



THE LAKSHMI VILAS BANK LIMITED

Our Bank was incorporated on November 3, 1926 under the Indian Companies Act 1913 with the Registrar of Companies, Trichinopoly. The Bank was licensed under the Banking Regulation Act, 1949 on June 19, 1958 and became a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934 on August 11, 1958.

Registered Office: Salem Road, Kathapara, P.O. Karur – 639006, Tamil Nadu.

(The registered office has been shifted from 693, Jawahar Bazaar, Karur – 639 001 to the present registered office on September 11, 1991).

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FOR PRIVATE CIRCULATION TO THE EQUITY SHAREHOLDERS OF THE LAKSHMI VILAS BANK LIMITED (THE “BANK” OR THE “ISSUER”) ONLY

ISSUE OF [●] EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH (“RIGHTS ISSUE EQUITY SHARES”) FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE AGGREGATING UPTO ₹ 5,050 MILLION TO OUR EXISTING EQUITY SHAREHOLDERS ON A RIGHTS BASIS IN THE RATIO OF [●] EQUITY SHARE(S) FOR EVERY [●] EQUITY SHARE(S) HELD BY THE EXISTING EQUITY SHAREHOLDERS ON THE RECORD DATE, I.E. [●] (“THE ISSUE”). THE ISSUE PRICE FOR THE EQUITY SHARE IS [●] TIMES THE FACE VALUE OF THE EQUITY SHARE. FOR FURTHER DETAILS, PLEASE SEE THE CHAPTER “TERMS OF THE ISSUE” ON PAGE 171.

PAYMENT METHOD

Amount payable per Equity Share (in ₹)

	Face Value	Premium	Total
On Application	[●]	[●]	[●]
On Call	[●]	[●]	[●]

**In terms of Regulation 17 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (“SEBI Regulations”), our Bank shall ensure that the Call Money (defined hereinafter) is collected within 12 months from the Allotment Date (defined hereinafter). In case an Investor (defined hereinafter) fails to pay the amount of the Call Money within the said 12 months from the Allotment Date, the Equity Shares in respect of which any amount of the Call Money remains outstanding shall be forfeited, along with the Application Money (defined hereinafter) already paid. See risk factor “Investment in partly paid-up Equity Shares in the Issue is exposed to certain risks” on page 17 for risks associated with the Payment Method. For further details, see sections titled “Terms of the Issue” and “Risk Factors” on page 171 and 13, respectively.*

Note: Our Bank will file an application with the Foreign Investment Promotion Board (“FIPB”) to seek approval to Allot partly paid-up Equity Shares to Non-Resident Eligible Equity Shareholders and Renouncees (defined hereinafter).

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and Investors should not invest any funds in the 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 the 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 Draft Letter of Offer.

Investors are advised to refer to the section “Risk Factors” on page 13 before making an investment in this Issue.

ISSUER’S ABSOLUTE RESPONSIBILITY

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

LISTING

The existing Equity Shares are listed on the BSE Limited (“BSE”) and the National Stock Exchange of India Limited (“NSE”), (together the “Stock Exchanges”). We have received “in-principle” approvals from BSE and NSE for listing the Rights Issue Equity Shares to be allotted in the Issue *vide* their letters dated [●] and [●], respectively. For the purposes of the Issue, the Designated Stock Exchange is [●].

LEAD MANAGER TO THE ISSUE



Axis Capital Limited
1st floor, Axis House, C-2 Wadia International Centre
P.B. Marg, Worli, Mumbai- 400025.
Tel.: +91 22 4325 3101 **Fax:** + 91 22 4325 3000
Website: www.axiscapital.co.in **E-mail:** lvb.rights@axiscap.in
Investor Grievance E-mail: complaints@axiscap.in
Contact Person: Mr. Dinkar Rai
SEBI Registration No.: INM000012029

REGISTRAR TO THE ISSUE



Integrated Enterprises (India) Limited
II Floor, ‘Kences Towers’ No.1 Ramakrishna Street,
North Usman Road, T. Nagar, Chennai – 600 017
Tel.: + 91 44 28140801 **Fax :** + 91 44 28142479
Website: www.integratedindia.in **E-mail:** lvb@integratedindia.in
Investor Grievance E-mail: sureshbabu@integratedindia.in
Contact Person: Mr. S. Sriram
SEBI Registration No: INR 000000544

ISSUE PROGRAMME

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

TABLE OF CONTENTS

SECTION I – GENERAL	3
DEFINITIONS AND ABBREVIATIONS	3
NOTICE TO OVERSEAS SHAREHOLDERS	10
CERTAIN CONVENTIONS, USE OF FINANCIAL, INDUSTRY AND MARKET DATA AND CURRENCY OF PRESENTATION	11
FORWARD LOOKING STATEMENTS	12
SECTION II - RISK FACTORS	13
SECTION III- INTRODUCTION	35
SUMMARY OF THE ISSUE	35
SUMMARY OF FINANCIAL INFORMATION	37
GENERAL INFORMATION	40
CAPITAL STRUCTURE	44
OBJECTS OF THE ISSUE	51
SECTION IV –STATEMENT OF TAX BENEFITS	53
SECTION V – OUR BUSINESS	59
SECTION VI - OUR MANAGEMENT	91
SECTION VII – FINANCIAL INFORMATION	100
ACCOUNTING RATIOS AND CAPITALISATION STATEMENT	146
STOCK MARKET DATA FOR EQUITY SHARES	148
MATERIAL DEVELOPMENTS	150
SECTION VIII – LEGAL AND OTHER INFORMATION	154
OUTSTANDING LITIGATIONS AND DEFAULTS	154
GOVERNMENT AND OTHER APPROVALS	160
OTHER REGULATORY AND STATUTORY DISCLOSURES	161
SECTION IX – OFFERING INFORMATION	171
TERMS OF THE ISSUE	171
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION	206
DECLARATION	208

SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

Definitions

In this Draft Letter of Offer, unless the context otherwise requires, the terms defined and abbreviations expanded below shall have the same meaning as stated in this section. References to statutes, rules, regulations, guidelines and policies will be deemed to include all amendments and modifications notified thereto.

In this Draft Letter of Offer, unless otherwise indicated or the context otherwise requires, all references to “The Lakshmi Vilas Bank Limited”, “the/ our” “Bank”, “LVB”, “Issuer”, “we”, “our” and “us” are to “The Lakshmi Vilas Bank Limited” and references to “you” are to the prospective investors in the Issue.

Bank Related Terms

Term	Description
Articles/ AoA/ Articles of Association	Our articles of association, as amended
Anavangot Satish Kumar	A.Satish Kumar
Auditors	Our statutory auditors, M/s Sagar & Associates, Chartered Accountants
“Bank”, “the Bank”, “we”, “us”, “our”	The Lakshmi Vilas Bank Limited having its registered office at Salem Road, Kathapara, P.O. Karur – 639006, Tamil Nadu
Board of Directors/Board	Our board of directors or any duly constituted committees thereof
Bodavaram Krishnasetty Manjunath	B.K.Manjunath
Equity Shares	Equity shares of face value of ₹ 10 each
Doddi Lakshmi Narayana Rao	D.L.N.Rao
Group Companies	Includes those companies, firms and ventures that are promoted by our Promoter, irrespective of whether these entities are covered under section 370(1) (B) of the Companies Act.
Kare Ramanarasimha Setty Pradeep	K.R.Pradeep
Subbarayalu Gunneswaran Prabhakaran	S G Prabhakaran
Memorandum/ MoA/ Memorandum of Association	Our memorandum of association, as amended
Promoter and Promoter Group	K R Pradeep , Pranava Electronics Private Limited, Kare Electronics and Development Private Limited, Anuradha Pradeep, Kare Power Resources Private Limited, Kare Investments Private Limited, Pranava International Pte Ltd, Anirudh P Kare, Parinita P Kare, K R Nagesh, K R Satish, S G Prabhakaran , S. Gunneswaran, G Chandralakshmi, Usha R Prabhakaran, G P Prajnesh, G Sudhakara Gupta, Ms M R Sasikaladhevi, Ariston Capital Asset Holdings Private Limited, XS Real Property Private Limited, Holzwerk Interior Private Limited, Tangerine Capital Asset Holdings LLP, Alpine Holdings LLP, Pallava Estate LLP, Scotwood Estate LLP, Tangerine Tech-Parks LLP, Apple Tech-Park Private Limited, XS Real Properties Service LLP, Acestar Properties Private Limited, Helios Estate Private Limited, Amaryllis Properties Private Limited, Magenta Ceramiks Systems Private Limited, Cherry International Trading Private Limited, Megapro Investments Private Limited, Magenta RE Asset Private Limited, Navigator Estate Private Limited, M P Shyam , Advait Motors Private Limited, Cauvery Motors Private Limited, M S Sharmila, M K Panduranga Shetty, P Vasanth, M P Vikram Setty, Allbless Tracon Private Limited, Dotmark Vinimay Private Limited, Alllike Marketing Private Limited, Akshara Motors Private Limited, Ananya Software Private Limited, Advait Spares & Accessories Private Limited, Advait Automation Private Limited, Mysore

	Snack Foods Limited, Mysore Vegetable Oil Products Limited, Advait Marketing Private Limited, Lathangi Motors Private Limited, Lathangi Automobiles Private Limited, Wilworth Earth Movers Private Limited, Lathangi Cycle and Carriage Private Limited, Wilway Engineering and Constructions Private Limited, Lathangi Equipments Private Limited, Yashaswini Motors Private Limited, Krishna Industries Private Limited, Wilway Earth Movers Private Limited, N Malayalaramamirtham , M Geetha, M Shalini, M Balasubramanian, N Saiprasad, N Sivakumar, V N Jayaprakash, N Susila, N Dwarakanathan, Venkateshwara Exports, K.V.N Finance, Shri Gayathiri Credit Co., Shri Gayathiri & Co., Shri Gayathiri Financiers, Shri Gayathiri Chits, K.N.Viswanatha Chettiyar & Co., Susila Leasings, Gayathiri Finance Corporations, Shri Gayathiri Finance & Investments, Dhanesh Chits, Gayathiri Associates, Gayathiri Leasings, Gayathiri Credits.
Registered Office	Our registered office located at Salem Road, Kathapara, P.O. Karur – 639006, Tamil Nadu

Conventional and General Terms/ Abbreviations

Term	Description
Act/ Companies Act	The Companies Act, 1956- and the Notified Provisions of the Companies Act, 2013
AGM	Annual General Meeting
AS	Accounting Standards notified pursuant to the Companies (Accounting Standards) Rules, 2006, as amended
BSE	BSE Limited
CAGR	Compounded Annual Growth Rate
Companies Act 1956	The Companies Act, 1956, as amended
Companies Act 2013	The Companies Act, 2012, to the extent notified
CDSL	Central Depository Services (India) Limited
Depositories Act	The Depositories Act, 1996, as amended
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended
Depository Participant/ DP	A depository participant as defined under the Depositories Act
DIN	Director Identification Number
DP ID	Depository Participant Identity
EC	Extension Counter
EGM	Extra-Ordinary General Meeting
EPS	Earnings per Share
FDI	Foreign Direct Investment
FEMA	The Foreign Exchange Management Act, 1999, including the regulations framed thereunder, as amended
FII	Foreign Institutional Investor as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 (as amended) and registered with SEBI and as repealed by Foreign Portfolio Investors defined under the SEBI (Foreign Portfolio Investors) Regulations, 2014. A Foreign Institutional Investor or a sub account and 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.
FPI	Foreign Portfolio 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
Financial Year/ Fiscal/ FY	Period of 12 months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board, Ministry of Finance, GoI
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
FCNR (B)	Foreign Currency Rupee Loan

Term	Description
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GoI	Government of India
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
IFSC	Indian Financial System Code
ISIN	International Securities Identification Number
IT Act	The Income Tax Act, 1961, as amended
IT/ ITeS	Information Technology/ Information Technology enabled Services
Indian GAAP	Generally accepted accounting principles followed in India
MICR	Magnetic Ink Character Recognition
Mutual Fund/ MF	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
NAV	Net Asset Value
NECS	National Electronic Clearing Services
NEFT	National Electronic Funds Transfer
NR	Non-Resident
NRI	Non-Resident Indian
NRE Account	Non-Resident External Account
NRO Account	Non-Resident Ordinary Account
NSDL	The National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	Overseas Corporate Body
p.a	Per annum
PAN	Permanent Account Number under the IT Act
PAT	Profit After Tax
PBT	Profit Before Tax
PLR	Prime Lending Rate
RBI	Reserve Bank of India
Registrar of Companies/ RoC	Registrar of Companies, Chennai, Tamil Nadu
Regulation S	Regulation S under the Securities Act
Rupees/ INR/ ₹/ Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended
SEBI ICDR Regulations/ SEBI Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended
Securities Act	U.S. Securities Act of 1933, as amended
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended
U.S./ US/ USA	United States of America

Issue Related Terms

Term	Description
Abridged Letter of Offer	The abridged letter of offer to be sent to the Equity Shareholders with respect to the Issue in accordance with the SEBI ICDR Regulations
Allotment	Allotment of Rights Issue Equity Shares pursuant to the Issue
Allottee(s)	Persons to whom our Rights Issue Equity Shares will be allotted pursuant to the Issue
Application	Unless the context otherwise requires, refers to an application for Allotment of Rights Issue Equity Shares in this Issue.
Application Supported by	The application (whether physical or electronic) used by ASBA Investors to

Term	Description
Blocked Amount/ ASBA	make an application authorizing the SCSB to block the amount payable on application in ASBA 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	Equity Shareholders proposing to subscribe to the Issue through ASBA process and: <ul style="list-style-type: none"> a. Who are holding our Equity Shares in dematerialized form as on the Record Date and have applied for their Rights Entitlements and/ or additional Equity Shares in dematerialized form; b. Who have not renounced their Rights Entitlements in full or in part; c. Who are not Renouncees; and d. Who are applying through blocking of funds in a bank account maintained with SCSBs. All QIBs and other Investors whose application value exceeds ₹ 2 lakhs complying with the above conditions may participate in this Issue through the ASBA process only
Bankers to the Issue	[●]
Call	Call notice sent by our Bank to each of the holders of the partly paid-up Equity Shares as on the Call Record Date, for making a payment of Call Money.
Call Money	Aggregate amount payable in respect of the Equity Shares applied for in this Issue at the time of the Call pursuant to the Payment Method, being ₹ [●] per Equity Share, i.e. [●]% of the Issue Price.
Call Record Date	The date fixed by our Bank for the purpose of determining the names of the holders of partly paid-up Equity Shares for the purpose of issuing of the Call.
Composite Application Form/ CAF	The form used by an Investor to make an application for the Allotment of Rights Issue Equity Shares in the Issue
Consolidated Certificate	In case of holding of Equity Shares in physical form, the certificate that we would issue for the Rights Issue Equity Shares Allotted to 1 folio
Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchanges, a list of which is available on http://www.sebi.gov.in/cms/sebi_data/attachdocs/1365051213899.html
Designated Stock Exchange	[●]
Designated Branches	Such branches of the SCSBs which shall collect application forms used by ASBA Investors and a list of which is available on http://www.sebi.gov.in/cms/sebi_data/attachdocs/1365051213899.html
Draft Letter of Offer	This draft letter of offer dated March 26, 2014 filed with SEBI for its observations which does not contain complete particulars of the Issue
Equity Shareholders/ Eligible Equity Shareholder(s)	A holder/beneficial owner of our Equity Shares as on the Record Date
Investor(s)	The Equity Shareholders(s) on the Record Date, applying in this Issue, and the Renouncees who have submitted an Application to subscribe to the Issue
Issue/ Rights Issue	Issue of [●] 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 up to ₹ 5,050, million to our existing 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. [●]).
Issue Closing Date	[●]
Issue Opening Date	[●]
Issue Price	₹ [●] per Rights Issue Equity Share
Issue Size	This Issue of [●] Rights Issue Equity Share aggregating up to ₹ 5,050 million
Issue Proceeds	The gross proceeds to be raised through this Issue
Large Corporate Account	Any account with outstanding advance of more than ₹100 million.
Lead Manager	Axis Capital Limited
Letter of Offer	The final letter of offer to be filed with the Stock Exchanges after incorporating

Term	Description
	the observations received from the SEBI on this Draft Letter of Offer
Listing Agreement	The listing agreements entered into between us and the Stock Exchanges
Net Proceeds	The Issue Proceeds less the Issue related expenses. For further details, please see the chapter “Objects of the Issue” on page 51.
Payment Method	Payment method in respect of the Equity Shares issued pursuant to the Issue, under which the amount payable on Application is ₹ [●] per Equity Share, and the balance amount of the Issue Price is payable on Call.
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	Public financial institutions as specified in section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FIIs and subaccount registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, foreign portfolio investor other than category III, multilateral and bilateral development financial institution, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with the Insurance Regulatory Development Authority, provident fund with minimum corpus of ₹ 250 million, pension fund with minimum corpus of ₹ 250 million, National Investment Fund set up by the Government of India and insurance funds set up and managed by the army, navy or air force of the Union of India and insurance funds set up and managed by the Department of Posts, India
Record Date	[●]
Refund Banker	[●]
Registrar to the Issue/ Registrar and Transfer Agent/ RTA	Integrated Enterprises (India) Limited
Renouncee(s)	Any person(s) who has/ have acquired Rights Entitlements from Equity Shareholders
Retail Individual Investors	Individual Investors who have applied for Rights Issue Equity Share for an amount not more than ₹ 2 lakhs (including HUFs applying through their Karta)
Rights Entitlement	The number of Rights Issue Equity Share that an Investor is entitled to in proportion to the number of Equity Shares held by the Investor on the Record Date
Rights Issue Equity Shares	Equity Shares of the Bank to be allotted pursuant to this Rights Issue.
SAF(s)	Split Application Form(s)
SCSB(s)	A Self Certified Syndicate Bank, registered with SEBI, which acts as a banker to the Issue and which offers the facility of ASBA. A list of all SCSBs is available at http://www.sebi.gov.in/cms/sebi_data/attachdocs/1365051213899.html
Stock Exchange(s)	BSE and NSE, where our Equity Shares are presently listed

Industry Related Terms

Term	Description
ALM	Asset Liability Mismatch
ATMs	Automated Teller Machines
Bps	Basis points
BR	Base Rate
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

Term	Description
	2004
Basel III	Recommendations of the Basel Committee on Banking Supervision dated December 2010
CAIIB	Certified Associate of Indian Institute of Bankers
CAR	Capital Adequacy Ratio
CAGR	Compounded Annual Growth Rate
CBS	Core Banking Solutions
CBLO	Collateralised Borrowing and Lending Obligation
CCIL	Credit Corporation of India Limited
CIBIL	Credit Information Bureau of India Limited
CRAR	Capital to Risk Weighted Assets Ratio
CRR	Cash Reserve Ratio
CASA	Current and Saving Account Deposits
DRS	Disaster Recovery Site
DRT	Debts Recovery Tribunal
EFT	Electronic Funds Transfer
EPS	Earnings Per Share
FBT	Fringe Benefit Tax
HTM	Held to Maturity
IBA	Indian Banks Association
IT	Information Technology
KYC	Know Your Customer Norms as stipulated by the Reserve Bank of India
NAV	Net Asset Value
NECS	National Electronic Clearing Services
NIM	Net Interest Margin
NPA	Non-Performing Asset
NDS-OM	Negotiated Dealing System-Order Matching
NSDL – CRA	National Securities and Depository Limited (Central Record Keeping Agency)
PFRDA	Pension Fund Regulatory and Development Authority
RBI	Reserve Bank of India
RDB Act	The Recovery of Debts Due to Banks and Financial Institutions Act, 1993
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.
SARFAESI Act 2002/Securitisation Act	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SME	Micro, small and medium enterprises as defined by the Micro, Small and Medium Enterprises Development Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under: <p>(a) Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:</p> <p>(i) A micro enterprise is an enterprise where investment in plant and machinery does not exceed ₹ 25 lakh;</p> <p>(ii) A small enterprise is an enterprise where the investment in plant and machinery is more than ₹ 25 lakh but does not exceed ₹ 5 crore; and</p> <p>(iii) A medium enterprise is an enterprise where the investment in plant and machinery is more than ₹5 crore but does not exceed ₹10 crore.</p> <p>In case of the above enterprises, investment in plant and machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification No.S.O.1722(E) dated October 5,</p>

Term	Description
	2006.
	(b) Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006 are specified below.
	(i) A micro enterprise is an enterprise where the investment in equipment does not exceed ₹ 10 lakh;
	(ii) A small enterprise is an enterprise where the investment in equipment is more than ₹10 lakh but does not exceed ₹ 2 crore; and
	(iii) A medium enterprise is an enterprise where the investment in equipment is more than ₹ 2 crore but does not exceed ₹ 5 crore.
Tier I Capital	The core capital of a bank, which provides the most permanent and readily available support against unexpected losses. It comprises paid-up capital and statutory reserves including other disclosed reserves, if any, capital reserves, innovative perpetual debt instruments, perpetual non-cumulative preference shares as reduced by equity investments in subsidiaries, intangible assets, and losses in the current period and those brought forward from the previous period
Tier II Capital	The revaluation reserves, general provisions and loss reserves, hybrid debt capital instruments, subordinated debt, Innovative perpetual debt instruments and perpetual non-cumulative preference shares.
The BR Act	The Banking Regulation Act, 1949, as amended

The words and expressions used but not defined herein shall have the same meaning as is assigned to such terms under the Companies Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and the rules and regulations made thereunder.

Notwithstanding the foregoing, terms defined in the chapters “Statement of Tax Benefits”, “Financial Statements” and “Terms of the Issue” on pages 53, 100 and 171, respectively, shall have the meanings given to such terms in these respective sections.

NOTICE TO OVERSEAS SHAREHOLDERS

The distribution of this Draft Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer or CAF may come are required to inform themselves about and observe such restrictions. We are making this Issue of Equity Shares on a rights basis to the Equity Shareholders and will dispatch the Letter of Offer/ Abridged Letter of Offer and CAFs to such shareholders who have provided an Indian address. Those overseas shareholders who do not update our 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 Draft Letter of Offer / Abridged Letter of Offer and CAFs. No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that this Draft Letter of Offer has been filed with SEBI for observations. Accordingly, the rights or Equity Shares may not be offered or sold, directly or indirectly, and this Draft Letter of Offer may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Draft Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, under those circumstances, this Draft Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Draft Letter of Offer should not, in connection with the issue of the rights or Equity Shares, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Draft Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the rights or Equity Shares referred to in this Draft Letter of Offer. Envelopes containing a CAF should not be dispatched from any jurisdiction where it would be illegal to make an offer, and all persons subscribing for the Equity Shares in this Issue must provide an Indian address.

Any person who makes an application to acquire rights and the Equity Shares offered in this Issue will be deemed to have declared, represented, warranted and agreed that he is authorised to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations prevailing in his jurisdiction. We, the Registrar, the Lead Manager or any other person acting on behalf of us reserve the right to treat any CAF as invalid 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 Equity Shares or Rights Entitlement in respect of any such CAF. Neither the delivery of this Draft Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in the Bank's affairs from the date hereof or that the information contained herein is correct as at any time subsequent to the date of this Draft Letter of Offer.

The contents of this Draft 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 is 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.

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

Certain Conventions

References in this Draft 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”).

Financial Data

Unless stated otherwise, the financial data in this Draft Letter of Offer is derived from our financial statements prepared in accordance with Indian GAAP. Our fiscal year commences on April 1 of each year and ends on March 31 of the succeeding year, so all references to a particular “fiscal year” or “Fiscal” are to the 12 month period ended on March 31 of that year. Our reformatted financial statements for the Fiscal 2013 (the “**Reformatted Audited Financial Statements**”) and our reviewed financial statements for the half year ended September 30, 2013 (the “**Reviewed Financial Statements**”) that appear in this Draft Letter of Offer have been prepared by our Bank in accordance with Indian GAAP and the BR Act. The Reformatted Audited Financial Statements and the Reviewed Financial Statements are collectively referred to herein as the “**Financial Statements**”). For details of such financial statements, please see the chapter “Financial Statements” on page 100.

We publish our financial statements in Indian Rupees.

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

In this Draft Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures. Numerical values have been rounded off to two decimal places.

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

Currency of Presentation

All references in this Draft Letter of Offer to “Rupees”, “₹”, “Rs.”, “Indian Rupees” and “INR” are to Indian Rupees, the official currency of India.

Please Note:

- One million is equal to 10 Lakhs
- One billion is equal to 1,000 million
- One Lakh / Lakhs is equal to 100 thousand
- One crore is equal to 10 million/100 Lakhs

FORWARD LOOKING STATEMENTS

Certain statements in this Draft Letter of Offer which contain words or phrases such as “will”, “may”, “aim”, “is likely to result”, “believe”, “expect”, “continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “pursue” and similar expressions or variations of such expressions, that are “forward looking statements”. Similarly, statements that describe our objectives, strategies, plans or goals are also forward-looking 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

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from plans, objectives, estimates, intentions and expectations expressed in such forward looking statements include, but are not limited to

- volatility in interest rates and other market conditions;
- failure to sustain or achieve growth of our deposit base, including our current and savings account deposit base;
- our inability to manage non-performing assets
- non-availability of funding and increase in funding costs;
- any adverse performance by “priority sectors”;
- our inability to compete effectively;
- our inability to sustain growth of our retail banking business;
- failure to maintain capital adequacy requirements;
- any increase in the CRR and the SLR;
- changes in the regulatory environment, under which we operate, or our inability to comply with the regulations;
- any change in the tax laws in India;
- any inability to manage maturity and interest rate mismatches between our assets and liabilities;
- adverse change in the economy of India;
- certain failures, including internal or external fraud, operational errors, system malfunctions, or cyber security incidents.

For a further discussion of factors that could cause our actual results to differ, please see the chapters “Risk Factors” and “Our Business” on pages 13 and 59 respectively. 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 we nor the Lead Manager nor 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 we 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, we 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.

SECTION II - RISK FACTORS

An investment in equity and equity related securities involves a high degree of risk and you should not invest any funds in this offer unless you can afford to take the risk of losing your investment. You should carefully consider all of the information in this Draft Letter of Offer, including the risks and uncertainties described below, before making an investment in the Equity Shares. The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. To obtain a complete understanding, you should read this section in conjunction with the sections titled "Our Business" and the section titled "Financial Information" beginning on page 59 and 100 respectively, as well as the other financial and statistical information contained in this Draft Letter of Offer.

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

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

RISKS ASSOCIATED WITH OUR BUSINESS

Internal Risk Factors

- 1. Our results of operations largely depend on our net interest income. Volatility in interest rates and other market conditions could adversely impact our business and results of operations.***

Our results of operations largely depend on our net interest income. Net interest income constituted 20.02% (i.e., ₹ 3,919.98 million) and 22.01% (i.e., ₹ 2,353.61 million) of our total income for Fiscal 2013 and for the six months ended September 30, 2013, respectively.

As of March 31, 2013 and the six months ended September 30, 2013, of our interest-earning assets, 70.60% (i.e., ₹ 105,676.12 million) and 66.76% (i.e., ₹ 110,025.00 million) have floating interest rates, while all of our interest-bearing liabilities have fixed interest rates. Any decrease in the interest rates applicable to our assets, without a corresponding decrease in the interest rates applicable to our liabilities, will result in a decline in our net interest income and may consequently reduce our net interest margin ("NIM").

In the event of falling interest rates, our borrowers may not be willing to continue to pay correspondingly higher interest rates on their borrowings and may choose to repay their loans if they are able to switch to more competitively priced loans offered by other banks. Although in the past, we have passed on the increase in the interest rates linked to our interest bearing-liabilities to our borrowers, we cannot assure you that we will continue to pass such increase in our costs to our borrowers.

Any inability to retain customers as a result of changing interest rates may adversely impact our earnings in future periods.

- 2. Any increase in Banks portfolio of NPAs and RBI mandated provisioning requirement may adversely affect our financial condition and results of operations.***

As of March 31, 2012, March 31, 2013 and the six months ended September 30, 2013, our gross NPAs were ₹ 3,077.33 million, ₹ 4,599.08 million and ₹ 6,441.30 million, representing 2.98%, 3.87% and 5.22% of our gross advances, respectively. The NPAs net of provisions were ₹1,770.89 million, ₹2,838.14 million and ₹4,573.58 million, representing 1.74%, 2.43% and 3.77% of our net advances, respectively. As at March 31, 2013 and for six month ended September 30, 2013 the Bank provided for 54.48% and 47.50% of its total NPAs (including prudential write-offs) respectively pursuant to

applicable regulatory guidelines and the quality of security available. If there is any deterioration in the quality of the Bank's security or further aging of the assets after being classified as non-performing, an increase in provisions will be required. This increase in provisions may adversely impact our financial performance and the market price of the Equity Shares.

There can be no assurance that the percentage of NPAs that we will be able to recover will be similar to our past experience of recoveries of NPAs.

The Bank's gross restructured assets as a proportion of gross assets as at March 31, 2013 and September 30, 2013 was 6.08% and 6.49%, respectively. We restructure assets based upon a borrower's potential to restore its financial health. However, certain assets classified as restructured may subsequently be classified as delinquent or non-performing in the event a borrower fails to restore its financial viability and honor its loan servicing commitments to us. There can be no assurance that the debt restructuring criteria approved by us will be adequate or successful and that borrowers will be able to meet their obligations under restructured loans. Any resulting increase in delinquency levels may adversely impact our financial performance and the market price of the Equity Shares. The Bank has a policy of internal rating of the borrowing facilities exceeding ₹ 0.50 million to our customers wherein we categorise our borrowers into three categories, namely, high risk borrowers, moderate risk borrowers and low risk borrowers. The internal rating of the borrowers on the basis of obligor ratings ranges from LVB1 to LVB9 (safest to riskiest). The portfolio classified on the basis of high risk, medium risk and low risk for March 31, 2013 and September 30, 2013 is furnished below:

(₹ in million)

S. No.	Risk Intensity	Rating	Sep-13		Mar-13	
			Credit outstanding	% Gross Advances	Credit outstanding	% Gross Advances
1	Low Risk	LVB1, LVB2 & LVB3	36,953.17	29.96	38,326.41	32.23
2	Medium Risk	LVB4 & LVB5	37,700.03	30.57	38,613.56	32.47
3	High Risk	LVB6, LVB7, LVB8 & LVB9	2,562.47	2.08	3,442.67	2.89
4	Sub Total		77,215.67	62.61	80,382.64	67.59
5	Exempted from Rating ¹		15,944.89	12.93	15,057.50	12.66
6	Products Withdrawn		297.96	0.24	325.40	0.27
7	Grand Total		93,458.52	75.78	95,765.54	80.53
8	Unrated (9-7)		29,869.18	24.22	23,156.98	19.47
9	Total Gross Advances		123,327.70	100.00	118,922.52	100.00

¹We do not carry out internal rating for some of our borrowers such as loan against fixed deposits, agricultural loans, loans to employees etc.

