592.85	1553.23
	Provision for Contingencies and Others		9147.94	2563.00
	Depreciation on fixed assets		1720.30	4289.05
	Loss on revaluation of Investments		-	1034.85
	Interest on Tier I and Tier II bonds		10530.80	9371.47
	(Profit) / loss on sale of Investments		-9981.52	-11670.82
	(Profit) / loss on sale of Fixed Assets		5.79	-152.57
	Sub-total		76066.42	74415.14
	Adjustments for :			
	Increase/ (Decrease) in Deposits		60239.47	531213.10
	Increase/ (Decrease) in Borrowings		27694.40	-7457.66
	(Increase)/ Decrease in Investments		7427.32	-187184.75
	(Increase)/ Decrease in Advances		53015.08	-289678.53
	(Increase)/ Decrease in Other assets		-2795.46	-28435.26
	Increase/ (Decrease) in Other liabilities and provisions		-113801.05	-13970.77
	Increase/ (Decrease) in Minority Interest		705.80	650.97
	Cash flow from operating activity before taxation		108551.98	79552.24
	Less: Advance Tax paid		15092.82	16114.75
	NET CASH PROVIDED BY OPERATING ACTIVITIES	**(A)**	93459.16	63437.49

II	**CASH FLOW FROM INVESTING ACTIVITIES**			
	(Increase) / Decrease in Investment in Subsidiaries/Associates/JVs		-926.79	-1790.38
	(Increase) / Decrease in Fixed Assets		-3695.69	-8140.63
	Increase / (Decrease) in Other Reserve		-226.25	-444.31
	NET CASH PROVIDED BY INVESTING ACTIVITIES	**(B)**	-4848.73	-10375.32
III	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Share Capital		677.94	139.38
	Share Premium		23995.26	5560.62
	Increase/Decrease in Subordinated Bonds		-15688.37	-8011.38
	Payment of interest on Tier I and Tier II bonds		-10530.80	-9371.47
	Dividends paid including tax paid thereon		-6517.28	-2956.06
	NET CASH PROVIDED BY FINANCING ACTIVITIES	**(C)**	-8063.25	-14638.91
IV	**CASH FLOW ON ACCOUNT OF EXCHANGE FLUCTUATION**			
	Reserves of Foreign currency fluctuation		414.67	-663.45
	NET CASH FLOWS ON ACCOUNT OF EXCHANGE FLUCTUATION	**(D)**	414.67	-663.45
	Net Increase/ (Decrease) in cash and cash equivalents (A+B+C+D)		80961.85	37759.81
	Opening Cash and Cash equivalents		486475.60	448715.80
	Closing Cash and Cash Equivalents		567437.45	486475.61

REVIEWED STANDALONE FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2016

(Rs in Million)

Sl. No.	PARTICULARS	HALF YEAR ENDED		YEAR ENDED
		(REVIEWED)		(AUDITED)
		30.09.2016	30.09.2015	31.03.2016
1	**INTEREST EARNED (a)+(b)+(c)+ (d)**	**206070.5**	**224071.5**	**440221.3**
	(a) Interest/discount on advances/bills	149413.2	162267.1	313772.5
	(b) Income on Investments	51179.0	56894.1	114077.9
	(c) Interest on balances with Reserve Bank of India & Other Inter-Bank Funds	4729.9	3876.4	8795.0
	(d) Others	748.4	1033.9	3575.9
2	Other Income	33664.2	23234.4	48752.3
3	**TOTAL INCOME (1+2)**	**239734.7**	**247305.9**	**488973.6**
4	Interest Expended	158573.0	172441.5	342587.7
5	**Operating Expenses (i)+(ii)**	**41565.3**	**35387.7**	**74919.3**
	(i) Employees Cost	24251.1	21665.9	44458.8

	(ii) Other Operating Expenses (All items exceeding 10% of the total expenditure excluding interest expenditure may be shown separately)	17314.2	13721.8	30460.5
6	**TOTAL EXPENSES ((4+5) excluding Provisions & Contingencies)**	**200138.3**	**207829.2**	**417507.0**
7	**Operating Profit before Provisions and Contingencies (3-6)**	**39596.4**	**39476.7**	**71466.6**
8	**Provisions (Other than Tax) and Contingencies**	30786.6	25720.4	103324.3
	of which provisions for Non-performing assets	30271.2	22929.2	96081.6
9	**Exceptional items**	0.0	0.0	0.0
10	**Profit (+) / Loss (-) from Ordinary Activities before tax (7-8-9)**	**8809.8**	**13756.3**	**-31857.7**
11	**Tax expense**	2951.2	3679.3	-3729.5
12	**Net Profit (+) / Loss (-) from Ordinary Activities after tax (10-11)**	**5858.6**	**10077.0**	**-28128.2**
13	**Extraordinary items (net of tax expense)**	0.0	0.0	0.0
14	**Net Profit (+) / Loss (-) for the period (12-13)**	**5858.6**	**10077.0**	**-28128.2**
15	**Paid up Equity Share Capital (Face Value of each share- Rs.10/-)**	5429.9	5429.9	5429.9
16	**Reserves excluding Revaluation Reserves**			**256155.5**

17	**Analytical Ratios**			
	(i) Percentage of shares held by Government of India	66.30%	66.30%	66.30%
	(ii) Capital Adequacy Ratio - Basel III	12.19%	11.04%	11.08%
	(a) Common Equity Tier I Ratio	8.25%	7.98%	8.18%
	(b) Additional Tier 1 Ratio	0.62%	0.65%	0.62%
	(iii) Earnings per Share (EPS) (Not Annualised)			
	a) Basic and diluted EPS before Extraordinary items (net of tax expense) for the period, for the year to date and for the previous year	10.79	19.90	(53.61)
	b) Basic and diluted EPS after Extraordinary items for the period, for the year to date and for the previous year	10.79	19.90	(53.61)
	(iv) NPA Ratios			
	(a) Amount of Gross Non Performing Assets	333154.0	140213.4	316378.3
	(b) Amount of Net Non Performing Assets	218870.9	93825.3	208329.1
	(c) Percentage of Gross Non Performing Assets	9.81%	4.27%	9.40%
	(d) Percentage of Net Non Performing Assets	6.69%	2.90%	6.42%

	(v) Return on Assets (Annualised)	0.21%	0.37%	(0.52%)

REVIEWED STANDALONE STATEMENT OF ASSETS AND LIABILITIES AS ON 30TH SEPTEMBER 2016

(Rs. In Millions)

	As on 30.09.2016 (REVIEWED)	**As on 30.09.2015 (REVIEWED)**	**As on 31.03.2016 (AUDITED)**
CAPITAL AND LIABILITIES			
CAPITAL	5429.9	5429.9	5429.9
RESERVES AND SURPLUS	315738.2	349371.4	310602.1
DEPOSITS	4843212.5	4852055.2	4797915.6
BORROWINGS	254962.2	241648.7	268733.2
OTHER LIABILITIES AND PROVISIONS	201984.1	139979.3	146927.0
TOTAL	**5621326.9**	**5588484.5**	**5529607.8**
ASSETS			
CASH & BALANCES WITH RESERVE BANK OF INDIA	205333.4	200527.4	206640.5
BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	426801.0	333421.3	360696.1
INVESTMENTS	1413894.8	1532304.5	1423093.0
ADVANCES	3271293.1	3230774.6	3247148.3
FIXED ASSETS	71516.0	72120.0	71981.0
OTHER ASSETS	232488.6	219336.7	220048.9
TOTAL	**5621326.9**	**5588484.5**	**5529607.8**

REVIEWED STANDALONE SEGMENT REPORTING FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2016

(Rs. In million)

BUSINESS SEGMENT		HALF YEAR ENDED		AUDITED YEAR ENDED
		30.09.2016	30.09.2015	31.03.2016
		(REVIEWED)	(REVIEWED)	(AUDITED)
(1)	**Segment Revenue**			
a	Treasury Operations	64685.0	64347.7	128111.3
b	Retail Banking Operations	79346.1	73158.1	154594.8
c	Wholesale Banking Operations	95252.8	109314.3	203820.9
d	Unallocated	450.8	485.8	2446.6
	Total	**239734.7**	**247305.9**	**488973.6**
	Less: Inter Segment Revenue	0.0	0.0	0.0
	Income from operations	**239734.7**	**247305.9**	**488973.6**
(2)	**Segment Results**			
a	Treasury Operations	16297.8	10263.1	21562.8
b	Retail Banking Operations	9885.3	10883.4	23720.4
c	Wholesale Banking Operations	12962.8	17844.5	23736.8
d	Other Banking Operations	0.0	0.0	0.0
	Total	**39145.9**	**38991.0**	**69020.0**
	Unallocated Income/Expenses (including Provisions and contingencies)	-30336.1	-25234.7	-100877.7
	Total Profit Before tax	**8809.8**	**13756.3**	**-31857.7**
	Income tax	2951.2	3679.3	-3729.5
	Net Profit	**5858.6**	**10077.0**	**-28128.2**
(3)	**Capital Employed**			
a	Treasury Operations	164490.8	141004.9	157719.8
b	Retail Banking Operations	109666.8	132460.9	100693.2
c	Wholesale Banking Operations	105933.6	142699.2	107732.0
d	Other Banking Operations	0.0	0.0	0.0
e	Unallocated	-58923.1	-61363.7	-50113.0
	Total Capital Employed	**321168.1**	**354801.3**	**316032.0**
			HALF YEAR ENDED	**YEAR ENDED**
		30.09.2016	**30.09.2015**	**31.03.2016**
		(REVIEWED)	**(REVIEWED)**	**(AUDITED)**
(1)	**Revenue**			
a	Domestic	233032.1	240874.0	476348.7

b	International	6702.6	6431.9	12624.9
	Total	**239734.7**	**247305.9**	**488973.6**
(2)	**Assets**			
a	Domestic	5046048.2	5048152.4	4985865.2
b	International	575278.7	540332.1	543742.6
	Total	**5621326.9**	**5588484.5**	**5529607.8**

REVIEWED CONSOLIDATED FINANCIAL RESULTS FOR THE PERIOD ENDED 30TH SEPTEMBER 2016

(Rs. In million)

SL. No.	PARTICULARS	PERIOD ENDED (CONSOLIDATED)		YEAR ENDED (CONSOLIDATED)
		(REVIEWED)		(AUDITED)
		30.09.2016	30.09.2015	31.03.2016
1	**INTEREST EARNED (a)+(b)+(c)+(d)**	**206363.43**	**224086.54**	**440394.87**
	(a) Interest/discount on advances/bills	149324.40	161978.63	313347.36
	(b) Income on Investments	51479.07	58199.77	114586.12
	(c) Interest on balances with Reserve Bank of India & Other Inter-Bank Funds	4750.89	3905.90	8843.78
	(d) Others	809.07	2.24	3617.61
2	Other Income	34476.98	24164.95	51312.58
3	**TOTAL INCOME (1+2)**	**240840.41**	**248251.49**	**491707.45**
4	Interest Expended	158692.94	172407.39	342629.92
5	**Operating Expenses (i)+(ii)**	**41897.09**	**36146.92**	**75919.38**
	(i) Employees Cost	24488.25	21887.56	44895.19
	(ii) Other Operating Expenses	17408.84	14259.36	31024.19
6	**TOTAL EXPENSES ((4+5) excluding Provisions & Contingencies)**	**200590.03**	**208554.31**	**418549.30**
7	**Operating Profit before Provisions and Contingencies (3-6)**	**40250.38**	**39697.18**	**73158.15**

8	Provisions (Other than Tax) and Contingencies	30975.94	25832.54	103646.30
9	Exceptional items	0.00	0.00	0.00
10	**Profit (+) / Loss (-) from Ordinary Activities before tax (7-8-9)**	**9274.44**	**13864.64**	**(30488.15)**
11	Tax expense	2975.78	3756.61	(3785.18)
12	Add: Share of earnings from Associate	987.96	559.83	1351.77
13	Less: Minority Interest	161.06	151.16	718.88
14	**Net Profit (+) / Loss (-) from Ordinary Activities after tax (10-11+12-13)**	**7125.56**	**10516.70**	**(26070.08)**
15	Extraordinary items (net of tax expense)	0.00	0.00	0.00
16	**Net Profit (+) / Loss (-) for the period (14-15)**	**7125.56**	**10516.70**	**(26070.08)**
17	Paid up Equity Share Capital (Face Value of each share-Rs.10/-)	5429.91	5429.91	5429.91
18	Reserves excluding Revaluation Reserves	270727.80	301329.42	264220.20
19	Analytical Ratios			
	(i) Percentage of shares held by Government of India	66.30%	66.30%	66.30%
	(iii) Capital Adequacy Ratio - Basel III	12.29%	11.11%	11.17%
	(iv) Earnings per Share (EPS) (Not Annualised)			
	a) Basic and diluted EPS before Extraordinary items (net of tax expense) for the period, for the year to date and for the previous year	13.12	20.77	(49.69)

	b) Basic and diluted EPS after Extraordinary items for the period, for the year to date and for the previous year	13.12	20.77	(49.69)
	(v) NPA Ratios			
	(a) Amount of Gross Non Performing Assets	335717.80	142044.10	318523.40
	(b) Amount of Net Non Performing Assets	220445.10	95060.70	209672.10
	(c) Percentage of Gross Non Performing Assets	9.87%	4.31%	9.44%
	(d) Percentage of Net Non Performing Assets	6.73%	2.93%	6.44%
	(vi) Return on Assets (Annualised) (%)	0.26	0.38	(0.47)

REVIEWED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2016

(Rs. In million)

CAPITAL AND LIABILITIES	**As on 30.09.2016** (REVIEWED)	**As on 30.09.2015** (REVIEWED)
CAPITAL	5429.91	5429.91
RESERVES AND SURPLUS	324821.20	356160.05
MINORITY INTEREST	4616.52	3924.59
DEPOSITS	4843383.37	4851001.30
BORROWINGS	255868.16	242580.02
OTHER LIABILITIES AND PROVISIONS	303988.74	233061.71
TOTAL	**5738107.90**	**5692157.58**
ASSETS		
CASH & BALANCES WITH RESERVE BANK OF INDIA	205351.53	200548.67
BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE	428608.72	333458.43
INVESTMENTS	1522588.14	1631432.87
ADVANCES	3274351.22	3233413.60
FIXED ASSETS	71745.13	72297.36
OTHER ASSETS	235463.16	221006.64
TOTAL	**5738107.90**	**5692157.58**

REVIEWED CONSOLIDATED SEGMENT REPORTING FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2016

(Rs in Million)

BUSINESS SEGMENT		HALF YEAR ENDED		AUDITED
				YEAR ENDED
		30.09.2016	30.09.2015	31.03.2016
		(REVIEWED)	(REVIEWED)	(AUDITED)
(1)	**Segment Revenue**			
a	Treasury Operations	64685.0	64347.7	128111.3
b	Retail Banking Operations	79346.1	73158.1	154594.8
c	Wholesale Banking Operations	95252.8	109314.3	203820.9
d	Unallocated	1556.5	1431.4	5180.5
	Total	**240840.4**	**248251.5**	**491707.5**
	Less: Inter Segment Revenue	0.0	0.0	0.0
	Income from operations	**240840.4**	**248251.5**	**491707.5**
(2)	**Segment Results**			
a	Treasury Operations	16297.8	10263.1	21562.8
b	Retail Banking Operations	9885.3	10883.4	23720.4
c	Wholesale Banking Operations	12962.8	17844.5	23736.8
d	Other Banking Operations	0.0	0.0	0.0
	Total	**39145.9**	**38991.0**	**69020.0**
	Unallocated Income/Expenses (including Provisions and contingencies)	-29871.5	-25126.4	-99508.1
	Total Profit Before tax	**9274.4**	**13864.6**	**-30488.1**
	Income tax	2975.8	3756.6	-3785.2
	Net Profit	**6298.7**	**10108.0**	**-26702.9**
	Add: Share of Earning in Associates	988.0	559.8	1351.7
	Less: Minority Interest	161.1	151.2	718.9
	Consolidated Profit/(Loss) for the half year ended attributable to the Group	**7125.6**	**10516.7**	**-26070.1**
(3)	**Capital Employed**			
a	Treasury Operations	164490.8	141004.9	157719.8
b	Retail Banking Operations	109666.8	132460.9	100693.2
c	Wholesale Banking Operations	105933.6	142699.2	107732.0
d	Other Banking Operations	0.0	0.0	0.0
e	Unallocated	-49840.1	-54575.1	-42048.3
	Total Capital Employed	**330251.1**	**361589.9**	**324096.7**
		HALF YEAR ENDED		**YEAR ENDED**

		30.09.2016	30.09.2015	31.03.2016
		(REVIEWED)	**(REVIEWED)**	**(AUDITED)**
(1)	**Revenue**			
a	Domestic	234137.8	241819.6	479082.6
b	International	6702.6	6431.9	12624.9
	Total	**240840.4**	**248251.5**	**491707.5**
(2)	**Assets**			
a	Domestic	5162829.2	5151825.5	5093506.6
b	International	575278.7	540332.1	543742.6
	Total	**5738107.9**	**5692157.6**	**5637249.2**

GENERAL INFORMATION

HEAD OFFICE OF OUR BANK

Canara Bank
Head Office: 112 J. C. Road, Bangalore 560 002, India
Tel: +91 80 22221541 / 80 22100250
Fax: +91 80 22248831
Email: hosecretarial@canarabank.com
Website: www.canarabank.com

COMPLIANCE OFFICER

Mr. B. Nagesh Babu
112 J. C. Road, Bangalore 560 002, India
Tel: +91 80 22221541 / 80 22100250
Fax: +91 80 22248831
Email: hosecretarial@canarabank.com

JOINT STATUTORY CENTRAL AUDITORS OF OUR BANK

Ramraj & Co.
Chartered Accountants,
65, 4th Floor 29th A Cross
Geetha Colony 4th Block,
Jayanagar, Bangalore - 560 011
Tel: +91 80 22445567
Fax: +91 80 26657211
Email: ramraj12@gmail.com
Contact Person: Shri. G Venkateshwara Rao
Registration No. 002839S

V.K. Niranjan & Co.
Chartered Accountants,
Kurubara Sangha Building,
202 & 204, Kanakadasa Circle
Kalidasa Marga, Gandhinagar,
Bengaluru - 560009
Tel: +91 80 22267769 / 22285005
Fax: +91 80 22910027
Email: vkniranjan_co@yahoo.com
Contact Person: CA Niranjan V K
Registration No. 002468S

J.L Sengupta & Co.
Chartered Accountants,
70A, Lenin Sarani
I Floor, Kolkata - 700 013
Tel: +91 33 22645633
Fax: +91 33 22266691
Email: casarathy.jlsc@gmail.com
Contact Person: CA P Parthasarathy
Registration No. 307092E

J. Singh & Associates
Chartered Accountants,
505/506/507 Hubtown
Viva Shankarwadi, Western Express Highway
Between Andheri & Jogeshwari (East)
Mumbai - 400060
Tel: +91 22 66994618 / 19
Fax: +91 22 66994617
Email: ca_jsingh@rediffmail.com
Contact Person: Shri. Jaleshwar Singh
Registration No. 110266W

AUDITOR TO THE ISSUE

Ramraj & Co.
Chartered Accountants,
65, 4th Floor 29th A Cross
Geetha Colony 4th Block,
Jayanagar, Bangalore - 560 011
Tel: +91 80 22445567
Fax: +91 80 26657211
Email: ramraj12@gmail.com
Contact Person: Shri. G Venkateshwara Rao
Registration No. 002839S

REGISTRAR TO THE ISSUE

Karvy Computershare Private Limited
Karvy Selenium Tower-B, Plot No. 31-32, Gachibowli Financial District, Nanakramguda, Serilingampally
Hyderabad- 500 032
Telephone: + 91 40 67162222
Facsimile: + 91 40 23431551
E-mail: canarabank.rights@karvy.com
Investor Grievance E-mail: einward.ris@karvy.com
Website: www.karisma.karvy.com
Contact Person: Mr. Murali Krishna
SEBI Registration No: INR000000221

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

SBI Capital Markets Limited
202, Maker Tower E,
Cuffe Parade,
Mumbai, India, Pin-400005
Tel: +91 22 22178300
Fax: +91 22 22188332
E-mail: canara.rights@sbicaps.com
Investor Grievance: investor.relations@sbicaps.com
Compliance Officer: Mr. Bhaskar Chakraborty
Website: www.sbicaps.com
Contact person: Mr. Aditya Deshpande / Mr. Ronak Shah
SEBI Registration No.: INM000003531
Corporate Identification No: U99999MH1986PLC040298

LEGAL COUNSEL 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: projectutkarsh@almtlegal.com
Website: www.almtlegal.com
Contact Person: Mr. Rajat Bopaiah

ESCROW BANKERS

CANARA BANK
Prime Corporate Branch
No. 25, Shankarnarayan Building
M.G. Road, Bengaluru - 560001
Tel: +91 80 25599257
Fax: +91 80 25599108
Email: cb2636@canarabank.com / rpkumar@canarabank.com

Investor Grievance Email: hosecretarial@canarabank.com
Website: www.canarabank.com
Contact Person: Mr. R Pradeep Kumar
SEBI Registration No: INBI00000019

HDFC BANK LIMITED
FIG-OPS Department –Lodha,
I Think Techno Campus O-3 Level,
Next to Kanjurmarg Railway Station
Kanjurmarg (East) Mumbai - 400042
Tel: +91 22 30752927 / 28 / 2914
Fax: +91 22 25799801
Email: vincent.dsouza@hdfcbank.com / siddharth.jadhav@hdfcbank.com / prasanna.uchil@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Siddharth Jadhav / Mr. Prasanna Uchil / Mr. Vincent Dsouza
SEBI Registration No: INBI00000063
CIN No: L65920MH1994PLC080618

REFUND BANK

HDFC BANK LIMITED
FIG-OPS Department –Lodha,
I Think Techno Campus O-3 Level,
Next to Kanjurmarg Railway Station
Kanjurmarg (East) Mumbai - 400042
Tel: +91 22 30752927 / 28 / 2914
Fax: +91 22 25799801
Email: vincent.dsouza@hdfcbank.com / siddharth.jadhav@hdfcbank.com / prasanna.uchil@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Siddharth Jadhav / Mr. Prasanna Uchil / Mr. Vincent Dsouza

UNDERWRITER TO THE ISSUE

SBI Capital Markets Limited
202, Maker Tower E,
Cuffe Parade,
Mumbai, India, Pin-400005
Tel: +91 22 22178300
Fax: +91 22 22188332
E-mail: canara.rights@sbicaps.com
Investor Grievance: investor.relations@sbicaps.com
Compliance Officer: Mr. Bhaskar Chakraborty
Website: www.sbicaps.com
Contact person: Mr. Aditya Deshpande / Mr. Ronak Shah

ASBA

For details on the ASBA process, refer to the details given in the CAF and please see "Terms of the Issue" beginning on page [•].

Experts

Our Bank has received written consents dated January 14, 2016 from Ramraj & Co., Chartered Accountant, the Auditor to the Issue, to include their name as an "expert" in this Letter of Offer in relation to their: (i) Reformatted standalone audit report dated January 20, 2017 on the audited financial statements of our Bank for Fiscal 2016 provided under "Financial Statements" beginning on page [•], (ii) Reformatted consolidated audit report dated January 20, 2017 on the audited financial statements of our Bank for Fiscal 2016, provided under "Financial Statements" beginning on page [•], and (iii) Reformatted Limited Reviewed Standalone Financial Statements Examination Report dated January 20, 2017 for the half year ended September 30, 2016 provided under "Financials Statements beginning on page [•] (iv) Limited Review Consolidated Financial Statements Examination Report dated January 20, 2017 for the half year ended September 30, 2016 provided under "Financial Statements" beignning on page no. [•], and (v) the statement of special tax benefits statement dated January 20, 2017 provided under "Statement of Special Tax Benefits" on page [•]. Further this consent has not been withdrawn as of the date of this Letter of Offer. The term "expert" and consent thereof does not represent an expert or consent within the meaning under the Securities Act.

SELF CERTIFIED SYNDICATE BANKERS

The list of banks which have been notified by SEBI to act as SCSBs under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994, for the ASBA process in accordance with the SEBI Regulations is provided on the website of SEBI at http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries and updated from time to time. Further, details relating to designated branches of SCSBs collecting the ASBA application forms are available at the above mentioned link.

Statement of responsibility of Lead Manager

SBICAP is the Lead Manager for this Issue. The details of responsibilities are follows:

Sr. No	Activities
1	Capital structuring with the relative components and formalities such as type of instruments, etc.
2	Due Diligence of our Bank, drafting and design of offer documents and of the advertisement / publicity material including newspaper advertisements and brochure / memorandum containing salient features of the offer document
3	Assistance in selection of various agencies connected with the Issue, namely Registrar to the Issue, Escrow Bankers, printers and advertising agency.
4.	Drafting and approval of all publicity material including statutory advertisements, corporate advertisements, brochures, corporate films, etc.
5.	Liaisoning with the Stock Exchanges and SEBI for pre-Issue activities, including for obtaining in-principle listing approval and completion of prescribed formalities with the Stock Exchanges and SEBI.
6.	Marketing of the issue, which shall cover, inter alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) centres for holding conferences of stock brokers, investors, etc., (iii) collection centres, and (iv) distribution of publicity and issue material including application form, letter of offer and brochure and deciding upon the quantum of issue material
7.	Post-Issue activities, which shall involve essential follow-up steps including finalisation of basis of allotment, listing of instruments and dispatch of certificates or demat credit and refunds, with the various agencies connected with the post-Issue activities such as Registrar to the Issue and Escrow Bankers.

Issue Schedule

The subscription will open upon the commencement of the banking hours and will close upon the close of banking hours on the dates mentioned below.

Issue Opening Date	[•]
Last date for receiving requests for SAFs	[•]
Issue Closing Date	[•]
Finalisation of basis of allotment with the Designated Stock Exchange (on or about)	[•]
Date of Allotment (on or about)	[•]
Initiation of Refund (on or about)	[•]
Date of credit of Rights Equity Shares (on or about)	[•]
Commencement of trading of Rights Equity Shares on the Stock Exchanges (on or about)	[•]

Investors are advised to ensure that the CAFs are submitted on or before the Issue Closing Date. Our Bank, the Lead Manager and / or the Registrar to the Issue will not be liable for any loss on account of non-submission of CAFs or on before the Issue Closing Date.

Debenture Trustees

As this is an issue of Equity Shares, the appointment of debenture trustee is not required.

Appraisal Agency

None of the purposes for which the Proceeds of the Issue are proposed to be utilised have been financially appraised by any bank or financial institution.

Monitoring Agency

Our Bank is not required to appoint a monitoring agency to monitor the utlisation of the Net Proceeds pursuant to Regulation 16 of the ICDR Regulations as its not applicable on the issue of specified securities by the banks and public financial institutions.

Underwriting

Our Bank has entered into an underwriting agreement dated [•] with Underwriter for underwriting the Rights Issue Equity Shares. The Underwriter shall be required to perform its obligations if the Assured Subscription is brought in by the Promoter under the Issue. Assured Subscription shall mean subscription of Equity Shares by the Promoter to the full extent of its rights entitlement, acceptance of Equity Shares renounced in their favour and subscription to additional equity shares to the maximum extent as permissible under the law for the time being in force including regulations 3(2) and 10(4)(b) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended, so that the aggregate of amount so subscribed and the underwritten amount is at least equal to the Minimum Subscription.

The Underwriter mentioned in the table below has agreed to underwrite for amount specified below at a price equal to the Issue Price announced by our Bank.

Name and Address of the Underwriter	Underwritten Amount (in ₹ millions)
SBI Capital Markets Limited 202, Maker Tower 'E', Cuffe Parade, Mumbai 400 005 Telephone: +91 22 22178300 Fax: + 91 22 22188332	[•]

Our Bank has ensured that the Underwriter has sufficient resources to enable them to discharge its underwriting obligations in full.

Credit Rating

As the Issue is of Equity Shares, there is no requirement of credit rating for the Issue.

Minimum Subscription

If our Bank does not receive the minimum subscription of 90% of the Issue or the subscription level falls below 90%, after the Issue Closing Date (included development of underwriter) on account of cheques being returned unpaid or withdrawal of applications, our Bank shall refund the entire subscription amount received within 15 days from the Issue Closing Date. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Bank shall pay interest for the delayed period at rates prescribed under applicable laws.