Borrowers in the high risk category could be especially vulnerable if economic conditions worsen or economic growth is slow, which could adversely affect our business, results of operations and financial conditions.

Although our loan portfolio contains loans to a wide variety of businesses, adverse market conditions in these sectors could increase our level of NPAs. As of March 31, 2013 and the six months ended September 30, 2013, concentration of gross NPAs, as a percentage of our gross advances, was ₹ 4,599.08 million constituting 3.87% and ₹ 6,441.30 million constituting 5.22% respectively. The highest concentration of NPAs for the Bank being in the other textile sector amounting to ₹ 1,202.03 million constituting 18.66% of the NPAs as of September 30, 2013 and ₹ 365.90 million constituting 7.96% of the NPAs as of March 31, 2013; followed by Engineering sector amounting to ₹ 729.63 million constituting 11.33% of the NPAs as of September 30, 2013 and ₹ 689.16 million constituting 14.98% of the NPAs as of March 31, 2013; and followed by Chemicals, Dyes, Paints etc., sector amounting to ₹ 362.19 million constituting 5.62% of the NPAs as of September 30, 2013 and ₹ 679.38 million constituting 14.77% of the NPAs as of March 31, 2013.

Our ability to continue to reduce or contain the level of our NPAs may be affected by a number of factors that are beyond our control including, a sharp and sustained rise in interest rates, unemployment, slowdown in the Indian economy, movements in global commodity markets and exchange rates, global competition, adverse changes in government policies, laws or regulations and performance of various industry. In addition, the expansion of our business may also cause the level of our NPAs to increase. Although we constantly endeavour to improve our collections, we cannot assure you that we will be successful in our efforts or that the overall quality of our loan portfolio may not deteriorate in the future. If we are not able to control and reduce our NPAs, it could adversely affect our business, financial condition and results of operations.

3. *A substantial portion of our NPAs are attributable to Large Corporate Accounts and any adverse performance by such Large Corporate Accounts could have a material adverse impact on our financial condition and results of operations.*

As of March 31, 2012, March 31, 2013 and the six months ended September 30, 2013, our lending to Large Corporate Accounts (any outstanding of loans of more than ₹ 100 million) constituted 39.41% (i.e., ₹ 40,700.70 million), 33.17% (i.e., ₹ 39,443.10 million) and 29.29% (i.e., ₹ 36,118.10 million), respectively, of our adjusted net bank credit. Further, as of March 31, 2012, March 31, 2013 and the six months ended September 30, 2013, of our total NPAs, 43.07% (i.e., ₹ 1,325.41 million), 64.45% (i.e., ₹ 2,964.22 million) and 67.61% (i.e., ₹ 4,355.18 million), respectively attributed to Large Corporate Accounts. In the past, our results of operations have been impacted by provisioning for certain loans to Large Corporate Accounts which turned into NPAs. Any adverse performance by these Large Corporate Accounts could significantly increase our NPAs, which may materially and adversely affect our business, results of operations and financial condition.

4. *Our Inability to improve the share of CASA deposits may result in higher cost of deposits and thereby affect the profitability of our bank in future.*

Our Bank as on March 31, 2013, had total deposits of ₹156,189.78 million. The share of CASA deposits amounted to 14.48% of total deposits in FY 2013 vis-à-vis 14.90% in FY 2012. The increased dependence on term deposits has led to increase in cost of deposits to 8.96% in FY 2013 from 8.57 % in FY 2012. Inability to improve the share of CASA deposits may affect the profitability of our Bank.

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

As of March 31, 2013, aggregate loans to our Bank's ten largest borrowers amounted to ₹ 10,087.68 million which (representing approximately 84.11% of our Bank's aggregate Tier I and Tier II capital). Our Bank's single largest borrower on March 31, 2013 had an outstanding balance of ₹ 1,294.94 million, representing 10.80% of our Bank's aggregate Tier I and Tier II capital as on March 31, 2013 Any deterioration in the credit quality of these assets may have a significant adverse effect on our Bank's financial condition and results of operations.

6. *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.

As of September 30, 2013, we have an asset liability mismatch. The bucket-wise negative mismatches are as under:

(₹ in million)

Maturity period	Mismatch to outflow (in %) ^{(a)(b)}	Mismatch to outflow
Overdue to Day 1	-14.81%	-991.18
2-7 Days	41.69%	1,272.76

Maturity period	Mismatch to outflow (in %)^{(a)(b)}	Mismatch to outflow
8-14 Days	75.42%	1,775.06
15-28 Days	156.76%	4,058.15
29 Days to 3 Months	37.52%	7,722.54
3-6 Months	-30.60%	-8255.28
6 Months- 1 Year	-34.15%	-13,723.74
1-3 Years	36.94%	17,689.26
3-5 Years	-7.31%	-830.97
Over 5 Years	-27.89%	-8,873.78

(a) Minus sign indicates negative mismatch percentages

(b) Mismatch to outflow has been arrived at based on the formula:

$$[(Assets - Liabilities)/Liabilities] \times 100$$

Assumptions for calculating the asset liability mismatch are based on the guidelines of RBI circular on structural liquidity.

Further, 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, non-renewal of deposits and delay in anticipated repayment of advances.

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.

7. Any inability to maintain adequate capital due to change in regulations or lack of access to capital or otherwise could materially and adversely affect our results of operations and financial condition.

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**”). We are required by the RBI to maintain a minimum capital adequacy ratio of 9.00% in relation to our total risk weighted assets. Due to increase of size of assets and accordingly the risk weighted assets, there is an impact on the CRAR under the Basel II standards. Although we have been maintaining a CRAR under the Basel II standards, which was 12.32% as of March 31, 2013 and 11.29% as of September 30, 2013 as compared to the regulatory minimum requirement of 9.00%, there can be no assurance that we will be able to maintain our CRAR within the regulatory requirements. Further, any adverse developments could affect our ability to continue to satisfy the capital adequacy requirements, including deterioration in our asset quality, decline in the values of our investments or applicable risk weight for different asset classes.

The RBI has issued the guidelines on Basel III capital regulations on May 2, 2012, pursuant to the Monetary Policy Statement 2012-13. These guidelines have become effective from April 1, 2013 and are being implemented in a phased manner. The Basel III capital ratios will be fully implemented by March 31, 2018. The Bank intends to take necessary measures to induct capital from time to time so that it is compliant with Basel III norms prior to March 31, 2018. With the implementation of the Basel III guidelines, we may be required to improve the quality, quantity and transparency of Tier I capital, which will now have to be predominantly equity shares. In addition, these changes may result in the incurrence of substantial compliance and monitoring costs. Furthermore, with the implementation of Basel III guidelines, our ability to support and grow our business could be limited by a declining capital adequacy ratio, if we are unable to access or face difficulty in accessing the capital or have difficulty in obtaining capital in any other manner.

If we fail to meet capital adequacy requirements, the RBI may take certain actions, including restricting our lending and investment activities and the payment of dividends by us. These actions could materially and adversely affect our reputation, results of operations and financial condition.

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

As a result of the statutory reserve requirements stipulated by the RBI, we may be more exposed structurally to interest rate risk than banks in other countries. Under the RBI's regulations, we are subject to a CRR requirement under which we are currently required to keep 4.00% of our net demand and time liabilities in current account with the RBI. We do not earn interest on cash reserves maintained with the RBI. The RBI may further increase the CRR requirement as a monetary policy measure and has done so on numerous occasions. Increases in the CRR requirement could materially and adversely affect our business, results of operations and financial condition.

In addition, under the RBI's regulations, our liabilities are subject to a SLR requirement, according to which 23% of our demand and time liabilities need to be invested in Government securities, state government securities and other securities approved by the RBI from time to time. In our experience, these securities generally carry fixed coupons. When the interest rate rises, the value of these fixed coupon securities depreciates. We cannot assure you that investment in such securities will provide returns better than other market instruments. Further, any increase in the CRR and the SLR requirements, would reduce the amount of cash available for lending, which may materially and adversely affect our business, financial condition and results of operations.

9. *Investment in partly paid-up Equity Shares in the Issue is exposed to certain risks.*

The Issue Price is ₹ [●] per Equity Share. The Investors are required to pay [●]% of the Issue Price on Application and [●]% of the Issue Price on the Call. The partly paid-up Equity Shares offered under the Issue will be traded under separate ISIN for the period as may be applicable prior to the Call Record Date. An active trading may not develop for the partly paid-up Equity Shares and, therefore, the trading price of the partly paid up Equity Shares may be subject to greater volatility than our fully-paid Equity Shares.

Further, with effect from the Call Record Date, trading in the partly paid-up Equity Shares for which the Call has been made will be suspended for such period as may be applicable under the applicable rules and regulations. The holders of the partly paid-up Equity Shares will not be able to trade in these shares from the Call Record Date till they are credited to the holders' account as fully paid-up Equity Shares. Investors will be required to pay the money due on the Call, regardless of the market price of the Equity Shares. If the Investor fails to pay the balance amount, the Equity Shares in respect of which such Call has been given shall be forfeited, along with the Application Money already paid. Additionally, pending conversion of partly paid-up Equity Shares into fully paid-up Equity Shares, Investors are only entitled to dividend and the voting rights in proportion to such Investors' share of our paid-up equity capital.

Further, we will make an application to FIPB for seeking its approval to Allot partly paid-up Equity Shares to Non-Resident Eligible Equity Shareholders and Renouncees (including FIIs and NRIs). Pursuant to the consolidated FDI policy (circular 1 of 2013) issued by Department of Industrial Policy & Promotion, partly paid-up shares can be allotted to residents outside India only upon receipt of approval of the FIPB. In the event we fail to receive such approval from FIPB, we may not be able to allot Equity Shares to Non-Resident Eligible Equity Shareholders and Renouncees.

10. *We have regional concentration in southern India, especially Tamil Nadu. Any adverse change in the economic condition of Tamil Nadu and other states in southern India can impact our results of operations.*

As of February 28, 2014, out of our 361 branches, 320 branches were located in southern India (including 221 branches which were located in Tamil Nadu) constituting 88.64% of our total branch network. Our branches located in southern India received deposits of ₹132,459.31 million as of

September 30, 2013, including ₹84,672.02 million received by branches located in Tamil Nadu, constituting 80.49% and 51.45%, respectively, of our total deposits as of September 30, 2013.

Our concentration in the southern India, and specifically in Tamil Nadu, exposes us to any adverse economic or political circumstances in that region as compared to other public and private sector banks that have more diversified national presence. Any disruption, disturbance or sustained downturn in the economy of Tamil Nadu and other states in southern India could adversely affect our business, financial condition and results of operations.

Additionally, while we continue to expand our operations outside of our traditional areas such as Tamil Nadu and other states in southern India, we face risks with our operations in geographic areas in which we do not possess the same level of familiarity with the economic condition, consumer base and commercial operations. In addition, our competitors may already have established operations in areas outside southern India and we may find it difficult to attract customers in such new areas. We may not be able to successfully manage the risks of such an expansion, which could have a material adverse effect on our business, financial condition and results of operations.

11. *The previous wage settlement with our employees has expired on October 31, 2012 and has not been renewed since.*

Our employees are part of an employees union which is affiliated to the national level bank employee trade unions, which negotiates the wage settlement with Indian Banks Association ("IBA") once in 5 years on behalf of all banks which has given mandate to IBA to negotiate the wage settlement on their behalf. In the past, we have given mandate to IBA for negotiating the wage settlement. However, our Bank has currently not given mandate to the IBA to negotiate a wage settlement on our behalf. We are in negotiations with the employees union of our Bank for negotiating a wage settlement. Any material increase in our wage bill pursuant to the settlement would increase our employee cost which could result in adverse impact on our profitability.

12. *Foreign investment in the Equity Shares, and acquisitions or transfers of our Equity Shares resulting in an aggregate holding of 5% or more are subject to limits specified by the RBI. Further, in relation to our foreign investment, we are required to comply with the various provisions of the Foreign Exchange management Act, 1999 ("FEMA").*

Under Indian laws, the aggregate permissible foreign investment, including FDI and investment by FIIs and NRIs in a private sector bank is limited to an aggregate of 49% of the paid up capital under the automatic route. Further, the aggregate FIIs and NRIs' holding, cannot exceed 24% and 10%, respectively, of the paid up capital. However, with the approval of the board of directors and the shareholders by way of a special resolution, the aggregate FII and NRI holding in a bank can be increased up to 49% and 24%, respectively.

Pursuant to the guidelines issued by the RBI, any acquisition or transfer of shares in a private bank which will take the aggregate holding of an individual or a group to five per cent or more of the paid-up capital of a bank requires the prior "acknowledgement" of the RBI.

Our foreign shareholding is restricted to 26% of our paid up capital, with the aggregate shareholding of FII not exceeding 26% and individual shareholding not exceeding 5%, of our paid up capital, pursuant to resolution passed by our shareholders in the annual general meeting held on August 14, 2008. As of December 31, 2013, our aggregate foreign shareholding (including FII and NRI shareholding) was 12.28% of our paid up capital of which shareholding by NRIs was 0.69% of our paid up capital.

The aforementioned regulatory framework could adversely affect the liquidity, free transferability of the Equity Shares and in turn have an adverse effect on the price of the Equity Shares.

13. *Non-availability of funding and increase in funding costs could adversely affect our business and our financial condition. In case our depositors do not roll over term deposits or if we fail to increase our term deposits, our liquidity position may be adversely affected and we may be required to pay higher cost to attract and/or retain further deposits.*

Currently our primary source of funding is deposits which include demand deposits, savings bank deposits and term deposits, long-term Tier II debt and inter-bank borrowings. As of March 31, 2012, March 31, 2013 and the six months ended September 30, 2013, 96.05% (i.e., ₹141,141.40 million), 97.02% (i.e., 156,189.78 million) and 96.17% (i.e., ₹164,554.52 million), respectively, of our primary funding consisted of deposits. The cost of funds is sensitive to interest rate fluctuations. The pricing on our issuances of debt will also be negatively impacted by any downgrade or potential downgrade in our credit ratings. In addition, attracting customer deposits in the Indian market is competitive. The rates that we must pay to attract deposits are determined by numerous factors such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation.

Our depositors may not roll over term deposits on maturity, which may force us to pay higher interest rates in order to attract and/or retain further deposits. If we fail to sustain or achieve the growth rate of our deposit base, including our current and savings account deposit base, our business, liquidity position and financial condition may be adversely affected.

14. *We may be unable to sustain the growth rate of our retail banking business, which could adversely impact our growth prospects.*

As a part of our retail growth strategy, we have been expanding our presence through increase in our branch network to increase our current accounts and saving accounts deposits. Further, we have achieved significant growth in our retail advances and retail deposits in recent years. Our advances under retail banking business as of March 31, 2012 and March 31, 2013 were ₹ 54,278 million and ₹ 70,886 million, respectively with a CAGR of 30.60%. Our gross advances at September 30, 2013 were ₹ 123,327.70 million. Further, our deposits under retail banking business as of March 31, 2012 and March 31, 2013 were ₹ 120,157.91 million, ₹ 135,286.23 million, respectively with a CAGR of 12.59%. Our deposits under retail banking business as of September 30, 2013 were ₹ 120,223.06 million. The number of our branches has grown from 291 as on March 31, 2012 to 361 as on February 28, 2014.

We intend to continue our focus on further growth in retail banking business by offering new products and services and by cross-selling to our customers through marketing. While we anticipate continued demand in the retail banking business, growth of our retail portfolio is subject to various factors including geographic location of our proposed branches, availability of funding in such locations, competitiveness at such locations and approvals from RBI for opening certain branches. We cannot assure you that we will be able to grow at the rate we have experienced in the past, which could materially and adversely affect our business and future results of operations.

15. *Our aggressive branch expansion plans may have an adverse effect on the capital outlay which in turn may adversely affect the financial condition and results of operations of the Bank.*

RBI has granted us an approval to open 28 branches in Tier I cities (spread over Bangalore, Chennai, Hyderabad, Kolkata, Nasik, Kurnool, Belgaum, Coimbatore, Erode, Guntur, Jamshedpur, Kottayam, Madurai, Mangalore, Mysore, Tumkur and Pudukkottai) vide its letters dated January 22, 2013 and March 1, 2013 subject to the Bank opening 43 branches in Tier II to Tier VI cities. The said approvals are valid for a period of one year from March 1, 2013 and will lapse in respect of the branches not opened by that time. As of February 28, 2014, out of the 71 branches the Bank has opened 28 branches in Tier I cities and 43 in Tier II – VI cities. Pursuant to the RBI letter dated February 11, 2014, permission of the RBI is required for opening any branches in the Tier I centers. Our aggressive branch expansion plans may have an adverse effect on the capital outlay which in turn may adversely affect the financial condition and results of operations of the Bank.

16. *If we are unable to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our business, it may have a material and adverse effect on our business, financial condition and results of operations.*

We require certain statutory and regulatory permits and approvals to operate our business.

Further, under certain of our contractual arrangements we are required to hold all necessary and applicable approvals and licenses from authorities such as RBI, SEBI and the Insurance Regulatory and Development Authority. In the event that such approvals and licenses lapse or are revoked by the

granting authorities, we may not be able to provide such services which could have an adverse effect on our business and financial condition. Failure by us to renew, maintain or obtain the required permits or approvals, including those set forth above, may result in the interruption of our operations and may have an adverse effect on our business, financial condition and results of operations.

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

We face competition from public and private sector Indian commercial banks and foreign commercial banks in all our products and services. Some of such banks are large institutions and may have much larger customer and deposit bases, larger branch networks and wider capital base. Further, a few banks have experienced higher growth, achieved better profitability and increased their market shares relative to us. Further, we also face competition in some or all of our products and services from NBFCs, mutual funds and other entities operating in the financial sector.

Liberalisation of the Indian financial sector could also lead to a greater presence or new entries of Indian and foreign banks offering a wider range of products and services, which could adversely affect our competitive environment. The Union budget for the financial year 2010 stated that the RBI is considering giving some additional banking licences to private sector companies, including to industrial houses and non-bank finance companies, if they meet the RBI's eligibility criteria. Subsequently, the enabling amendments to the Banking Regulation Act, 1949 were made and after consultation with the Government of India, RBI issued Guidelines for "Licensing of New Bank in the Private Sector" on February 22, 2013. The guidelines stipulate conditions relating to eligible promoters who can set up a bank through a wholly owned Non-Operative Financial Holding Company, fit and proper criteria of promoters, corporate structure, minimum voting equity capital, regulatory framework, foreign shareholding, corporate governance, prudential and exposure norms business plan and other conditions of financial inclusion & priority sector lending. In terms of these guidelines, applications can be submitted on or before July 01, 2013. Grant of new bank licenses is likely to increase the competition among banks.

In order to respond to the competitive environment in our industry, we constantly look for opportunities to venture into areas ancillary to banking business. Currently, we provide services such as money transfer services, mutual funds and portfolio management service, cross-selling of insurance products, PAN card services, depository participant services and new pension system pursuant to tie-ups with various independent third parties. While providing such services, we are required to enter into contractual arrangement with such third parties. Salient terms and conditions of such contractual arrangement, *inter-alia*, include providing indemnity to the other party, which can be invoked in cases such as breach of any condition, representation or warranty given by either party. Typically such indemnity clause operates in favour of us and the other party, however, in certain cases the obligation to indemnify is solely on us. In case we are required to indemnify the other party or are unable to collect under the indemnity we are owed, our business and financial condition may be adversely affected.

Our future success will depend in large part on our ability to respond in an effective and timely manner and our ability to compete effectively. Increased competitive pressure may have an adverse impact on our business, financial condition and results of operations.

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

We are party to several legal proceedings. These legal proceedings are in the nature of criminal cases, civil cases and tax cases pending at different levels of adjudication before various courts and tribunals.

Set forth below is the summary of all material litigations, including tax disputes, involving the Bank along with details of amounts involved in such matters:

(₹ in million)

Material litigations involving our Bank		
Nature of case	Number of cases	Amount
a. Criminal	5	NA

Material litigations involving our Bank		
Nature of case	Number of cases	Amount
b. Income Tax*	3	639.99
Total	8	639.99

**to the extent quantifiable (excluding interest)*

For further information, please refer to chapter titled “Outstanding Litigations and Defaults” beginning on page 154 of this Draft Letter of Offer.

The Bank has received a letter from SEBI vide letter no CFD/DCR/RC/TO/23040/04 dated November 16, 2004 alleging violation of Regulation 6 and 8 of the SEBI (Substantial Acquisition of Shares and Takeovers), Regulations 1997 (“SEBI (SAST) Regulations 1997”) calling for consent order to pay a penalty of ₹ 275,000 for non-filing of returns under Reg 6(2), 6(4) and 8(3). Subsequently, the Bank has submitted a reply to SEBI on January 12, 2005 requesting SEBI to drop further proceedings, stating that the SEBI (SAST) Regulations, 1997 were not applicable to the Bank. The Bank has not received any further communication from SEBI in this regard.

No assurances can be given as to whether these proceedings will be settled in our favour or against us. If a claim is determined against us and we are required to pay all or a portion of the disputed amount, it could have an adverse effect on our results of operations and cash flows.

In addition to aforesaid cases, as disclosed in chapter titled “Outstanding Litigations and defaults” the Bank has filed 12 material cases with various Debt Recovery Tribunals for recovery of overdue amounts from various borrowers aggregating ₹ 3476.27 million excluding interest.

19. *We are subject to annual financial inspection ("AFI") by RBI. Non-compliance with the RBI observations issued during the AFI could adversely affect our business, financial condition or results of operations.*

We are subject to an AFI by RBI under the Banking Regulation Act. Inspection by the RBI is a regular exercise and is carried out periodically by the RBI for all banks and financial institutions. In the past, the RBI has made certain observations during the AFI *inter alia* regarding our business and operations, including raising of additional capital within a specified period asset quality compliance with statutory and regulatory norms, credit administration, NPA analysis, quality of non-SLR portfolio, earnings appraisal, information technology systems, treasury funds and liquidity management, risk assessment and acquisition of retail portfolios. 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 of its observations on us, which may have an adverse effect on our business, financial condition, cash flows and results of operations.

While we attempt to be in compliance with all regulatory provisions applicable to us, in the event we are not able to comply with certain observations made by the RBI, we may be subject to penalties by the RBI which may have a material adverse effect on our business, reputation, financial condition or results of operations.

20. *We have concentrations of loans to and deposits from certain customers, which exposes us to risk of credit losses and premature withdrawal of deposits from these customers that could materially and adversely affect our business, results of operations and financial condition.*

Our advances (funded and non-funded) to the twenty largest borrowers, accounted for approximately 14.10% (i.e., ₹ 16,557.56 million), 6.25% (i.e., ₹ 17,063.31 million) and 12.14% (i.e., ₹ 16,902.73 million) of our total advances as of March 31, 2012, March 31, 2013 and the six months ended September 30, 2013, respectively. We cannot assure you that there will not be any delay in payments of interest and/or principal from these borrowers.

Further, our deposits from the twenty largest depositors, accounted for approximately 14.20% (i.e., ₹ 20,044.51 million), 11.23% (i.e., ₹ 17,533.79 million) and 14.15% (i.e., ₹ 23,292.57 million) of our total deposits as of March 31, 2012, March 31, 2013 and the six months ended September 30, 2013, respectively. We cannot assure you that there will not be any premature withdrawal or non-renewal of deposits from these depositors.

In the event any of the above risk materialises, our business, results of operations and financial conditions may be adversely affected.

21. *Deterioration in the performance of any of the industry sectors where we have significant exposure may adversely impact our business, results of operations and financial condition.*

Our total exposure to corporate borrowers is dispersed across various industry sectors, the most significant of which are Infrastructure, Metal and Metal Products and Textile which represented 7.91% (i.e., ₹ 10,595.39 million), 5.52% (i.e., ₹ 7,392.13 million) and 5.52% (i.e., ₹ 7,391.78 million), respectively, of our outstanding fund and non-fund based exposures as of March 31, 2013. Further, as of the six months ended September 30, 2013, our credit exposure to Infrastructure, Textile and Basic Metal and Metal Products were 7.59% (i.e., ₹ 10,565.23 million), 5.49% (i.e., ₹ 7,641.29 million) and 4.54% (i.e., ₹ 6,317.15 million), respectively. Further, as of the six months ended September 30, 2013, of our total NPAs 18.66% (i.e., ₹ 1,202.03 million), 5.88% (i.e., ₹ 378.75 million) and 4.45% (i.e., ₹ 286.63 million) were towards Other Textiles, Infrastructure and Metal and Metal Products respectively.

Further, it has been our policy to diversify the exposure over different industry sectors. We have fixed exposure norms (sectoral cap) for major industry sectors. For example, our internal policies set out limit of our credit exposure to any particular industry depending upon the nature of that industry.

Any significant deterioration in the performance of the industry sector we lend to (including 'priority sectors'), driven by events not within our control, such as regulatory action or policy announcements by Government or State government authorities, would adversely impact the ability of borrowers in that industry sector to service their debt obligations.

We cannot assure you that we will be able to diversify our exposure over different industry sectors in the future. Failure to maintain diverse exposure resulting in industry sector concentration may adversely impact our business, financial condition and results of operation, in case of any significant deterioration in performance of such industry sector.

22. *We operate in a regulated industry and any changes in the regulations or enforcement initiatives may adversely affect our business, financial condition or results of operation.*

Banks in India are subject to detailed supervision and regulation by the RBI. In addition, banks are generally subject to changes in Indian law, as well as to changes in regulation and government policies and accounting principles. Since 2005, the RBI has made several changes in regulations applicable to banking companies, including:

- 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.

We are subject to a wide variety of banking and financial services laws and regulations and a large number of regulatory and enforcement authorities in each of the jurisdictions in which we operate. The laws and regulations or the regulatory or enforcement environment in any of those jurisdictions may change at any time and that may have an adverse effect on the products or services we offer, the value of our assets or our business in general. Also, the laws and regulations governing the banking and financial services industry have become increasingly complex governing a wide variety of issues, including interest rates, liquidity, capital adequacy, securitisation, investments, ethical issues, money laundering, privacy, record keeping, marketing and selling practices, with sometimes overlapping jurisdictional or enforcement authorities. Any change in RBI policy, including directed lending norms, may result in our inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively riskier segments and may result in an increase in NPAs in the directed lending portfolio. Future changes in laws and regulations and failure or the apparent failure to address any regulatory changes or enforcement initiatives could have an adverse impact on our business, our future financial performance and our shareholders' funds, harm our reputation, subject us to penalties,

finances, disciplinary actions or suspensions of any kind or increase our litigation risks and have an adverse effect on the price of our Equity Shares.

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

- Section 12(2) of the Banking Regulation Act states that “no person holding shares in a banking company shall exercise voting rights on poll in excess of 10.00% of the total voting rights of all the shareholders of the banking company”.
- Section 15(1) of the Banking Regulation Act states that “no banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off”.
- Section 17(1) of the Banking Regulation Act requires every banking company to create a reserve fund and to transfer out of the balance of the profit of each year as disclosed in the profit and loss account a sum equivalent to not less than 20.00% (the RBI circular dated September 23, 2000 has fixed this limit at 25.00%) of such profit before paying any dividend.
- Section 19 of the Banking Regulation Act restricts the forming of subsidiaries by banks, which may prevent us from exploiting emerging business opportunities. Similarly, Section 23 of the Banking Regulation Act contains certain restrictions on banking companies regarding the opening of new places of business and transfers of existing places of business, which may hamper our operational flexibility.
- Section 25 of the Banking Regulation Act requires each banking company to maintain assets in India equivalent to not less than 75.00% of its demand and time liabilities in India, which in turn may restrict us from building overseas asset portfolios and exploiting overseas business opportunities.
- We are required to obtain approval of RBI for the appointment and remuneration of our part time chairman and other whole time directors. RBI has powers to remove managerial and other persons from office, and to appoint additional directors. We are also required to obtain approval of the RBI for the creation of floating charges on our borrowings, thereby hampering leverage. The Banking Regulation Act also contains provisions regarding production of documents and availability of records for inspection.
- A compromise or arrangement between us and our creditors or any class of them or between us and our shareholders or any modification in such arrangement or compromise will not be sanctioned by any High Court unless such compromise or arrangement or modification, as the case may be, is certified by RBI in writing as capable of being implemented and as not being detrimental to the interests of our depositors. Our amalgamation with any other banking company will require the sanction of RBI and shall be in accordance with the provisions of the Banking Regulation Act. The provisions for winding-up of banking companies as specified in the Banking Regulation Act are at variance with the provisions of the Companies Act. Further, RBI can also apply for winding up of a banking company in certain circumstances and can also be appointed as the liquidator and the GoI could acquire the undertakings of banking companies in certain cases.

The forms of business in which we may engage are specified and regulated by the Banking Regulation Act. Pursuant to the provisions of section 8 of Banking Regulation Act, we cannot directly or indirectly deal in the buying, selling or bartering of goods by itself or for others, except in connection with the realisation of security given to us or held by us, or in connection with bills of exchange received for collection or negotiation, or in connection with the administration of estates as executor, trustee or otherwise, or in connection with any business specified under section 6(1)(o) of the Banking Regulation Act. Goods for this purpose means every kind of movable property, other than actionable claims, stocks, shares, money, bullion and specie and all instruments referred to in section 6(1)(a) of Banking Regulation Act. Unlike a company incorporated under the Companies Act, which may amend the objects clause of its Memorandum of Association to commence a new business activity, banking companies may only carry on business activities permitted by Section 6 of the Banking Regulation Act

or specifically permitted by the Reserve Bank of India. This may restrict our ability to pursue profitable business opportunities as they arise.