Principal Terms of Loan and Assets charged as security

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

CAPITAL STRUCTURE

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

Particulars	Aggregate nominal value (₹ In millions)	Aggregate Value at Issue Price (₹ In millions)
AUTHORISED SHARE CAPITAL		
300,00,00,000 Equity Shares of ₹10 each	30000.00	
ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL BEFORE THE ISSUE		
54,29,91,054 Equity Shares of ₹10 each	5429.91	
PRESENT ISSUE BEING OFFERED THROUGH THE LOF		
[●] Rights Equity Shares of ₹10 each at a price of ₹[●] per Equity share including a premium of ₹ [●] per Equity Share.	[●]	[●]
PAID UP EQUITY SHARE CAPITAL AFTER THE ISSUE		
[●] Equity Shares of ₹10 each (assuming full subscription for and Allotment of the Rights Entitlement)	[●]	
SHARE PREMIUM ACCOUNT		
Before the Issue	57,996.64*	
After the Issue (assuming full subscription for and Allotment of the Rights Entitlement)	[●]	

**Based on the consolidated balance sheet as at March 31, 2016.*
The Issue has been authorized by a resolution of our Board passed at its meeting held on September 23, 2016. The Issue is in the ratio of [●] Equity Share of ₹[●] each for every [●] Equity Shares held on the record date i.e.

Details of shares held by promoter and promoter group

Our Bank is constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970. The President of India is our Promoter. The shares held by our Promoter and Promoter group as on date and also as on December 31, 2016, being the latest shareholding pattern filed with the Stock Exchanges are as under:

Category of shareholders	No. of Equity Shares	Percentage of Shareholding
Promoter and Promoter Group		
The President of India, acting through the Ministry of Finance, GOI	35,99,91,054	66.30%
Total	**35,99,91,054**	**66.30%**

Intention and extent of participation by Promoter

Our Promoter has vide their Undertaking dated January 20, 2017 confirmed that they intend to subscribe to the full extent of our rights entitlement in the Issue in compliance with Regulation 10 (1)(i) of the SEBI (ICDR) 2009. Our Promoter does not intend to apply for the unsubscribed portion of the shares over and above their rights entitlement. However, in case their rights entitlement in the Issue is less than a sum of ₹ 7480 million, they shall apply for the unsubscribed portion in such manner that their total contribution in the issue does not exceed ₹ 7480 million. Their entitlement to subscribe to the Issue would be restricted to ensure that the public shareholding in the Bank after the Issue does not fall below the permissible minimum level as specified in the applicable laws, including but not limited to, Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and entered with the Stock Exchanges and the Securities Contract (Regulations) Rules, 1957.

Outstanding Instruments

Our Bank has no outstanding instruments as on the date of filing this Letter of Offer.

Shareholding Pattern of our Bank

Summary statement shareholding of Equity Shareholders as on December 31, 2016:

Category (I)	Category of shareholder (II)	Number of Shareholders (III)	No. of fully paid-up equity shares held (IV)	Total Nos. shares held (VII) = (IV) + (V) + (VI)	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) (VIII) As a % of (A+B+C2)	No of voting rights held in each class of securities (IX)			
						No. of voting rights			Total as a % of (A+B+C)
						Class eg: X	Class eg: Y	Total	
(A)	**Promoter And Promoter Group**	1	35,99,91,054	35,99,91,054	66.30	35,99,91,054	-	35,99,91,054	66.30
(B)	**Public**	1,61,211	18,30,00,000	18,30,00,000	33.70	18,30,00,000		18,30,00,000	33.70
(C)	**Non-promoter – Non Public**	-							
(C1)	**Shares Underlying DRs**	-			NA				
(C2)	**Shares held by Employee Trusts**	-							
	Total	**1,61,212**	**54,29,91,054**	**54,29,91,054**	**100.00**	**54,29,91,054**	**-**	**54,29,91,054**	**100**

Shareholders holding more than 1% of the paid up capital of our Bank as on December 31, 2016, is as detailed below:

Category of shareholders	No. of Equity Shares	Percentage of Shareholding
Promoter and Promoter Group		
The President of India, acting through the Ministry of Finance, GOI	35,99,91,054	66.30%
Public		
LIC of India	7,46,00,274	13.74%
HDFC Trustee Company Limited	2,41,52,686	4.45%
Reliance Capital Trustee Company Limited	63,73,056	1.17%
Total	**46,51,17,070**	**85.66%**

Notes:

1. Except as disclosed below, as on the date of this Letter of Offer, none of the Equity Shares held by any shareholder of our Bank are locked in

Name of the shareholder	Category of Shareholders (Promoters / Public)	Number of locked-in shares	Locked-in shares as a percentage of total of shares*
The President of India, acting through the Ministry of Finance, GOI	Promoter and Promoter Group Shareholding	5,99,91,054	11.05%
Total		**5,99,91,054**	**11.05%**

**Our Promoter has acquired the following Equity Shares ranking pari-passu with the existing equity shares of our Bank in all respect, by way of a preferential allotment.*

(a) *1,82,58,837 equity shares of face value of ₹10 each at an Issue Price of ₹273.84 per share including a premium of ₹ 263.84 per equity share aggregating upto ₹ 5000 million were acquired on December 31, 2013. The said shares have been locked in for a period of three years upto January 15, 2017.*
(b) *1,39,38,134 equity shares of face value of ₹10 each at an Issue Price of ₹408.95 share including premium of ₹398.95 per equity share aggregating upto ₹5700 million were acquired on March31, 2015. The said shares have been locked in for a period of three years upto April 17, 2018.*
(c) *2,77,94,083 equity shares of face value of ₹10 each at an Issue Price of ₹ 340.72 share including premium of ₹330.72 per equity share aggregating upto ₹9470 million were acquired on September 30, 2015. The said shares have been locked in for a period of three years upto October 21, 2018.*

2. None of our promoter shares, as applicable, are pledged or encumbered.

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 ex-rights price of the Equity Shares as per Regulation 10 (4) (b) of the Takeover Regulations is ₹ [●].

OBJECTS OF THE ISSUE

The objects of the Issue are to augment our capital base to meet the business and capital requirements and growth in our assets. The Banking Companies Act enables 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 Million)
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 the Issue. Therefore, excluding the amount to be raised through proposed Rights issue, there is no requirement of firm arrangements of finance.

Details of the Objects:

The objects of the Issue are to augment capital base, primarily to augment Tier I capital and maintain healthy CRAR in line with growth of our business.

As prescribed by the RBI, our Bank has adopted Basel III norms starting from April 1, 2013. The minimum capital adequacy ratio ("**CRAR**") required to be maintained by our Bank for Fiscal 2016 is 9.625% (including capital conservation buffer ("**CCB**")), with Tier 1 CRAR of 7% under Pillar 1 of Basel III regulations of the RBI. The capital requirement is progressively going up under the Basel III regulations prescribed by RBI. The minimum capital adequacy (including CCB) will increase from 9.625% as at March 31, 2016 to 11.50% by March 31, 2019; an increase of 0.625% every Fiscal on account of incremental CCB. In addition to the minimum capital prescribed under Pillar 1, under Pillar 2 of Basel III regulations, RBI requires banks to have an additional capital buffer for absorbing risks which are not covered under Pillar 1, such as liquidity risk, concentration risk, strategic risk, reputational risk etc.

Basel III is being implemented by RBI from April 1, 2013, subject to a series of transitional arrangements to be phased in over a period of time and has to be fully implemented by March 31, 2019. The RBI has indicated that the capital requirements for the implementation of the Basel III Capital Regulations may be lower during the initial period and higher in later years. While our Bank has raised capital from time to time, with adoption of Basel III by our Bank and the ongoing implementation of Basel III, the minimum capital requirements of our Bank will increase in a phased manner over the next few years. Accordingly, the objects of the Issue are to augment our Bank's Tier-I capital base to meet our Bank's future capital requirements, which are expected to arise out of growth in our Bank's assets, primarily our Bank's loans/advances and investment portfolio and to ensure compliance with Basel III and other RBI regulations.

As on September 30, 2016, our Bank's total CRAR and common equity tier-1 CRAR was at 12.19% and 8.25% respectively. However, considering the future growth plans and consequent increase in risk-weighted assets, our Bank would require additional capital.

Accordingly, the objects of the Issue are to support our business expansion and augment our Bank's Tier-I capital to meet our Bank's future capital requirements.

Means of Finance

The stated Objects of the Issue are proposed to be financed entirely from the Proceeds of the Issue. Accordingly, we confirm that there is no requirement for us to make firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through the Issue.

Issue Expenses

The expenses related to this Issue shall be met out of internal accruals of our Bank. For details of the expenses related to the Issue, please refer to the chapter titled "Other Regulatory and Statutory Disclosures" on page [•] of this Letter of Offer.

Schedule of Implementation and Deployment of Funds

Our Bank proposes to deploy the proceeds in the aforesaid object in the current Fiscal.

Appraisal of the Objects

The objects have not been appraised by any banks, financial institutions or agency and we have not raised any bridge loans against the Issue Proceeds.

Utilisation of Funds

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

Our Bank 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. We will indicate investments, if any, of unutilised proceeds of the Issue in the balance sheet of our Bank for the relevant fiscal years subsequent to the listing.

The key industry regulations for the proposed objects of the Issue are not different from our existing business.

Interest of Promoters and Directors in the Objects of the Issue

No part of the proceeds of the Issue will be paid by us as consideration to our Promoter or the Directors or key management personnel.

STATEMENT OF SPECIAL TAX BENEFITS

To

The Board of Directors
Canara Bank

Dear Sirs,

Sub: Statement of possible Special Tax Benefits available in connection with proposed Rights Issue of Equity Shares (the "Rights Issue") of Canara Bank

We report that the enclosed statement, prepared by 'the Bank' states the possible special tax benefits available to the Bank or its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of Bank or its shareholders to derive these special tax benefits is dependent upon their fulfilling such conditions.

The possible special tax benefits discussed in the enclosed annexure are not exhaustive. This statement is only intended to provide general information to investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Rights Issue particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail. Neither are we suggesting nor are we advising the investor to invest money based on this statement.

The benefits discussed in the Statement are only intended to provide the special tax benefits to the Bank and its shareholders in a general and summary manner and does not purport to be a complete analysis or listing of all the provisions or possible tax consequences of the subscription, purchase, ownership or disposal etc. of shares. The special tax benefits listed herein are only the possible benefits which may be available under the current tax laws presently in force in India. Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws, which based on business imperative it faces in the future, it may or may not choose to fulfil.

We do not express any opinion or provide any assurance as to whether:
(i) The Bank or its shareholders will continue to obtain these benefits in future; or
(ii) The conditions prescribed for availing the benefits have been/would be met with.

The contents of the enclosed statement are based on the representations obtained from the Bank and on the basis of our understanding of the business activities and operations of the Bank.

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE ISSUER BANK AND ITS SHAREHOLDERS

TO THE BANK

Special Tax Benefits

1. In terms of Section 36(1) (viia) of the Income Tax Act, 1961 (the "Act"), the Bank is entitled to claim deduction in respect of any provision for bad and doubtful debts made by the bank of an amount not exceeding 7.5% of the total income (computed before making any deduction under this clause and Chapter VIA of the Act) and an amount not exceeding10% of the aggregate average advances made by rural branches computed in the manner prescribed under Rule 6ABA.

2. Under section 36(1) (vii) of the Act, the amount of any bad debts, or part thereof, written off as irrecoverable in the accounts of the bank for the previous year is allowable as deduction. However, the amount of the deduction relating to any such debt or part thereof shall be limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account including provisions made towards rural advances made under section 36(1)(viia) of the Act. Further, if the amount subsequently recovered on any such debt or part is greater than the difference between the debt or part of debt and the amount so allowed, the excess shall be deemed to be profits and gains of business or profession and accordingly, chargeable to tax in accordance with Section 41(4) in the year in which it is recovered.

3. In terms of Section 36(1) (viii) of the Act, the bank is allowed deduction in respect of any special reserve created and maintained by the Bank for an amount not exceeding 20% of the profits derived from the business of long term finance for industrial or agricultural development or development of infrastructure facility in India or development of housing in India. Further, if the aggregate amount carried to the Special Reserve account from time to time exceeds twice the paid-up capital and general reserves, no deduction shall be allowed on the excess amount under the Section. The amount withdrawn from such a Special Reserve Account would be chargeable to income tax in the year of withdrawal, in accordance with the provisions for Section 41(4A) of the Act.

4. In terms of section 43D of the Act, interest on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income-tax Rules, 1962, shall be chargeable to tax only in the year of receipt or credit to Profit and Loss Account, whichever is earlier.

TO SHAREHOLDERS OF THE BANK

Special Tax Benefits:

There are no special tax benefits available to the shareholders of the Bank.

This statement is intended solely for information and for inclusion in Letter of Offer and Abridged Letter Offer in relation to the Rights Issue and is not to be used, circulated or referred to for any other purpose without our prior written consent. Our views are based on the existing provisions of law referred to earlier and its interpretation, which are subject to change from time to time.

Yours Sincerely

For RAMRAJ & Co.
Chartered Accountants
Firm Re. No. 002839S

Partner: P Karunakara Naidu
Membership Number: 210603

Place : Bangalore
Date : 20.01.2017

OUR BUSINESS

Overview

We are one of the leading public sector commercial banks in India, offering banking products and services to corporate, small and medium-sized enterprises, retail and agricultural customers. Our Bank was founded in July 1906 as a private entity and was nationalised in July 1969. According to data published by the Indian Banks' Association, as of March 31, 2016, we were among the top five public sector banks in terms of assets as of March 31, 2016. Our Bank is also one of the largest nationalised banks in India in terms of total advances and deposits as of September 30, 2016, which amounted to ₹ 8117.73 billion (on a consolidated basis) and we have over 75.77 million customers, as of November 30, 2016. As of September 30, 2016, the Government of India owned 66.30% of our Bank and, accordingly, exercises control over our management and operations.

We have been conferred with several awards and accolades in recognition of our various initiatives. Our recent awards and accolades include the following award for excellence:

- 1st position in MSE lending for FY14 and FY15 by GOI;

- National Award for excellence in lending to Micro Enterprises, 1st position for FY14 and 2nd Position for FY15 by GOI;

- Best Bank Award under PMEGP, South Zone in the field of Khadi and Village Industries for FY14 and FY15 by GOI; 'Best Strategy in HR' & 'Training Excellence' – Gold Awards, in 6th Annual Greentech HR Award 2016;

- 'SKOCH Order of Merit' Award dated June 12, 2015 for initiatives under SME Enablement, Financial Inclusion and mWALLET;

- Our Bank also bagged 'Special Award for the Best Financial Institution-Gold' for 7th year in succession by Federation of Karnataka Chamber of Commerce & Industry (FKCCI) for FY16;

- SKOCH ORDER OF MERIT" and "SKOCH SILVER" Awards for Bancassurance & Empower UPI Mobile App during the 46th Skoch Summit;

- Received "MasterCard Innovation Award" for Canara International Travel Prepaid Card under Prepaid segment;

- Conferred with the 'Dun & Bradstreet Banking Awards 2016' for being the Best Bank under priority sector lending and Best Retail Growth performer amongst public sector banks;

- Conferred with "Indy Wood CSR Excellence Award 2016" constituted by Indywood Film Carnival for its outstanding achievement under CSR.

We are engaged in a wide variety of banking activities, such as

- *Corporate Lending,* which comprises a wide variety of banking activities including large and medium corporations.

- *Priority Sector and Retail Sector Lending,* under which we provide funding to sectors identified by the Government as a Priority Sector, including loans to agriculture, MSME, housing and education, and retail banking activities including home, vehicle and personal loans.

- *International Banking,* through which we cater to the financial requirements of Indian exporters and importers.

- *Other Services,* which include areas of housing finance, priority sector lending in rural areas through our RRBs, asset management, factoring, stock broking and equity trading, software development and consultancy, venture capital and life insurance through our Subsidiaries and Associates, bancassurance, cross-selling of mutual fund products, executor, trustee and taxation related services, depository participant services, Government business, agricultural consultancy and merchant banking.

Our total assets (on a consolidated basis) have increased from ₹ 5,585.58 billion as of March 31, 2015 to ₹ 5,637.25 billion as of March 31, 2016 at a year-on-year growth of 0.93% and our total deposits, on a consolidated basis, have grown from ₹ 4,737.25 billion as of March 31, 2015 to ₹ 4,797.49 billion as of March 31, 2016 at a year-on-year growth of 1.27%. Our total advances (on a consolidated basis) have decreased from ₹ 3302.94 billion as of March 31, 2015 to ₹ 3,249.92 billion as of March 31, 2016 at a year-on-year growth of (1.61%). Our total income (on a consolidated basis) has increased from ₹ 485.47 billion as of March 31, 2015 to ₹ 491.71 billion as of March 31, 2016 at a year-on-year growth of 1.29%. Our net profit (on a consolidated basis) has decreased from ₹ 28.65 billion for the year ended March 31, 2015 to net loss of ₹ 26.07 billion for the year ended March 31, 2016. In addition, the number of our branches has increased from 5682 as of March 31, 2015 to 5,849 as of March 31, 2016 at a year-on-year growth of 2.94%.

As of September 30, 2016, our Bank's total assets, total deposits and total advance, (on a consolidated basis) were ₹ 5,738.10 billion, ₹ 4,843.38 billion and ₹ 3,274.35 billion. Our Bank's total income and net profit (on a consolidated basis) was ₹ 240.84 billion and ₹ 7.13 billion respectively, for the six months ended September 30, 2016. In addition, the number of our Bank's branches was at 5,939, as of November 30, 2016.

Our Strengths

Strong brand recognition and extensive network

We are focussed on improving access of our customers to our wide range of products and services, earning us a reputation of being a customer centric bank. As of November 30, 2016, our Bank had 5,939 branches, including eight international branches in foreign financial centres viz., Hong Kong (China), Johannesburg (Republic of South Africa), Leicester (UK), London (UK), Manama (Bahrain), New York (USA), Shanghai (China) and at Dubai (UAE) and 1,744 rural, 1,888 semi-urban, 11,01 urban and 1,198 metropolitan branches in India. Our domestic network as of March 31, 2016 was 5,841 branches comprising of 1,865 rural, 1,815 semi-urban, 1,142 urban and 1,019 metropolitan branches.

Additionally, in order to develop niche areas of service, as of November 30, 2016, our Bank's branches included 287 specialised service branches, i.e., 166 SME branches, 12 prime corporate, 26 mid-corporate branches and 21 asset recovery management branches, among others. In addition, as of November 30, 2016, our Bank had opened 182 hi-tech e-lounges in select centres with facilities such as ATMs, cash deposit kiosks with voice guided system, cheque deposit kiosks, self-printing passbook kiosks, internet banking terminals, online trading terminals, corporate website access and interactive video conference systems.

For our agricultural customers, our Bank has, as of November 30, 2016, a network of 3,632 branches in rural and semi urban areas, constituting approximately 61.16% of our total branch network, which support agricultural development, the MSME sector and retail banking.

We have also increased our total number of ATMs from 8,533 as of March 31, 2015, to 9,251 as of March 31, 2016, and our Bank's total number of ATMs as of November 30, 2016, was at 10,308. Our total number of branches has also increased from 5,682 as of March 31, 2015, to 5,849 as of March 31, 2016, and our Bank's total number of branches was at 5,939 branches as of November 30, 2016.

As of November 30, 2016, our Bank has over 75.77 million customers compared to 72.43 million customers as of March 31, 2016 and 65.78 million customers as of March 31, 2015, highlighting our strong customer base.

Our extensive network allows us to provide banking services to a wide variety of customers, including large and small to medium corporations, institutions and state-owned enterprises, as well as commercial, agricultural, industrial and retail customers throughout India. Our assets are diversified across business segments, industries, and groups, which gives us stability. Moreover, we offer a full range of banking products and services including short-term and long-term deposits, secured and unsecured loans, internet banking, credit cards, life insurance, merchant banking, agricultural banking products and project finance loans. Further, with our strong brand recognition due to foundation of more than 100 years, extensive network and product offerings, we are able to meet our customers' diverse banking needs.

Use technology platforms to drive productivity but reduce costs

Our Bank is focused on investing in its technology and continues to upgrade its technology. Our Bank's has capabilities to increase efficiency, reduce costs and to expand its service portfolio. We have established a Data Centre (DC) in Bangalore and a Disaster Recovery Centre (DRC) in Mumbai to prevent and reduce business interruption and data loss in the event of technological problems or disasters Our Bank has also established "Near Site" Disaster Recovery in Bangalore to achieve near zero data loss and we periodically conducts Disaster Recovery drills ("DR Drills") to ensure its readiness to face any untoward events.

Further, internet Banking and automatic lending processing systems have been implemented by our Bank and we also provided the following services to our customers:

Mobile Based Solutions

- Canara Swipe (All Missed call solutions in single app)
- eMpower (Canara Bank UPI app)
- Canara Cart (Umbrella app containing all mobile based applications)
- Canara mServe (Hot listing, Block/Unblock of Cards and other services)
- Canara e-Infobook (e-Passbook)
- Canara m-Wallet (Mobile Wallet)
- SMS solutions (Balance enquiry, listing of cards etc.,)

Digital Solutions

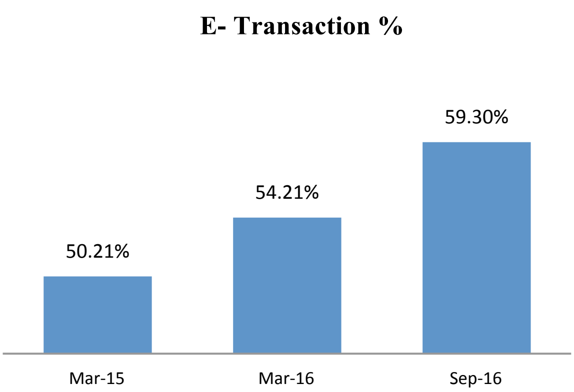
- Canara easyCash (Cash withdrawal facility for Migrant Population)
- eKYC for biometric, Aadhaar based KYC without documents
- Biometric access for lockers
- Online application for SB Accounts
- SB Account Opening through Tab (Tab Banking)
- Online Application for PPF Accounts
- Aadhaar Number Registration through Online Banking and ATMs

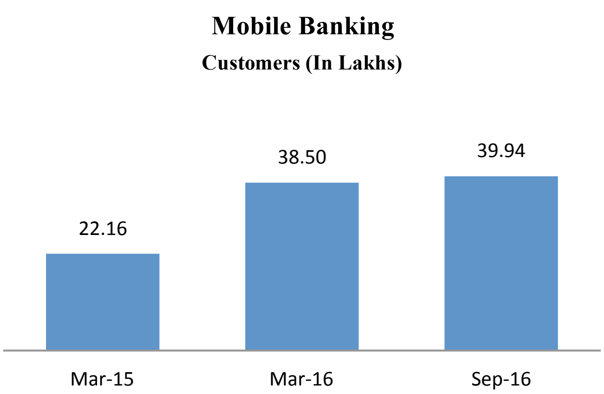
Our Bank has also introduced green banking initiatives such as, Green PIN (Generating ATM pin by customers themselves if forgotten), and e-governance to promote paperless banking throughout our internal operations.

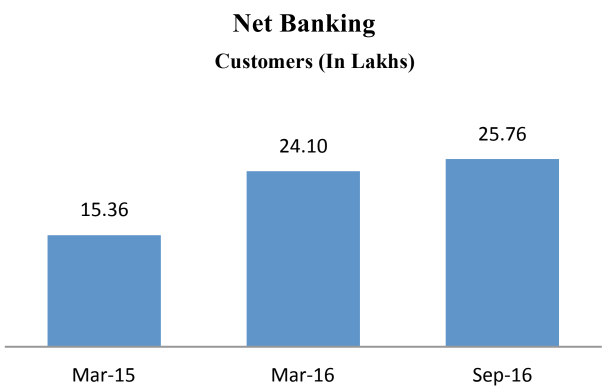
Recently, we have introduced some of the following technology products:

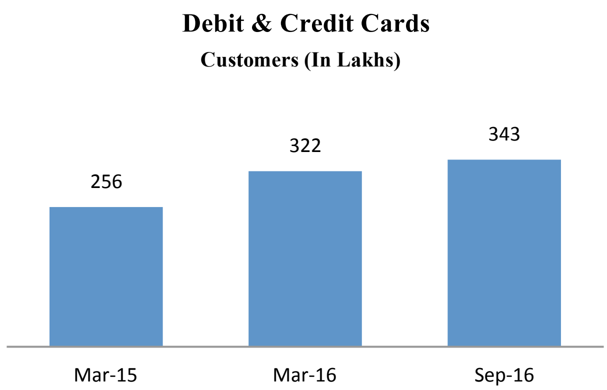
- Revamped Net banking
- Canara GeoLocate (Mobile App for locating Branch and ATMs)
- Green Pin (Generation of ATM Pin by customers themselves)

The details of E transaction are as under:









Diversified sources of income

Our total income (on a consolidated basis) for the FY16 was ₹ 491.71 billion. The interest earned on advances (on a consolidated basis) accounted for 63.73%, interest earned on investments (on a consolidated basis) accounted for 23.30% and other income constituted 10.44% for the FY16. Our other income mainly comprises of commissions, exchange and brokerage fees, profit on exchange transactions, profit on sale of investments and other miscellaneous income.

Our total income (on a consolidated basis) for the period ended on September 30, 2016 was ₹ 240.84 billion. The interest earned on advances accounted for 62% and interest earned on investment was 21.4% of our total income and other income constituted 14.32% of the total income.

Moreover, the revenues generated from our various business segments have increased in the FY16 from the previous financial year. Revenue from our treasury operations (on a consolidated basis) increased to ₹ 128.11 billion for the FY16 from ₹ 122.01 billion for the FY15. The revenue from our treasury operations (on a consolidated basis) for the six months period ended on September 30, 2016 is ₹ 64.69 billion. Revenue from our retail banking operation (on a consolidated basis) increased to ₹ 154.59 billion for the FY16 from ₹ 125.82 billion for the FY15. The revenue from our retail banking operations (on a consolidated basis) for the six months period ended on September 30, 2016 is ₹ 79.35 billion. Similarly, revenues from our wholesale banking operations (on a consolidated basis) decreased to ₹ 203.82 billion for the financial year 2016 from ₹ 228.18 billion for the FY15. The revenues from our wholesale banking operations (on a consolidated basis) for the six months period ended on September 30, 2016 is ₹ 95.25 billion.

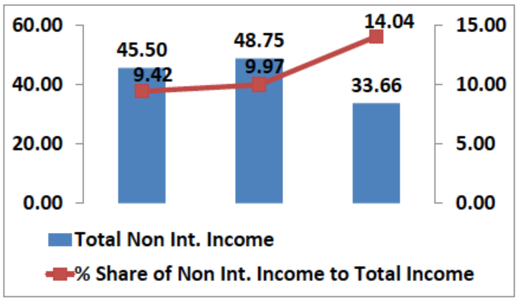
Details of the break up of Other Income are given herein below:

			(₹ in Billion on a standalone basis)
Other Income	***FY15***	***FY16***	***Sep16***
Commission, Exchange & Brokerage	9.29	9.17	5.61
-Commission on LCs & Guarantees	5.76	5.89	2.78
-Commission on DDs	1.63	1.57	0.69
-Government Business	0.75	0.64	0.59
-Bancassurance	0.58	0.64	0.35
-Miscellaneous	0.57	0.44	1.20
Service Charges	7.88	9.76	5.11
Misc.	0.75	0.83	0.84
TOTAL FEE INCOME (A)	17.91	19.77	11.57
Profit on Sale on Investment	11.48	9.90	11.10

Profit on Exchange Transactions	7.82	6.68	5.93
Recoveries in written off accounts	3.81	6.08	2.11
Other Receipts	4.48	6.32	2.96
OTHER INCOME (B)	27.59	28.98	22.09
TOTAL NON INTEREST INCOME (A+ B)	45.5	48.75	33.66

Share of Non-interest Income to Total Income

(Amount in billion)



In addition to a diversified source of income, our investment portfolio is largely non-speculative in nature and predominantly comprises Government securities, which constituted 89.74% of our Net investment portfolio (domestic) as of March 31, 2016. The same has increased to 89.86% as on six months period ended September 30, 2016.

Diversified Credit Portfolio

Our diversified sources of income are emanating from our diversified credit portfolio across different sectors and industries. As of March 31, 2015, the sectors and their respective percentages of our domestic loan portfolio (on a standalone basis) consisted of agriculture at 18.86%, retail credit at 13.55%, MSMEs at 19.42% and infrastructure at 20.73%. The industries that account for the largest portion of our gross domestic loan portfolio as of March 31, 2015 (on a standalone basis) are infrastructure at 20.73%, basic metal and metal products at 5.69%, textiles at 4.07%, Food Processing at 2.62% and engineering at 2.41%.

As of March 31, 2016, the sectors and their respective percentages of our domestic loan portfolio (on a standalone basis) consisted of agriculture at 21.36%, retail credit at 17.19%, MSMEs at 21.21% and infrastructure at 17.26%. The industries that account for the largest portion of our gross domestic loan portfolio as of March 31, 2016 (on a standalone basis) are infrastructure at 17.26%, basic metal and metal products at 6.03%, textiles at 4.18%, Food Processing at 2.99% and engineering at 2.58%.