23. ***Our success depends, in large part, upon our management team and skilled personnel and our ability to attract and retain such persons. In the event we are not be able to attract talented employees, or are unable to motivate and retain our existing employees, the future of our business and operations may be affected.***

As of February 28, 2014, we had 3,233 employees. Since banking business is service oriented, our performance and success depends largely on our ability to nurture and retain the continued service of our management team and skilled personnel. During the FY 2012-13 and six months ended September 30, 2013, 132 and 70 employees left the Bank, respectively. We also face a continuing challenge to recruit a sufficient number of suitably skilled personnel, particularly as we continue to grow. There is significant competition for management and other skilled personnel in the banking industry.

In the event we are not able to attract talented employees, or are unable to motivate and retain our existing employees, the future of our business and operations may be affected. Further, any employee unrest in the future could adversely affect our business and operations.

24. ***There have been certain observations made by our auditors in their audit report for the year ended March 31, 2013, in their review report for the half year ended September 30, 2013 and in their review report for the quarter ended December 31, 2013***

In the report of the auditors for the year ended March 31, 2013 the auditors have drawn the attention to the following- *“Without qualifying our opinion, we draw attention to Note No.3.10 of the Schedule 18 to the financial statements, regarding deferment of pension liability and gratuity liability of the Bank, pursuant to the exemption granted by the Reserve Bank of India to the Lakshmi Vilas Bank from application of the provisions of Accounting Standard (AS) 15, Employees Benefits vide circular no. DBOD.BP.BC/80/21.04.018/2010-11, dated 09.02.2011 on "Re-opening of Pension Option to the employees and Enhancement in Gratuity Limits - Prudential Regulatory Treatment."* Accordingly, out of the unamortized amount of ₹ 558.70 million as on April 1, 2012, the Bank has amortized ₹ 155.60 million for Pension and ₹ 30.60 million for Gratuity being proportionate amount for the year ended March 31, 2013 and balance amount to be amortized in future period for Pension is ₹ 311.10 million and for Gratuity is ₹ 61.40 million”.

In the unaudited financial results for the half year ended September 30, 2013 the following notes have been included- *“RBI vide its circular No. DBOD.BP.BC.No.41/21.04.141/2013-14 dated August 23, 2013 has allowed banks to transfer SLR securities from AFS/HFT categories to HTM category upto 24.50% of NDTL as a once time measure. Accordingly, Bank has transferred SLR securities of book value ₹ 5,873.60 million from AFS to HTM and recognized a loss of ₹ 70.90 million. The said circular allowed Banks to distribute the net depreciation on the entire AFS and HFT portfolio on the valuation date over the current financial year in equal instalments. Accordingly, out of the net depreciation of ₹ 324.10 million as at September 30, 2013, Bank has recognised ₹ 46.30 million in the current quarter.”*

In addition to the above, the following note has been included as well in the unaudited financial results for the half year ended September 30, 2013 - *“In respect of certain non-performing advances, bank has obtained dispensation from Reserve Bank of India vide RBI letter DBS.CO.PvtSBMD.No.2116/15.01.067/2013-14 dated August 08, 2013 and accordingly the bank has provided ₹ 458.00 million up to September 2013 in respect of such advances and the balance provision of ₹ 514.50 million will be made as permitted by RBI during the financial year ending March 2014.”*

In the unaudited financial results for the quarter year ended December 31, 2013 the following notes have been included- *“RBI vide its circular No.DBOD.BP.BC.No.41/21.04.141/2013-14 dated 23.08.2013 has allowed banks to distribute the net depreciation on the entire AFS and HFT portfolio on the valuation date over the current financial year in equal instalments. Accordingly, out of the net depreciation of Rs.256.40 Mn as at 31.12.2013, bank has recognised Rs.128.20 Mn in the current quarter.”*

In addition to the above, the following note has been included as well in the unaudited financial results for the half year ended December 31, 2013 – *“In respect of certain non-performing advances, bank has*

obtained dispensation from Reserve Bank of India vide RBI letter DBS.CO.PvtSBMD.No.2116/15.01.067/2013-14 dated 08.08.2013 and accordingly the bank has provided Rs.708.00 Mn up to Dec 2013 in respect of such advances and the balance provision of Rs.264.50 Mn will be made as permitted by RBI during the last quarter in the financial year ending March 2014.”

The additional provisions as stated above in relation to the non-performing advances aggregating to ₹ 814.50 million pertains to financial year ended March 31, 2013 and is being amortized in the financial year 2014 pursuant to the dispensation granted by the RBI vide RBI letter DBS.CO.PvtSBMD.No.2116/15.01.067/2013-14 dated 08.08.2013.

25. *We are subject to various operational and other risks associated with the financial industry which, if materialised, may have an adverse impact 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:

- fraud or other misconduct by employees or outsiders;
- unauthorised transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing our business activities);
- unauthorised use of debit cards at ATMs;
- misreporting or non-reporting with respect to statutory, legal or regulatory reporting and disclosure obligations;
- any breach of network security; and
- operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems.

In the past we have experienced fraud committed by our employees ranging from misuse of discretionary powers to misappropriation of funds. We make efforts to recover the amounts involved in such cases. We cannot assure you that such cases will not happen or we will be able to recover such amount in the future. Further, we cannot assure you that any such incident will not have an adverse effect on our reputation.

In addition, we may also be exposed to other different types of risk during our operations, including but not limited to credit risk, counterparty risk, market risk, liquidity risk and operational risk.

In Fiscal 2013 and as on September 30, 2012, we experienced 35 and 5 fraud cases with amounts involving ₹ 126.15 million and ₹ 165.47 million, out of which we have been able to recover ₹ 24.41 million and ₹ 88.40 million, respectively and the remaining amount is yet to be recovered.

Further, we provide certain services such as, money transfer, counter payments collection and tax collection through other agencies. We are exposed to the risk that external vendors or service providers may be unable to fulfil their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees) and to the risk that its (or its vendors') business continuity and data security systems prove to be inadequate. Although we maintain a system of controls designed to keep operational risk at appropriate levels, there can be no assurance that we will not suffer losses from operational risks in the future which can have an adverse effect on our business, results of operations, financial condition and the price of the Equity Shares.

26. *Due to the limited information regarding loan servicing histories of customers in India, we may be at a higher risk compared to banks with lending operations in more developed countries. We depend on the accuracy and completeness of information furnished by the customers and counterparties and any misrepresentation, errors or incompleteness of such information could cause our business to suffer.*

Unlike several more developed economies, a nationwide credit bureau has become operational in India only recently, and therefore, adequate information regarding loan servicing histories, particularly in respect of individuals and small businesses, is limited. As a result, our credit risk exposure is higher

compared to banks operating in more developed markets. Because our lending operations are primarily limited to India, we may be exposed to a greater potential for loss compared to banks with lending operations in more developed countries. Inadequate loan servicing histories for borrowers increase the risk of exposure and may lead to an increase in our NPAs which may adversely affect our business, results of operations and financial condition.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of our 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 operation and cash flows of the customer.

The difficulties associated with the inability to accurately assess the value of collateral and to enforce rights in respect of collateral, along with the absence of such accurate statistical, corporate and financial information, may decrease the accuracy of our assessments of credit risk, thereby increasing the likelihood of borrower default on our loan and decreasing the likelihood that we would be able to enforce any security in respect of such a loan or that the relevant collateral will have a value commensurate to such a loan. Moreover, the availability of accurate and comprehensive credit information on retail customers and small businesses in India is more limited than for larger corporate customers, which reduces our ability to accurately assess the credit risk associated with such lending.

Difficulties in assessing credit risks associated with our day-to-day lending operations may lead to an increase in the level of our non-performing and restructured assets, which could materially and adversely affect our business, financial condition and results of operations.

27. *We may be unable to foreclose on collateral or there may be decreases in the value of collateral which, if a borrower defaults, may result in failure to recover the expected value of the collateral, exposing us to a potential loss.*

As of March 31, 2012, March 31, 2013 and the six months ended September 30, 2013, 86.75% (i.e., ₹ 88,382.51 million), 91.54% (i.e., ₹ 107,127.65 million) and 91.65% (i.e., ₹ 111,087.54 million), respectively, of our total advances were secured by charges on tangible assets, mortgages on immovable property and stocks. In certain cases, we obtain security by way of pledge of shares and assignment of life insurance policies. Any decrease in the value of collateral at the time of recovery will have an adverse impact on the quantum of recovery.

In India, foreclosure on collateral generally requires a written petition to a court or tribunal. Although special tribunals have been set up for expeditious recovery of debts due to banks, any proceedings brought may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. The SARFAESI Act and the Debt Recovery Tribunal Act, 1993 have strengthened the ability of lenders to recover NPAs by granting them greater rights to enforce security and recover amounts owed from secured borrowers. However, there can be no assurance that this legislation will have a favourable impact on our efforts to recover NPAs as the full effect of such legislation is yet to be determined in practice. Any failure to recover the expected value of the collateral would expose us to a potential loss.

In addition, the RBIs guidelines on corporate debt restructuring specify that for debt amounts of ₹ 10 million and above, 60% of the creditors by number and 75% of creditors by value can decide to restructure the debt and that such a decision would be binding on the remaining creditors. If we own 25% or less of the debt of a borrower, we could be forced to agree to an extended restructuring of debt which may not act in our interests.

As a result of the foregoing factors, realisation of the full value of collateral may become difficult, which could have an adverse effect on our business and financial condition.

28. ***A portion of our advances are unsecured. In case we are unable to recover such advances in a timely manner or at all, it may adversely affect our business, financial condition and results of operations.***

As of March 31, 2012, March 31, 2013 and the six months ended September 30, 2013, 12.64% (i.e., ₹12,873.97 million), 8.08% (i.e., ₹ 9,459.17 million) and 8.35% (i.e., ₹ 10,125.73 million), respectively, of our total advances were unsecured.

While we have been selective in our lending policies and strive to satisfy ourselves with the credit worthiness and repayment capacities of our customers, there can be no assurance that we will be able to recover the interest and the principal advanced by us in a timely manner or at all. Any failure to recover the unsecured advances given to our customers would expose us to a potential loss which could adversely affect our business, financial condition and results of operations.

29. ***Certain of our branches are located on premises that have been taken on lease. Further, some of the agreements we enter into for the said leases are inadequately stamped and not registered. The termination of any of these leases or our inability to exercise our rights under the lease agreements may cause disruption in our operations.***

As of February 28, 2014, out of a total of our 361 branches, 347 branches were located at premises taken on a lease basis. Such lease agreements are generally for a fixed tenure and we endeavor to renew the leases post their expiry. Our business, financial condition, and operating results could be adversely affected if we are unable to negotiate favorable lease and renewal terms for our existing branches. In case of non-renewal of 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, some of our lease agreements may not be adequately stamped and some of our immovable properties for our offices, which are taken on lease, may have one or more irregularities of title such as inadequate stamping and/ or non registration of lease agreements and non execution of such lease agreements. 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.

30. ***Almost all of our ATMs are located on leasehold premises.***

Almost all of our ATMs are located on leased premises. Any failure to renew lease agreements for these premises on terms and conditions favourable to the Bank may require it to shift the concerned ATMs to new premises. This might affect our business operations.

31. ***As of September 30, 2013, we had certain contingent liabilities. If any of our contingent liabilities materialise our liquidity, business, prospects, financial conditions and results of operations could be adversely affected.***

The contingent liabilities as of September 30, 2013 are as follows:

(in ₹ Million.)	
Contingent Liabilities	Amount
Claims against us not acknowledged as debts	1,351.37
Liability on account of outstanding forward exchange contracts	11,705.77
Guarantees given on behalf of constituents	
-in India	4,841.67
-outside India	772.74
Acceptances, endorsements and other obligations	10,283.55
Total	28,955.10

The contingent liabilities have arisen in the normal course of our business and are subject to the prudential norms as prescribed by RBI. If any of the contingent liabilities specified above materialises, our liquidity, business prospects, financial conditions and results of operations could be adversely affected.

32. ***Our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and restrictive covenants in our financing arrangements. Further, any payment of dividend requires specific approval of RBI.***

Our future ability to pay dividends will depend on our earnings, financial condition and capital requirements. Dividends distributed by us will attract dividend distribution tax at rates applicable from time to time. We cannot assure you that we will generate sufficient income to cover our operating expenses and pay dividends to our shareholders. Our ability to pay dividends could also be restricted under certain financing arrangements that we may enter into in the future. Further, payment of dividend is governed by the RBI guidelines, which imposes certain additional requirements. In August 2010, RBI has issued directions to the Bank under Section 35A of the Banking Regulation Act, 1949 stipulating that prior approval of RBI would be required for declaration of dividend. The details of dividend paid by our Bank in the last three years are as follows:

Financial Year	Dividend Per Share (In ₹)	Dividend Percentage (%)
2012-13	3.00	30%*
2011-12	3.50	35%*
2010-11	2.50	25%

*Dividend was paid after the approval of the RBI.

In addition, dividends that we have paid in the past may not be reflective of the dividends that we may pay in a future period. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, terms and conditions of our indebtedness, capital expenditures and regulation. There can be no assurance that we will be able to pay dividends.

33. ***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 a range of 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, coins/ 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 a 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 exceed the limits of our insurance policies, it could have a material adverse effect on our business and financial condition.

34. ***Renunciation among Non-Resident and resident Investors is subject to obtaining the necessary approvals, including approval from RBI.***

Renunciation among Non-Resident and resident Investors is subject to obtaining the necessary approvals, including approval from RBI. Any renunciation (i) from a resident Eligible Equity Shareholder to a Non Resident, or (ii) from a Non Resident Eligible Equity Shareholder to a resident, or (iii) from a Non Resident Eligible Equity Shareholder to a Non Resident is subject to obtaining the necessary approvals, including from RBI under the FEMA and such permissions should be attached to the CAF. For further details, see the section titled "Terms of the Issue -Renunciation" on page 177. In the event such Eligible Equity Shareholders fail to obtain the requisite permission and such is not attached to the CAF, their Application will be rejected.

35. ***The Equity Shares Allotted pursuant to the Issue will be listed on the NSE and the BSE and you will not be able to sell immediately on the NSE and the BSE any of the Equity Shares Allotted.***

Our Equity Shares are currently listed and traded on the NSE and BSE and the Equity Shares offered pursuant to the Issue will be listed and traded on NSE and BSE. Listing and trading of Equity Shares to be Allotted are subject to the receipt of final approval from the Stock Exchanges. We cannot assure that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified in this Letter of Offer. Any failure or delay in listing the Equity Shares on NSE and the BSE would restrict investors' ability to dispose of their Equity Shares.

36. ***The Bank may be penalized for not being in compliance with RBI directives and the procedural guidelines that govern the Bank which could materially and adversely affect its reputation and results of operations***

The Bank has not been penalized for non-compliance of RBI circulars. However, in July 2013 and October 2012 a penalty amounting to ₹ 25 million and ₹ 0.007 million, respectively were imposed on the Bank for non-compliance of RBI Directives.

37. ***A reduction in the credit rating of our Unsecured Redeemable Non-Convertible Subordinated Lower Tier-II Bonds could materially and adversely affect its business, financial condition and results of operations.***

The Credit Ratings of our Unsecured Redeemable Non-Convertible Subordinated Lower Tier-II Bonds as rated by various rating agencies is as follows:

(₹ in million)

Series	Ratings Assigned By	Ratings	Amount
V	CARE	CARE BBB+	300.00
	Fitch	IND BBB+	
VI	Brick work	BWR A -	1,000.00
	Fitch	IND BBB+	
VII A&B	CARE	CARE BBB+	2,500.00
	Brickwork	BWR A -	
VIII	CARE	CARE BBB(+)	781.00

A downgrade in credit rating may negatively affect the Bank's ability to obtain funds and increase the financing costs by increasing the interest rates of its outstanding debt or the interest rates at which the Bank is able to refinance existing debt or incur new debt, which may adversely affect its business, financial condition and results of operations.

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

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

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

We are implementing Financial Inclusion Plan – Business Correspondence Model (BC Model) since March 2011. RBI circular RPCD No.FSD BC 71/05.04.02/2013-14 dated December 4, 2013 on interest subvention scheme is applicable to all private sector scheduled commercial banks, including us, for short term crop loans up to ₹0.3 million per farmer from FY 2013-14 onwards. Government of India grants interest subvention of 2% on such loans and the loans are to be granted at a fixed rate of 7%. Effectively the loans are granted at 9% which is below our base rate, hence grant of such loan will have an adverse impact on our profits. We also provide special schemes under which credit facilities and loans are extended to persons belonging to weaker sections, which is aimed at facilitating the Government of India's initiative. Historically, NPAs are higher in the priority sector lending compared with non-priority sector lending and hence grant of such loans provided to members of weaker section could have an adverse impact on our profitability.

- 40. *We may face labour disruptions that could interfere with our operations. Any such disruption in future may have a material adverse effect on our business, financial condition or results of operation.***

We are exposed to the risk of strikes and other industrial actions. As of February 28, 2014, we employed 3,233 employees. Most of our employees are part of trade unions. We have also in the past had a few strikes and stoppages on account of our employees unions participating in all India strikes. While we believe that we have a strong working relationship with the unions / associations, there can be no assurance that our Bank will continue to have such a relationship in the future. If the employees' union was to call for a work stoppage or other similar action, we may be forced to suspend all or part of our operations until the dispute is resolved. If any such work stoppage or disruption was to occur, possibly for a significant period of time, our business, financial condition or results of operation would be adversely affected.

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

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

- 42. *Information w.r.t. Ms M R Sasikaladhevi who form part of the Promoter Group is based on the information obtained from the records available with the Registrar and Transfer Agent of the Bank or from publically available sources and the same may not be accurate or complete.***

Information with respect to Ms M R Sasikaladhevi, one of the members of the Promoter Group, who holds 685 Equity Shares as on December 31, 2013, is not sourced from her and is based on the records available with the Registrar and Transfer Agent of the Bank or from publically available sources as this information was not provided to us by the Promoter. Further, Ms M R Sasikaladhevi has also not provided this information. Further, we have not received confirmation about her intention to participate in the Rights Issue and also that she will disclose transactions which may be undertaken by her in the Equity Shares of the Bank between the date of filing of the Letter of Offer and closure of the Issue to the stock exchanges within 24 hours of the transaction. In case if any such transaction is carried out by her during the aforesaid period, the information would be disclosed to the Stock Exchanges by the Bank only upon receipt of such information from the its Registrar and Transfer Agent to the extent it is available and hence, it may not happen within 24 hours of the transaction or may not be complete.

EXTERNAL RISK FACTORS

- 43. *There could be political, economic or other factors that are beyond our control but may have a material adverse impact on our business and results of operations should they materialize.***

The following external risks may have a material adverse impact on our business and results of operations should any of them materialize:

- Political instability, a change in the Government or a change in the economic and deregulation policies could adversely affect economic conditions in India in general and our business in particular;
- A slowdown in economic growth in India could adversely affect our business and results of operations. The growth of our business and our performance is linked to the performance of the overall Indian economy. We are also impacted by consumer spending levels and businesses such as ours would be particularly affected should Indian consumers in our target segment have reduced access to disposable income;
- Civil unrest, acts of violence, terrorist attacks, regional conflicts or situations or war involving India or other countries could materially and adversely affect the financial markets which could impact our business. Such incidents could impact economic growth or create a perception that investment in Indian companies involves a higher degree in risk which could reduce the value of our Equity Shares;
- Natural disasters in India may disrupt or adversely affect the Indian economy, the health of which our business depends on;
- Any downgrading of India's sovereign rating by international credit rating agencies may negatively impact our business and access to capital. In such event, our ability to grow our business and operate profitably would be severely constrained;
- Instances of corruption in India have the potential to discourage investors and derail the growth prospects of the Indian economy. Corruption creates economic and regulatory uncertainty and could have an adverse effect on our business, profitability and results of operations; and
- The Indian economy has had sustained periods of high inflation. Should inflation continue to increase sharply, our profitability and results of operations may be adversely impacted. High rates of inflation in India could increase our employee costs, decrease the disposable income available to our customers and decrease our operating margins, which could have an adverse effect on our profitability and results of operations.

44. *The proposed adoption of IFRS could result in our financial condition and results of operations appearing materially different than under Indian GAAP.*

We may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, GoI in January 2010. The convergence of certain Indian Accounting Standards with IFRS was notified by the Ministry of Corporate Affairs on February 25, 2011. The date of implementing such converged Indian accounting standards has not yet been determined, and will be notified by the Ministry of Corporate Affairs in due course. Our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different under IFRS than under Indian GAAP. This may have a material effect on the amount of income recognised during that period and in the corresponding period in the comparative period. In addition, in our transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems.

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

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

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

Any major hostilities involving India or other acts of violence, including civil unrest or similar events that are beyond our control, could have a material adverse effect on India's economy and our business and may adversely affect the Indian stock markets where our Equity Shares will trade as well the global equity markets generally. Such acts could negatively impact business sentiment as well as trade between countries, which could adversely affect our Bank's business and profitability. Our insurance policies for assets cover, among other things, terrorism, fire and earthquakes. However, our insurance policies may not be adequate to cover the loss arising from these events, which could adversely affect our results of operations and financial condition.

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

47. *There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect your ability to sell, or the price at which you can sell, Equity Shares at a particular point in time.*

We are subject to a daily "circuit breaker" imposed by all Stock Exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian Stock Exchanges. The percentage limit on our circuit breakers is set by the Stock Exchanges based on the historical volatility in the price and trading volume of our Equity Shares.

The Stock Exchanges do not inform us of the percentage limit of the circuit breaker in effect from time to time, and may change it without our knowledge. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

48. *There is no guarantee that the Equity Shares will be listed on the BSE and the NSE in a timely manner or at all, and any trading closures at the BSE and the NSE may adversely affect the trading price of the Equity Shares.*

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Approval will require all other relevant documents authorising the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and / or the NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. Indian Stock Exchanges have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares, in both domestic and international markets. A closure of, or trading stoppage on, the BSE and / or the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

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

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

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

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

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

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

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

52. *Financial instability in other countries could disrupt our business and cause the price of our 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 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 condition and the price of our Equity Shares. Although the recent financial crisis has had a limited direct impact on us, 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.

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

As a financial intermediary, we are exposed to exchange rate risk. We comply with regulatory limits on our unhedged foreign currency exposure. However, we are exposed to fluctuations in foreign currency rates for our unhedged exposure adverse movements in foreign exchange rates may impact our borrowers negatively which may in turn impact the quality of our exposure to these borrowers. Volatility in foreign exchange rates could adversely affect our future financial performance and the market price of the Equity Shares.

PROMINENT NOTES

1. Issue of [●] 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 up to ₹ 5,050 million to the existing 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, 2013, our net worth was ₹ 9,059.4 million (excluding revaluation reserves) as described in the chapter “Financial Information” on page 100.
3. For details of our transactions with the related parties during FY 2012-13 as per AS 18, the nature of such transactions and the cumulative value of such transactions, please see the chapter “Financial Information” on page 100.
4. There has been no financing arrangement whereby the Promoter Group, the Directors of our corporate Promoters, our Directors and their relatives have financed the purchase by any other person of our securities other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of this Draft Letter of Offer with SEBI.

Investors may contact the Lead Manager for any complaint, clarifications and information pertaining to the Issue. Any clarification or information relating to this Issue shall be made available by the Lead Manager to the public and investors at large and no selective or additional information would be made available only to a section of the investors in any manner. All grievances relating to ASBA process may be addressed to the Registrar to the Issue, with a copy to the relevant SCSBs, giving full details such as name, address of the applicants, application number, number of Equity Shares applied for, Bid Amounts blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Bid-cum-Application Form has been submitted by the ASBA Bidder. For contact details please refer to the section titled “General Information” beginning on page 40.

SECTION III- INTRODUCTION

SUMMARY OF THE ISSUE

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in the chapter “Terms of the Issue” on page 171.

This issue of Equity Shares is being made by us as set forth below:

Equity Shares offered in this Issue	[●] Equity Shares
Rights Entitlement	[●] Equity Share(s) for every [●] Equity Share(s) held on the Record Date.
Record Date	[●]
Face Value per Equity Share	₹ 10
Issue Price per Equity Share	₹ [●]
Issue Size	Up to ₹ 5,050 million
Paid-up Equity Shares outstanding prior to the Issue	97,560,690 Equity Shares
Equity Shares outstanding after the Issue (assuming full subscription for and Allotment of the Rights Entitlement)	[●] Equity Shares
Terms of the Issue	For more information, please see the chapter “Terms of the Issue” on page 171.
Use of Issue Proceeds	For further information, please see the chapter “Objects of the Issue” on page 51.

Terms of Payment

The Payment Method available to the Investors is as set forth below:

Payment Method*			
Amount payable per Equity Share (in ₹)			
	Face Value	Premium	Total
On Application	[●]	[●]	[●]
On Call	[●]	[●]	[●]
Total	[●]	[●]	[●]

** See risk factor titled “Investment in partly paid Equity Shares in the Issue is exposed to certain risks” on page 17 for risks associated with the Payment Method. For further information, see section titled “Terms of Issue” on page 171.*

Note: Our Bank will file an application to the FIPB for seeking approval to Allot partly paid-up Equity Shares to Non-Resident Eligible Equity Shareholders and Renouncees.

The Issue Price is ₹ [●] per Equity Share. Investors are required to pay ₹ [●] per Equity Share equivalent to [●]% of the Issue Price on Application, and the balance of ₹ [●] per Equity Share equivalent to [●]% of the Issue Price on Call, respectively.

While making the Application, the Investor shall make a payment, or in case the Investor is applying under the ASBA process, instruct the relevant SCSB to block funds in the ASBA Account, equivalent to the Application Money, calculated on the basis of the Issue Price of ₹ [●] per Equity Share. Out of the amount of ₹ [●] paid on Application per Equity Share, ₹ [●] per Equity Share shall be adjusted towards the face value of the Equity Shares per Equity Share and ₹ [●] shall be adjusted towards the share premium account per Equity Share. Accordingly, out of the amount of ₹ [●] paid on Call, ₹ [●] per Equity Share shall be adjusted towards the face value of the Equity Shares per Equity Share and ₹ [●] shall be adjusted towards the share premium account per Equity Share.

Call shall be sent by our Bank to the holders of the partly paid-up Equity Shares on the Call Record Date, provided that such notice is given in writing at least 14 days prior to the date of the Call.

In terms of Regulation 17 of the SEBI Regulations, our Bank shall ensure that the Call Money is collected within 12 months from the date of the Allotment. In case an Investor fails to pay the amount of the Call Money within the said 12 months from the date of the Allotment, the Equity Shares in respect of which any amount of the Call Money remains outstanding shall be forfeited, along with the Application Money already paid.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth the summary financial information derived from our audited financial statements as on and for FY 2012-13 prepared in accordance with Indian GAAP and the BR Act and the limited reviewed financial results for six months ended September 30, 2013, prepared in accordance with Indian GAAP and the SEBI ICDR Regulations. Our summary financial information presented below, is in ₹ in million and should be read in conjunction with the financial information and the notes thereto included in the chapter “Financial Information”, respectively, of this Draft Letter of Offer.