As of September 30, 2016, the sectors and their respective percentages of our domestic loan portfolio (on a standalone basis) consisted of agriculture at 23.10%, retail credit at 17.32%, MSME at 22.28% and infrastructure at 16.40%. The industries that account for the largest portion of our gross domestic loan portfolio as of September 30, 2016 are infrastructure at 16.40%, basic metal and metal products at 6.55%, textiles at 4.22%, Food Processing at 3.09% and engineering at 2.65%.

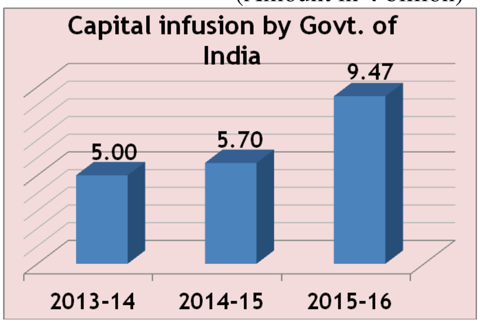
Experienced and professional management team with a strong backing by the Government of India

We have a professional management team that has well-diversified track record of experience in the banking industry. Our senior management has a strong pedigree in the banking and financial services space. All members of our senior management team bring with them substantial experience and in-depth knowledge of banking operations & management as well as a history of significant corporate relationships. This team is responsible for formulating our strategy, managing new business segments, diversifying the business mix, putting in place a strong operating and technology platform, expanding our branch and distribution network, deepening customer relationships and repositioning the brand as a modern and customer-centric banking institution. We believe that our management's capabilities, strong reputation, extensive network of industry relationships and considerable experience in financial services and banking will help us to scale up further and build a high quality and pre-eminent franchise in the years to come.

Our management team is supported by strong backing by GOI. As on December 31, 2016, GOI owns 66.30%, ownership interest in our Bank, which enables us to avail support from the Government, particularly in the form of regular infusion of equity. We have received aggregate of ₹ 20.17 billion as capital infusion from Government of India for the last three financial years. The Ministry of Finance vide its letter dated July 19, 2016 conveyed its decision to allocate funds to the tune of ₹ 9.97 billion in favour of the Government of India. Out of which, 75% of the above indicated amount i.e., ₹7.48 billion was marked for infusion immediately and the remaining 25% to be infused upon meeting the prescribed benchmarks set by the Government by the end of December 2016 or earlier.

Capital Infusion by the Government of India in the past three years:

(Amount in ₹ billion)



Efficient Asset Liability Management and Strong Liquidity Profile

The asset liability management of our Bank is aimed at managing the maturity and the re-pricing risk originating from asset and liability profile of our Banks' book.

The ALM system ensures effective diversification of funds across source and tenor through its large number of branches spread across different geographies and regions of the country. It also maintains an ongoing presence in its chosen funding markets and strong relationships with funds providers to promote effective diversification and stability of funding source.

Our Bank's funds are primarily in the form of demand and term deposits sourced from retail and wholesale customers. Funding profile of our Bank continues to be strong with increase reliance on retail deposits, including CASA.

Share of retail & wholesale deposits and CASA (%):

[On a standalone basis]

	FY15	**FY16**	**As of September 30, 2016**
% Retail Term Deposit to Term Deposit	39.32	48.36	53.11
% Bulk Deposit to Term Deposit	41.71	37.17	35.02
% Certificate Deposit to Term Deposit	10.89	6.36	2.48
% Overseas Term Deposit	8.09	8.10	9.38
% Total Term Deposit to Total Deposit	**76.04**	**74.25**	**72.80**

% CASA domestic	25.47	27.38	29.11
% CASA Global	**23.96**	**25.75**	**27.20**

Strength of our Bank's liquidity profile gauzed through "Liquidity Coverage Ratio (LCR)" has also strengthened since the introduction of LCR framework 1st January 2015. During the FY 16, our Bank maintained LCR of 84.92% above the minimum requirement of 60% (applicable for calendar year 2015) and 70% (applicable for calendar year 2016) respectively. LCR for the six months ended September 30, 2016 stood at 99.74% and is above the minimum requirement of 70% applicable for calendar year 2016.

Our Strategies

Our long-term strategy is to emerge as a global bank, with best practices with respect to asset portfolio management, customer orientation, product innovation, profitability and corporate governance, and to enhance value for our shareholders.

In the medium term, our key business strategy includes:

Grow our international presence

Our strategy for growth in international markets is based on leveraging home country links for international expansion by capturing market share in select international markets. Our focus areas are mainly in supporting Indian companies in raising corporate and project finance overseas for their investments in India and abroad (including financing of overseas acquisitions by Indian companies), trade finance and personal financial services (including remittance and deposit products) for non-resident Indians, and international alliances to support domestic businesses. We believe that the international markets present a significant growth opportunity and we have therefore expanded our operations in the international market.

As of November 30, 2016, our Bank has eight international branches viz., Hong Kong (China), Johannesburg (Republic of South Africa), Leicester (UK), London (UK), Manama (Bahrain), New York (USA), Shanghai (China) and at Dubai (UAE). In addition, we have a representative office in Sharjah (United Arab Emirates), a joint venture with the State Bank of India in Moscow (Russia) and a wholly owned banking subsidiary in Dar es Salaam (Tanzania), to supplement our international business operations.

We have obtained the RBI's approval for expansion into another 5 financial centres, including Jakarta (Indonesia), Jeddah (Saudi Arabia), Sao Paulo (Brazil), Tokyo (Japan) and Frankfurt (Germany).

Expansion of domestic delivery channels

We plan to leverage on our strong financial position to take advantage of increasing growth opportunities within India, by opening new branches and increasing the number of our ATMs. As at November 30 2016, the number of domestic branches stands at 5,931 and 10,308 ATMs. During the six months period ending September 30, 2016, 22 branches have been opened and 71 more branches are added after September 30, 2016 till November 30, 2016.

Under the Lead Bank Scheme introduced by RBI in 1969, we were designated as the lead bank for 29 districts in India. We intend to leverage our lead bank status and brand recall, to expand our presence across select geographies in India by increasing our branch network and distribution infrastructure across India and cross-selling our products at competitive costs, to gain a larger market share in terms of advances as well as deposits.

Increase in our CASA deposits

CASA deposits (on a standalone basis) stood at ₹ 1135.32 billion for the FY15 and the same increased to ₹ 1235.42 billion (on a standalone basis) for the FY16.

As of September 30, 2016, our Bank's CASA deposits (on a standalone basis) were at ₹ 1,317.38 billion. Due to our wide geographical presence in India, we have had a steady CASA deposit base. Our CASA as a percentage of total domestic deposits (on a standalone basis) was at 25.47% for the financial year ended March 31, 2015 and 27.38%, for the FY16 and our Bank's CASA as a percentage of total domestic deposits (on a standalone basis) was at 29.11% as of September 2016. Presently post demonetisation the same has increased to 30.6% as at November

30, 2016. We are undertaking marketing campaigns and incentives to increase our CASA deposits and to thereby reduce our cost of funding.

Enhancement of credit portfolio

Our Bank is focusing on enhancing its credit portfolio with particular emphasis on building retail assets such as expanding loan portfolio in agriculture, MSME, housing, vehicles and other retail segments to take advantage of the growing number of middle class and upwardly mobile young working population. Our Bank is hopeful of a turnaround in the corporate segments, which will significantly enhance our credit off-take going forward. In the corporate segments, our Bank will focus on sectors having positive outlook like engineering, electronics, drug and pharmaceuticals.

Increase our fee based income

We intend to focus on increasing our fee based income by focussing on bancassurance, cross-selling of mutual fund products, executor, trustee and taxation related services, syndication of loans, leasing of lockers, Government business, letters of credit and bank guarantees (non-fund based business), fee and processing charges from loan and advances, foreign exchange business, credit and debit card business, agricultural consultancy and merchant banking. We intend to grow our income from fee based services by introducing new products and services and by cross-selling our offerings to our existing customers. We also intend to pursue strategic relationships with corporate entities and the Government to provide our products to their employees and customers.

Focus on capital efficiency and profit maximisation

We have put in place robust risk management architecture and sound risk management systems to ensure conformity with the Basel III framework in relation to capital adequacy. Our risk management systems are aimed at achieving efficient, equitable and prudent allocation of resources, with a focus on maximising capital utilization in our business operations that will in turn maximise profit and return on equity.

Our Bank has taken steps to migrate to advanced approaches under Basel III for capital computation of credit risk, market risk and operational risk. Accordingly, our Bank has engaged M/s Deloitte Touche Tohmatsu India Private Limited to assist in the implementation of an Enterprise-wide Integrated Risk Management Framework in our Bank and its group entities. The implementation of the EWIRM project requires the collection of critical data for the last few years, cleaning of the data, validating the rating models, ensuring that the risk rating systems and estimates meet the minimum requirements of internal rating model, assisting in the validation of data for computation of Probability of Default Exposure at Default and Loss Given Default.

We further aim to improve productivity by creating a culture of cost control and cost consciousness internally by striking an efficient and effective balance between people, processes and technology through optimal allocation and utilisation of resources.

Improve asset quality and increase cash recoveries

GNPA of our Bank has increased from 3.89% in FY15 to 9.40% in FY16. The slippage ratio of the banking system, which showed a declining trend during fiscal years 2005 to 2008, further increased during fiscal years 2009 to 2015. Additionally, for prominent Indian banks, such as the State Bank of India, gross NPAs were up 299 basis points at 7.14% for the six months ended September 30, 2016 as against 4.15% for the six months ended September 30, 2015. Banks need to not only utilize effectively the various measures put in place by the RBI and the Government for the resolution and recovery of bad loans, but also strengthen their due diligence, credit appraisal and post sanction loan monitoring systems to minimize and mitigate the problem of increasing NPAs in fiscal year 2016 and beyond.

We have proposed to take steps for Recovery and NPA management:

- Mission Samadhan- Conducting Recovery Meets / Adalats / Mega Adalats besides regular Recovery Camps at branch/Circle and RO level.
- One Time Settlement and follow up the OTS permitted accounts closely for recovery.
- Exclusive monitoring of small value NPA (upto ₹1 million) & newly slipped accounts.
- Separate Division for Asset Recovery Management Branches.
- Stringent control mechanism with 4 levels of control starting branch, regional office, circle office to head

office.

Utilise technology to enhance delivery of banking services and cost reduction

We are committed to our ongoing effort to leverage on technology to maximise efficiency in our operations and expand the modes of delivery of our services that will enable us to increase penetration into existing customer segments. Further, to reduce the cost of transactions, we strive to transform our Bank into a knowledge-based, customer-centric bank by leveraging on Information and Communication technology.

Some of our initiatives are:

Sl. No.	Project Name	Description
1.	e- sign	E – Sign is an online electronic signature service, which can be integrated with service delivery applications to facilitate an Aadhaar holder to digitally sign a document.
2.	Digital Banking Branches	Hi-tech self-services Branches equipped with complete Banking solutions through digital devices with aim to provide end- to-end digital experience to customers.
3.	NoQ (No Queue) Management	Digital token system for managing footfall at Branches. The system offers the customers to fix appointments for visiting Branch either through a Mobile App/ website or directly at a Kiosk placed within the Branch. The SMS confirmation will be sent to the customer and the same will be displayed to the Branch officials within a dashboard. The digital management of the appointments shall also help our Bank in studying the customer's behavior and evaluate Branch on customer service perspective.
4.	Offline OTP for Net Banking (Soft Token to secure your transaction)	Customers at certain geographical areas have expressed non-receipt of OTPs due to regulatory issue and also it is observed on high network traffic scenarios the OTP fails to get delivered. To address such critical issue, we have studied and proposed to introduce a Mobile App that will allow customers to generate Offline OTP that will be helpful for customers who faces issues in receiving online OTP.
5.	Digital- Challan at Branches (Debit/ Credit and DD Slips)	As part of green initiative, to eliminate the physical use of challans at branches, a digital Tab will be available at branches for customers to enter the details, which will be processed by Branch Officials.
6.	e- Learning	A system to broadcast training material and sessions to trainees at their respective places. Trainees need not be called to STC/RSTCs every time. It may have capability to telecast live training sessions, to evaluate and impart further training ongoing basis.
7.	Online Account Opening- Customer On Board APP	For opening Accounts Online By customer through Website/TAB/Mobile Based on eKYC.
8.	Retail App	One Single App for all Banking financial and Non-financial Services.
9.	Virtual Debit Card (Card less ATM withdrawal)	Customer need not have Card for withdrawal of Cash from ATM. Instead he can initiate transactions and obtain a Token Key, which will be entered on the ATM screen and authenticated through OTP. On successful validation, the Cash will be dispensed.
10.	mVISA	It is a mobile-based payments solution that would facilitate payments by scanning the QR code at merchant outlet.
11.	Service status tracker	Customer will be provided with a reference number on every service request at branch, which will facilitate in tracking of the request.
12.	Payment Hub	It is essentially a transaction management system, which will connect to all the core systems, such as CBS, ATM Switch, Internet Banking, Mobile Banking etc. on one side and all the payment systems such as NEFT, RTGS, and IMPS etc. on the other side. The transactions will be managed through this hub.
13.	Social Media	Balance Enquiry, e-Pass Sheet and Cheque Book request through Facebook, Twitter, etc.,

Focus on branch transformation for a customer friendly experience

Our Bank has implemented a project named 'Project Shikhar' with an aim to make our Bank more Responsive, Accessible, Convenient & Energized. The same envisages transforming our bank as the "Preferred Bank" amongst our customers with rolling out of existing branches as Shikhar branches.

Project Shikhar aims in increasing in E-Transactions, CASA share & Fee Income with improved customer service. The machine hits have distinctly improved in Shikhar branches along with the CASA & Fee Income.

Shikhar Star branches position as at November 30, 2016:

1 Star	*2 Star*	*3 Star*	*4 Star*	*5 Star*	*Total*
201	*356*	*189*	*59*	*150*	*955*

The branches are certified as shikhar star branches based on parameters like average ATM hits, average PUM hits, average CASA, fee income, customer feedback etc.

Furrther, in order to enhance customer experience at our branches, we have implemented a branch transformation process in 955 of our branches across the country as on November 30, 2016. The branch transformation process aims to achieve the following five objectives:

- improved branch navigability by the introduction of a queue management system;
- single touch point created for customers through single window counters;
- introduction of self-service kiosks for reduction in turnaround time;
- create a single platform for ascertaining and resolving all the financial needs of our customers through interaction with counter staff; and
- engage counter staff in sales and cross-selling while carrying out our services.