REVIEWED STATEMENTS OF PROFIT AND LOSS FOR SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2013

(₹ In million)

Particulars	HY Ended 30/09/2013	HY Ended 30/09/2012	Year Ended 31/03/2013
I. INCOME			
a. Interest Earned	9,635.96	8,488.99	17,605.48
b. Other Income	1,056.26	893.63	1970.66
T O T A L	10,692.22	9,382.62	19,576.14
II. EXPENDITURE			
a. Interest Expended	7,282.35	6,789.48	13,685.50
b. Operating Expenses	1,852.50	1,581.50	3,379.18
c. Provisions & Contingencies	1,245.38	579.99	1,595.72
T O T A L	10,380.23	8,950.97	18,660.40
III. NET PROFIT FOR THE YEAR	311.99	431.65	915.74
a.Excess Dividend Provided- Reversed	0	0	0
b.Profit brought forward	0.88	0.88	0.88
T O T A L	312.87	432.53	916.62

REVIEWED STATEMENT OF ASSET AND LIABILITIES AS AT SEPTEMBER 30, 2013

(₹ In million)

I. CAPITAL & LIABILITIES	As at 30/09/2013	As at 30/09/2012	As at 31/03/2013
a. Capital	975.61	975.41	975.41
b. Reserves & Surplus	9,482.28	9,040.63	9,168.04
c. Deposits	164,554.52	146,388.91	156,189.78
d. Borrowings	6,549.48	5,882.33	4,800.00
e. Other Liabilities & Provisions	5,787.98	6,021.76	5,533.57
T O T A L	187,349.87	168,309.04	176,666.80
II. ASSETS			
a. Cash & Balances with Reserve Bank			
of India	9,790.80	9,408.23	7,281.51
b. Balances with Banks and Money at			
Call & Short Notice	495.12	418.29	1,437.99
c. Investments	48,227.41	44,159.14	43,245.46
d. Advances	121,213.27	107,204.01	117,027.96
e. Fixed Assets	1,900.74	1,900.18	1,898.20
f. Other Assets	5,722.53	5,219.19	5,775.68
T O T A L	187,349.87	168,309.04	176,666.80

REVIEWED STATEMENT CASH FLOWS FOR SIX MONTHS PERIOD ENDED 30TH SEPTEMBER, 2013

(₹ In million)

	30.09.2013	31.03.2013
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit as per Profit & Loss Account	311.99	915.75
ADJUSTMENTS FOR:		
Provisions & Contingencies	1245.38	1595.72
Depreciation	134.98	254.45
Loss on sale of assets	(0.01)	(0.22)
Income Tax / T D S paid	(285.29)	(490.00)
Net cash flow before changes in Working Capital	1407.05	2275.70
CHANGES IN WORKING CAPITAL :		
LIABILITIES : Increase/Decrease in		
Deposits	8364.74	15048.38
Refinances	1749.48	(1000.00)
Other Liabilities	(696.71)	(354.91)
	9417.51	13693.47
ASSETS : Increase/Decrease in		
Investments	4981.95	(705.71)
Advances	4185.31	15141.16
Leased-out Assets	0.00	0.00
Other Assets	(338.45)	671.63
	(8828.81)	(15107.08)
CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(137.66)	(277.51)
Sale of Fixed Assets	0.15	2.28
	(137.51)	(275.23)
CASH FLOW FROM FINANCING ACTIVITIES:		
Share issue including share premium net of forfeited shares	2.45	0.15
Tier II Bonds	0.00	0.00
Dividends paid	(294.27)	(334.95)
	(291.82)	(334.80)
Cash flow for the half year ended 30th Sep 13	1566.42	252.06
Cash & Cash equivalents at the beginning of the year	8719.50	8467.44
Cash & Cash equivalents at the end of the half year 30.09.13	10285.92	8719.50

Note: Cash, Balances with Other Banks, Balances with R B I, and Money at Call and Short Notice have been considered as cash and cash equivalents

BALANCE SHEET AS AT 31st March 2013

(₹ In million)

I. CAPITAL & LIABILITIES	AS AT 31/03/2013	AS AT 31/03/2012
a. Capital	975.40	975.26
b. Reserves & Surplus	9168.04	8608.39
c. Deposits	156189.78	141141.40
d. Borrowings	4800.00	5800.00
e. Other Liabilities & Provisions	5533.58	5103.61
TOTAL	176666.80	161628.66
II. ASSETS		
a. Cash & Balances with Reserve Bank of India	7281.51	8100.17
b. Balances with Banks and Money at call & Short Notice	1437.99	367.28
c. Investments	43245.47	43951.18
d. Advances	117027.96	101886.80
e. Fixed Assets	1898.20	1892.08

I. CAPITAL & LIABILITIES	AS AT 31/03/2013	AS AT 31/03/2012
f. Other Assets	5775.67	5431.16
TOTAL	176666.80	161628.66

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013

(₹ In million)

	YEAR ENDED 31/03/2013	YEAR ENDED 31/03/2012
I. INCOME		
a. Interest Earned	17605.48	15192.56
b. Other Income	1970.66	1579.26
TOTAL	19576.14	16771.82
II. EXPENDITURE		
a. Interest Expended	13685.50	11480.33
b. Operating Expenses	3379.18	2937.11
c. Provisions & Contingencies	1595.72	1284.16
TOTAL	18660.40	15701.60
III. NET PROFIT FOR THE YEAR	915.75	1070.22

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2013

(₹ In million)

	31.03.2013	31.03.2012
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit as per Profit & Loss Account	915.75	1070.22
ADJUSTMENTS FOR:		
Provisions & Contingencies	1595.72	1284.16
Depreciation	254.45	235.66
Loss on sale of assets	(0.22)	0.54
Income Tax / T D S paid	(490.00)	(770.00)
Net cash flow before changes in Working Capital	2275.70	1820.58
CHANGES IN WORKING CAPITAL :		
LIABILITIES : Increase/Decrease in		
Deposits	15048.38	29646.29
Refinances	(1000.00)	(1451.07)
Other Liabilities	(354.91)	(2755.55)
	13693.47	25439.67
ASSETS : Increase/Decrease in		
Investments	(705.71)	8762.67
Advances	15141.16	20942.57
Leased-out Assets	0.00	0.00
Other Assets	671.63	1158.67
	(15107.08)	(30863.91)
CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(277.51)	(356.84)
Sale of Fixed Assets	2.28	4.79
	(275.23)	(352.05)
CASH FLOW FROM FINANCING ACTIVITIES:		
Share issue including share premium net of forfeited shares	0.15	0.00
Tier II Bonds	0.00	2400.00
Dividends paid	(334.95)	(242.45)
	(334.80)	2157.55
Cash flow for the year	252.06	(1798.16)
Cash & Cash equivalents at the beginning of the year	8467.44	10265.60
Cash & Cash equivalents at the end of the year	8719.50	8467.44

Note: Cash, Balances with Other Banks, Balances with R B I, and Money at Call and Short Notice have been considered as cash and cash equivalents

GENERAL INFORMATION

Registered Office

The Lakshmi Vilas Bank Limited

Salem Road, Kathapara

P.O. Karur – 639006

Tamil Nadu

Tel: (04324) 220051- 60

Fax: (04324) 223607

Website: <http://www.lvbank.com/>

Email: secretarial@lvbank.in

Corporate Identification Number: L65110TN1926PLC001377

Address of the Registrar of Companies

Registrar of Companies

Chennai

Block No 6, B Wing

2nd Floor, Shastri Bhavan

26, Haddows Road

Chennai, Tamil Nadu - 600034

Tel: 044-28270071

Fax: 044 -28234298

Company Secretary and Compliance Officer

Mr. N. Ramanathan

The Lakshmi Vilas Bank Limited

Salem Road, Kathapara

P.O. Karur – 639006

Tamil Nadu

Tel: (04324) 220051- 60

Fax: (04324) 223607

Website: <http://www.lvbank.com/>

Email: secretarial@lvbank.in

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

Lead Manager to the Issue

Axis Capital Limited

1st floor, Axis House

C-2 Wadia International Centre

P.B. Marg, Worli, Mumbai- 400025

Tel.: +91 22 4325 3101

Fax: + 91 22 4325 3000

Website: www.axiscapital.co.in

E-mail: lvb.rights@axiscap.in

Investor Grievance E-mail: complaints@axiscap.in

Contact Person: Dinkar Rai

SEBI Registration No.: INM000012029

Legal Counsel to the Issue

Khaitan & Co

One Indiabulls Centre
Tower 1, 13th Floor
841 Senapati Bapat Marg
Mumbai – 400 013
Maharashtra, India
Tel: +91 22 6636 5000
Fax: +91 22 6636 5050

Registrar to the Issue

Integrated Enterprises (India) Limited

II Floor, 'Kences Towers'
No.1 Ramakrishna Street,
North Usman Road, T Nagar,
Chennai – 600 017
Tel.: + 91 44 28140801
Fax : + 91 44 28142479
E-mail: lvb@integratedindia.in
Investor Grievance E-mail: sureshbabu@integratedindia.in
Website: www.integratedindia.in
Contact Person: Mr. S. Sriram
SEBI Registration No: INR 000000544

Auditors

M/s Sagar Associates

Chartered Accountants
H.No.6-3-244/5, Sarada Devi Street,
Prem Nagar,
Hyderabad – 500 064.
Tel: + 91 40 23303371, +91 40 23395588
Fax: +91 40 23390151
Firm Registration No.:003510S
Email: sagarandassociates@yahoo.co.in

Bankers to the Issue

[•]

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSB for the ASBA process is provided on http://www.sebi.gov.in/cms/sebi_data/attachdocs/1365051213899.html

Credit rating

As the Issue is a rights issue of Equity Shares, no credit rating is required. No ratings have been received by us in the past for any issuance of equity shares of the Bank.

Statement of responsibility of the Lead Manager

As there is only one Lead Manager, inter-se allocation of responsibilities is not applicable. However, the list of major responsibilities of Axis Capital Limited, *inter alia*, is as follows:

S. No	Activities
1.	Capital structuring with relative components and formalities such as type of instruments, etc.
2.	Undertaking due diligence documents and together with legal counsels assist in drafting of the Offer

S. No	Activities
	Documents and of advertisement/publicity material including newspaper advertisements and brochure/ memorandum containing salient features of the Offer Document. Compliance with the SEBI Regulations and other stipulated requirements and completion of prescribed formalities with Stock Exchanges and SEBI.
3.	Selection of various agencies connected with the Issue, namely Registrars to the Issue, printers, Bankers to the Issue and advertisement agencies.
4.	Assisting, together with other advisors and legal counsels in securing all necessary regulatory approvals for the Issue and assisting in filing of the Issue related documents with SEBI, Stock Exchanges or any other regulatory authorities.
5.	The post-issue activities will involve essential follow-up steps, which must include finalization of basis of allotment/ weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue, and bank handling refund business. Even if many of these post-issue activities would be handled by other intermediaries, the Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the Issuer.

Listing of Equity Shares

The existing Equity Shares are listed on the Stock Exchanges. We have received in-principle approvals for listing of the Equity Shares to be issued pursuant to this Issue from the BSE and the NSE by letters dated [●] and [●], respectively. We will make applications to the Stock Exchanges for final listing and trading approvals in respect of the Equity Shares being offered in terms of the Draft Letter of Offer. If the final listing and trading approvals is not granted for the Equity Shares by the Stock Exchanges, we shall forthwith repay, without interest, all monies received from the Investors pursuant to this Draft Letter of Offer. If there is a delay beyond 8 days from the stipulated period (i.e 15 days from the closure of the Issue) our Bank shall be punishable with a fine which shall not be less than five lakh rupees but which may extend to fifty lakh rupees and every officer of our Bank in default shall be punishable with imprisonment for a term of one year or with fine which shall not be less than fifty thousand rupees but may extend to three lakh rupees or with both in accordance with Section 40 (5) of the Companies Act, 2013.

Debenture trustee

This being an issue of equity shares, a debenture trustee is not required.

Appraisal Agency

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

Monitoring Agency

Pursuant to Regulation 16 of SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency.

Underwriters and details of Underwriting Agreement

Our Bank has not currently entered into any underwriting arrangement. We may enter into such an arrangement for the purpose of this Issue at an appropriate time and on such terms and conditions as we may deem fit. In the event our Bank enters into such an arrangement, which shall be done, prior to the filing of the Letter of Offer with the Designated Stock Exchange, and we shall disclose the details of the underwriting arrangement in the Letter of Offer as required under the SEBI ICDR Regulations.

If our Bank does not receive the minimum subscription of 90% of the Issue, or the subscription level falls below 90%, after the Issue Closing Date on account of cheques being returned unpaid or withdrawal of applications, our Bank shall refund the entire subscription amount received within 15 days from the Issue Closing Date. 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. The above is subject to the terms mentioned under the section titled 'Terms of the Issue - Basis of Allotment' on page 191.

Principal Terms of Loans and Assets charged as security

We do not have any secured loans.

Issue Schedule

Issue Opening Date:	[•]
Last date for receipt of request for SAFs:	[•]
Issue Closing Date:	[•]

The Board of Directors or a duly authorized committee thereof will have the right to extend the Issue period as it may determine from time to time, provided that the Issue will not be kept open in excess of 30 days from the Issue Opening Date.

CAPITAL STRUCTURE

Our share capital and related information as on the date of this Draft Letter of Offer, prior to and after the proposed Issue, is set forth below:

	Aggregate Nominal Value	Aggregate Value at Issue Price (in ₹ million)
Authorised Share Capital		
300,000,000 Equity Shares	3,000,000,000	
Issued Equity Capital	983,725,640	
Subscribed and Paid up Capital ^(#Note 1)	975,606,900	
Present Issue in terms of this Draft Letter of Offer		
²⁾ [●] Equity Shares at an Issue Price of ₹ [●] per Equity Share ^{(#Note}	[●]	[●]
Issued, subscribed and paid up capital after the Issue (assuming full subscription for and allotment of the Rights Entitlement)		
[●] Equity Shares ^(##Note 3)	[●]	[●]
Securities premium account		
Securities Premium Account before the Issue	3,307,022,648	
Securities Premium Account after the allotment of the Rights Issue Equity Shares (assuming full subscription for and allotment of the Rights Entitlement)	[●]	

Note: This Issue has been authorised by the Board of Directors under section 81(1) and other provisions of the Companies Act in their meetings held on January 3, 2014 and March 26, 2014.

Note 1:

Issued capital of 98,372,564 Equity Shares includes 811,874 Equity Shares which are kept in abeyance in past issues by the Bank. The details of the same are as under:

- a) 135 Equity Shares kept in abeyance in the bonus issue of Equity Shares during the year 1957 and subsequently lapsed
- b) 6,225 Equity Shares kept in abeyance in the rights issue of Equity Shares during the year 1993;
- c) 19,075 Equity Shares kept in abeyance in the bonus issue of Equity Shares during the year 1995;
- d) 42,050 Equity Shares kept in abeyance in the rights issue of Equity Shares during the year 1995;
- e) 66,300 Equity Shares kept in abeyance in the rights issue of Equity Shares during the year 2005;
- f) 81,251 Equity Shares kept in abeyance in the bonus issue of Equity Shares during the year 2006;
- g) 162,501 Equity Shares kept in abeyance in the rights issue of Equity Shares during the year 2006;
- h) 410,814 Equity Shares kept in abeyance in the rights issue of Equity Shares during the year 2009;
- i) 9,379 Equity Shares forfeited in the rights issues of 2005; and
- j) 14,144 Equity Shares forfeited in the rights issues of 2006

Note 2:

The present Issue of Equity Shares on a rights basis is in the ratio of [●] Equity Shares for every [●] Equity Shares held by our existing equity shareholders on the Record Date i.e. [●].

The rights entitlement for the following Equity Shares would be kept in abeyance in lieu of the rights entitlements:

In addition to the paid up capital of 9,75,60,690 Equity Shares, 788,216 Equity Shares have been kept in abeyance on account of earlier issues are considered (after ignoring the 135 Equity Shares that lapsed and the Equity shares that have been forfeited) to arrive at the adjusted paid up capital of 98,348,906 equity shares. Details of the same are as under:

- a) 6,225 Equity Shares kept in abeyance in the rights issue of Equity Shares during the year 1993;
- b) 19,075 Equity Shares kept in abeyance in the bonus issue of Equity Shares during the year 1995;
- c) 42,050 Equity Shares kept in abeyance in the rights issue of Equity Shares during the year 1995;
- d) 66,300 Equity Shares kept in abeyance in the rights issue of Equity Shares during the year 2005;
- e) 81,251 Equity Shares kept in abeyance in the bonus issue of Equity Shares during the year 2006;
- f) 162,501 Equity Shares kept in abeyance in the rights issue of Equity Shares during the year 2006;
- g) 410,814 Equity Shares kept in abeyance in the rights issue of Equity Shares during the year 2009.

Note 3:

The post Issue equity share capital shall also include [●] Equity Shares to be kept in abeyance, as per the earlier rights issue and rights entitlement on those Equity Shares in the Issue.

Notes to the Capital Structure

1. Our shareholding pattern as on December 31, 2013 is as follows:

Category code (I)	Category of Shareholder (II)	Number of Share holders (III)	Total number of shares (IV)	Number of shares held in dematerialized form (V)	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a % of (A+B) (VI)	As a % of (A+B+C) (VII)	Number of shares (VIII)	As a % (IX)=(VIII)/(IV)*100
(A)	Shareholding of Promoter and Promoter Group							
1	Indian							
(a)	Individuals/ Hindu Undivided Family	30	2526337	2526337	2.59	2.59	88200	3.49
(b)	Bodies Corporate	11	7047897	7047897	7.22	7.22	3987409	56.58
(c)	Any Others(Trust)	-	-	-	-	-	-	-
	Sub-Total (A)(1)	41	9574234	9574234	9.81	9.81	4075609	42.57
2	Foreign							
(a)	Individuals (Non-Residents Individuals/ Foreign Individuals)	-	-	-	-	-	-	-
(b)	Bodies Corporate	-	-	-	-	-	-	-
(c)	Institutions	-	-	-	-	-	-	-
(d)	Any Others (Specify)	-	-	-	-	-	-	-
	Sub Total(A)(2)	-	-	-	-	-	-	-
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	41	9574234	9574234	9.81	9.81	4075609	42.57
(B)	Public shareholding							
B1	Institutions							
(a)	Mutual Funds/ UTI	1	1820	1820	0.00	0.00	0.00	0.00
(b)	Financial Institutions/ Banks	9	10827269	10825019	11.10	11.10	0	0.00
(c)	Central Government/ State Government(s)	-	-	-	-	-	-	-
(d)	Venture Capital Funds	-	-	-	-	-	-	-
(e)	Insurance Companies	2	488550	488550	0.50	0.50	0	0.00
(f)	Foreign Institutional Investors	27	11308761	11297911	11.59	11.59	0	0.00
(g)	Foreign Venture Capital Investors	-	-	-	-	-	-	-
(h)	Any Other (specify)*	-	-	-	-	-	-	-
	Sub-Total (B)(1)	39	22626400	22613300	23.19	23.19	0	0.00
B 2	Non-institutions							
(a)	Bodies Corporate	719	12842335	12823068	13.16	13.16	0	0.00
(b)	Individuals							
I	Individual shareholders holding	60091	32895219	24542967	33.72	33.72	0	0.00

Category code (I)	Category of Shareholder (II)	Number of Share holders (III)	Total number of shares (IV)	Number of shares held in dematerialized form (V)	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a % of (A+B) (VI)	As a % of (A+B+C) (VII)	Number of shares (VIII)	As a % (IX)=(VIII)/(IV)*100
	nominal share capital up to ₹1 lakh							
II	Individual shareholders holding nominal share capital in excess of ₹ 1 lakh.	533	19002920	18289895	19.48	19.48	0	0.00
(c)	Any other (specify)	183	619582	619582	0.64	0.64	0	0.00
	Any Other Total	183	619582	619582	0.64	0.64	0	0.00
	Sub-Total (B)(2)	61526	65360056	56275512	66.99	66.99	0	0.00
	Total Public Shareholding (B)= (B)(1)+(B)(2)	61565	87986456	78888812	90.19	90.19	0	0.00
	TOTAL (A)+(B)	61606	97560690	88463046	100.00	100.00	0	0.00
Shares held by Custodians and against which Depository Receipts have been issued(C)								
1	Promoter Group	0	0	0	0	0	0	0
2	Public Group	0	0	0	0	0	0	0
	GRAND TOTAL (A)+(B)+(C)	61606	97560690	88463046	0.00	100.00	0	0.00

*

Category of Shareholder	Number of Share holders	Total number of shares	Number of shares held in dematerialized form
Clearing Member	79	60,097	60,097
Corporate Body – Limited Liability Partner	01	347,081	347,081
Corporate CM/TM Client Margin A/C	31	52,693	52,693
Corporate CM/TM – Client Beneficiary A/C	69	159,367	159,367
Individual CM/TM Client Beneficiary A/C	03	344	344

The list of Equity Shareholders belonging to the category “Promoter and Promoter Group” as on December 31, 2013 is detailed in the table below:

Name of the shareholder		Details of Shares held		Encumbered shares		
		Number of shares held	As a % of total number of shares	No. of Shares	As a %	As a % of total number of shares
1	K R Pradeep	1361671	1.40	0	0.00	0.00
2	K R Pradeep	418683	0.43	0	0.00	0.00
3	K R Pradeep	101312	0.10	0	0.00	0.00
4	Pradeep Ramanarasimha Setty Kare	7991	0.01	0	0.00	0.00
5	K R Pradeep	500	0.00	0	0.00	0.00
6	Anuradha Pradeep	3391	0.00	0	0.00	0.00
7	Pranava Electronics Private Limited	1861344	1.91	0	0.00	0.00
8	Kare Electronics and Development Private Limited	552532	0.57	0	0.00	0.00
9	Kare Electronics and Development Private Limited	134506	0.14	0	0.00	0.00
10	S G Prabhakaran	2002	0.00	0	0.00	0.00
11	Usha R Prabakaran	115256	0.12	0	0.00	0.00
12	Ariston Capital Asset Holdings	1652776	1.69	1485000	89.85	1.52

	Name of the shareholder	Details of Shares held		Encumbered shares		
		Number of shares held	As a % of total number of shares	No. of Shares	As a %	As a % of total number of shares
	Private Limited					
13	Ariston Capital Asset Holdings Private Limited	194783	0.20	135000	69.31	0.14
14	XS Real Properties Private Limited	7004	0.01	0	0.00	0.00
15	G Sudhakara Gupta	1062	0.00	0	0.00	0.00
16	Sasikaladhevi M R	685	0.00	0	0.00	0.00
17	G P Prajnesh	7100	0.01	0	0.00	0.00
18	M P Shyam	193976	0.20	0	0.00	0.00
19	M S Sharmila	49020	0.05	0	0.00	0.00
20	M P Vikram Setty	22474	0.02	0	0.00	0.00
21	P Vasantha	16954	0.02	0	0.00	0.00
22	M K Panduranga Setty	1130	0.00	0	0.00	0.00
23	Advaith Motors Private Limited	1323378	1.36	1050000	79.34	1.08
24	Advaith Motors Private Limited	100000	0.10	100000	100.00	0.10
25	Advaith Motors Private Limited	7085	0.01	7085	100.00	0.01
26	Cauvery Motors Private Limited	1210324	1.24	1210324	100.00	1.24
27	Cauvery Motors Private Limited	4165	0.00	0	0.00	0.00
28	N Malayalaramamirtham	42088	0.04	30000	71.28	0.03
29	M Geetha	8000	0.01	8000	100.00	0.01
30	M Geetha	825	0.00	0	0.00	0.00
31	M Geetha	1600	0.00	0	0.00	0.00
32	M Shalini	647	0.00	0	0.00	0.00
33	M Shalini	250	0.00	0	0.00	0.00
34	Malayala Ramamirtham Balasubramanian	2000	0.00	2000	100.00	0.00
35	M Balasubramanian	1000	0.00	0	0.00	0.00
36	N Saiprasad	926	0.00	0	0.00	0.00
37	N Saiprasad	106612	0.11	23000	21.57	0.02
38	N Sivakumar	26985	0.03	10700	39.65	0.01
39	V N Jayaprakash	15515	0.02	10000	64.45	0.01
40	N Susila	11965	0.01	0	0.00	0.00
41	N Dwarakanathan	4717	0.01	4500	95.40	0.00
Total		9574234	9.81	4075609	42.57	4.17

The Board of Directors at its meeting held on November 28, 2013 resolved to reclassify the promoters of the Bank consisting of following individuals: Mr K R Pradeep, Mr S G Prabhakaran, Mr M P Shyam and Mr M Malayalaramamirtham. Suitable intimation of the aforesaid decision was sent to Stock Exchanges on December 12, 2013.

Statement showing Shareholding of persons belonging to the category "Public" and holding more than 1% of the total number of shares:

Sr. No.	Name of the shareholder	Number of shares held	Shares as a percentage of total number of shares	Details of Warrants		Details of convertible securities		Total Shares as a % of diluted share capital*
				Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	% w.r.t total number of convertible securities of the same class	
1	National Westminster Bank Plc as Trustee of The Jupiter India Fund	1600000	1.64	0	0.00	0	0.00	0
2	GKFF Ventures	1572122	1.61	0	0.00	0	0.00	0
3	Morgan Stanley Mauritius Company Limited	2891056	2.96	0	0.00	0	0.00	0
4	Deutsche Securities Mauritius Limited	1062128	1.09	0	0.00	0	0.00	0
5	Albula Investment Fund Ltd	2516527	2.58	0	0.00	0	0.00	0
6	M N Dastur and Co Private Limited	2696804	2.76	0	0.00	0	0.00	0
7	Kedar Shivanand Mankekar	2050000	2.10	0	0.00	0	0.00	0
8	Life Insurance Corporation of India	2073054	2.13	0	0.00	0	0.00	0
9	The Karur Vysya Bank Ltd	3988720	4.09	0	0.00	0	0.00	0
10	The Federal Bank Ltd	2024034	2.08	0	0.00	0	0.00	0
11	Indian Bank	2617000	2.68	0	0.00	0	0.00	0
12	Mariannan Arokia Swamy	1310546	1.34	0	0.00	0	0.00	0
13	M N Dastur and Co Pvt Ltd	1000000	1.03	0	0.00	0	0.00	0
TOTAL		27401991	28.09	0	0.00	0	0.00	0

Statement showing holding of securities (including shares, warrants, convertible securities) of persons (together with PAC) belonging to the category "public" and holding more than 5% of the total number of shares of the Bank as on December 31, 2013 is detailed in the table below:

Sr. No.	Name(s) of the shareholder(s) and the Persons Acting in Concert (PAC) with them	Number of shares	Shares as a % of total number of shares	Details of warrants		Details of convertible securities		Total shares as a % of diluted share capital
				No of warrants	As a % total number of warrants of the same class	Number of convertible securities held	% w.r.t total number of convertible securities of the same class	
1	NIL	-	-	-	-	-	-	-
TOTAL								

Statement showing details of Depository Receipts as on December 31, 2013 is detailed in the table below:

Sr. No.	Type of outstanding Depository Receipts (ADRs, GDRs, etc.)	Number of outstanding DRs	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares
1	Nil	-	-	Nil

2. Rights issues by private sector banks – Acknowledgement of transfer / allotment of shares

In terms of RBI Circular DBOD.No.PSBS.BC.79/16.13.100 /2001-2002 dated March 20, 2002, listed as well as unlisted private sector banks are not required to obtain approval of RBI for Rights Issue.

2) While reviewing the following issues have emerged with reference to percentage of holding at the time of rights issue:-

a) When some shareholders (individuals/ entities / groups) pick up unsubscribed shares which would result in his / its holding going up as a percentage of total paid up capital of the bank.

b) When Some shareholders not picking up their entitlements, holdings of the other shareholders would go up in percentage even if they pick up their own entitlements.

The above matter has been examined from the point of view of applicability of RBI Circular DBOD. NO. PSBS.BC. 64/ 16.13.100/ 2003-04 dated February 3, 2004 on acknowledgement of transfer/ allotment of shares in governance and also the regulatory limits such as the cap for the aggregate FDI/FII/NRI holdings and the 5% limit for a bank's investment in equity of another bank.

In view of the above RBI vide Circular DBOD. NO. PSBD. BC. 99/16.13.100 /2004-05 dated June 25, 2005 has advised banks going for rights issue to make complete disclosure of the regulatory requirements in the offer documents, including the following that:

i. Subscription to rights other than own entitlement will not be permitted if such subscription would result in breach of any statutory / regulatory ceilings.

ii. any acquisition of shares that will take the shareholding of any entity/ group of entities to 5% or more of the paid up capital of the bank would require acknowledgement of RBI in terms of the criteria laid down in the RBI guidelines contained in the Circular DBOD. NO.PSBS. BC. 64/ 16.13.100/ 2003-04 dated February 3, 2004. Further, in terms of the guidelines on ownership and governance issued on February 28, 2005 any acquisition that will take the shareholding of any entity/ group, directly or indirectly, to 10% or more of the paid-up capital of the bank will require the prior approval of RBI.

iii. If the holding of any shareholder breaches any statutory / regulatory ceilings as a result of non-subscription of rights by other shareholders, the shareholder concerned will not be able to acquire any further shares till his/ its shareholding is brought within the stipulated ceilings.

3. Employee Stock Option Scheme 2010 ("ESOS 2010")

ESOS 2010 was approved by the equity shareholders *vide* a special resolution passed in the AGM held on August 4, 2010 and in accordance with the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time.

The details of ESOS 2010 as of December 31, 2013 are as provided below:

Sl. No.	Particulars	ESOS 2010
1.	Options Granted	1,685,238
2.	Options Vested and Exercisable	293,332
3.	Options Exercised	20,000
4.	Options Cancelled	1,275,238
5.	Options Lapsed	0
6.	Total Number of Options in force	390,000

Other than the above there are no other options or outstanding convertible instruments which are issued by our Bank.

4. Ms M R Sasikaladhevi, one of our Promoter Group has not given confirmation with respect to her intention to participate in the Rights Issue. For more details please refer to chapter titled “Risk Factors” on page 30. Other than the above, our Promoters have confirmed that, they along with their respective Promoter Group Entities (except N Susila) intend to subscribe to their Rights Entitlement in full in the Issue, in compliance with regulation 10 (4) of Takeover Regulations. Our Promoters have also confirmed that they along with the Promoter Group (except N Susila) intend to (i) subscribe to additional Equity Shares, and (ii) subscribe for unsubscribed portion in the Issue, if any. Such subscription to additional Equity Shares and the unsubscribed portion, if any, shall be in accordance with regulation 10 (4) of Takeover Regulations and in accordance with RBI directive the total shareholding of the Promoter and Promoter Group will not exceed 10% of the post issue Equity Share Capital of the Bank.

Such subscription for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding. Any such acquisition of additional Equity Shares of the Bank shall not result in a change of control of the management of the bank in accordance with provisions of the Takeover Code and shall be exempt in terms of Regulation 10 (4) (a) and (b) of the Takeover Code.

5. None of our Promoter and Promoter Group and their relatives have acquired any Equity Shares during the period of one year immediately preceding the date of filing of this Draft Letter of Offer with SEBI.
6. The present Issue being a rights issue, as per regulation 34(c) of the SEBI Regulations, the requirements of promoters’ contribution and lock-in are not applicable.
7. The Equity Shares are fully paid-up and as on the date of this Draft Letter of Offer, there are no partly paid-up Equity Shares.
8. There will be no further issue of specified security whether by way of issue of bonus shares, preferential allotment, qualified institutional placement rights issue or in any other manner during the period commencing from submission of this Draft Letter of Offer with the Stock Exchanges until the Equity Shares to be issued pursuant to the Issue have been listed.
9. The ex-rights price of the Equity Shares as per regulation 10(4) (b) of the Takeover Regulations is ₹ [●].

OBJECTS OF THE ISSUE

The Bank intends to deploy the net proceeds after meeting Issue expenses of approximately ₹ [•] million to augment its capital base in line with its growth strategy.

The main objects and objects incidental or ancillary to the main objects as set out in our Memorandum of Association enable us to undertake our existing activities and permit the utilization of funds proposed herein.

The details of the proceeds of the Issue are summarized below:

(₹ in million)	
Particulars	Amount
Gross proceeds	5,050
Estimated Issue expenses	[•]
Net Issue Proceeds	[•]

1. To augment Tier I Capital

The stated Objects of the Issue are proposed to be financed entirely from the Net 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.

We are a banking company regulated by the RBI. The RBI guidelines require us to maintain a minimum Capital Adequacy Ratio of 9% of risk weighted assets, out of which at least 6% must be Tier-I capital. As per our Audited Financial Statements, as of March 31, 2013, our total capital adequacy ratio was 12.32% including Tier-I capital of 9.15% and Tier-II capital of 3.17%.

The objects of the Issue are to augment our capital base to augment Tier I capital in line with growth in our business.

2. Issue Expenses

The Issue related expenses include, among others, fees to various advisors, printing and distribution expenses, advertisement expenses, and registrar and depository fees. The estimated Issue related expenses are as follows:

Activity	Expense (in ₹ million)*	Expense (% of total expenses)*	Expense (% of Issue Size)*
Fees of Lead Manager, bankers to the Issue, legal advisor, registrar to the Issue and out of pocket expenses	[•]	[•]	[•]
Expenses relating to advertising, printing, distribution, marketing and stationery expenses	[•]	[•]	[•]
Regulatory fees, filing fees, listing fees, depository fees, auditor fees and miscellaneous expenses	[•]	[•]	[•]
Total estimated Issue expenses	[•]	[•]	[•]

**Amount will be finalized at the time of filing the Letter of Offer and determination of Issue Price and other details.*

Monitoring of the utilization of funds

Pursuant to Regulation 16 of the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency. We will disclose the utilization of the Net Proceeds, under a separate head specifying the purpose for which such proceeds have been utilized along with details, if any in relation to all such proceeds of the Issue that have not been utilised thereby also indicating investments, if any, of such unutilized proceeds of the Issue in our annual report.

We will disclose the details of the utilization of the Net Proceeds of the Issue, including interim use, under a separate head in our financial statements specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our Listing Agreements with the Stock Exchanges. As per the requirements of Clause 49 of the Listing Agreement, we will disclose to the audit committee the uses/applications of funds on a quarterly basis as part of our quarterly declaration of results. Further, on an annual basis, we shall prepare a statement of funds utilized for purposes other than those stated in this Draft Letter of Offer and place it before the audit committee. The said disclosure shall be made till such time that the full proceeds raised through the Issue have been fully spent. The statement shall be certified by our Auditors. Further, in terms of Clause 43A of the Listing Agreement, we will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of proceeds from the objects stated in this Draft Letter of Offer. Further, this information shall be furnished to the Stock Exchanges along with the interim or annual financial results submitted under Clause 41 of the Listing Agreement and be published in the newspapers simultaneously with the interim or annual financial results, after placing it before the audit committee in terms of Clause 49 of the Listing Agreement.

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

The Promoters or the Directors or key managerial personnel or associates or group companies do not have any interest in the proposed utilization of Issue Proceeds.

SECTION IV –STATEMENT OF TAX BENEFITS

The Board of Directors

Lakshmi Vilas Bank Limited

Salem Road, Kathapara, P.O. Karur – 639006
Tamil Nadu

Dear Sir,

Sub: Certification of statement of Possible Tax Benefits in connection with the Rights Issue of the equity shares of The Lakshmi Vilas Bank Limited (“the Bank”) in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time.

We hereby confirm that the information provided below states the possible direct tax benefits available to the Bank and its shareholders under the current direct 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 tax law. Hence, the ability of the Bank or its shareholders to derive tax benefits is dependent upon fulfilling such conditions, which based on business imperatives, the Bank or its shareholders may or may not choose to fulfill.

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

Unless otherwise specified, sections referred to below are sections of the Income-tax Act, 1961 (“**The Act**”). The Income-tax rates referred here are the existing tax rates based on the rates prescribed in the Finance Act, 2013 for the Financial Year 2013-2014. All the provisions set out below are subject to conditions specified in the respective sections.

The below mentioned contents are based on information, explanations and representations obtained from the Bank and on the basis of our understanding of the business activities and operations of the Bank and the interpretation of tax laws presently in force in India.

We do not express any opinion or provide any assurance as to whether:

- The Bank or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits, where applicable have been/ would be met.

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

For Sagar & Associates

Chartered Accountants

Firm registration No.003510S

(D.Manohar)

Partner

Membership No: 029644

Place: Karur, India

Date: January 18, 2014

Statement of Income-tax Benefits available to Lakshmi Vilas Bank Ltd. (“the Bank”) and its Shareholders

TO THE BANK

Specific Tax Benefits to a Bank

1. Under Section 36(1)(viia) of the Act in respect of any provision made for bad and doubtful debts, a Scheduled Bank is entitled to a deduction not exceeding:
 - (a) 7.5% of the total income (computed before making any deductions under this clause and Chapter VIA) and
 - (b) 10% of the aggregate average advances made by the rural branches of the Bank computed in the prescribed manner.

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

2. In addition to the deduction available under Section 36(1)(viia) of the Act, the Bank is entitled to claim a deduction under Section 36(1)(vii) of the Act for the amount of bad debts written off as irrecoverable in the accounts. The deduction shall be limited to the amount by which such debt or part thereof, which exceeds the credit balance in the provision for bad and doubtful debts account made under Section 36(1)(viia) of the Act and subject to the compliance of provisions of Section 36(2)(v) of the Act. The amount subsequently recovered would be chargeable to income-tax in the year of recovery in accordance with the provisions of section 41(4) of the Income-tax Act.
3. Under section 36(1)(viii) of the Act, the Bank is entitled to claim deduction for amount transferred to special reserve account subject to maximum of 20% of profit derived from providing long term finance in India for industrial or agriculture development or development of infrastructure facility in India or development of housing in India.

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

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

TO THE RESIDENT SHAREHOLDERS OF THE BANK

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

1. Under section 10 (32) of the Act, any income of minor children clubbed with the total income of the parent under section 64 (1A) of the Act, will be exempt from tax to the extent of ₹ 1500 per minor child.
2. In accordance with section 10(34) of the Act, any dividend income as referred to in section 115-O of the Act which is declared, distributed or paid by any domestic company on or after April 1, 2003 is exempt from tax in the hands of the shareholders.
3. In accordance with section 10(38) of the Act, long-term capital gains arising from the transfer of a long-term capital asset, being the equity share of the BANK is exempt from tax provided the

transaction is chargeable to securities transaction tax under that chapter. However, minimum alternate tax (MAT) of 18.5% (plus applicable surcharge and education cess) on book profits (which would include such long term capital gains) is payable by the shareholder company under Section 115JB of the Act, if 18.5% of book profit computed as per provision of Section 115JB of the Act is higher than the total income tax payable as per normal provision of the Act.

4. In terms of the provisions of section 111A of the Act, short-term capital gains arising from the transfer of a short-term capital asset, being the equity share of the BANK is chargeable to tax at the rate of 15% in the hands of the shareholder, provided such transaction is chargeable to securities transaction tax under that chapter. Provided that in the case of an individual or Hindu Undivided Family, being a resident, where the total income as reduced by such short term capital gain is below the maximum amount which is not chargeable to income tax, then, such short term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of short term capital gains shall be computed at the rate of 15%.
5. The benefit of exemption from tax under Section 10(38) of the Act on long term capital gains, or, concessional rate of tax under Section 111-A on short-term capital gains will not be available, where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the Act, taxable long-term capital gains, if any, on sale of listed shares of the BANK should be charged to tax at the concessional rate of 20% (plus applicable surcharge and education cess), after considering indexation benefits, or at 10% (plus applicable surcharge and education cess) without indexation benefits in accordance with and subject to the provision of Section 48 of the Act. Under Section 48 of the Act, the long-term capital gains arising out of sale of capital assets **excluding** bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/improvement.

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

6. Renunciation of rights should be considered as taxable transfer with Nil cost of acquisition. The short-term capital gains arising on such renunciation should be taxable at normal rate of tax applicable to the shareholder plus applicable surcharge and education cess.
7. Any payment of securities transaction tax in respect of taxable securities transactions which are taxable under the head “profits and gains of business or profession” shall be allowed as deduction under section 36 (1) (xv) of the Act against such income.
8. Under Section 54EC of the Act, exemption from capital gain tax is available in respect of long term capital gains arising on transfer of the Bonds/securities of the Bank if the assessee at any time within a period of six months from the date of such transfer, invests the whole of the capital gains in specified assets subject to maximum of Rupees fifty lakhs per year made on or after 01.04.2007. If only a portion of capital gains is so invested, then the exemption is proportionately available.

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

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

For this purpose, long term specified asset means, any Bond redeemable after three years but issued on or after 01.04.2007, by the National Highways Authority of India or by the Rural Electrification Corporation Limited.

9. As per the provisions of Section 54F of the Act, long term capital gains arising in the hands of an individual or HUF on transfer of shares of the Bank shall be exempt if the net consideration is invested in purchase of residential house within a period of one year before or two years from the date of

transfer or constructs a residential house within a period of three years from the date of transfer. The exemption is available proportionately if only a portion of the net consideration is invested as above. The exemption is subject to other conditions specified in that Section.

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

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

1. In accordance with section 10(34) of the Act, any dividend income as referred to in section 115-O of the Act which is declared, distributed or paid by any domestic company on or after April 1, 2003 is exempt from tax in the hands of the shareholders.
2. In accordance with section 10(38) of the Act, long-term capital gains arising from the transfer of a long-term capital asset, being an equity share in a company is exempt from tax provided the transaction is chargeable to securities transaction tax.
3. In terms of the provisions of section 111A of the Act, short-term capital gains arising from the transfer of a short-term capital asset, being an equity share in a company or a unit of an equity oriented fund is chargeable to tax at the rate of 15% in the hands of the shareholder, provided such transaction is chargeable to securities transaction tax.
4. In accordance with and subject to the provisions of Section 48 of the Act, in order to compute capital gains, the following amounts would be deductible from the full value of consideration:
 - (i) Cost of acquisition/improvement of the shares as adjusted by the Cost Inflation Index notified by the Central Government; and
 - (ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares. As per the provisions of the first proviso to Section 48 of the Act, capital gains arising from the transfer of equity shares acquired by non-residents in foreign currency are to be computed by converting the cost of acquisition/improvement, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing into the same foreign currency as was initially utilized in the purchase of equity shares and the capital gains so computed in such foreign currency shall then be reconverted into Indian currency. Cost indexation benefits will not be available in such case.

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

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

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

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

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

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

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

For this purpose, long term specified asset means, any Bond redeemable after three years but issued on or after 01.04.2007, by the National Highways Authority of India or by the Rural Electrification Corporation Limited.

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

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

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

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

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

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

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

his total income for that assessment year will be computed in accordance with the provisions of the Act.

11. A capital gain arising to FIIs on sale of shares on which securities transaction tax is not paid is governed by Section 115AD of the Act. As per Section 115AD of the Income-tax Act, such long-term capital gains arising on transfer of shares purchased by FIIs are taxable at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess). Short-term capital gains are however, taxable at the rate of 30% (plus applicable surcharge, education cess and secondary and higher education cess). Provided that the amount of income tax calculated on the income by way of short term capital gains referred to in section 111A shall be at the rate of 15%. Cost indexation benefits will not be available. Further, the provisions of the first proviso of Section 48 of the Act as stated above will not apply.
12. In accordance with and subject to the provisions of Section 115AD read with Section 196D(2) of the Act, no deduction of tax at source is applicable in respect of capital gains arising from the transfer of the equity shares payable to FIIs.
13. In the case of all non-resident shareholders, the above tax rates are subject to the benefits, if any, available under the double taxation avoidance agreements signed by India with the country of which the non-resident shareholder may be a tax resident, subject to fulfillment of conditions prescribed there under.

BENEFITS AVAILABLE TO MUTUAL FUNDS which are shareholders of the Bank

As per the provisions of Section 10(23D) of the Act, any income of a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, mutual funds set up by the Public Sector Banks or Public Financial Institutions and Mutual Funds authorized by the Reserve Bank of India and subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf, would be exempt from income-tax.

WEALTH TAX

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

Notes:

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

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

ABOUT US

SECTION V – OUR BUSINESS

OUR BUSINESS

Overview

We are an old generation private sector bank with a wide presence through a network of 1057 customer outlets which includes 361 branches, 688 ATMs and 8 extension counters across 15 states and one union territory, as of February 28, 2014. We have 60 branches in metropolitan cities, 96 branches in urban areas, 124 branches in semi-urban areas and 81 branches in rural areas, as of February 28, 2014. Our branches are mainly concentrated in the states of Tamil Nadu, Andhra Pradesh and Karnataka.

We are amongst the oldest private sector banks in India having 87 years of history. Our Bank was founded in 1926 by seven people of Karur under the leadership of Shri V. S. N. Ramalinga Chettiar under the provisions of the Indian Companies Act, 1913 as 'The Lakshmi Vilas Bank Limited'. We were granted license to carry on the banking business in India under the Banking Regulation Act, 1949, on June 19, 1958 and became a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934 on August 11, 1958.

We offer a comprehensive range of products and services including savings accounts, current accounts, term deposits, international debit cards, gift cards, corporate and retail loans, depository services, locker facilities, mobile and internet banking services, bill payment services, foreign exchange services, export and import services, payment and remittance services, repatriation schemes. In addition to this, we also provide para-banking products and services including money transfer through branch channels, money transfer through direct remittance, mutual fund products PAN services, depository participant services, online trading services, point of service for new pension system, ASBA and investment and infrastructure bonds.

We have organized our business model around our branch network wherein we focus on the following four segments: (i) retail banking; (ii) wholesale banking; (iii) SME banking; and (iv) agriculture lending. The retail banking group covers all loans and advances to individuals and small business upto an amount of ₹ 50 million. Our wholesale banking group covers all loans and advances to entities for amount exceeding ₹ 50 million. The SME banking group covers all loans and advances to the SMEs as defined by RBI. Our retail banking group covers retail liabilities, non-interest income and fee-based services that cover distribution of third party life insurance, general insurance, mutual funds, infrastructure bonds, PAN card services through its tie-up with UTI Infrastructure & Technology Services Limited as PAN service agent, depository participant services, online trading and new pension system through Pension Fund Regulatory and Development Authority ("PFRDA") and National Securities and Depository Limited (Central Recordkeeping Agency) ("NSDL-CRA"). In addition, our treasury operations comprises liquidity management by seeking to maintain an optimum level of liquidity, while complying with the cash reserve ratio ("CRR") and the statutory liquidity ratio ("SLR"). We are also involved in investing in commercial papers, security receipts, mutual funds, certificates of deposits and floating rate instruments in order to manage short-term surplus liquidity.

We distribute life insurance products of Life Insurance Corporation of India and general insurance products of Bajaj Allianz General Insurance Company Limited. We also distribute the mutual fund products of various asset management companies such as UTI Asset Management Company Limited, HDFC Asset Management Company Limited, ICICI Prudential Asset Management Company Limited, Reliance Capital Asset Management Company Limited etc.

We have remittance and rupee drawing arrangements with Al Ahalia Money Exchange Bureau in the Middle East and Times of India – Remit 2 India, Times of Money, which enables NRIs to directly remit monies into India. We also have arrangements with Weizmann Forex Limited for extending Western Union Money Transfer facility and arrangement with UAE Exchange Financial Services Limited for offering global money transfer through Xpress Money and Moneygram which enhances our capability of providing international remittance services.

Our total assets were ₹ 187,349.87 million as at September 30, 2013, ₹ 176,666.80 million as at March 31, 2013 and ₹ 161,628.66 million as at March 2012. As at September 30, 2013, March 31, 2013 and March 31, 2012 our net advances stood at ₹ 121,213.27 million, ₹ 117,027.96 million and ₹ 101,886.80 million respectively. As at September 30, 2013, March 31, 2013 and March 31, 2012 our total deposits stood at ₹ 164,554.52 million, ₹ 156,189.78 million and ₹ 141,141.40 million respectively.

Our total income grew to ₹19,576.14 million in FY 2012-13 from ₹16,771.82 million in FY 2011-12. Our net profit after tax for FY 2012-13 was ₹915.75 million compared to ₹1,070.22 million in FY 2011-12.

Our total income during 6 months ended September 30, 2013 grew to ₹10,692.22 million from ₹9,382.62 million during 6 months ended September 30, 2012. Our net profit after tax for half year ended September 30, 2013 was ₹311.99 million compared to the net profit after tax for half year ended September 30, 2012 which was ₹431.65 million.

Our total capital funds were ₹12,040.34 million and our CRAR was 11.29%, as per Basel II, out of which Tier 1 Capital was 8.36% and Tier II Capital was 2.93% as at September 30, 2013. Our total capital was ₹11,992.93 million and our CRAR was 12.32%, as per Basel II, out of which Tier 1 Capital was 9.15% and Tier II Capital was 3.17% as at March 31, 2013.

Our Competitive Strengths

We believe that the following strengths distinguish us in a competitive Indian banking industry:

Strong south India focussed franchise

We have wide presence with our branches located predominantly in South India with 320 branches out of which 224 branches are in the state of Tamil Nadu (including 3 branches in Puducherry), 36 branches in the state of Karnataka, 52 branches in the state of Andhra Pradesh and 8 branches in Kerala as on February 28, 2014. We believe the South Indian states are rich in resources and provide higher opportunity for resource mobilization. They house mining belts and have a strong manufacturing and agricultural background which we believe can enable us to offer our products to them. Additionally, we have a wide distribution of 81 branches in the rural areas of South Indian states which provide us an edge in our priority sector banking due to its rich agricultural resources and a large catchment area for low cost deposits.

Wide distribution network across India and diverse customer base

We offer a diverse range of retail and commercial products and services across retail banking, wholesale banking, agricultural lending and SMEs, including short-term and long-term deposits, secured and unsecured loans, internet banking, mutual fund distribution and life and general insurance distribution. Our branch network allows us to provide banking services to a wide variety of customers, including large and medium to small corporations, institutions and state-owned enterprises, as well as commercial, agricultural, industrial and retail customers. As of February 28, 2014, we had approximately 2.48 million customer accounts out of which 2.24 million are active customer accounts (whom we define as customers who have at least 1 transaction in preceding 12 months), reflecting our large customer base.

As of February 28, 2014, our operations cover 15 states and one union territory across India, with 1057 customer outlets which includes 361 branches and 688 ATMs (208 on-site and 480 off-site ATMs). We have 60 branches in metropolitan cities, 96 branches in urban areas, 124 branches in semi-urban areas and 81 branches in rural areas, as of February 28, 2014.

Strong customer relations provide opportunities for cross selling

We were incorporated in November 1926 at Karur, Tamil Nadu and have been in existence for around 87 years. Over the years, the Bank has significantly grown its operations from being a regional bank to a banking institution covering a wide spectrum across several states in India. We further seek to leverage our brand recall across India, especially in the Southern India.

With vast banking experience, we believe we have built strong and long standing relationships with a large number of customers.

We distribute life insurance products of Life Insurance Corporation of India and general insurance products of Bajaj Allianz General Insurance Company Limited. We also distribute the mutual fund products of various various asset management companies such as UTI Asset Management Company Limited, HDFC Asset Management Company Limited, ICICI Prudential Asset Management Company Limited, Reliance Capital Asset Management Company Limited, etc. We distribute investment bonds through arrangement with Bajaj Capital

Limited. We have tied up with IDBI Capital Market Services Limited to market their online trading services to our customers. We have tied up with UTI Asset Management Company Limited, Reliance Capital Asset Management Company Limited, HDFC Asset Management Company Limited, ICICI Prudential Asset Management Company Limited etc. to sell their portfolio management services to our customers. We have tied up with UTI Infrastructure & Technology Services Limited as PAN service agent.

We have remittance and rupee drawing arrangements with Al Ahlia Money Exchange Bureau in the Middle East and Times of India – Remit 2 India, Times of Money, which enables NRIs to directly remit monies into India. We also have arrangements with Weizmann Forex Limited for extending Western Union Money Transfer facility and arrangement with UAE Exchange Financial Services Limited for offering global money transfer through Xpress Money and Moneygram which enhances our capability of providing international remittance services.

We market our aforesaid products and services to our existing customer base which has been one of the drivers of our growth.

We conduct frequent campaigns to market the above products along with our business partners. Life Insurance Corporation of India conducts regular contests for our branch heads and regional heads. The sales executives and relationship managers actively support the branches in marketing third party products.

Proven business and growth track record

We have over eight decades of operating experience. Our total income grew from ₹7,646.00 million in FY 2008-09 to ₹19,576.14 million in FY 2012-13 representing a compounded annual growth rate (“CAGR”) of 26.49%. During the same period our deposits grew from ₹ 73,609.03 million as at March 31, 2009 to ₹ 156,189.78 million as at March 31, 2013 representing a CAGR of 20.69%. Our net advances grew from ₹ 52,458.29 million as at March 31, 2009, to ₹ 117,027.96 million as at March 31, 2013 representing a CAGR of 22.21%. Our net interest income grew from ₹ 1,535.39 million during FY 2008-09 to ₹ 3,919.98 million during FY 2012-13 representing a CAGR of 26.41%. For March 31, 2013 and March 31, 2012, our Bank has a credit deposit ratio of 76.14% and 73.18% respectively.

Professional and experienced management

Our senior management team led by Mr. Rakesh Sharma, our Managing Director and CEO, M Palaniappan, CFO, R.V.Raman, Head - Integrated Treasury, RM.Kumarappan, Head - Recovery & Credit Monitoring Department, S.Ramanathan, Head - Credit Department, R.Kamalasekaran, Head - Regional Office Chennai, A Shankar – General Manager – Retail Business and Mr.R.K.Gurumurthy, General Manager, Treasury Department have extensive experience in the banking and financial industry. For further information, see “Our Management” on page 91. We have been able to build a team of professionals with relevant experience, including credit evaluation, risk management, treasury, technology and marketing. We have been able to attract qualified persons, including MBAs, engineers, chartered accountants, cost accountants and agriculturists. As of February 28, 2014, our total employee strength was 3,233.

Streamlined risk management controls, and technology platform

We believe that prudent risk management policies, procedures and controls are critical for the long-term sustainable development of our business. We have implemented risk management procedures for most of our credit exposures. The credit risk management consists of: internal credit rating methodology, credit scoring method for retail structured products, risk based pricing methodology, control mechanisms and incorporating external rating of the borrower as a part of our credit risk assessment. A separate risk management department formulates and implements credit risk valuation and approves risk management framework and policies, oversees the credit approval process and periodically reviews the same.

In 2008, we networked all of our branches and offices to facilitate core banking solutions (“CBS”). Through our technology platform we offer internet banking to our retail and corporate customers, SMS banking, Immediate Payment Service (“IMPS”), online tax payments and online trading. This also enables us to provide comprehensive customer data which enables us to (1) cross sell our products and services; (2) generate reports required for various regulatory filings; and (3) enables the management to access key data on real time basis through Executive Dashboard. Our Bank has received the - Best Bank Award among Small Banks for “Electronic Payment Systems” award from Institute for Development and Research in Banking Technology for

the year 2010-11. The Bank has set up Primary Data Centre at Chennai which houses its entire IT infrastructure. Our bank has also set up a Disaster Recovery site at Bangalore and a board approved Business Continuity Plan ("BCP").

Strategy

Expand the Branch network and Penetration

We seek to leverage our brand recall, especially in Southern India, and to expand our presence. We intend to increase our branch network with focus in South India with selective branch expansion in other select locations in India. Working toward this goal, we have received approval from the Reserve Bank of India, to open 28 branches in Tier I cities (spread over Bangalore, Chennai, Hyderabad, Kolkata, Nasik, Kurnool, Belgaum, Coimbatore, Erode, Guntur, Jamshedpur, Kottayam, Madurai, Mangalore, Mysore, Tumkur and Pudukkottai) vide its letters dated January 22, 2013 and March 1, 2013 subject to the Bank opening 43 branches in Tier II to Tier VI cities. The said approvals are valid for a period of one year from March 1, 2013 and will lapse in respect of the branches not opened by that time. As of February 28, 2014, out of the 71 branches the Bank has opened 28 branches in Tier I cities and 43 in Tier II – VI cities. We will continue to focus on improving our technology to support our network of branches.

Increase CASA

We seek to increase our current account and savings accounts ("CASA") deposits and reduce our dependence on bulk deposits in order to reduce cost of funds. As of September 30, 2013, 30,674 accounts contributed to 70% of the CASA. In order to increase our CASA and retail deposits, we have set up an exclusive and dedicated sales force for acquisition of CASA who report to our sales head. Suitable incentive structure has been put in place to incentivise this dedicated sales force. The sales force also cross sells our other retail products. One of the key components of our branch expansion strategy is focused towards increasing CASA. The branches are also incentivised for mobilisation of CASA. We intend to continue to focus our efforts in increasing CASA.

Focus on retail and SME banking

The retail and SME advances constituted 53.07% of our net advances as on September 30, 2013. We intend to continue our focus on retail and SME banking with the intention to increase advances to this category of customers and to mobilise low cost CASA deposits from them. Increase in advances to this category of customers not only helps in increasing our net interest margins, it will also help us in reducing our risk arising from large loan accounts becoming NPA. Further, we can cross sell our other products to this category of customers. Our initiatives including branch expansion plans, setting up a dedicated sales force for CASA mobilisation, cross selling of other products and our incentive programmes are specifically designed for this purpose. We intend to continue to focus on retail and SME banking.

Increase in fee-based income

In order to increase our fee-based income, we started distributing other financial products from FY 2002-03. This was done to improve our penetration and customer reach by diversifying our source of revenues from 2.24 million active customer accounts, out of a total customer base of approximately 2.48 million. Focused sales teams have been set up for marketing a diversified range of products including Bancassurance (both life and non-life), mutual funds, three-in-one accounts (depository participant accounts, on-line trading accounting and CASA account) and other wealth management products. We have tied up with HDFC for sourcing of home loans through sales channels. These products are being offered through Core Banking Solutions ("CBS") and other alternate channels such as phone and internet banking. We intend to continue to expand this activity for increasing our other income.

Relationship Managers have been appointed for taking care of high net worth customers. There is an enhanced focus on FOREX transactions (both fund based and non fund based) and increasing revenues from non-fund based business by way of issuing Letter of Credit / Guarantees (Both Inland & Foreign).

Further strengthen risk management capabilities and improve efficiencies

We have adopted a prudent risk management strategy and enhance our risk management organisational structure and processes in order to create an effective risk management system. We aim to continue to enhance our credit

risk management systems and processes in line with growth of business. We believe that our efforts in strengthening risk management may improve our asset quality. We have recently appointed KPMG for studying our present IT landscape, software and services and identifying the product and vendor for risk management and ALM software. We have also appointed Ernst & Young to suggest organizational change management assistance, development of coaching skills, technology implementation, strategy development and operational improvement services for our next phase of growth.

We have also set up a central processing cell at Chennai which is currently processing retail liability products at this centralised location. We also intend to enhance this facility for processing the retail assets products in the future. We believe this centralised processing cell will help in reducing the manpower requirement at branch level and also improve efficiency of operations, thereby reducing operational cost.

We believe a key to our success is the ability to retain, motivate and develop talented and experienced professionals. We intend to focus on cultivation of a high-quality and professional workforce through provision of training and development programs for employees to enhance professional knowledge and capabilities, resulting in improved efficiencies. We intend to improve the profitability both from our legacy network and our growing footprint by increasing branch productivity. We will continue to effect improvements in our technology platform to help us enhance our product delivery capabilities and achieve efficiencies.

Major events

Year	Event
1926	Incorporation of the Bank
1958	License from the RBI under the BR Act and became a Scheduled Commercial Bank
1974	Opening of a branch in Karnataka, the first branch outside Tamil Nadu
1976	License to deal in foreign exchange
1988	Initial public offering
2002	Bancassurance tie-up with AVIVA Life Insurance for distribution of their life insurance products
2006	Tie up with Western Union Financial Services, U.S.A. through M/S. Weizmann Forex Ltd
2006	Bonus issue in the ratio of 1:2
2007	Distribution pact with Bajaj Allianz General Insurance Company Limited
2008	100% branches got connected through Core Banking Solution (CBS)
2009	Launched 4 Savings Bank products - Lakshmi Savings Gold, Lakshmi Savings Star Gold, Lakshmi Savings Youth Power & Lakshmi Savings Balance Free Account
2010	Tie up with International VISA Debit Card
2011	Launched SMS alert , Mobile Banking services Depository Participant & Point of Sale, NPS (New Pension System), Xpress Money, Money Gram Introduced Launched new Current Account product - Lakshmi Current Flexi Account Launched PAN Card services Al-ahalia Money Exchange, Remit 2 India tie up for remittance arrangements E – Tax Payment Service
2012	Launched Lakshmi Mahila Power account and NRE Pravasi account Launched Demat - Online Trading services
2013	Obtained RBI approval for opening 71 branches. Launched 'Lakshya' transformation project by engaging Ernst & Young, Management Consultant Tied Up with HDFC for sourcing of Home Loans through Sales Channel Centralised CASA account opening project initiated through 'LOTUS – CPC' Basic Savings Bank Deposit Account-Financial Inclusion Savings Bank Deposit Account product launched

KEY FINANCIAL INFORMATION

Summary of Financial Performance

The performance of the Bank over last five years and for half year ended September 30, 2013 is summarized in the following table:

(₹ in million)

Year	Capital & Reserves	Deposits	Net Advances	Total Income	Net Profit	Dividend Paid (%)	No. of Branches	No. of Employees
2008-09	4,537.16	73,609.03	52,458.29	7,646.00	502.95	25.00	251	2,433
2009-10	7,389.97	90,753.78	62,774.95	10,128.81	306.68	6.00	271	2,705
2010-11	8,924.35	111,495.11	80,944.23	12,018.51	1,011.37	25.00	274	2,626
2011-12	9,583.65	141,141.40	101,886.80	16,771.82	1,070.22	35.00	290	3,054
2012-13	10,143.45	156,189.78	117,027.96	19,576.14	915.75	30.00	291	3,149
HY2013	10,457.89	164,554.52	121,213.27	10,692.22	311.99	NA	306	3,133

Financial Ratios and other Financial Information

Key Accounting Ratios

For the Period/Year ended	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	Half year ended September 30, 2013
Earnings per Share (EPS) (₹.)	10.31	4.95	10.37	10.97	9.39	6.40 ⁽¹⁾
Cash Earnings per Share (₹.)	12.92	7.74	12.44	13.39	12.00	9.16 ⁽¹⁾
Book Value per Share/ Net Asset value per share (₹.)	93.02	75.79	83.23	90.14	92.88	92.72
Return on Net worth (%)	11.96	5.27	13.24	12.85	10.36	6.77
OTHER RATIOS						
Net NPA to Net Advances Ratio (%)	1.24	4.11	0.90	1.74	2.43	3.77
Interest Income/ Working Funds (%)	9.29	9.66	9.63	10.28	10.41	10.50
Non-Interest Income/ Working Funds (%)	1.51	1.10	1.24	1.07	1.16	1.15
Return on Average Assets (%)	0.71	0.33	0.91	0.73	0.54	0.34
Business per Employee (₹. in million)	50.91	56.04	71.93	78.66	86.33	90.70
Net Profit per Employee (₹. In million)	0.21	0.11	0.39	0.35	0.29	0.20
Capital Adequacy Ratio (%) (Basel-II)	10.29	14.82	13.19	13.10	12.32	11.29

For the Period/Year ended	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	Half year ended September 30, 2013
Tier I (%)	8.81	12.01	10.78	8.86	9.15	8.36
Tier II (%)	1.48	2.81	2.41	4.24	3.17	2.93
Credit/ Deposit Ratio (%) (net)	71.27	69.17	72.60	72.19	74.93	73.66
Operating Profit/ Average Working Funds (%)	1.54	1.77	2.48	1.59	1.48	1.70
Cost to Income Ratio (%)	58.22	52.87	45.45	55.51	57.37	54.33
Yield on Advances (%)	12.25	12.59	12.52	13.61	13.00	13.21
Yield on Investments (%)	8.48	7.37	7.55	7.83	8.29	8.19
Cost of Deposits (%)	7.96	7.85	7.10	8.57	8.96	8.77
Gross Profit per Employee (₹. In Mn)	0.45	0.61	1.04	0.77	0.80	0.99
Business Per Branch (₹.In Mn)	505.21	569.22	705.74	842.84	945.40	940.79
Profit Per Branch (₹. In Mn)	2.00	1.13	3.69	3.69	3.15	2.04

⁽¹⁾Annualised.