In addition, we have also established a 24 hours, 7 days a week interactive call centre to assist customers in resolving their queries.

Divestment in non-core business

Our Bank holds substantial stake in 7 domestic subsidiaries and 3 associates that are into the business of housing finance, life insurance, asset management, non-banking financial services. With a view to augmenting resources to improve the capital base, our Bank is looking for possibilities of diluting our stake by unlocking value in our domestic subsidiaries / associates.

Our Bank's shareholding in Canbank Factors Limited is 70% and 43.45% in Can Fin Homes Limited. The Department of Financial Services, Ministry of Finance, Government of India has vide letter F No 11/4/2012 (Part-II) BOA dated January 21, 2015, informed all banks to intiate necessary steps to review non-core investments and take suitable decisions with regard to investment / divestment in non-core banking activities. Further, it was observed during the RBI inspection that ICAAP of our Bank mentioned augmentation of capital through divestment in subsidiaries. With a view to augment resources to improve the capital base, the Board constituted a sub-committee to consider all options for monetization of non-core assets. Accordingly, the sub-committee directed the following:

(a) Our existing stake in M/s. Can Fin Homes Limited be reduced from 43.45% to 30% and
(b) To sell / liquidate our stake in M/s. Canbank Factors Limited.

ASSET QUALITY

We have consciously strived to improve our asset quality over the years and we have undertaken stringent measures to ensure recovery and contain NPAs. We believe our strong reputation and effective risk management policies have allowed us to effectively monitor our loans and recoveries and ensure that our borrowers maintain their commitments on their financing transactions. Our gross NPAs (on a standalone basis) were 3.89% as of March 31, 2015 and the same increased to 9.40% as of March 31, 2016 and to 9.81% as of September 30, 2016.

Our net NPAs (on a standalone basis) were 2.65% as of March 31, 2015 and the same increased to 6.42% as of March 31, 2016 and to 6.69% as of September 30, 2016 (on a standalone basis). Further, we focus on recovery in small value NPA accounts (NPAs up to ₹ 1.00 million) and recovery in prudential written off accounts.

During the financial year ended March 31, 2016, we made cash recoveries (on a standalone basis) of ₹ 47.58 billion compared to ₹ 59.93 billion in the financial year March 31, 2015, despite continued stress in asset quality at the industry level**.** As at September 30, 2016, we made cash recoveries (on a standalone basis) of ₹ 19.58 billion. Further, we have taken several initiatives to contain slippages and speed up recovery from overdue loan accounts including identification of stressed accounts for restructuring (or rephasing in time), conducting sessions for one time settlements, regular follow-up of overdues in loan accounts, conducting e-auctions for the sale of seized assets and initiation of stringent recovery measures against wilful defaulters. As of March 31, 2015, the outstanding restructured asset portfolio (on a standalone basis) of our Bank stood at ₹ 283.71 billion, accounting for 8.47% gross advances and as of March 31, 2016, the outstanding restructured asset portfolio stood at ₹ 232.27 billion, accounting for 6.90% gross advances. As of September 30, 2016, the outstanding restructured assets portfolio (on a standalone basis) of our Bank stood at ₹ 234.09 billion, accounting for 6.89% of gross advances.

The details of sector-wise NPA slippages are given herein below:

Sector	For the financial year ended		For the six months ended September 30, 2016	% to total Slippages (Sep-16)
	FY15	FY16		
				(₹ in billion)
Micro and small enterprises	27.23	36.39	23.05	36.43
Agriculture	13.45	16.12	8.35	13.20
Other Priority	6.29	6.43	5.46	8.63
Total Priority Sector	**46.97**	**58.94**	**36.86**	58.26
Medium Industries	7.19	10.35	3.36	5.31
Large Industries	41.61	143.14	13.31	21.04
Other Non priority industries	12.93	34.81	9.74	15.39
Total Non-Priority	**61.73**	**188.3**	**26.41**	41.74
Total (Global)	108.7	247.24	63.27	100.00

The details of Sector-wise NPA outstanding are given herein below:

Sector	FY15	FY16	For six months ended period September 30, 2016
			(₹ in billion)
Micro and small enterprises	30.48	46.64	56.18

Agriculture	14.10	21.59	26.11
Other Priority	3.80	5.88	6.46
Total Priority Segments	**48.38**	**74.11**	**88.75**
Medium industries	8.29	14.83	13.99
Large Industries	58.15	180.37	179.24
Other non priority	15.58	47.07	51.17
Total Non-Priority Segments	**82.02**	**242.27**	**244.40**
Total NPA	130.40	316.38	333.15

The details of Restructured accounts outstanding are given herein below:

Sector	**FY15**	**FY16**	**For six months period ended September 30, 2016**
			(₹ in billion)
Agriculture	4.70	3.74	3.25
MSME	15.09	16.71	15.95
Housing Loans	5.25	2.76	2.38
Large Advance	254.70	207.21	210.70
Others	3.97	1.85	1.81
Total	**283.71**	**232.27**	**234.09**

DESCRIPTION OF OUR BUSINESS

Products and Services

We organise our business into four business lines:

- *Corporate Lending,* which comprises a wide variety of banking activities including large and medium corporations.

- *Priority Sector and Retail Sector Lending,* under which we provide funding to sectors identified by the Government as a Priority Sector, including loans to agriculture, MSME, housing and education, and retail banking activities including home, vehicle and personal loans.

- *International Banking,* through which we cater to the financial requirements of Indian exporters and importers.

- *Other Services,* which include bancassurance, cross-selling of mutual fund products, executor, trustee and taxation related services, depository related services, Government business, agricultural consultancy and merchant banking.

The following sets out our total net advances and deposits as of March 31, 2015 and 2016, and our Bank's total net advances and deposits as of September 30, 2016.

	FY15	FY16	For the six months ended September 30, 2016 (consolidated)
			(₹ in billions)
Total net advances (net of provisions)	3302.94	3249.92	3274.35
Total deposits	4737.25	4797.49	4843.38

Our income is derived from interest income and non-interest income comprising fees and commissions received for exchange and brokerage services, profits on exchange transactions, recovery in written off accounts, service charges, profits on sales of investments and dividend income from our subsidiaries and joint venture and other miscellaneous income. The following describes the breakdown of interest income and non-interest income for the financial years 2015 and 2016, and for the six months ended September 30, 2016 *(Source: [September 30, 2016], results and presentation)*.

	FY15		FY16		For the six months ended September 30, 2016 (Consolidated)	
	Amount	% of total	Amount	% of total	Amount	% of total
						(₹ in billions except for percentages)
Interest Income	438.13	90.25	440.40	89.56	206.36	85.68
Non-interest Income	47.33	9.75	51.31	10.44	34.48	14.32
Total	**485.46**	**100.0**	**491.71**	**100.0**	**240.84**	**100.0**

Our interest income to total income ratio (on a consolidated basis) for the financial year ended March 31, 2016 was 89.56% (compared to 90.25% for the financial year 2015). For the six months ended September 30, 2016, our Bank's interest income to total income ratio (on a consolidated basis) was 85.68%.

Corporate advance as a % of Total advance:

			(₹ in billion)
Term	**Corporate Advance (Gross)**	**Total advances (Gross advances)**	**Corporate advance as a % of Total advance (Gross advance)**
FY15	1528.53	3349.4	45.64
FY16	1441.71	3365.48	42.84
As of six months ended September 30, 2016	1422.08	3395.11	41.89

Corporate Lending

Our corporate lending business is generally divided into corporate banking and medium enterprises banking. Our Bank's corporate lending loan portfolio (on a standalone basis) amounted to ₹ 1,422.08 billion as of September 30 2016, which accounted for 41.89% of our total loan asset portfolio.

Corporate Banking

Our corporate banking group generally services the banking needs of large and mid-sized corporations. The credit needs of our corporate customers exceeding ₹ 500.00 million are generally handled by the corporate credit wing at our head office and our specialised branches located across high growth-potential centres across India.

We also have a separate MSME business wing at the head office that deals with policy matters relating to MSMEs.

Corporate Lending

Key products offered to corporate customers include medium to long term project financing, working capital financing, syndicated loans, short-term credit products lined to market benchmarks and derivative products, among others.

Treasury Products

We operate in the domestic and international money, foreign exchange and derivatives markets to hedge our customers' risks on foreign exchange and interest rates. We offer a number of treasury products, such as spots, forwards and swaps for hedging short term exchange risk on foreign currency receivables and payables and options and swaps for hedging medium and long-term foreign exchange risk. We also offer various foreign exchange products and services for expatriate workers to remit foreign exchange through electronic fund transfers, SWIFT remittances and demand drafts.

Priority Sector and Retail Sector Lending

We actively extend financial support and finance to sectors identified as "Priority Sectors" by the Government and the RBI to promote the development of the rural economy. Our Priority Sector advances include loans to the agriculture, small-scale industries and services, loans to certain sectors targeted as requiring special assistance, such as education, food and agriculture based processing sectors, loans to the housing sector.. Although the Government and the RBI have identified the Priority Sectors and provided lending guidelines, we have complete discretion in determining the commercial terms and conditions in extending financing to borrowers in such sectors.

In accordance with current RBI guidelines, all banks in India, including us, are required to lend a minimum of 40.0% of our net bank credit to Priority Sectors and at least 18.0% of our net bank credit to the agriculture sector. Any shortfall in the amount required to be provided to the Priority Sectors has to be deposited with a Government-sponsored Indian development bank, such as the NABARD. These deposits typically carry interest rates lower than market rates.

The table below sets out our outstanding Priority Sector advances (as defined by the Government and the RBI) as of the dates indicated.

	FY15	**FY16**	**For the six months ended September 30, 2016 (on a standalone basis)**
	(₹ in billion, except for percentages)		
Agriculture	588.68	671.76	727.05
MSME industries	442.51	612.31	638.46
Other Priority Sectors	151.16	171.52	183.40
Total Priority Sector advances	1182.34	1455.58	1548.91
Total Priority Sector advances (net)* as a percentage of adjusted net bank credit (%)	40.89%	49.29%	52.07%

* *Net Foreign Currency Non-Resident Reparable (Banks) liabilities*

The RBI also requires commercial banks to advance at least 10.0% of adjusted net bank credit to weaker sections identified by the RBI. Under the DRI scheme, we extend loans to the lower-income sections of the community that are engaged in productive ventures at an interest rate of 4.0% per annum to meet their credit requirements. Advances outstanding under the DRI scheme (on a standalone basis) stood at ₹ 1,770 million and consisted of 0.18 million beneficiaries as on March 31, 2016.

Agriculture

Agriculture is a key sector of the Indian economy, which contributed approximately 17.40% to India's GDP for the financial year ended March 31, 2015 and provided employment to approximately 48.90% of its population *(Source: Economic Survey FY 2015-16)*. We began providing agricultural lending prior to the nationalisation of banks in India, which took place in July 1969 pursuant to the Banking Companies Act.

As of November 30, 2016, our Bank has a network of 3,632 rural and semi urban branches, constituting approximately 61.16% of our total branch network that support agricultural development. In addition, substantially all of our branches provide agricultural financing, thereby making us well positioned to offer credit facilities to farmers throughout the country.

We have introduced several innovative schemes for financing the agriculture sector. For example, the "Kisan Suvidha" scheme was introduced in 2005 to provide a comprehensive credit solution (working capital and term loans) to farmers. We also introduced the "Kisan OD" scheme in 2006 to provide easy ATM linked overdraft facilities to farmers. We introduced the Kisan Credit Card Scheme in 1999, under which we provide a certain amount of cash and the repayment schedule coincides with the harvest or marketing of the crops, our Bank had issued more than 0.7 million Kisan credit cards to farmers during FY 16.

Micro Finance and Financial Inclusion

To enhance financial inclusion through micro credit and micro finance, we have been providing financing to various self-help groups. Once the self-help group has been established for six months, they are eligible to obtain credit from us. As on six months period ended September 30, 2016, we have formed 14,971 self-help groups and extended credit to 19,504 self-help groups with a total credit extended of ₹ 5.50 billion. As on six months period ended September 30, 2016, our Bank's Credit exposure under SHGs increased to ₹ 24.82 billion covering 1,22,074 SHGs.

We have established products, such as Basic Savings Bank Deposit ("**BSBD**") accounts (which is a "no frills" account) and the general credit card scheme, as a means to reach financially excluded sectors of the population as well as sectors that do not have access to banking facilities. The BSBD accounts are intended to benefit the underprivileged segment of the Indian population and the general credit card scheme is intended to provide hassle free credit facilities to rural and semi-urban households.

Our Bank has provided banking facilities in all the allotted 10,049 villages. As on six months period ended September 30, 2016 our Bank covered all 3,962 allotted SSAs by opening of 852 Brick & Mortar branches and engaging 2,459 Business Correspondent agents. Besides Financial Inclusion branches ('FI branches'), our Bank has opened 477 Ultra Small Branches. FI branches have garnered business of ₹136.68 billion. The CASA component of FI branches stood at 52%, amounting to ₹32.07 billion (on a standalone basis). 18 Micro finance branches have garnered a total business of ₹5.01 billion, 16.13 million BSBD accounts opened with outstanding CASA deposits (on a standalone basis) of ₹ 35.21 billion. Our Bank has formed 317 farmers' clubs. Correspondent Agents have done 0.42 billion transactions, amounting to ₹7.15 billion during the half year.

Our Bank has also opened 18 micro finance branches in 18 urban centres exclusively for urban financial inclusion. These branches have handled a total amount of deposits and loans (on a standalone basis) to the value of ₹ 5.01 billion as at September 30, 2016 in 0.16 million accounts. These branches cater to the requirements of the poor and excluded category in urban areas, to whom the standard banking branches are not in a position to cater.

As on six months period ended September, 30, 2016, 7.8 million accounts opened under PMJDY, securing CASA deposits (on a standalone basis) of ₹13.97 billion. 0.121 million PMJDY account holders have been provided with overdraft facility (on a standalone basis), amounting to ₹ 0.17 billion. 71 Financial Literacy Centres (FLCs) opened at District/Block levels, educating 0.679 million persons.17.0 million residents have been enrolled under Aadhaar. 18.3 million accounts were Aadhaar seeded, of which 4.56 million accounts under PMJDY accounts.

Educational Loans

The Vidyasagar Education Loan was introduced by us in 1978 to cater to the needs of students pursuing various courses in India and abroad. Vidya Turant Education Loan scheme an online instant education loan sanction facility for the students of 1st level IIMs/IITs/ NITs/IISc/ISB (Hyderabad), with relaxed guidelines under IBA's Model Educational Loan Scheme is also encouraged by our bank.

As of March 31, 2016, our Bank has assisted 1,13,896 students and disbursed ₹ 13.88 billion towards educational loan. During the financial year September 30, 2016, we have assisted more than 80,608 students and disbursed a total of ₹ 8.75 billion towards educational loans.

MSME Banking

Our Bank classifies MSMEs as entities that do not reach the financial thresholds set for corporate banking customers and may include individual entrepreneurs. In general, our Bank classifies advances to MSMEs that are not in the small-scale industries sector as non-priority lending, while advances to MSMEs that are in the small-scale industries sector are classified as priority lending.

As at September 30, 2016, our Bank had over 9,12,041 MSME customers and its loan portfolio to the MSME sector (on a standalone basis) amounted to ₹ 701.20 billion. Of this amount, ₹ 62.74 billion was classified as non-priority lending (on a standalone basis), which represented 1.91% of our Bank's total loan portfolio, and ₹ 638.46 billion (on a standalone basis) was classified as priority lending, which represented 19.52% of our Bank's total loan portfolio.

Retail Lending

Our retail credit products include financing for home building, renovation and furnishing, Produces, purchase of automobiles, household articles, Personal Loans and education. We have launched two new types of housing loans during the period from October 2015 to September 2016 to cater to different segments of our customer base, these consist of:

- *Housing Loan under Pradhan Mantri Awas Yojana (PMAY)- Mission being Housing for all- a Central Government Scheme implemented all over the country with Credit linked Subsidy of 6.5% for a period of 15 years. The mission seeks to address the housing requirement of Urban Poor including Slum dwellers.*
- *Housing cum Solar Loan launched - The loan is for individuals for installation of Grid connected Rooftop Solar and can be sanctioned for new as well as existing Borrowers with good repayment record.*

We deliver our retail credit products through our Bank's network of 5,931 domestic branches) as of November 30, 2016, which is supported by our Retail Asset Hubs and retail lending marketing teams at major cities across India. We also aggressively market our retail credit products to employees of several Government departments, multinationals and corporations, real estate developers and automobile manufacturers and dealers.

The table below sets out our retail credit portfolio as of the dates indicated:

	FY15	**FY16**	**For the six months ended September 30, 2016 (on a standalone basis)**
			(₹ in billion)
Housing Loans	223.52	309.75	299.20
Vehicle Loans	37.70	43.07	45.79
Personal Loans	105.40	120.49	126.23
Educational Loans	56.36	67.38	73.78
Total Retail Credit	422.98	540.69	545.00
Total Credit (unconsolidated)	3300.36	3247.15	3271.29

Retail Deposits.

Our retail deposit products include the following:

- *Savings accounts*. Demand deposits for retail customers that accrue interest at a fixed rate and offer withdrawal facilities through cheque books and debit cards.

- *Current accounts*. Non-interest bearing demand deposits.

- *Time deposits*. Tenure based deposits of a fixed amount over a fixed term that accrue interest at a fixed rate and may be withdrawn before maturity in accordance with applicable terms and conditions. Tenures range from seven days to 10 years.

Credit and Debit Cards

We offer credit cards (global and domestic) in association with VISA and Master Card. We also issue debit cards (global and domestic) in association with VISA, Master Card and NPCI. Further, to support our credit card operations, our Bank has established a network comprising over 4,167 merchants and 10,308 ATMs as of November 30, 2016. All the ATMs and designated branches provide cash advance facilities to credit card holders. Presently our Bank has issued over 2,00,459 credit cards, comprising mostly credit cards issued to individuals, and over 30.59 million debit and proprietary ATM cards.

Non-Resident Products and Services

We provide a variety of services to non-resident Indians. Such products and services include foreign currency non-resident term deposits, rupee deposits from overseas (savings and term deposits), fixed deposits, non-resident ordinary deposits, savings account in Rupees, remittance services, portfolio management services and housing loans.

International Banking

Foreign Network

As of November 30, 2016, our Bank has eight international branches in Hong Kong (China), Johannesburg (Republic of South Africa), Leicester (UK), London (UK), Manama (Bahrain), New York (USA), Shanghai (China), and Dubai (UAE). In addition, we have a representative office in Sharjah (United Arab Emirates), a joint venture with the State Bank of India in Moscow (Russia) and a wholly owned banking subsidiary in Dar es Salaam (Tanzania), to supplement our international business operations.

Export Finance

Generally, all branches of our Bank handle export and import credit. However, only our designated branches are able to handle export and import credit without intervention from our Foreign Department.

We have over 162 designated branches that provide credit to exporters and importers. As of September 30, 2016, our Bank's total outstanding export credit (on a standalone basis) amounted to ₹ 109.11 billion.

Foreign Exchange

Our foreign exchange operations facilitate payments related to exports and imports. For the financial year ended as of March 31, 2016, export turnover (on a standalone basis) amounted to ₹ 987.67 billion and import turnover (on a standalone basis) amounted to ₹ 540.47 billion. For the six months ended September 30, 2016, our Bank's export turnover (on a standalone basis) amounted to ₹ 532.74 billion and import turnover (on a stanadlaone basis) amounted to ₹ 318.76 billion. Our London branch undertakes merchant related foreign exchange transactions and proprietary trading in accordance with applicable guidelines and polices. Our branches in India also undertake foreign exchange transactions.

Correspondent Banking

We maintain correspondent relationship with various international banks to facilitate our foreign business in trade finance, foreign exchange and other treasury services. As of November 30, 2016, our Bank had correspondent relationships with 394 banks in 80 countries.

Remittance Services

As of November 30, 2016, our Bank had a Rupee drawing arrangement with 36 exchange houses and 25 overseas banks to facilitate Rupee remittances by expatriates. Under the Rupee drawing arrangement, expatriates can remit funds back to India, mainly through designated depository agency accounts. These are accounts opened in the name of our Bank by the relevant exchange house with a bank in the Middle East which is acceptable to us. Daily drawings by expatriates are deposited by the exchange houses in these accounts and the deposited funds are transferred to our nostro account on the next working day. We also manage two exchange houses, Al Razouki International Exchange Co. LLC, in Dubai and Eastern Exchange Company WLL, in Qatar, under separate secondment and management agreements.

Other Services

Third Party Products

We have tie-up arrangements in both life and non-life insurance segments under our bancassurance arm. We earned a commission income of ₹ 115.0 million as on six months period ended September 30, 2016 from our joint venture with Canara HSBC OBC Life Insurance Co. Ltd. Under our mutual fund business, our Bank earned a commission of ₹ 48.1 million as of September 30, 2016, from our joint venture with Canara Robeco Asset Management Company Ltd. Further, we earned a commission of ₹ 73.4 million under our non-life (general) insurance business from our tie-up arrangement with United India Insurance Company Ltd. During the financial years 2013 and 2014, we entered into a corporate agency agreement with Apollo Munich Health Insurance Co. Ltd for marketing of their health insurance products, which resulted in a commission of ₹ 47.4 million as on six months period ended September 30, 2016. We also have a corporate agency agreement with the Export Credit Guarantee Corporation of India for marketing of export policies through our branches across India.

Our executor, trustee and taxation services division provide services such as debenture and security trusteeship, will and executorships, personal tax assistance and power of attorney services. During the financial year ended March 31, 2016, our executor, trustee and taxation services division generated a fee based income of ₹ 11.34 million.

Our Bank's merchant banking division has acted as arrangers for the private placement capital gain bond issue of the National Highways Authority of India and the Rural Electrification Corporation Ltd. The amount mobilized in respect of these bond issues for the financial year ended March 31, 2016 was ₹ 928 million. Two specialized assignments of "fair valuation of equity" were also handled by our merchant banking division during the financial year 2016-17.

Depository Participant Services

As a Depository Participant ("**DP**") of the National Securities Depository Limited, we have been extending depository services to our customers since 1997.

As of November 30, 2016 our Bank had a network of 47 DP service centers spread across 33 locations in India with Bangalore as our central DP. For the fiscal year 2016 the total income derived from depository services amounted to ₹17.81 million and for the six months ended September 30, 2016, our Bank's income derived from depository services activity was ₹8.37 million.

To achieve cost effectiveness and to help our DP customers benefit from our widespread network of DP Service Centers, we have networked all our DP service centers with our Central DP in Bangalore. We are planning to open more DP service centers throughout the country.

We are also providing online trading facilities to our DP customers through our wholly owned broking subsidiary, Canara Bank Securities Limited, as a value-added service.

Government Banking

We handle various government business products, including direct and indirect tax collections, salary and pension payments, postal and treasury transactions and issuing inflation indexed bonds of the RBI. We also improve government business by marketing public provident fund scheme, pension accounts, improving e-transactions, popularizing e-stamping business, e-payment of taxes by our customers.

Retail Selling of Government Securities

We sell Government securities on a retail basis through our designated branches so as to facilitate investment in Government securities in small lots by investors. We value Government securities at market prices declared by the Fixed Income Money Market and Derivatives Association of India for securities in the Held for Trading and Available for Sale categories.

Agricultural Innovation Centre

Our Agriculture Innovation Centre ("**AIC**") is the first consultancy service centre for agriculture and related activities introduced in the banking industry in India. Our AIC facilitates the modernisation of agriculture activities and businesses, appraises agriculture-based projects and provides consultancy services. Our AIC also offers an array of services which include provision of detailed project reports, project appraisal, and rehabilitation packages for agricultural units facing financial, management or operational difficulties and debt restructuring for such agricultural units. Since its establishment in 1988, AIC has appraised more than 1,670 projects with a total project cost of ₹ 82.33 billion as on November 30, 2016.

Food Credit

We are one of the consortium members in extending food credit to Food Corporation of India ("**FCI**"). We play a significant role in safeguarding the interest of farmers and financing food credit through FCI, which provides effective price support operations to farmers by procuring grains if the market price for grains falls below the minimum support price, distributing food grains throughout the country and maintaining a satisfactory level of buffer stocks. FCI undertakes the annual purchase of food grains and acts as a facilitator for safeguarding the quality and quantity of the food reaching the underprivileged segment of the Indian population.

Branch Banking — Distribution Network

We distribute our products and services through various access points ranging from traditional branches to ATMs and the Internet.

Traditional Branch Network

As of November 30, 2016, our Bank had 5939 branches, including eight international branches in foreign financial centres viz., Hong Kong (China), Johannesburg (Republic of South Africa), Leicester (UK), London (UK), Manama (Bahrain), New York (USA), Shanghai (China) and at Dubai (UAE) and 1,744 rural, 1,888 semi-urban, 1,101 urban and 1,198 metropolitan branches in India. Our domestic branch network as of March 31, 2016, comprised of 1865 rural, 1815 semi-urban, 1142 urban and 1019 metropolitan branches.

In order to develop niche areas of service, as of November 30, 2016, our Bank's branches included 287 specialized service branches, which includes 166 SME branches, 12 prime corporate branches, 26 mid-corporate branches and 21 asset recovery management branches, among others.

In the FY 2016, we opened 175 domestic new branches and 1 foreign branch at Dubai (UAE). Out of the 175 domestic new branches, 9 branches were closed/merged. During the half year ending September 30, 2016, 22 branches have been opened and 71 more branches are added after September 30, 2016 till November 30, 2016.

Our network of branches is spread across both metropolitan and rural locations.

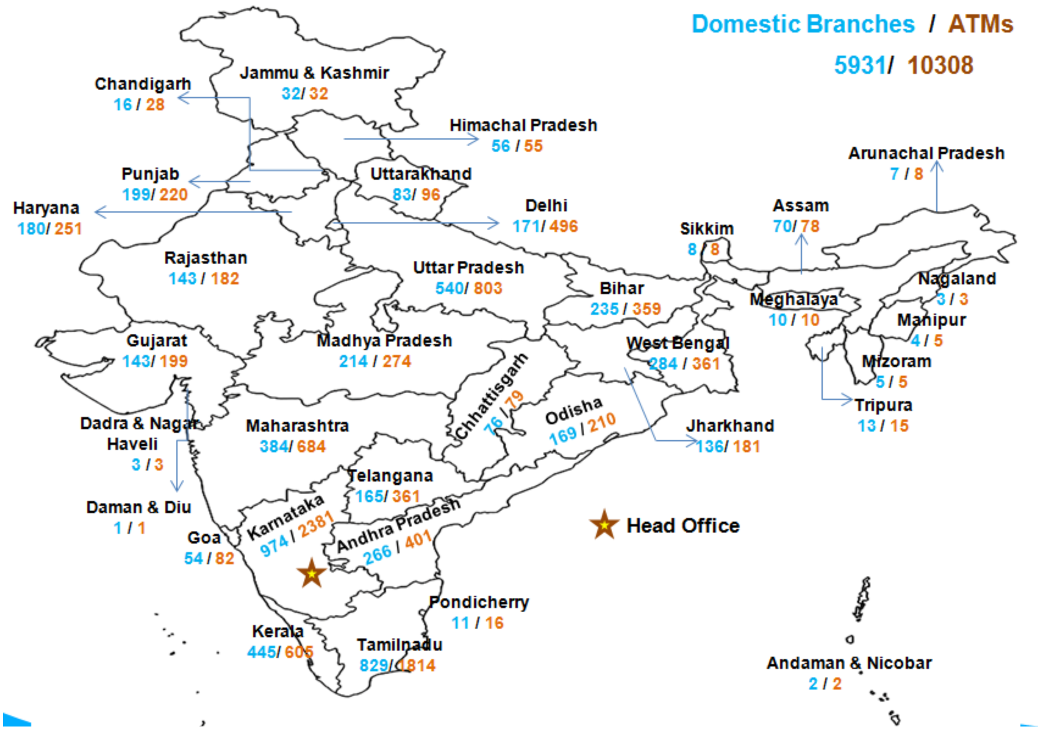
The following table describes the geographic breakdown of our branches as of March 31, 2015 and 2016 and as of November 30, 2016:

Sector	For the FY (on a standalone basis)		As of November 30, 2016
	2015	2016	
Metropolitan	1004	1019	1,198
Urban	1111	1142	1,101
Semi-urban	1756	1815	1,888
Rural	1804	1865	1,744
Overseas	7	8	8
Total Branches	5682	5849	5,939

ATM Network

As of November 30, 2016, our Bank has a total of 10,308 ATMs across the country. We have collaborated with the National Financial Switch, which is promoted by the Institute for Development and Research in Banking Technology, to allow us to share a network of 2,04,218 ATMs belonging to 56 member banks. As we issue Visa Electron Debit Cards, our customers will have access to all ATMs compatible with Visa. We have arrangements with Visa, Mastercard and NPCI to accept Visa, Mastercard or Rupay Card transactions in our ATM network.