For the Period/year ended	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	Half year ended September 30, 2013
Average Interest Earning Assets (₹. in Mn.)	61,841.32	83,444.64	97,270.02	127,661.00	149,672.30	164,804.95
Interest Income (₹. in Mn.)	6,576.11	9,093.24	10,648.36	15,192.56	17,605.48	9,635.96
Average Interest Bearing Liabilities (₹. in Mn.)	56,322.14	78,745.31	90,848.02	123,672.65	143,865.74	156,731.41
Interest Expenses (₹. in Mn.)	5,040.72	6,601.94	6,998.44	11,480.33	13,685.50	7,282.35
Ratio of average interest earning assets to average interest bearing liabilities	1.30	1.18	1.28	1.03	1.04	1.05
Interest Expense apportioned to Average Interest bearing assets	8.15	7.91	7.19	8.99	9.14	8.84
Net Interest Income (₹. in Mn.)	1,535.39	2,491.30	3,649.92	3,712.23	3,919.98	2,353.61
Net Interest Margin %	2.48	2.99	3.75	2.91	2.62	2.86
Gross Yield %	9.29	9.66	9.63	10.28	10.41	10.50
Average Cost of Loan Funds %	7.12	7.02	6.33	7.77	8.09	7.94
Yield Spread %	2.17	2.65	3.30	2.51	2.32	2.56
Return on Average Assets %	0.71	0.33	0.91	0.73	0.54	0.34

For the Period/year ended	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	Half year ended September 30, 2013
Average share capital and reserves to average total assets %	5.90	5.51	6.65	5.92	5.60	5.43

Definitions of Key Ratios:

Earnings per Share (EPS) (₹.)	Profit After Tax/No. of Equity Shares
Cash Earnings per Share (₹.)	(Profit After Tax + Depreciation)/ No. of Equity Shares
Cost to Income Ratio	Operating Costs / Net Interest Income
Book Value per Share/ Net Asset value per share (₹.)	Networth at year end/ No. of Equity Shares
Return on Net worth (%)	Net Profit/ Average Networkth
Net NPA to Net Advances Ratio (%)	Net NPAs/ Net Advances
Interest Income/ Working Funds (%)	Interest Income/ Average Working Funds (Total Average of monthly total assets as per Form X)
Non-Interest Income/ Working Funds (%)	Non-Interest Income/ Average Working Funds (Total Average of monthly total assets as per Form X)
Return on Assets (%)	Net Profit/ Average Total Assets
Business per Employee (₹. In lacs)	(Deposit + Advances)/ No. of Employees
Net Profit per Employee (₹. In lacs)	Net Profit/No. of Employees
Capital Adequacy Ratio (%)	
Tier I	Tier I Capital/ Risk Weighted Assets
Tier II	Tier II Capital/ Risk Weighted Assets

Other Income

The following table gives break up of other income:

Particulars	FY 2011	FY 2012	FY 2013	(₹ in million)
				Half year ended September 30, 2013
Commission, Exchange and Brokerage	718.49	669.09	797.50	437.46
Profit on Sale of Investments	84.25	44.04	251.86	163.30

Particulars	FY 2011	FY 2012	FY 2013	Half year ended September 30, 2013
Profit/Loss on sale of Assets	0.91	(0.54)	0.22	0.01
Exch. Profit	109.74	122.75	106.56	80.19
Dividend	6.03	1.14	3.81	3.56
Miscellaneous Income	450.74	742.77	810.71	371.74
Total	1,370.16	1,579.25	1,970.66	1,056.26

State Wise Distribution of Branches

Geographical distribution of the branches of the Bank as on March 31, 2013 and December 31, 2013 is given as under:

State/Union Territory	March 31, 2013			December 31, 2013			February 28, 2014		
	No. of Branches	No. of ECs	% share of Total	No. of Branches	No. of ECs	% share of Total	No. of Branches	No. of ECs	% share of Total
Tamil Nadu	178	5	61.20	187	5	60.38	221	5	61.25
Andhra Pradesh	40	2	14.05	47	2	15.41	52	2	14.63
Karnataka	26	1	9.03	28	1	9.12	36	1	10.03
Maharashtra	12	0	4.01	12	0	3.77	13	0	3.52
Gujarat	10	0	3.34	10	0	3.14	10	0	2.71
Kerala	6	0	2.01	7	0	2.20	8	0	2.17
Delhi	4	0	1.34	4	0	1.26	4	0	1.08
Haryana	3	0	1.00	3	0	0.94	3	0	0.81
Puducherry	3	0	1.00	3	0	0.94	3	0	0.81
Uttar Pradesh	2	0	0.67	2	0	0.63	2	0	0.54
West Bengal	2	0	0.67	2	0	0.63	3	0	0.81
Chattisgarh	1	0	0.34	1	0	0.32	1	0	0.27
Jharkhand	1	0	0.34	1	0	0.32	2	0	0.54
Madhya Pradesh	1	0	0.34	1	0	0.32	1	0	0.27
Orissa	1	0	0.33	1	0	0.31	1	0	0.27
Rajasthan	1	0	0.33	1	0	0.31	1	0	0.27
Total	291	8	100	310	8	100.00	361	8	100

State Wise Distribution of Business (Deposit & Advances)

State-wise break-up of the spread of branches and business in terms of deposits and advances as of March 31, 2013 and September 30, 2013, is stated as under:

(Amount in Millions except for branch numbers)

State Name	March 31, 2013			September 30, 2013		
	No. of Branches	Total Deposit	Gross Advances	No. of Branches	Total Deposit	Gross Advances
Tamil Nadu	178	79,993.52	64,229.91	184	84,672.02	66,902.39
Maharashtra	12	20,340.76	17,120.08	12	18,557.07	19,324.70
Andhra Pradesh	40	15,651.11	13,585.96	47	16,525.26	14,343.33
Karnataka	26	21,493.72	12,323.98	27	25,633.99	12,225.22
Delhi	4	4,429.75	5,363.30	4	3,794.57	4,683.02
West Bengal	2	1,193.98	1,447.35	2	1,228.26	1,596.26
Gujarat	10	2,528.64	1,807.21	10	2,736.00	1,517.51
Kerala	6	4,419.29	1,348.53	7	4,507.02	998.69
Puducherry	3	1,087.40	943.61	3	1,121.02	984.62
Rajasthan	1	1,092.42	366.02	1	1,155.16	327.72
Madhya Pradesh	1	367.91	158.01	1	884.70	174.50
Haryana	3	674.07	81.84	3	697.39	103.26
Orissa	1	2,114.29	54.58	1	2,187.48	57.19
Chattisgarh	1	117.49	54.03	1	155.54	47.38
Uttar Pradesh	2	443.22	31.17	2	422.29	34.85
Jharkhand	1	242.23	6.93	1	276.76	7.05
Total	291	156,189.78	118,922.52	306	164,554.52	123,327.70

Demographic Network of Branches

Demographic network of branches as on March 31, 2013, September 30, 2013 and December 31, 2013, is stated as under:

Type	No. of Branches			
	March 31, 2013	September 30, 2013	December 31, 2013	February 28, 2014
Metro	47	48	48	60
Rural	54	60	62	81
Semi Urban	110	116	117	124
Urban	80	82	83	96
Total	291	306	310	361

Demographic Break up of Customers

The split of our retail customers* based on their location is as given below:

Particulars	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013	February 28, 2014
Metro	141,627	166,292	187,874	200,940	225,784
Urban	343,482	363,878	396,986	401,516	431,389
Semi urban	551,330	557,899	612,920	608,917	644,217
Rural	205,194	219,117	248,578	250,856	266,844

*Retail customers include individual customers for deposits and advances. For deposits, retail customer means an individual who has given us a deposit of less than ₹10 million.

State Wise Distribution of Business (Deposit + Advances)

The state wise distribution of business (deposit + advances) is as given below:

(₹ in million)				
Particulars	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Tamil Nadu	98,493.86	124,805.69	144,223.41	151,560.53
Maharashtra	32,438.15	38,409.10	37,460.84	37,881.77
Karnataka	26,111.04	32,238.60	33,817.70	37,859.22
Andhra Pradesh	18,708.64	23,723.19	29,237.06	30,868.59
Delhi	4,832.12	8,873.38	9,793.04	8,477.59
Kerala	3,659.27	5,417.45	5,767.83	5,505.71
Gujarat	3,443.55	3,929.02	4,335.85	4,253.51
West Bengal	1,493.78	2,297.42	2,641.33	2,824.52
Orissa	368.67	539.42	2,168.87	2,244.67
Puducherry	1,232.71	1,748.26	2,031.01	2,105.65
Rajasthan	352.88	335.55	1,458.44	1,482.88
Madhya Pradesh	316.28	399.74	525.91	1,059.20
Haryana	1,454.12	655.00	755.91	800.64
Uttar Pradesh	310.36	761.66	474.38	471.02
Jharkhand	114.34	189.96	249.17	283.81
Chattisgarh	42.04	100.96	171.52	202.92
Total Business	193,371.81	244,424.40	275,112.28	287,882.22

Details of Deposits

State wise distribution of deposits is as given below:

(₹ in million)				
Particulars	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Tamil Nadu	58,778.99	73,375.39	79,993.52	84,658.13
Karnataka	14,630.37	20,904.32	21,493.72	25,633.99
Maharashtra	18,090.06	17,838.97	20,340.76	18,557.07
Andhra Pradesh	9,020.15	13,440.29	15,651.11	16,525.26
Kerala	2,773.86	4,309.20	4,419.29	4,507.02
Delhi	2,496.98	4,472.82	4,429.75	3,794.57
Gujarat	1,638.82	2,263.05	2,528.64	2,736.00
Orissa	318.33	482.08	2,114.29	2,187.48
West Bengal	930.56	1,223.60	1,193.98	1,228.26
Rajasthan	66.05	97.19	1,092.42	1,155.16
Puducherry	753.55	1,059.22	1,087.40	1,121.02
Madhya Pradesh	207.44	289.08	367.91	884.70
Haryana	1,372.33	580.34	674.07	697.39
Uttar Pradesh	275.23	572.36	443.22	436.17
Jharkhand	106.91	172.86	242.23	276.76
Chattisgarh	35.49	60.63	117.49	155.54
Total Deposit	111,495.11	141,141.40	156,189.78	164,554.52

Break-up of Deposits

Break-up of Deposits of the Bank for the last 5 years is as under.

(₹ in million)						
Particulars	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Demand Deposits (Including Demand Deposit From Banks)	4,920.77	6,285.27	8,353.69	7,221.26	7,384.99	8,273.15
Saving Bank Deposits	7,432.16	10,250.38	12,620.80	13,826.67	15,240.74	15,480.60
Term Deposits	61,256.10	74,218.20	90,520.62	120,093.47	133,564.05	140,800.77
- Bulk (accepted under DRI – Other than Card Rate)	9,840.00	10,626.81	24,250.36	20,983.48	20,903.54	22,951.35
- Retail	51,416.07	63,591.32	66,270.26	99,109.99	112,660.51	117,849.42

CASA Details

CASA Breakup into Current Account & Savings Bank Account is stated as under:

(₹. in million, unless otherwise specified)

Particulars	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Savings	7,432.16	10,250.37	12,620.80	13,826.67	15,240.74	15,480.61
Current	4,822.18	6,243.89	8,304.40	7,208.14	7,376.66	8,255.83
CASA	12,254.34	16,494.26	20,925.20	21,034.81	22,617.40	23,736.44
CASA (%)	16.65%	18.17%	18.77%	14.90%	14.48%	14.42%

Average CASA Details

Average CASA Breakup into Current Account & Savings Bank Account is stated as under:

(₹. in million, unless otherwise specified)

Particulars	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Average Savings	6,627.97	8,000.77	11,140.75	12,684.22	13,991.24	15,005.25
Average Current	4,724.37	5,015.08	6,191.37	6,981.65	6,745.82	7,103.20
Average CASA	11,352.34	13,015.85	17,332.12	19,665.86	20,737.06	22,108.45
Average CASA (%)	18.76%	15.80%	18.48%	15.89%	14.30%	13.96%

Average Cost of Deposit

Details of average cost of deposits from 2009-2013 are as under:

For the period/year ended	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	Half year ended September 30, 2013
Saving Bank Deposits	2.87%	2.89%	3.53%	3.99%	4.02%	4.03%
Term Deposits	9.75%	9.33%	8.44%	9.88%	10.16%	9.97%

Maturity Profile of Deposits

Maturity profile of deposits at the end of last 3 fiscal years and as of Half year ended 30 September 2013 is as under:

(₹ in million)

Year ended	March 31, 2011		March 31, 2012		March 31, 2013		September 30, 2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Upto 1 year	53,921.28	48.36	62,858.01	44.53	75,772.79	48.51	91,588.50	55.66
1 year to 3 years	34,590.05	31.02	72,464.77	51.34	52,972.50	33.92	42,765.95	25.99
3 years to 5 years	4,090.22	3.67	5,301.85	3.76	7,810.77	5.00	9,342.73	5.68
Over 5 years	18,893.57	16.95	516.77	0.37	19,633.71	12.57	20,857.34	12.67
Total	111,495.12	100.00	141,141.40	100.00	156,189.77	100.00	164,554.52	100.00

Term Deposits

Category wise break-up of term deposits as on March 31, 2013 and September 30, 2013 is as under:

(₹ in million)

Maturity	March 31, 2013			September 30, 2013		
	Retail	Wholesale	Total	Retail	Wholesale	Total
1-14 days	2,543.37	956.52	3,499.89	2,972.09	1,114.04	4,086.13
15-28 days	2,578.70	928.03	3,506.73	2,719.86	475.33	3,195.19
29 days to 3 months	12,971.34	4,279.24	17,250.58	15,225.76	9,253.57	24,479.33
3 – 6 months	16,552.38	8,546.90	25,099.28	16,426.42	16,294.82	32,721.24
6 – 12 months	34,018.16	20,040.97	54,059.13	45,382.96	16,698.85	62,081.81
1 – 3 years	21,735.15	6,326.08	28,061.23	10,608.67	1,417.16	12,025.83
3 – 5 years	1,466.50	116.46	1,582.96	1,428.82	228.88	1,657.70
Over 5 years	504.24	0.00	504.24	553.54	0.00	553.54
Total	92,369.84	41,194.20	133,564.05	95,318.12	45,482.65	140,800.77

Advances

Gross & Net Advances as on the end of the last 5 fiscal years and as at September 30, 2013:

(₹ in million)

As at	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Gross Advances	53,197.78	63,504.01	81,876.71	103,283.05	118,922.52	123,327.70
Net Advances	52,458.29	62,774.95	80,944.23	101,886.80	117,027.96	121,213.27

Secured advances at the end of the last 5 fiscal years and as at September 30, 2013:

(₹ in million)

As at	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Secured Advances	47,708.77	57,371.86	68,914.99	89,012.83	107,568.79	111,087.54
Unsecured Advances	4,749.52	5,403.09	12,029.24	12,873.97	9,459.17	10,125.73
Total net Advances	52,458.29	62,774.95	80,944.23	101,886.80	117,027.96	121,213.27

State-wise distribution of advances:

State-wise distribution of advances as on the end of the last 3 fiscal years and as at September 30, 2013:

(₹ in million)

As at	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Tamil Nadu	39,714.87	51,430.29	64,229.89	66,902.39
Maharashtra	14,348.09	20,570.13	17,120.08	19,324.70
Andhra Pradesh	9,688.49	10,282.91	13,585.96	14,343.33
Karnataka	11,480.67	11,334.28	12,323.98	12,225.22
Delhi	2,335.15	4,400.56	5,363.30	4,683.02
West Bengal	563.22	1,073.83	1,447.35	1,596.26
Gujarat	1,804.73	1,665.97	1,807.21	1,517.51
Kerala	885.42	1,108.25	1,348.53	998.69
Puducherry	479.16	689.04	943.61	984.62
Rajasthan	286.83	238.36	366.02	327.72
Madhya Pradesh	108.83	110.66	158.01	174.50
Haryana	81.79	74.66	81.84	103.26
Orissa	50.34	57.34	54.58	57.19
Chattisgarh	6.55	40.33	54.03	47.38

As at	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Uttar Pradesh	35.13	189.30	31.17	34.85
Jharkhand	7.43	17.10	6.93	7.05
Total Gross Advances	81,876.70	103,283.00	118,922.50	123,327.70

Break-up of Advances:

Details of Advances

(₹ in million)

Particulars	FY2012	FY2013	September 30, 2013
Retail advances	29,958.70	37,672.41	37,875.33
Wholesale advances	36,071.65	32,964.81	35,839.37
SME advances	16,258.50	25,421.80	26,458.00
Agricultural advances	20,994.20	22,863.50	23,155.00
Total Gross Advances	103,283.05	118,922.52	123,327.70

	March 31, 2012	%	March 31, 2013	%	September 30, 2013	%
1. Agriculture (incl. Direct & Indirect)	20,994.20	20%	22,863.50	19%	23,155.00	19%
2. SME	16,258.50	16%	25,421.80	21%	26,458.00	21%
3. Infrastructure	11,139.21	11%	10,595.40	9%	10,565.23	9%
4. Other Corporates	21,877.03	21%	20,749.98	17%	24,018.52	19%
Of which						
- Textile industry	8,097.24		7,391.78		7,641.29	
- Food processing	3,947.71		3,561.17		3,734.26	
- Chemical industry	2,123.38		3,187.99		2,682.62	
- All Engineering	2,438.13		2,742.86		2,691.98	
- Other industries	5,270.57		3,866.18		7,268.37	
5. Commercial Real Estate	3,055.41	3%	1,619.43	1%	1,255.62	1%
6. Retail Loans	29,958.70	29%	37,672.41	32%	37,875.33	31%
6.1 Housing	1,542.20	1%	2,387.20	2%	2,566.20	2%
6.2 Auto Loan	380.70	0%	419.30	0%	375.10	0%
6.3 Education Loans	797.10	1%	1,180.40	1%	1,047.40	1%
6.4 Gold loans	977.77	1%	7,161.85	6%	7,512.96	6%
6.5 Other Personal Loans	10,818.43	10%	5,115.55	4%	4,047.14	3%
6.6 Personal Loans	11,796.20	11%	12,277.40	10%	11,560.10	9%

	March 31, 2012	%	March 31, 2013	%	September 30, 2013	%
6.7 Lakshmi Business Credit	7,522.46	7%	11,291.26	9%	12,541.70	10%
6.8 Loans collateralised by Deposits	7,920.04	8%	10,116.85	9%	9,784.83	8%
Total Gross Advances	103,283.05		118,922.52		123,327.70	

Sector-wise credit portfolio of the Bank as on last reporting Friday of FY 2013 and Half year ended September 30, 2013 is as under.

(₹ in million)

S. No.	Industry	Gross Bank Credit Amount		Exposure to gross bank credit (%)	
		Mar-2013	Sep-2013	Mar-2013	Sep-2013
1	Gross Bank Credit	118,922.52	123,327.70	100.00	100.00
2	Food Credit	0.00	0.00	0.00	0.00
3	Non-Food Credit:	0.00	0.00	0.00	0.00
4	Medium & Large Scale Industry	28,739.64	26,921.41	24.17	21.83
5	Priority Sector	45,655.40	48,458.46	38.39	39.29
6	Export Credit	2,140.10	2,217.20	1.80	1.80

Breakup of advances into Term loans and Working Capital advances

(₹ in million)

As at	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Term Loans	20,438.63	29,721.96	32,004.46	39,929.92	34,793.64	35,059.12
Working Capital	32,019.66	36,052.99	48,939.77	61,956.88	82,234.32	86,154.15
Total Advances	52,458.29	65,774.95	80,944.23	101,886.80	117,027.96	121,213.27

Total Advances Breakup - Industry -wise –

Si No	Industry	Fund Based		Non -Fund Based	
		% Outstanding Mar 13	% Outstanding Sept 2013	% Outstanding Mar 13	% Outstanding Sept 2013
1	All Engineering	4.38	4.29	7.35	8.34
2	Basic Metal and Metal Products	11.81	10.07	16.00	20.94
3	Beverages	1.09	0.90	0.31	0.00
4	Cement and Cement Products	2.55	2.72	0.08	0.00
5	Chemical and Chemical Products	5.09	4.28	13.24	7.20
6	Construction	0.33	0.30	0.32	0.55

Si No	Industry	Fund Based		Non -Fund Based	
		% Outstanding Mar 13	% Outstanding Sept 2013	% Outstanding Mar 13	% Outstanding Sept 2013
7	Food Processing	5.69	5.95	10.89	9.62
8	Gems and Jewellery	0.90	1.06	0.57	0.20
9	Glass & Glassware	0.42	0.38	0.00	0.00
10	Roads,Ports Construction	5.65	5.54	16.75	17.27
11	Other Infrastructure	3.20	3.10	5.08	3.54
12	Tech And Vocational Education	2.34	2.71	0.09	0.01
13	Electricity, Hydro Electric,Co	2.30	2.27	0.37	0.00
14	Power - construction/erection	1.55	1.31	0.11	1.76
15	Higher Education	0.84	0.79	0.59	0.00
16	Primary And Secondary Educational	0.49	0.60	0.00	0.00
17	Distrib Solar, Wind Energy	0.53	0.52	0.00	0.00
18	Leather and Leather products	0.10	0.10	0.00	0.03
19	Mining and Quarrying	3.04	2.95	0.19	0.36
20	Others	14.29	15.75	6.65	3.06
21	Other Retail Trade	7.95	9.61	1.17	4.07
22	Hotels-Motels-Resorts	2.03	2.14	0.00	0.00
23	Transport Agencies	1.56	1.48	0.24	0.42
24	Sea, Coastal Water Transport	1.53	1.34	0.00	0.00
25	Extraction of Crude Petroleum	1.25	1.21	0.00	0.00
26	Basic Telecom Services	1.10	0.81	0.00	0.00
27	R and D Natural Science.Eng.	0.82	0.80	0.00	0.00
28	Ceramic Ware Mfr	0.78	0.75	0.15	0.04
29	NBFCs-General Purposes Loans	1.19	0.38	0.00	0.00
30	Paper and Paper Products	1.22	1.37	0.62	0.74
31	Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	0.01	0.01	0.00	0.00
32	Rubber, Plastic and their Products	0.66	0.75	1.39	0.55
33	Textiles	11.81	12.18	6.52	6.50
34	Vehicles, Vehicle Parts and Transport Equipments	0.29	0.31	0.08	0.00
35	Wood and Wood Products	1.21	1.27	11.24	14.80
		100.00	100.00	100.00	100.00

Whole sale Advances Breakup - Industry -wise -

Si No	Industry	Fund Based		Non -Fund Based	
		% Outstanding Mar 13	% Outstanding Sept 2013	% Outstanding Mar 13	% Outstanding Sept 2013
1	All Engineering	3.79	4.19	8.52	10.92
2	Basic Metal and Metal Products	14.46	13.71	17.80	27.86
3	Beverages	1.44	1.22	0.00	0.00
4	Cement and Cement Products	3.73	4.35	0.00	0.00
5	Chemical and Chemical Products	7.03	6.20	15.80	8.73
6	Construction	0.26	0.23	0.05	12.33
7	Food Processing	3.33	4.51	13.76	0.40
8	Gems and Jewellery	0.63	0.71	0.00	0.00
9	Glass & Glassware	0.65	0.65	0.00	0.00
10	Infrastructure	24.33	25.31	28.59	28.54
11	Leather and Leather products	0.00	0.00	0.00	0.00
12	Mining and Quarrying	4.00	4.24	0.00	0.00
14	Hotels-Motels-Resorts	2.84	3.08	0.00	0.00
15	Transport Agencies	2.45	2.33	0.21	0.35
16	Sea, Coastal Water Transport	2.00	2.10	0.00	0.00
17	Extraction of Crude Petroleum	1.95	1.85	0.00	0.00
18	Basic Telecom Services	1.74	1.39	0.00	0.00
19	R and D Natural Science.Eng.	1.28	1.38	0.00	0.00
20	Ceramic Ware Mfr	1.07	1.13	0.18	0.05
21	NBFCs-General Purposes Loans	1.90	0.67	0.00	0.00
22	Others	8.32	5.66	6.84	1.97
23	Paper and Paper Products	0.84	1.10	0.68	0.86
24	Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	0.00	0.00	0.00	0.00
25	Rubber, Plastic and their Products	0.38	0.47	0.26	0.13

Si No	Industry	Fund Based		Non -Fund Based	
		% Outstanding Mar 13	% Outstanding Sept 2013	% Outstanding Mar 13	% Outstanding Sept 2013
26	Textiles	11.34	13.25	7.31	7.86
27	Vehicles, Vehicle Parts and Transport Equipments	0.24	0.27	0.00	0.00
28	Wood and Wood Products	0.00	0.00	0.00	0.00
		100.00	100.00	100.00	100.00

SME Advances Breakup - Industry -wise -

Si No	Industry	Fund Based		Non -Fund Based	
		% Outstanding Mar 13	% Outstanding Sept 2013	% Outstanding Mar 13	% Outstanding Sept 2013
1	All Engineering	5.37	4.42	3.25	1.51
2	Basic Metal and Metal Products	7.34	5.14	9.71	2.61
3	Beverages	0.50	0.46	1.40	0.00
4	Cement and Cement Products	0.58	0.50	0.38	0.00
5	Chemical and Chemical Products	1.84	1.68	4.30	3.15
6	Construction	0.45	0.39	1.29	0.96
7	Food Processing	9.64	7.90	0.85	2.44
8	Gems and Jewellery	1.36	1.52	2.55	0.74
9	Glass & Glassware	0.02	0.02	0.00	0.00
10	Infrastructure	4.47	5.39	3.39	6.78
11	Leather and Leather products	0.28	0.24	0.01	0.10
12	Mining and Quarrying	1.42	1.21	0.85	1.33
13	Other Retail Trade	21.32	22.62	2.21	9.65
14	Rt sale diamond/gem/jewel	1.50	4.55	0.74	1.25
15	Retail sale of civil material	1.98	2.51	1.54	2.82
16	Rt sale pharma-cosmetic	1.66	1.92	0.62	0.48
17	Motor vehicle sale	0.87	1.60	0.88	0.37
18	Non-specialized retail trade	1.13	1.28	0.24	0.17
19	Cotton ginning, cleaning	0.98	1.15	0.00	0.01
20	Retail sale of automotive fuel	0.87	1.03	0.13	0.12
21	Others	17.17	17.46	5.27	6.56

Si No	Industry	Fund Based		Non -Fund Based	
		% Outstanding Mar 13	% Outstanding Sept 2013	% Outstanding Mar 13	% Outstanding Sept 2013
22	Paper and Paper Products	1.85	1.73	0.40	0.42
23	Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	0.02	0.02	5.36	0.00
24	Rubber, Plastic and their Products	1.13	1.13	0.00	1.64
25	Textiles	12.59	10.74	3.78	2.86
26	Vehicles, Vehicle Parts and Transport Equipments	0.39	0.37	0.36	0.01
27	Wood and Wood Products	3.27	3.02	50.49	54.02
		100.00	100.00	100.00	100.00

Exposure to the Top 10 borrower companies as of March 31, 2013:

(₹ in million)

Account Name	Industry of the Borrower	Outstanding amount of the Borrower	Outstanding amount of the Industry	Outstanding to the Borrower as a % of Gross advances	Outstanding to the Borrower as a % of the Outstanding amount of the Industry	Asset Quality
Borrower 1	Mfg. Iron & Steel	1,294.94	7,392.13	1.09%	17.52%	Standard
Borrower 2	Infrastructure	1,249.55	10,595.39	1.05%	11.79%	Standard
Borrower 3	NBFC	744.33	4,001.93	0.63%	18.60%	Standard
Borrower 4	Infrastructure-Power	988.35	2,572.63	0.83%	38.42%	Standard
Borrower 5	Mfg. of Cement	999.99	1,597.70	0.84%	62.59%	Standard
Borrower 6	Mfg. of Coal	948.81	1,901.27	0.80%	49.90%	Standard
Borrower 7	Infrastructure-Power	369.71	2,572.63	0.31%	14.37%	Standard
Borrower 8	NBFC	897.46	4,001.93	0.75%	22.43%	Standard
Borrower 9	Mfg. Iron & Steel	429.61	7,392.13	0.36%	5.81%	Standard
Borrower 10	Spinning Mill	506.63	7,391.78	0.43%	6.85%	Standard

Exposure to the Top 10 borrower companies as of Half year ended September 30, 2013:

Account Name	Industry of the Borrower	Outstanding amount of the Borrower	Outstanding amount of the Industry	Outstanding to the Borrower as a % of Gross advances	Outstanding to the Borrower as a % of the Outstanding amount of the Industry	Asset Quality
Borrower 1	Mfg. Iron &	1,262.71	6,317.15	1.02%	19.99	Standard

Account Name	Industry of the Borrower	Outstanding amount of the Borrower	Outstanding amount of the Industry	Outstanding to the Borrower as a % of Gross advances	Outstanding to the Borrower as a % of the Outstanding amount of the Industry	Asset Quality
	Steel					
Borrower 2	Infrastructure	1,249.49	10,565.23	1.01%	11.83	Standard
Borrower 3	NBFC	240.04	2,852.60	0.19%	8.41	Standard
Borrower 4	Infrastructure-power	998.07	2,747.24	0.81%	36.33	Standard
Borrower 5	Mfg. of Cement	1,000.00	1,704.19	0.81%	58.68	Standard
Borrower 6	Infrastructure-Power	385.73	2,747.24	0.31%	14.04	Standard
Borrower 7	Mfg. of Coal	830.87	1,849.89	0.67%	44.91%	Standard
Borrower 8	Mfg. of cloths	814.37	7,641.29	0.66%	10.66	Sub-Standard
Borrower 9	NBFC	647.17	2,852.60	0.52%	22.69	Standard
Borrower 10	Mfg. Iron & Steel	533.11	6,317.15	0.43%	8.44	Standard

Exposure to Top 5 business groups as on March 31, 2013:

Borrower	Amount Outstanding		Fund Based Outstanding to be total advances
	Fund Based	Non-Fund based	
Group I	1,955.44	790.00	1.64%
Group II	657.66	975.90	0.55%
Group III	0.00	1,400.00	0.00%
Group IV	1,250.00	100.00	1.05%
Group V	1,014.17	197.35	0.85%

Exposure to Top 5 business groups as on September 30, 2013:

Borrower	Amount Outstanding		Fund Based Outstanding to be total advances
	Fund Based	Non-Fund based	
Group I	1,929.50	790.00	1.56%
Group II	1,750.00	0.00	1.42%
Group III	665.43	975.90	0.54%
Group IV	1,500.00	0.00	1.22%
Group V	0.00	1,400.00	0.00%

Export Credit

The following table provides a summary of the total export credit for the last five years:

Year Ended	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013
Export Credit	1,988.36	2,742.82	2,154.26	1,754.43	2,140.09
% of the Export Credit to Adjusted Net Bank Credit	3.74%	4.32%	2.63%	1.70%	1.80%

Priority Sector Lending

Details of sector-wise distribution of Gross Priority Sector advances for the last 5 years are given below:

(₹ in million)

Reporting date	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013
Total Priority Sector Advances	17,631.80	21,071.30	24,655.90	34,535.93	44,798.39
Total Agricultural Advances	7,987.80	9,802.60	11,475.60	20,510.31	22,863.47
Weaker Section Advances	3,292.60	5,692.60	7,350.20	10,210.12	15,826.82

Asset Classification of Performing and Non-Performing Assets

Asset Classification of Performing and Non-Performing Assets for the last 5 years and half year ended September 30, 2013 is given below:

(₹ in million)

Classification of assets as on	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Standard Assets	51,757.27	60,252.20	80,298.85	100,205.71	114,323.44	116,886.41
Sub Standard Assets	316.01	1,679.27	820.19	2,147.96	2,593.61	3,799.90
Doubtful Assets 1	110.86	989.95	438.21	389.66	1,551.94	1,182.46
Doubtful Assets 2	445.42	504.18	169.86	333.13	333.55	1,346.54
Doubtful Assets 3	482.57	29.58	104.20	78.44	28.57	28.72
Loss Assets	85.65	48.82	45.41	128.14	91.41	83.68
Gross NPAs	1,440.51	3,251.80	1,577.86	3,077.33	4,599.08	6,441.30
Gross Advances	53,197.78	63,504.01	81,876.71	103,283.05	118,922.52	123,327.70

(₹ in million, except as otherwise provided)

As on March 31	2009	2010	2011	2012	2013	Half year ended September 30, 2013
Gross NPA at the beginning of the year	1,379.79	1,440.51	3,251.80	1,577.86	3,077.33	4,599.08
Addition during the year	364.89	3,893.04	1,375.31	2,829.80	4,001.571	3,568.57
Reduction during the year	304.16	2,081.75	3,049.25	1,330.33	2,479.83	1,726.35
Up gradation	36.36	117.80	561.91	404.72	681.215	303.60
Cash Recovery	265.92	663.20	919.87	728.83	836.668	392.77
Compromise / Write-off	1.88	1,300.75	867.47	112.27	281.319	661.88
Sale of Assets/purchases of non banking assets	0.00	0.00	700.00	84.50	680.625	368.10
Gross NPA at the end of the year	1,440.51	3,251.80	1,577.86	3,077.33	4,599.08	6,441.30
Provision	739.49	607.23	342.82	677.13	1,003.02	1,193.58
Interest Suspense	0.00	0.00	0.00	0.00	0.00	0.00
DICGC & ECGC Balance	39.06	53.28	84.51	126.19	136.53	131.66
Net NPA at the end of the year	648.52	2,577.85	728.75	1,770.89	2,838.14	4,573.58
Gross Advances	53,197.78	63,504.01	81,876.71	103,283.05	118,922.52	123,327.70
Gross NPAs	1,440.51	3,251.80	1,577.86	3,077.33	4,599.08	6,441.30
Gross NPAs to Gross Advances (%)	2.71%	5.12%	1.93%	2.98%	3.87%	5.22%
Net Advances	52,458.30	62,774.95	80,944.23	101,886.80	117,027.96	121,213.27
Net NPAs	648.52	2,577.85	728.75	1,770.89	2,838.14	4,573.58
Net NPA to Net Advances (%)	1.24%	4.11%	0.90%	1.74%	2.43%	3.77%

Gross NPA (GNPA) as a % of Total Advances

Particulars	FY2009	FY2010	FY2011	FY2012	FY2013	September 30, 2013
Retail GNPA as % of Retail advances	0.68%	3.06%	4.06%	3.82%	1.44%	1.59%
Wholesale GNPA as % of Wholesale advances (Large corporate)	1.25%	7.09%	0.59%	2.73%	6.16%	8.73%
SME GNPA as % of SME advances	1.39%	5.47%	3.03%	5.39%	5.54%	3.34%
Agricultural GNPA as % of Agricultural advances	1.29%	1.33%	1.35%	0.81%	0.64%	0.68%

Borrower-Wise Classification on Non-Performing Assets

The Borrower-wise classification of the top ten NPAs of the Bank as at September 30, 2013:

(₹. In million)

Borrower No.	Industry	Amount	% of the Total Gross Advances
1	Other Textiles	750.00	0.61%
2	Telecommunication	666.54	0.54%
3	Drugs and Pharmaceuticals	577.70	0.47%
4	Other Industries	480.76	0.39%
5	Other Engineering	477.13	0.39%
6	Iron and Steel	264.32	0.21%
7	Other Engineering	197.61	0.16%
8	Roadways	194.85	0.16%
9	Other textiles	194.75	0.16%
10	Construction/Other industries	167.75	0.14%

The Borrower-wise classification of the top ten NPAs of the Bank as at March 31, 2013:

(₹. In million)

Borrower No.	Industry	Amount	% of the Total Gross Advances
1	Other Chemicals and Chemical Products	530.75	0.45%
2	Other industries	480.76	0.40%
3	Other Engineering	450.52	0.38%
4	Iron and Steel	264.32	0.22%
5	Other Engineering	197.61	0.17%
6	Roadways	194.85	0.16%
7	Other textiles	192.72	0.16%
8	Construction/Other industries	167.75	0.14%
9	Cotton textiles	140.60	0.12%
10	Drugs and Pharmaceuticals	121.01	0.10%

Top ten Borrower wise classifications of SME NPAs – For September 30, 2013:

Borrower No.	Industry	Amount	% of the Total Gross Advances
1	Other Textiles	148.03	0.11%
2	Construction	103.75	0.08%

Borrower No.	Industry	Amount	% of the Total Gross Advances
3	Cotton Textiles	30.42	0.02%
4	Other Textiles	30.27	0.02%
5	Other Textiles	30.20	0.02%
6	Other Engineering	21.15	0.02%
7	Other industries	20.53	0.02%
8	Other industries	20.44	0.02%
9	Other food Processing	16.21	0.01%
10	Gems and Jewelry	15.00	0.01%

NPA Break-up from Large Corporate:

(₹. In million)

Year	Gross NPA	Large Corporate NPA	%
30.09.2013	6,441.30	4,355.18	67.61
31.03.2013	4,599.08	2,964.22	64.45
31.03.2012	3,077.33	1,325.41	43.07
31.03.2011	1,577.86	234.73	14.88
31.03.2010	3,251.80	1,882.55	57.89

Sector / Industry analysis of gross Non-Performing Assets

An industry-wise analysis of gross Non-Performing Assets for the last three years and half year ended September 30, 2013 is shown below:

INDUSTRY NAME	March 31, 2011	%	March 31, 2012	%	March 31, 2013	%	September 30, 2013	%
Other Textiles	117.34	7.44%	325.59	10.58%	365.90	7.96%	1,202.03	18.66%
All Engineering	1.55	0.10%	215.76	7.01%	689.16	14.98%	729.63	11.33%
Infrastructure	0.01	0.00%	194.71	6.33%	230.41	5.01%	378.75	5.88%
Chemicals, dyes, paints etc.	78.59	4.98%	96.34	3.13%	679.38	14.77%	362.19	5.62%
Trading	174.55	11.06%	466.85	15.17%	191.90	4.17%	285.44	4.43%
Iron & Steel	60.25	3.82%	48.85	1.59%	297.79	6.47%	279.72	4.34%
Cotton Textiles	25.31	1.60%	263.27	8.56%	277.85	6.04%	147.80	2.29%
Gems & Jewellery	8.46	0.54%	27.64	0.90%	147.49	3.21%	129.70	2.01%
Construction	110.84	7.02%	359.95	11.70%	104.42	2.27%	104.37	1.62%
Food Processing	64.25	4.07%	21.63	0.70%	20.00	0.43%	41.86	0.65%

INDUSTRY NAME	March 31, 2011	%	March 31, 2012	%	March 31, 2013	%	September 30, 2013	%
Paper & Paper Products	93.44	5.92%	25.48	0.83%	21.30	0.46%	23.72	0.37%
Vegetable oils & Vanaspati	6.56	0.42%	0.95	0.03%	17.78	0.39%	19.11	0.30%
Mining	20.73	1.31%	4.91	0.16%	6.82	0.15%	14.70	0.23%
Rubber & Rubber Products	9.94	0.63%	12.66	0.41%	21.31	0.46%	9.94	0.15%
Leather & Leather Products	11.61	0.74%	2.65	0.09%	8.11	0.18%	8.11	0.13%
Automobiles include trucks	28.99	1.84%	6.37	0.21%	7.24	0.16%	7.00	0.11%
Other Metal & Products	0.26	0.02%	29.74	0.97%	18.98	0.41%	6.92	0.11%
Cements	0.00	0.00%	0.00	0.00%	6.04	0.13%	3.42	0.05%
Jute Textiles	1.72	0.11%	1.54	0.05%	0.36	0.01%	0.36	0.01%
Electricity	7.05	0.45%	0.76	0.02%	9.85	0.21%	0.00	0.00%
Tea	0.00	0.00%	0.20	0.01%	0.00	0.00%	0.00	0.00%
Tobacco & Tobacco Products	0.03	0.00%	0.04	0.00%	0.00	0.00%	0.00	0.00%
Petroleum	0.00	0.00%	0.28	0.01%	0.00	0.00%	0.00	0.00%
Computer software	0.00	0.00%	25.52	0.83%	0.00	0.00%	0.00	0.00%
Other industries	270.17	17.12%	18.17	0.59%	928.41	20.19%	1,738.31	26.99%
Residual	486.21	30.81%	927.48	30.14%	548.61	11.93%	948.24	14.72%
Total gross NPA	1,577.86	100.00%	3,077.33	100.00%	4,599.08	100.00%	6,441.30	100.00%

Fresh Slippages:

(₹. In million)

Particulars	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 (H1)
No of Accounts	936	4,624	2,871	2,886	2,893	1,923
Amount	364.89	3,893.04	1,375.31	2,829.80	4,001.57	3,568.57

Key number of accounts contributing 80% of Non-Performing Assets

(₹. In million)

Year	No of accounts	Amount	% to Gross NPA
2009	294	1,152.39	80.00%
2010	37	2,603.31	80.06%
2011	171	1,247.42	80.09%
2012	101	2,462.96	80.04%
2013	47	3,679.34	80.00%
FY2014 (H1)	30	5,167.66	80.23%

Details of Restructured Book:*(₹. In million)*

Particulars	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Sep-13
Total Restructured Book	1,198.57	1,655.64	1,658.35	1,701.91	4,713.10	5,061.29

Industry-wise Restructured Book:*(₹. in million)*

Name of the Industry	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Sep-13
Cement	153.00	134.40	115.82	90.03	78.97	75.83
Hotel	0.00	0.00	0.00	0.00	1,034.56	1,002.51
Iron & Steel	40.03	36.05	35.24	26.43	0.00	403.72
Micro Finance	0.00	0.00	83.81	114.44	99.92	98.26
Sugar	0.00	30.52	29.04	23.78	17.64	8.24
Textiles	922.21	1,151.74	766.67	673.51	508.56	434.94
Agriculture	27.61	31.50	26.37	26.37	6.87	0.03
Aluminium Cables	0.00	0.00	0.00	0.00	306.22	354.91
Ceramics	0.00	0.00	0.00	0.00	321.17	309.93
Communication	0.00	0.00	0.00	103.08	450.52	560.24
Print Packs	0.00	0.00	0.00	0.00	0.00	65.20
Road Projects	0.00	0.00	0.00	221.32	517.55	524.46
Shipyard	0.00	0.00	0.00	0.00	524.63	529.53
TV rely	0.00	0.00	0.00	0.00	287.60	236.38
Others	55.73	271.43	601.40	422.95	371.99	270.22
Total	1,198.57	1,655.64	1,658.35	1,701.91	4,713.10	5,061.29

Investment Details

Investment details have been stated as under:

(₹. In million)

As of	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
SLR-HFT-Treasury Bills	0.00	0.00	41.82	15.16	0.00	0.00
SLR-HFT -Central Govt Securities	466.38	420.00	0.00	0.00	0.00	-832.00
SLR-AFS-Central Govt Securities	647.54	4,362.85	4,313.13	652.61	3,081.08	4,120.57
SLR-AFS-Treasury Bills	1,007.79	45.57	746.49	0.00	385.13	0.00

As of	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
SLR-AFS-State Govt Securities	1,081.01	1,491.68	1,589.08	2,359.30	1,110.44	1,119.92
SLR-AFS-Trustee Securities	82.38	75.40	65.92	50.00	0.00	0.00
SLR-HTM-Central Govt Securities	13,469.26	18,319.14	21,608.83	29,683.77	28,504.10	34,472.26
SLR-HTM-State Govt Securities	101.29	1,293.25	1,540.86	2,864.95	4,932.55	5,087.25
SLR-HTM-Trustee Securities	13.10	0.00	0.00	0.00	0.00	0.00
Total SLR Investments	16,868.74	26,007.88	29,906.13	35,625.79	38,013.30	43,968.00
Non SLR-AFS-Corporate Shares	73.62	92.47	107.06	178.90	276.59	314.44
Non SLR-AFS-Preference Shares	56.74	47.61	47.61	70.94	69.77	68.13
Non SLR-AFS-Corporate Debentures	165.65	258.15	1,552.38	1,154.54	1,019.86	1,368.95
Non SLR-AFS-MF Units	256.34	669.25	333.60	721.10	21.10	21.10
PSU Bonds - Tax Free	120.00	118.33	116.67	115.00	173.33	171.67
PSU Bonds- Taxable	367.26	257.36	207.36	415.17	190.00	680.93
Commercial Paper	293.14	878.66	325.00	1,213.47	242.72	0.00
Certificate of Deposit	0.00	998.38	1,505.42	3,170.22	1,951.63	0.00
Non-SLR-AFS-ARCs Security Receipts	0.00	0.00	662.75	914.12	900.05	1,244.22
RIDF	609.97	636.91	543.51	448.39	498.22	468.06
Rural Housing Development Fund	28.60	44.50	44.50	44.50	78.50	78.50
MSME(Refinance) Fund	55.60	85.40	85.40	29.80	37.95	37.95
MSME (Risk Capital) Fund	1.45	3.15	3.15	3.15	6.30	6.30
Total Non- SLR Investments	2,028.37	4,090.17	5,534.41	8,479.29	5,466.03	4,460.25
Gross Investments	18,897.12	30,098.06	35,440.53	44,105.08	43,479.32	48,428.24
Less: Investment Depreciation	266.56	265.84	252.03	153.90	233.86	200.83
Net Investments	18,630.56	29,832.22	35,188.50	43,951.18	43,245.47	48,227.41

The following table shows pattern of investments at the end of last five fiscal years and as on September 30, 2013.

(₹. In million)

As on	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Gross Investments	18,887.12	30,094.08	35,440.53	44,105.08	43,479.32	48,428.24
SLR Investments total	16,868.74	26,007.88	29,906.13	35,625.79	38,013.30	43,968.00
- Permanent Investments /Held to maturity	13,594.78	19,614.39	23,149.69	32,548.72	33,436.65	38,727.51
- Current Investments (AFS + HFT)	5,292.34	10,479.69	12,290.84	11,556.36	10,042.67	9,700.73
Current Investments to total SLR Investments (%)	31.37%	40.29%	41.10%	32.44%	26.42%	22.06%

The following table shows aggregate value of quoted and unquoted Non-SLR Investments in the last three years and half year ended September 30, 2013:

(₹. in million)

As on	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Quoted Non SLR investments	1,900.87	3,974.30	4,670.74	7,297.75	5,199.77	4,118.41
Unquoted Non SLR investments	127.50	115.87	863.67	1,181.54	266.26	341.84
Total	2,028.37	4,090.17	5,534.41	8,479.29	5,466.03	4,460.25

Asset Liability Management

The following table shows the asset-liability mis-match for the last three years and half year ended September 30, 2013:

(₹. In million)

Year	1Day	2 to 7 days	8-14days	15-28days	29 days to 3 months	3 months to 6 months	6 months to one year	One year to 3 years	3 years and upto 5 years	5 years & above
Half year ended September 30, 2013	-991.18	1,272.76	1,775.06	4,058.15	7,722.54	-8,255.28	-13,723.74	17,689.26	-830.97	-8,873.78
2012-13 (31.03.2013)	342.13	1,694.20	1,460.22	3,960.51	8,706.17	-5,603.87	-5,327.94	9,405.91	-1,661.95	-13,113.62
2011-12 (31.03.2012)	2,250.18	1,220.64	414.54	858.17	386.81	-1,362.46	166.31	-5,065.41	2,117.88	-1,076.00
2010-11 (31.03.2011)	3,623.22	1,435.62	773.50	148.86	-1,582.52	-812.42	-11,384.29	15,596.40	1,824.12	-9,676.13

The Breakup of Inflows, outflows and mismatch for the period March 31, 2011, March 31, 2012, March 31, 2013 are mentioned in Table I and the breakup of the same for the period September 30, 2013 is mentioned in Table II.

Structural Liquidity (Table – I)

The structural liquidity as on March 31 for the last three years and as on September 30, 2013 is given below:

(₹. In million)

	Total inflows			Total outflows			Mismatch		
	31.03.13	31.03.12	31.03.11	31.03.13	31.03.12	31.03.11	31.03.13	31.03.12	31.03.11
1 day	4,448.11	4,481.88	5,356.95	4,105.99	2,231.71	1,733.72	342.13	2,250.18	3,623.22
2 to 7 days	4,189.21	3,187.37	3,489.34	2,495.02	1,966.73	2,053.72	1,694.20	1,220.64	1,435.62
8 to 14 days	4,192.60	2,843.27	2,029.82	2,732.38	2,428.73	1,256.32	1,460.22	414.54	773.50
15-28 days	6,842.40	4,431.32	3,491.07	2881.89	3,573.15	3,342.21	3,960.51	858.17	148.86
29 days and upto 3 months	23,904.13	16,528.79	9,913.14	15,197.96	16,141.98	11,495.67	8,706.17	386.81	-1,582.52
Over 3 months and upto 6 months	13,626.34	13,670.17	12,199.34	19,230.21	15,032.63	13,011.76	-5,603.87	-1,362.46	-812.42
Over 6 months and upto 1 year	32,309.77	29,001.94	18,684.86	37,637.70	28,835.63	30,069.15	-5,327.94	166.31	-11,384.29
Over 1 year and 3 years	67,121.41	70,273.16	55,186.95	57,715.50	75,338.57	39,590.55	9,405.91	-5,065.41	15,596.40

	Total inflows			Total outflows			Mismatch		
	31.03.13	31.03.12	31.03.11	31.03.13	31.03.12	31.03.11	31.03.13	31.03.12	31.03.11
Over 3 year and upto 5 years	8,468.91	8,804.51	6,914.34	10130.87	6,686.63	5,090.22	-1,661.95	2,117.88	1,824.12
Over 5 years	17,168.54	11,524.44	18,724.03	30,282.16	12,600.43	28,400.17	-13,113.62	-1,076.00	-9,676.13
Total	182,271.42	164,746.85	135,989.83	182,409.66	164,836.20	136,043.48	-138.23	-89.35	-53.65

Structural Liquidity (Table – II)

(₹. in Million)

	Total inflows as of half year ended September 30, 2013	Total outflows as of half year ended September 30, 2013	Mismatch as of half year ended September 30, 2013
1 day	5,699.69	6,690.87	-991.18
2 to 7 days	4,325.90	3,053.14	1,272.76
8 to 14 days	4,128.59	2,353.53	1,775.06
15-28 days	6646.87	2588.72	4,058.15
29 days and upto 3 months	28,304.76	20,582.22	7,722.54
Over three months and upto 6 months	18,719.44	26,974.72	-8,255.28
Over 6 months and upto 1 year	26,461.28	40,185.02	-13,723.74
Over 1 year and 3 years	65,570.67	47,881.40	17,689.26
Over 3 year and upto 5 years	10,530.63	11,361.60	-830.97
Over 5 years	22,946.45	31,820.23	-8,873.78
Total	193,334.28	19,349.45	-157.18

Capital Adequacy Position of the Bank

The Capital Adequacy Ratio ("CAR") of the Bank, as per Basel II, as on March 31, 2013 was 12.32% as against the RBI stipulation of 9.00%. Details of capital vis-à-vis risk weighted assets are as under:

(₹. In million, unless otherwise specified)

As on	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	Sept 30, 2013
Capital Funds	5,075.44	8,854.28	9,749.60	12,639.57	11,992.93	12,040.34
Tier I Capital:						
Paid up Equity Capital	487.76	975.09	975.26	975.26	975.41	975.61
Less: Investment in Subsidiary	0.00	0.00	0.00	0.00	0.00	0.00
Reserves & Surplus (net of DTA/DTL)	3,854.50	6,201.79	6,989.21	7,576.22	7,936.33	7,938.58
Total Tier I Capital	4,342.26	7,176.88	7,964.47	8,551.47	8,911.74	8,914.19
Tier II Capital:						

As on	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	Sept 30, 2013
Revaluation Reserve	0.00	0.00	363.29	356.50	350.05	350.05
General Provisions	333.18	357.40	321.84	391.60	442.14	547.10
Subordinated Debt	400.00	1,320.00	1,100.00	3,340.00	2,289.00	2,229.00
Total Tier II Capital	733.18	1,677.40	1,785.13	4,088.10	3,081.19	3,126.15
Total Capital Fund	5,075.44	8,854.28	9,749.60	12,639.57	11,992.93	12,040.34
Risk Weighted Assets	49,306.38	59,741.94	73,880.56	96,469.25	97,379.58	106,605.37
Capital Adequacy Ratio (%)	10.29%	14.82%	13.19%	13.10%	12.32%	11.29%

SECTION VI - OUR MANAGEMENT

Board of Directors

As per our Articles of Association, our Board shall consist of not less than nine (9) Directors and not more than twelve (12) Directors. Our Bank is currently managed by a Board of Directors comprising thirteen (13)^{##} Directors including two nominee directors of the Reserve Bank of India.

Name, Designation, Occupation, DIN, Address, Date of appointment and Term	Nationality	Age (Years)	Other Directorships
Raghuraj Gujjar Designation: Non- Executive Chairman Occupation: Director & CEO of M/s. Kare Power Resources Private Limited DIN: 02734451 Address: 406, Kaval Byrasandra, MM Layout, R.T.Nagar, D.J.Halli, Bangalore, 560032, Karnataka, India Date of appointment: April 26, 2013 Term: 1 year	Indian	58	<i>Directorships in other companies:</i> <ul style="list-style-type: none"> Kare Power Resources Private Limited M/s Pranava International Pte Ltd
Rakesh Sharma Designation: Managing Director & CEO Occupation: Banker DIN: 06846594 Address: S.F. No.2, Plot No.10, Vasavi Nagar, Erode Road, LNS Post, Karur – 639 002. Date of appointment: March 7, 2014 Term: 2 years from December 2, 2013.	Indian	55	<i>Directorships in other companies:</i> NIL
D. L.N. Rao Designation: Non-Executive and Independent Director Occupation: Advocate DIN: 02305079 Address: No.27/106, 11th Cross, 11th Main, Malleswaram, Bangalore, 560003, Karnataka, India. Date of appointment: August 14, 2008	Indian	65	<i>Directorships in other companies:</i> NIL

Name, Designation, Occupation, DIN, Address, Date of appointment and Term	Nationality	Age (Years)	Other Directorships
Term: Liable to retire by rotation [#] .			
B.K. Manjunath	Indian	54	<i>Directorships in other companies:</i>
Designation: Non-Executive and Independent Director			<ul style="list-style-type: none"> • South Star Distilleries and Breweries Private Limited • Bhramputra Power Private Limited
Occupation: Chartered Accountant			
DIN: 00319891			
Address: 1/20, 8th Cross, Kumarapark West, Bangalore, 560020, Karnataka, India			
Date of appointment: August 14, 2008			
Term: Liable to retire by rotation [#] .			
K.R. Pradeep	Indian	53	<i>Directorships in other companies:</i>
Designation: Non-Executive and Non-Independent Director			<ul style="list-style-type: none"> • Pranava Electronics Private Limited • Kare Electronics and Developments Private Limited • Kare Power Resources Private Limited • Vision EI-Tech and Services Private Limited • Celestial Techsoft and Services Private Limited • Green Banyan Power Private Limited • M/s Pranava International Pte Ltd
Occupation: Chartered Accountant			
DIN: 00153097			
Address: A4, 81, Hulkul Residency, Lavelle Road, Bangalore, 560001, Karnataka, India			
Date of appointment: February 27, 2009			
Term: Liable to retire by rotation [#] .			
S.G.Prabhakharan	Indian	58	<i>Directorships in other companies:</i>
Designation: Non-Executive and Non-Independent Director			<ul style="list-style-type: none"> • XS Real Properties Private Limited • RoyalSoft Services Limited • Ariston Capital Asset Holdings Private Limited
Occupation: Business			
DIN: 00005140			
Address: "Pebble Green", No.14, Sterling Avenue, Sakthi Nagar, Porur, Chennai, 600116, Tamil Nadu, India			
Date of appointment: June 23, 2009			
Term: Liable to retire by rotation [#] .			

Name, Designation, Occupation, DIN, Address, Date of appointment and Term	Nationality	Age (Years)	Other Directorships
S. Dattathreyan Designation: Non-Executive and Independent Director Occupation: Business DIN: 00724456 Address: No 38, Thanga Perumal Street, Erode, 638001, Tamil Nadu, India Date of appointment: March 8, 2010 Term: Liable to retire by rotation [#] .	Indian	52	<i>Directorships in other companies:</i> <ul style="list-style-type: none"> Vaibhav Polycot Private Limited
R. Sharan Designation: Non-Executive and Independent Director Occupation: Tax Consultant DIN: 05304025 Address: Flat No 4, G Block SBI Officers Flats East Of Kailash, New Delhi, 110065, Delhi, India Date of appointment: May 30, 2012 Term: Liable to retire by rotation [#] .	Indian	66	<i>Directorships in other companies:</i> <ul style="list-style-type: none"> BMW Industries Limited
A. Satish Kumar Designation: Non-Executive and Independent Director Occupation: Consultant DIN: 00087283 Address: No.1 East Avenue, Keshavaperumalpuram, Greenways Road, Chennai, 600028, Tamil Nadu, India Date of appointment: May 30, 2012 Term: Liable to retire by rotation [#] .	Indian	61	<i>Directorships in other companies:</i> <ul style="list-style-type: none"> Royalsoft Services Limited Amrutanjan Health Care Limited
P.A. Shankar	Indian	67	<i>Directorships in other companies:</i>

Name, Designation, Occupation, DIN, Address, Date of appointment and Term	Nationality	Age (Years)	Other Directorships
Designation: Additional Director - Non-Executive and Independent Director Occupation: Honorary Director, Research & Development Filtrex Technology, Bangalore. DIN: 06658477 Address: No 1275, 24th Cross , 25th Main, BSK, 2nd Stage, Bangalore, 560070, Karnataka, India Date of appointment: August 6, 2013 Term[#]: Till next AGM of the Bank.			NIL
N. Malayalaramamirtham Designation: Non-Executive and Non-Independent Director Occupation: Business DIN: 06846587 Address: No.48, Vasavi Nagar, LNS Post, Karur – 639 002 Date of appointment: March 7, 2014 Term: Till the next AGM of the Bank.	Indian	65	Directorships in other companies:
R. Ravikumar Designation: Nominee Director (RBI) ^{##} and Independent Director Occupation: Banker DIN: 06464242 Address: Flat No: B-12, Reserve Bank Staff College Campus Teynampet, Chennai, 600018, Tamil Nadu, India Date of appointment: December 3, 2012 Term: For a period of 2 years from December 3, 2012 or until further order, whichever is earlier ^{##} .	Indian	51	Directorships in other companies:
Ashok Narain Designation: Nominee Director	Indian	51	Directorships in other companies:

Name, Designation, Occupation, DIN, Address, Date of appointment and Term	Nationality	Age (Years)	Other Directorships
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(RBI)^{##} and Independent Director

Occupation: Banker

DIN: 06464253

Address: A-9, RBI Officers Quarters,
Cunningham Road, Bangalore, 560052,
Karnataka, India

Date of appointment: December 3,
2012

Term^{##}: For a period of 2 years from
December 3, 2012 or until further
order, whichever is earlier.

Subject to Section 10A(2A) of the BR Act pursuant to which no director of a banking company, other than its chairman or whole-time director, by whatever name called, shall hold office continuously for a period exceeding eight years

Appointed by RBI pursuant to its Order No. DBOD.PSBD.No.7927/16.05.04/2012-13 dated December 3, 2012 in exercise of the power conferred by sub-section (1) of Section 36AB of the Banking Regulation Act, 1949, in public interest for a period of 2 years from December 3, 2012 or until further order, whichever is earlier. As per sub-section (2) of Section 36AB and Section 36 AC of the BR Act, the appointment of aforesaid Directors is effective notwithstanding anything contained in the Memorandum of Association and Articles of Association of the Bank.