Our Bank has added additional value added services in its ATM network such as "Mobile Topup", utility bill payments, interbank mobile payment services and direct tax payment services. We also plan to add additional value added services to our ATM network in the near future.



Employees

As of November 30, 2016, our Bank had 56,454 employees. Approximately, 94.65% of our employees are members of the national banking unions, with a majority of our non-officer employees belonging to the Canara Bank Employees Union affiliated with the All India Bank Employees Association, and a majority of our officer employees belonging to the Canara Bank Officers' Association affiliated with the All India Bank Officers' Confederation. We are a member of the Indian Banks' Association, which negotiates wages and other service conditions with the major unions. These negotiations are usually conducted every five years. The last settlement or joint note was entered into in May 2015 Next Bipartite Settlement is due on November, 2017. We maintain a good rapport and cordial relationship with the trade unions and associations, which has ensured a harmonious industrial climate within the organization and contributed to the growth and progress of the institution.

One of our corporate initiatives is to provide training for our personnel in order to enhance their skills. The training includes in-house training, external training as well as foreign training. We currently have over 11,972 employees who hold professional qualifications in a variety of disciplines, including law, agriculture, information technology, marketing and engineering. We also have several human resource initiatives, namely, staff meetings, brainstorming sessions and study circles, to facilitate employee interactions and promote team spirit, a cohesive work culture, commitment and involvement in our workforce.

Corporate Social Responsibility

We are committed to carrying our duties as a responsible corporate citizen. We have introduced several corporate and social responsibility initiatives which include, among others, providing vocational training to unemployed youths in rural areas, co-sponsoring several training institutes for entrepreneurship development and financial literacy centres in rural communities, facilitating the supply of clean drinking water, adopting villages for comprehensive development, providing mobile marketing vans to women entrepreneurs, self-help groups and artisans to market their products and providing training and counselling services to women entrepreneurs.

Subsidiaries, Associates and Joint Ventures

Our equity interests and investments as of March 31, 2016 at book value in our subsidiaries, associates and joint ventures, and their net profits for the relevant periods are set out in the table below:

Name	Primary Business Investment	Ownership as of March 31, 2016	Net Profit for the financial year 2016
		(%)	(₹ in million)
Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd.	Insurance	51.0	1260
Canara Robeco Asset Management Company Limited	Asset Management	51.0	152.00
Can Fin Homes Limited	Housing Finance	43.45	1571.10
Canbank Factors Limited	Factoring	70.0	22.40
Canara Bank Securities Limited	Stock Broking	100.0	59.70
Canbank Venture Capital Fund Ltd	Venture Capital	100.0	48.80
Canbank Computer Services Ltd	Software & R&T	69.13	65.70
Canbank Financial Services Ltd	Merchant Banking	100.0	(222.24)
Commercial Indo Bank LLC	Banking	40.0	256.54
Kerala Gramin Bank	Regional Rural Bank	35.0	717.5
Pragathi Krishna Gramin Bank	Regional Rural Bank	35.0	1037.7
Commonwealth Trust (India) Ltd.	Manufacturing	30.0	-
Canara Bank (Tanzania) Limited	Banking	100.0	-

Canara HSBC Oriental Bank of Commerce Insurance Life Insurance Company Limited. The company, incorporated in September 2007, is our 51.0% owned subsidiary and is a joint venture between us, HSBC Insurance (Asia-Pacific) Holdings Limited and Oriental Bank of Commerce. The company is active in the life insurance business in India. For the financial year ending March 31, 2016, the company recorded a net profit of ₹ 1260 million.

Canara Robeco Asset Management Company Limited ("CRAMC") Canbank Investment Management Services Ltd was established in March 1993 as an investment manager for managing the Schemes of Canbank Mutual Fund. To augment the base of the company, a joint venture was formed with the Netherlands based Robeco Groep N.V., a subsidiary of Rabo Bank, by the divestment of 49.0% of our stake in favour of Robeco Groep N.V. The joint venture was established on September 26, 2007 and the company was renamed as Canara Robeco Asset Management Company Limited. Subsequent to the establishment of CRAMC, Canbank Mutual Fund was renamed as Canara Robeco Mutual Fund. Subsequent to the establishment of CRAMC, Canbank Mutual Fund was renamed as Canara Robeco Mutual Fund. For the financial year ending March 31, 2016, CRAMC recognized a net profit of ₹152.00 million.

Can Fin Homes Limited ("CFHL") was established in 1987. CFHL is listed on the Bombay Stock Exchange and the National Stock Exchange is engaged in the housing finance sector. For the fiscal year ended 31 March 2016, CFHL had sanctioned housing finance amounting to ₹ 44,180 million with disbursements of more than ₹ 39,220 million. For the financial year ended March 31, 2016, CFHL earned net profit of ₹ 1,571.10 million and declared a dividend of 100%.

Canbank Factors Limited ("CFL") was established in 1991 and is our 70.0% owned subsidiary. It is currently one of the leading factoring companies in India and for the financial year ended March 31, 2016, it had a total business turnover of ₹ 31,190 million. CFL posted a net profit of ₹ 22.40 million for the financial year ended March 31, 2016. CFL also provides other services, such as invoice discounting, sales ledger administration, debt collection and advisory services. CFL's short-term debt programme has been accredited with the rating of P1+ (which is the highest rating) by Credit Rating & Information Services India Ltd.

Canara Bank Securities Limited ("CBSL") was established in 1996, initially as a primary dealer and has subsequently diversified into capital market related activities, including online trading, stock broking, equity trading, futures and options and currency derivatives for institutional and retail customers, since 2007. As of March 31, 2016, CBSL has a customer base of over 39,352. For the financial year ended March 31, 2016, CBSL reported net profit of ₹ 59.70 million and paid dividend of 12%.

Canbank Venture Capital Fund Limited ("CVCFL") is our wholly owned subsidiary, established in 1995. CVCFL acts as a trustee and manager of the Canbank Venture Capital Fund. CVCFL provides venture capital funds for equity participation in new ventures. CVCFL has launched five venture capital funds with aggregate assets under management of ₹5,530 million as at March 31, 2016. CVCFL is planning a new fund CVCFL-VI to be launched shortly. For the financial year ended March 31, 2016, CVCFL earned a net profit of ₹ 48.80 million and paid dividend of 1000%.

Canbank Computer Services Limited ("CCSL") was established in 1994 and is a 69.13% owned subsidiary of our Bank. For the financial year ended March 31, 2016, CCSL's net profit amounted to ₹ 65.70 million.

Canbank Financial Services Limited ("Canfina") was established in 1987 and is our wholly owned subsidiary. The activities of Canfina during the financial year 2014 were confined to the follow up of legal matters arising out of past transactions involving securities and other transactions. Canfina also focuses on the collection of lease rentals and realisation of investments. Canfina currently does not intend to enter into new transactions until the said legal matters are resolved. As of March 31, 2016, Canfina recorded a net loss of ₹ 222.24 million.

Commercial Indo Bank LLC ("CIBL") is a joint venture undertaking established by us in association with State Bank of India. State Bank of India holds 60% in CIBL and our Bank hold 40%. CIBL has been operational since April 2004 in Moscow, Russia. For the financial year ended March 31, 2016, CIBL earned a profit after tax of US$3.94 million.

Commonwealth Trust (India) Limited ("***CTIL***") was established in the year 1977 and is an associate of our Bank by virtue of our holding 30% of the paid up share capital. CTIL was in the business of manufacturing and exporting of terracotta roofing items, floorings, bricks etc. Considering the unsubstantiated financials as per the last available financial statements as at March 31, 2014, there is no material impact of non-inclusion of its investments in the consolidated financial statements as of March 31, 2016.

Regional Rural Banks (RRBs) We had eight (8) sponsored RRBs. In the year 2005-2006, four (4) of the RRBs sponsored by our Bank in the State of Karnataka were amalgamated to form 'Pragathi Gramin Bank'. As at March 2006, Canara Bank had sponsored five RRBs, of which one is functioning in the State of Karnataka, three in Uttar Pradesh and one in Kerala.

Subsequent to the gazette notification bearing No. F. No. 7/9/2011 dated July 08, 2013 issued by the GOI, North Malabar Gramin Bank and South Malabar Gramin Bank got amalgamated into a single RRB and was called as Kerala Gramin Bank. Further, as per gazette notification bearing No. F. No. 1/5/2011 dated August 23, 2013 issued by the GOI, Pragathi Gramin Bank and Krishna Gramin Bank got amalgamated into a single RRB and was called Pragathi Krishna Gramin Bank. As of September 30, 2016, our Bank had a 35.0% equity interests in Kerala Gramin Bank and Pragathi Krishna Gramin Bank, amounting to a share capital of ₹ 29.45 million and ₹ 222.83 million, respectively.

As of September 30, 2016, these RRBs operated in 25 districts through a network of 1,248 branches, and 530 ATMs, which is separate from our network of branches.

Overseas Subsidiary

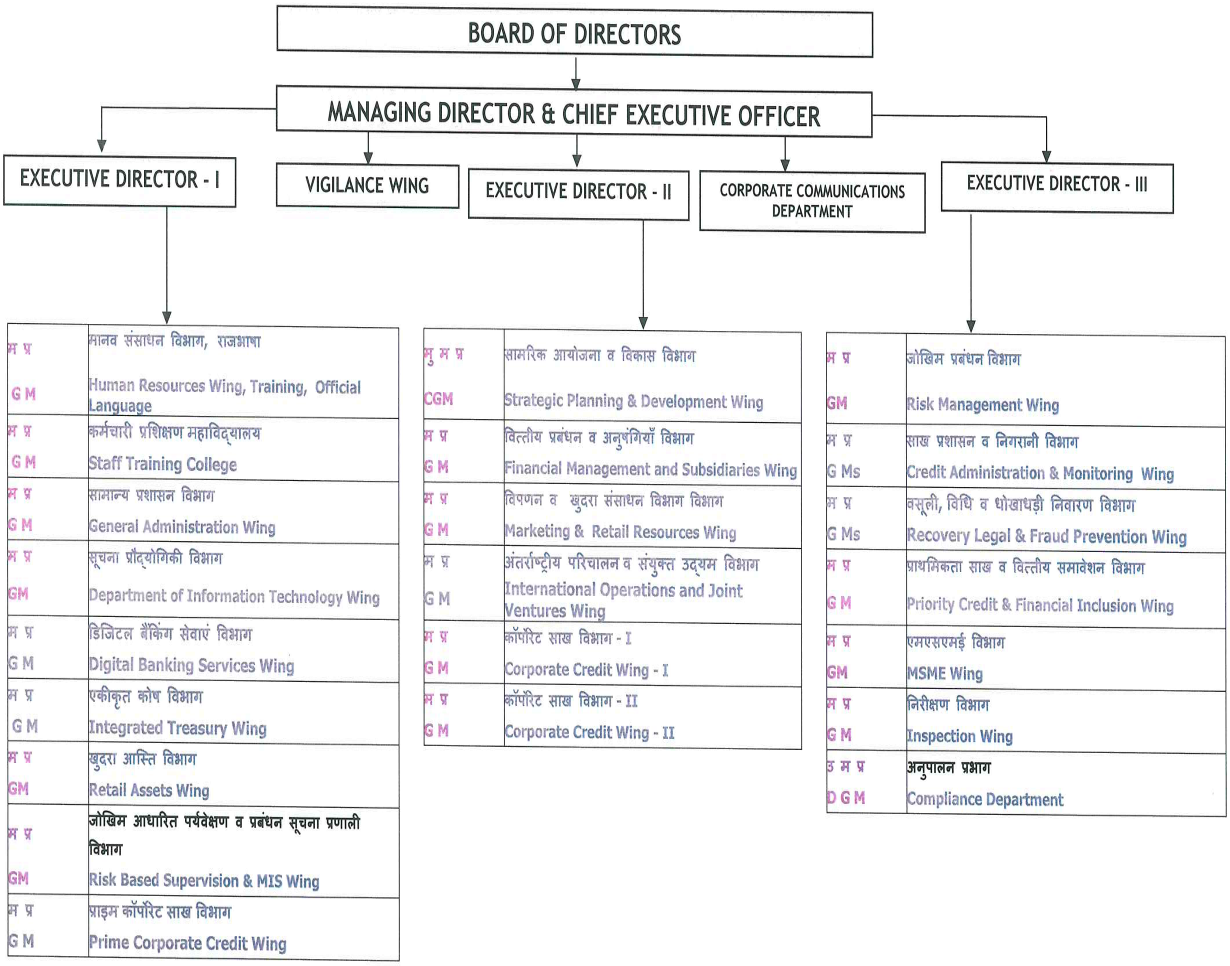
Canara Bank (Tanzania) Limited (CBTL), Dar es Salaam, Tanzania

Our Bank had established its wholly owned banking subsidiary at Dar es Salaam in Tanzania on May 09, 2016, after obtaining licence from the Bank of Tanzania. CBTL is a banking subsidiary and undertakes the core banking activities like accepting deposits and deploying in credit. CBTL was established with a capital of U.S.$10.97 million. Our Bank has provided a total capital of U.S.$15 million to the subsidiary. CBTL is regulated by Bank of Tanzania, an independent organisation regulating the financial services in Tanzania.

SECTION IV – HISTORY AND CERTAIN CORPORATE MATTERS

Our Bank was founded as Canara Hindu Permanent Fund Limited on July 1, 1906 in Mangalore, Karnataka by Shri Ammembal Subba Rao Pai. Our Bank, together with 13 other banks, was nationalised on July 19, 1969 under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970. During the calendar year 2002, we completed the initial public offering of our equity shares, which reduced the Government's shareholding from 100.0% to 73.2% as of December 13, 2002. As of December 31, 2016, the Government owned 66.30% of our Bank's paid-up share capital. The Government and the RBI hold board representations in our Bank and conduct reviews of our Bank's operations.

Our Organisation Structure



Significant milestones since our establishment are set out in the table below:

Calendar Year	Significant Milestones
1906	Canara Hindu Permanent Fund Limited formally registered
1910	Canara Hindu Permanent Fund renamed as Canara Bank Limited
1969	14 major Indian banks in the country, including our Bank, were nationalised
1976	1,000th branch inaugurated
1983	Overseas branch in London inaugurated
2002	Initial public offering
2006	Centenary Year. Core Banking Solution implemented in select branches.