Relationship between Directors

None of the Directors are related to each other.

Brief Profile of our Directors

Raghuraj Gujjar, age 58 is the Non-Executive Chairman of the Bank. He joined our Bank on April 26, 2013. He holds a degree in Bachelors in Commerce from University of Mysore and is a Fellow Chartered Accountant. Currently, he is the Director and Chief Executive Officer of M/s. Kare Power Resources Private Limited, Bangalore.

Rakesh Sharma, age 55 is the Managing Director & Chief Executive Officer of the Bank since March 7, 2014. He has a Bachelor of Commerce degree from Kurukshetra University and a Master of Arts from Panjab University. He was earlier with State Bank of India where his last assignment was that of Chief General Manager for Patna Circle, comprising two states of Bihar and Jharkhand. He has served SBI for over 33 years. During his stint in SBI, Mr. Sharma held several positions including Chief General Manager for Patna Circle, General Manager, Mid-Corporate, Regional Office, Hyderabad, and General Manager, Delhi Circle.

D.L.N.Rao, age 65 is an Independent and Non-Executive Director of the Bank. He has been associated with the Bank since August 14, 2008. He holds degree in Bachelors of Law. He is a practicing senior advocate in the High Court of Karnataka with about four decades of experience in the areas of civil law, constitutional law, mining law and taxation.

B.K.Manjunath, age 54 is an Independent and Non-Executive Director of the Bank. He has been associated with the Bank since August 14, 2008. He is a Chartered Accountant. He is a practicing Chartered Accountant with experience in the areas of audit, accountancy, taxation and finance.

K.R.Pradeep age 53 is a Non-Independent and Non-Executive Director of the Bank. He has been associated with

the Bank since February 27, 2009. He is a Chartered Accountant. He has experience in direct taxes.

S.G.Prabhakaran, age 58 is a Non-Independent and Non-Executive Director of the Bank. He has been associated with the Bank since June 23, 2009. He holds a Bachelor's degree in Commerce and Law. He is an Associate Member of the Institute of Company Secretaries of India.

S. Dattathreya age 52 is an Independent and Non-Executive Director of the Bank. He has been associated with the Bank since March 8, 2010. He holds a Bachelor's degree in Mechanical Engineering.

R. Sharan, age 66 is an Independent and Non-Executive Director of the Bank. He has been associated with the Bank since May 30, 2012. He is a Master's in Arts from the University of Patna. He has been an officer of the Indian Revenue Service (IRS). He retired as Director General of Income Tax (Investigation) from the Ministry of Finance.

A. Satish Kumar, age 61 is an Independent and Non-Executive Director of the Bank. He has been associated with the Bank since May 30, 2012. He has a Masters in Business Administration from the Indian Institute of Management, Ahmedabad and has also completed the Senior Executive Programme from Columbia University. He started the career with SPIC, New Delhi and thereafter joined Tamilnadu Petroproducts Limited. Thereafter, he joined Tamilnadu Petroproducts Limited in 1988 following which he joined Henkel India Limited as Managing Director.

P.A. Shankar, age 67 is an Additional Director (Independent and Non-Executive Director) of the Bank. He has been associated with the Bank since August 6, 2013. He holds a degree of Doctor of Philosophy from The University of Reading, United Kingdom. He also holds a bachelors degree in Veterinary Science, and a Master of Science in Dairying (Dairy Microbiology) from the Dairy Science College, National Dairy Research Institute, Karnal. He started his career as an Instructor at the Veterinary College, University of Agricultural Sciences, Bangalore. He is presently a Member of Research Advisory Committee, National Dairy Research Institute constituted by Indian Council of Agricultural Research.

N. Malayalamamirtham, age 65 is one of the promoter directors and belongs to the founder family. He has a Bachelor of Commerce degree from the University of Madras. Prior to this appointment he had 2 stints of association with the Bank as director.

R. Ravikumar, age 51 is a nominee director (Independent and Non-Executive Director) of the Bank. He was appointed by RBI pursuant to its Order No. DBOD.PSBD.No.7927/16.05.04/2012-13 dated December 3, 2012 in exercise of the power conferred by sub-section (1) of Section 36AB of the Banking Regulation Act, 1949, in public interest for a period of 2 years from December 3, 2012 or until further order, whichever is earlier. He has been our Director since December, 2012. The information with respect to Mr R. Ravikumar, as provided hereafter, is based on the information provided by him. He holds Masters in Business Administration, Bachelor's of Science. He is also a Certified Associate of Indian Institute of Bankers, Chartered Financial Analyst (USA) and a Certified Information Systems Auditor. He started his career as banker with Central Bank of India in 1983 and joined the Reserve Bank of India in 1990. He has experience of more than 29 years in the banking sector. He presently occupies the position of General Manager and member of faculty at the Reserve Bank Staff College, Chennai.

Ashok Narain, age 51 is the Nominee Director (Independent and Non-Executive Director) of the Bank. He was appointed by RBI pursuant to its Order No. DBOD.PSBD.No.7927/16.05.04/2012-13 dated December 3, 2012 in exercise of the power conferred by sub-section (1) of Section 36AB of the Banking Regulation Act, 1949, in public interest for a period of 2 years from December 3, 2012 or until further order, whichever is earlier. He has been associated with the Bank since December 3, 2012. The information with respect to Mr Ashok Narain, as provided hereafter, is based on the information provided by him. He holds a PGDBM (MBA), Masters of Science (MS) in Business Administration, a Bachelor's in Arts and JAIIB. He is presently the General Manager, Risk Monitoring Department, Reserve Bank of India, Mumbai.

Terms of Appointment of Managing Director and CEO, Mr. Rakesh Sharma

In terms of Section 35B of the BR Act, RBI has conveyed its approval for appointment of Mr. Rakesh Sharma as the Managing Director and CEO of the Bank for a period of two years from December 2, 2013. Pursuant to the approval, Mr. Rakesh Sharma has been appointed as the Managing Director & CEO of the Bank from March 7, 2014.

Terms & Conditions of Appointment

Sl. No	Particulars	Amount in
Remuneration		
1	Salary	₹ 4,800,000 p.a.
2	Dearness Allowance	Not applicable
3	House Rent allowance	Not applicable.
4	Conveyance Allowance	Not applicable
5	Entertainment Allowance	Reimbursement of actual
6	Other Allowances :	
	- Share/Stock Options	- With prior approval of RBI
	- Performance Bonus	- As may be approved by Board, subject to RBI approval
Perquisites		
1	Free furnished house	Free furnished residential accommodation with water, gas and electricity
2	Free use of Bank's car for –	Bank's car with chauffeur with fuel at Bank's cost for official purpose.
	- Official purpose	
	- private purpose on compensating the Bank with suitable amount	
3	Provident Fund	PF - 12% on salary / pay on contribution basis.
	Gratuity	Gratuity – 1 month's salary and pay for every completed year of service
	Pension	Pension – Contribution to any appropriate pension policy of any IRDA approved insurer, up to ₹ 500,000 p.a. (This should be as per the Bank's policy as applicable to the other executives of the Bank)
4	TA and HA	As applicable to CMD of public sector banks
5	Medical benefits	Actual for self and family members
6	Other benefits -	
	a. Communicative models	- Free use
	b. Insurance coverage	- ₹ 2,500,000 for travel by air / train / road
		- ₹ 5,000,000 for life insurance
	c. Sitting fees	- Not eligible
	d. Club Membership	- Only subscription to two service clubs
	e. Child's education	- For one child
7	Leave fare concession	Once in a year to any place in India for self and family. Single return fare by the highest available class including incidentals

The payment of remuneration to Mr. Rakesh Sharma as Managing Director & CEO of the Bank has been approved by the Reserve Bank of India.

Terms of Appointment of as the Non-Executive Chairman, Mr. Raghuraj Gujjar

In terms of Section 10B (1A) of the Banking Regulation Act, 1949, RBI has conveyed its approval for appointment of Mr. Raghuraj Gujjar as a Non-Executive Chairman of the Bank.

Terms & Conditions of Appointment

Sl. No.	Items	Remuneration
1	Salary/Pay	Honorarium of Re 1 per annum.
2	Other Allowances (DA, House	Not Applicable.

Sl. No.	Items	Remuneration
	Rent, Conveyance, entertainment, etc)	
	Perquisite	
1	Free Furnished House	Not Applicable.
2	Free use of bank's car for official purpose	Bank's car with chauffer, fuel at Bank's cost.
3	Provident Fund/ Gratuity/ Pension	Not Applicable.
4	Travelling & Halting Allowance	Travel - A single return fare by Train in AC I Class or business class / I class by Air Stay - In business class hotel. Halting Allowance - As applicable to Whole Time Director.
5	Medical benefits	Not Applicable
6	Other benefits	Communicative Mode: Free use Insurance: ₹ 25,00,000 for travel by air/train/road Sitting Fees - He will be paid sitting fees for attending board meetings and other committee meetings of the Board as applicable to other non- executive directors of the bank. Bonus - Not applicable. Club membership - Any two business club.
7	Leave	Not applicable.

Past directorships in listed companies

We confirm that none of our Directors is or was a director of any listed company during the last five years preceding the date of filing of this Draft Letter of Offer, whose shares have been or were suspended from being traded on the BSE or the NSE, during the term of their directorship in any such company.

Further, none of our Directors is or was a director of any listed company which has been or was delisted from the stock exchanges during the term of their directorship in such company

Remuneration of Directors

The Non-Executive Directors are paid remuneration by way of sitting fees and other expenses (travelling, boarding and lodging incurred for attending the Board / committee meetings). The remuneration of the Executive Directors who are members of the Board is fixed by the Board of Directors of the Bank and approved by Reserve Bank of India which is also subsequently approved by shareholders at a general meeting.

A. Non-Executive Directors

The Bank pays sitting fees of ₹15,000 per meeting to the non-executive Directors for attending meetings of the Board and its committee meetings. The sitting fees paid to our Non-Executive Directors for Fiscal 2013 is given below:

		(Amount in ₹)
Sr. No.	Name	Total
1.	N. Saiprasad	885,000
2.	D.L.N. Rao	570,000
3.	B.K. Manjunath	570,000
4.	K.R. Pradeep	660,000
5.	S.G. Prabhakaran	825,000
6.	S. Dattathreya	720,000
7.	R. Sharan	195,000
8.	A. Satish Kumar	285,000
9.	K. Ravindrakumar – Resigned on 26.04.13	630,000
10.	Kusuma R Muniraju – Resigned on 20.09.13	600,000

B. Managing Director

The remuneration paid to our Managing Directors (who are currently not on the Board) for Fiscal 2013 is given below:

(Amount in ₹)

Name	Consolidated Pay	Employees Contribution to Provident Fund	Drivers salary, petrol and office expenses	Others	Total
P.R.Somansundaram ¹ (01.04.12 to 21.11.12)	2,566,666.41	308,000.00	234,200.55	3,126,304.41*	6,235,171.37
K.S.R.Anjaneyulu ² (10.01.13 to 31.03.13)	1,246,451.61	81,290.00	66,335.00	50,000.00	1,444,076.61

* Including transit house rent – Mumbai.

¹ Paid for part of the year.

² Excludes remuneration paid to him as Executive Director prior to his appointment as Managing Director.

Other confirmations

We have not entered into any service contracts with our Directors for providing benefits upon termination of employment

As of the date of this Draft Letter of Offer, there are no arrangements or understanding with major shareholders, customers, suppliers or others, pursuant to which we have appointed any of our Directors or member of senior management

SECTION VII – FINANCIAL INFORMATION

REFORMATTED FINANCIAL STATEMENTS

EXAMINATION REPORT

To
The Board of Directors
The Lakshmi Vilas Bank Limited
Salem Road Kathapara
Karur, Tamil Nadu – 639006

Dear Sirs,

1. We have examined the Reformatted Financial Statements (the “**Reformatted Financial Statements**”) of The Lakshmi Vilas Bank Limited (“**Bank**”) annexed to this report for the purposes of inclusion in the Draft Letter of Offer and Letter of Offer (hereinafter collectively referred to as the “**Offer Documents**”) prepared by the Bank in connection with the proposed Rights Issue of its equity shares in accordance with the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time (the “**ICDR Regulations**”). The preparation of such reformatted financial statements is the responsibility of the Company’s management. Our responsibility is to report on such statements based on our procedures.
2. We have examined such reformatted statements taking into consideration:
 - (a) the terms of reference dated January 18, 2014, received from the Bank, requesting us to carry out the assignment, in connection with the Offer Documents being issued by the Bank for the Rights Issue of its equity shares; and
 - (b) the Guidance Note on Reports in Company Prospectus (Revised) issued by the Institute of Chartered Accountants of India

We report that the figures disclosed in such Reformatted Financial Statements of the Bank have been extracted from the audited financial statements of the Bank for year ended March 31, 2013 and approved by the Board of Directors of the Bank. The amounts mentioned in the reformatted statements and notes to accounts have been rounded off from thousands and lakhs, as the case may be, and shown in millions (and rounded to two decimal points) of Indian Rupees. The reformatted statements are presented as they were produced in the audited financial statement and are not reclassified. The accounting policies and notes to accounts have been reproduced as they were disclosed in the financial statements for the year. The financial statements of the Bank for the year ended March 31, 2013 has been audited by us and in respect of which we have issued audit opinion dated May 27 2013 to the Board of Directors of the Bank. A copy of our Audit Report dated May 27, 2013 is attached as Annexure I. In the presentation of the reformatted statements based on audited financial statements as referred to in paragraphs above, no adjustments have been made for any events occurring subsequent to the dates of the audit reports specified herein. These Audited Financial Statements were prepared in accordance with Indian GAAP and as per Banking Regulation Act, 1949.

3. As stated in our audit reports referred to in paragraph 2 above, we conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures

in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. We have not audited any financial statements of the Bank for any period subsequent to March 31, 2013. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Bank as of any date or for any period subsequent to March 31, 2013.

4. This report should not be in any way construed as a reissuance or redating of any of the previous audit report issued by us nor should this report be construed as a new opinion on any of the financial statements referred to herein.
5. We have no responsibility to update our report for events and circumstances occurring after the date of our last audit report dated May 27, 2013.
6. This report is intended solely for your information and for inclusion in the Offer Documents in connection with the proposed Rights Issue by the Bank and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Sagar & Associates
Chartered Accountants
Firm registration No.003510S

(D.Manohar)
Partner
Membership No: 029644

Place: Karur, India
Date: January 18, 2014

ANNEXURE

INDEPENDENT AUDITOR'S REPORT

To
The Shareholders

Report on the Financial Statements

1. We have audited the accompanying financial statements of THE LAKSHMI VILAS BANK LTD, KARUR as at 31st March, 2013, which comprise the Balance Sheet as at March 31, 2013, and Profit and Loss Account and Cash Flow Statement for the year then ended and a summary of significant Accounting Policies and other explanatory information. Incorporated in these financial statements are the returns of 16 Branches, 8 Regional Offices, Technology Centre, RTGS Cell, DP Cell, Centralised Processing Cell and Integrated Treasury, audited by us, 275 Branches and 6 Service Branches audited by other branch auditors. The branches audited by us and those audited by other auditors have been selected by Bank in accordance with the guidelines issued by the Reserve Bank of India.

Management's Responsibility for the Financial Statements

2. Management of the Bank is responsible for the preparation of these financial statements that give true and fair view of the financial position and financial performance of the Bank in accordance with Banking Regulation Act, 1949 and complying with Reserve Bank of India Guidelines issued from time to time. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. The financial information as at and for the year ended 31st March 2013 of 275 Branches and 6 Service Branches has been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the reports of such other auditors.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

7. *Without qualifying our opinion, we draw attention to Note No. 3.10 of the Schedule 18 to the financial statements, regarding deferment of pension liability and gratuity liability of the Bank, pursuant to the exemption granted by the Reserve Bank of India to the Lakshmi Vilas Bank from application of the provisions of Accounting Standard (AS) 15, Employees Benefits vide circular no. DBOD.BP.BC/80/21.04.018/2010-11, dated 09-02-2011 on "Re-opening of Pension Option to the employees and Enhancement in Gratuity Limits- Prudential Regulatory Treatment." Accordingly, out*

of the unamortized amount of ₹ 558.50 Mn as on 01/04/2012, the Bank has amortized ₹ 155.60 Mn for Pension and ₹ 30.60 Mn for Gratuity being proportionate amount for the year ended March 31, 2013 and balance amount to be amortized in future periods for Pension is ₹ 311.20 Mn and for Gratuity is ₹ 61.30 Mn.

8. In our opinion as shown by the books of the Bank, and to the best of our information and according to the explanations given to us, we report that:
- (i) the Balance Sheet read with the significant accounting policies and notes thereon, is a full and fair balance sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the bank as at 31st March, 2013, in conformity with accounting principles generally accepted in India;
 - (ii) the Profit and Loss Account, read with the significant accounting policies and notes thereon, shows a true balance of profit, in conformity with accounting principles generally accepted in India, for the year covered by accounts; and
 - (iii) the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory requirements

9. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms 'A' & 'B', respectively, of the third Schedule to the Banking Regulation Act, 1949.
10. Subject to the limitations of the audit indicated in paragraphs 1 to 6 above and as required by the Banking Regulation Act 1949 and subject also to the limitations of disclosure required therein, we report that;
- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.
 - (b) The transactions of the Bank which have come to our notice have been within the powers of the Bank.
 - (c) The returns received from the Offices and Branches of the Bank, as supplemented with the information furnished by the Management, have been found adequate for the purposes of our audit.
11. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the applicable Accounting Standards.

For SAGAR & ASSOCIATES
Chartered Accountants
F.R.NO:003510S

(D. MANOHAR)
M. NO:029644
Date: May 27, 2013
Place: Karur.

BALANCE SHEET AS ON 31st March 2013
(₹ In million)

I. CAPITAL & LIABILITIES	SCHEDULE	AS AT 31/03/2013	AS AT 31/03/2012
a. Capital	1	975.40	975.26
b. Reserves & Surplus	2	9168.04	8608.39
c. Deposits	3	156189.78	141141.40
d. Borrowings	4	4800.00	5800.00
e. Other Liabilities & Provisions	5	5533.58	5103.61
TOTAL		176666.80	161628.66
II. ASSETS			
a. Cash & Balances with Reserve Bank of India	6	7281.51	8100.17
b. Balances with Banks and Money at call & Short Notice	7	1437.99	367.28
c. Investments	8	43245.47	43951.18
d. Advances	9	117027.96	101886.80
e. Fixed Assets	10	1898.20	1892.08
f. Other Assets	11	5775.67	5431.16
TOTAL		176666.80	161628.66
Contingent Liabilities	12	28467.57	37629.79
Bills for collection		3766.04	3316.97
Significant Accounting Policies	17		
Notes on Accounts	18		
Schedules 1 to 12 and 17 to 18 form part of this Balance Sheet.			

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013
(₹ In million)

	SCHEDULE	YEAR ENDED 31/03/2013	YEAR ENDED 31/03/2012
I. INCOME			
a. Interest Earned	13	17605.48	15192.56
b. Other Income	14	1970.66	1579.26
TOTAL		19576.14	16771.82
II. EXPENDITURE			
a. Interest Expended	15	13685.50	11480.33
b. Operating Expenses	16	3379.18	2937.11
c. Provisions & Contingencies		1595.72	1284.16
TOTAL		18660.40	15701.60
III. NET PROFIT FOR THE YEAR		915.75	1070.22
a. Excess Dividend Provided- Reversed		0.00	0.94
b. Profit brought forward		0.88	2.49
TOTAL		916.63	1073.65
IV. APPROPRIATIONS			
a. Transfer to Statutory Reserve		290.00	280.00
b. Transfer to Capital Reserve		34.39	8.50
c. Transfer to Other Reserves		164.00	322.50
d. Transfer to Special Reserve u/s 36(1)(viii) of the IT Act, 1961		85.00	65.00
e. Proposed Dividend		292.62	341.39
f. Tax on Proposed Dividend		49.73	55.38
g. Balance carried over to Balance Sheet		0.88	0.88
TOTAL		916.63	1073.65
Previous year figures are regrouped wherever necessary			
Earnings Per Share - Basic (₹)		9.39	10.97
Schedules 13 to 16 and 17 to 18 form part of this Profit & Loss Account.			

SCHEDULE 1 - CAPITAL*(₹ In million)*

	AS AT 31/03/2013	AS AT 31/03/2012
AUTHORISED CAPITAL		
(15,00,00,000 equity shares of ₹ 10/- each)	1500.00	1500.00
ISSUED CAPITAL		
(9,83,52,564 equity shares of ₹ 10/- each)	983.53	983.53
Subscribed, Called-up and Paid Up Capital	975.41	975.26
(9,75,40,690 equity shares of ₹ 10/- each)		
i) 9,75,40,690 Paid-up Capital (Previous year 9,75,25,840 shares)		
ii) 1,26,42,131 Bonus Shares allotted (Previous year 1,26,41,186 shares)		
iii) Shares kept in abeyance 7,88,216 (Previous Year 8,03,066 shares)		
iv) Shares Forfeited and lapsed 23,658 (Previous Year 23,658 shares)		
TOTAL	975.41	975.26

SCHEDULE 2 - RESERVES & SURPLUS
(₹ In million)

(₹ in million)				
		AS AT 31/03/2013		AS AT 31/03/2012
I. STATUTORY RESERVE				
Opening Balance	2949.05		2669.05	
Additions during the year				
Transfer from current year's Profit	290.00	3239.05	280.00	2949.05
II. CAPITAL RESERVE				
Opening Balance	487.28		478.79	
Additions during the year	34.39	521.68	8.50	487.28
III. SHARE PREMIUM				
Opening Balance	3304.77		3304.19	
Additions during the year	0.00		0.00	
	3304.77		3304.19	
Deductions during the year		3304.77		3304.19
IV. REVENUE & OTHER RESERVES				
Opening Balance	928.27		605.77	
Additions during the year	164.00		322.50	
	1092.27		928.27	
Deductions during the year	0.00	1092.27	0.00	928.27
V. SPECIAL RESERVE U/S 36(1)(VIII) OF IT ACT, 1961				
Opening Balance	146.50		81.50	
Additions during the year	85.00	231.50	65.00	146.50
VI. REVALUATION RESERVE				
Opening Balance	815.05		815.05	
Additions during the year	0.00		0.00	
	815.05		815.05	
Deductions during the year	37.16	777.90	22.82	792.23
VII. BALANCE IN PROFIT & LOSS ACCOUNT		0.88		0.88
TOTAL		9168.04		8608.39

SCHEDULE 3 - DEPOSITS
(₹ In million)

	AS AT 31/03/2013		AS AT 31/03/2012	
A. I. DEMAND DEPOSITS				
1. From Banks	8.33		13.12	
2. From Others	7376.66	7384.99	7208.14	7221.26
II. SAVINGS BANK DEPOSITS	15240.74		13826.66	
III. TERM DEPOSITS				
1. From Banks	3266.15		4170.00	
2. From Others	130297.90	133564.05	115923.48	120093.48
	156189.78		141141.40	
B (I). DEPOSITS OF BRANCHES IN INDIA	156189.78		141141.40	
(II). DEPOSITS OF BRANCHES OUTSIDE INDIA	NIL		NIL	
TOTAL	156189.78		141141.40	

SCHEDULE 4 - BORROWINGS
(₹ In million)

	AS AT 31/03/2013		AS AT 31/03/2012	
I. BORROWINGS IN INDIA				
1. Reserve Bank of India	0.00		0.00	
2. Other Banks	0.00		0.00	
3. Other Institutions & Agencies*	4800.00	4800.00	5800.00	5800.00
II. BORROWINGS OUTSIDE INDIA	0.00		0.00	
* Includes unsecured Tier II bonds of ₹ 380.00 Crs (Previous year ₹ 380.00 Crs)	4800.00		5800.00	
SECURED BORROWINGS INCLUDED IN I & II ABOVE				

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS*(₹ In million)*

	AS AT 31/03/2013	AS AT 31/03/2012
I. Bills payable	621.59	686.34
II. Inter-office adjustments (net)	0.00	232.25
III. Interest accrued	1700.22	1531.55
IV. (I) Others - (including Provisions)	2652.24	2058.92
(ii) Contingent Provisions against Standard Assets	388.40	369.90
(iii) Deferred Tax Liabilities	171.13	224.66
TOTAL	5533.58	5103.61

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA*(₹ In million)*

	AS AT 31/03/2013	AS AT 31/03/2012
Cash in Hand (including foreign Currency Notes)	1846.01	1796.48
Balances with Reserve Bank of India		
I) in current account	5435.50	6303.68
II) in other accounts		
TOTAL	7281.51	8100.17

SCHEDULE 7 - BALANCES WITH BANKS & MONEY AT CALL AND SHORT NOTICE*(₹ In million)*

	AS AT 31/03/2013	AS AT 31/03/2012
I. IN INDIA		
[I] Balance with Banks		
a. in current accounts	265.72	201.53
b. in other deposit accounts	1002.52	2.41
	1268.24	203.94
[ii] Money at call and short notice		
a. with banks	0.00	0.00
b. with other institutions	0.00	0.00
	1268.24	203.94
II. OUTSIDE INDIA		0.00
[I] Balance with Banks		0.00
a. in current accounts	169.75	163.34
b. in other accounts	0.00	0.00
	169.75	163.34
TOTAL	1437.99	367.28

SCHEDULE 8 - INVESTMENTS*(₹ In million)*

	AS AT 31/03/2013	AS AT 31/03/2012
I. INVESTMENTS IN INDIA		
I. Government Securities [incl. treasury bills, & zero coupon bonds]	38013.30	35535.46
II. Other approved securities	0.00	49.19
III. Shares	271.49	219.38
IV. Debentures & Bonds	1331.34	1630.80
V. Subsidiaries and Joint Ventures	0.00	0.00
VI Others [including Commercial Paper, Mutual Funds, NSC, Security Receipt, Units, etc.]	3629.34	6516.35
	0.00	0.00
	43245.47	43951.18
GROSS INVESTMENTS IN INDIA	43479.32	44105.08
LESS: DEPRECIATION	233.86	153.90
NET INVESTMENTS IN INDIA	43245.47	43951.18
	-	-
II. INVESTMENTS OUTSIDE INDIA	NIL	NIL
TOTAL	43245.47	43951.18

SCHEDULE 9 - ADVANCES*(₹ In million)*

	AS AT 31/03/2013	AS AT 31/03/2012
A. I. Bills purchased & discounted	4701.14	3297.64
II. Cash credits, overdrafts & loans repayable on demand	77533.18	58659.24
III. Term loans	34793.64	39929.92
	117027.96	101886.80
B. PARTICULARS OF ADVANCES		
I. Secured by tangible assets [incl. advances against Book Debts]	107127.65	88382.51
II. Covered by Bank / Govt. Guarantees	441.13	630.32
III. Unsecured	9459.17	12873.97
	117027.96	101886.80
C. SECTORAL CLASSIFICATION OF ADVANCES		
I. Priority Sector	44509.63	34976.91
II. Public Sector	153.73	0.00
III. Banks	1.18	140.97
IV. Others	72363.42	66768.92
TOTAL	117027.96	101886.80

SCHEDULE 10 - FIXED ASSETS*(₹ In million)*

(₹ In million)				
		AS AT 31/03/2013	AS AT 31/03/2012	
I. PREMISES				
At Revaluation Value	1386.73		1366.85	
Additions during the year	0.00		19.88	
	1386.73		1386.73	
Deductions during the year	0.00		0.00	
	1386.73		1386.73	
Depreciation to date	159.03	1227.71	134.66	1252.07
II. OTHER FIXED ASSETS (INCLUDING FURNITURE & FIXTURES)				
At Cost	1933.58		1614.60	
Additions during the year	277.51		336.96	
	2211.09		1951.56	
Deductions during the year	13.51		17.98	
	2197.58		1933.58	
Depreciation to date	1527.09	670.50	1293.56	640.01
TOTAL	1898.20		1892.08	

SCHEDULE 11 - OTHER ASSETS*(₹ In million)*

	AS AT 31/03/2013	AS AT 31/03/2012
I. Inter-Office Adjustments (net)	102.62	0.00
II. Interest Accrued	889.03	842.85
III. Tax Paid in Advance and Tax Deducted at Source (Net)	1474.28	2525.66
IV. Deferred Tax Asset	439.24	370.52
V. Stationery & Stamps	19.11	17.26
VI. Non Banking Assets acquired in satisfaction of claims	45.83	46.83
VII. Others	2805.56	1628.05
TOTAL	5775.67	5431.16

SCHEDULE 12 - CONTINGENT LIABILITIES*(₹ In million)*

	AS AT 31/03/2013	AS AT 31/03/2012
I. Claims against the Bank not acknowledged as debts	1537.49	2120.90
II. Liability for partly paid Investments	0.00	0.00
III. Liability on account of outstanding forward exchange contracts	11857.43	21361.51
IV. Guarantees given on behalf of constituents		
in India	4956.40	4886.68
outside India	818.90	789.37
V. Acceptances, Endorsements & Other Obligations	9297.35	8471.33
VI. Other items for which the Bank is contingently liable	0.00	0.00
TOTAL	28467.57	37629.79

SCHEDULE 13 - INTEREST EARNED*(₹ In million)*

	YEAR ENDED 31/03/2013	YEAR ENDED 31/03/2012
I. Interest / discount on advances / bills	13934.54	11865.55
II. Income on Investments	3407.82	3241.72
III. Interest on balance with Reserve Bank of India & other inter-bank Funds	7.85	38.32
IV Others	255.27	46.98
TOTAL	17605.48	15192.56

SCHEDULE 14 - OTHER INCOME*(₹ In million)*

	YEAR ENDED 31/03/2013	YEAR ENDED 31/03/2012
I. Commission, Exchange and Brokerage	797.50	669.09
II. Profit on sale of Investments	311.01	195.15
Less: Loss on sale of Investments	59.15	251.86
III Profit on sale of land, Buildings & Other Assets	1.27	1.19
Less: Loss on sale of land, Buildings & Other Assets	1.04	0.22
IV. Profit on Exchange Transactions	106.56	122.75
Less: Loss on Exchange Transactions	0.00	106.56
V. Income earned by way of Dividends from Companies in India.	3.81	3.81
VI. Miscellaneous Income	810.71	1.14
TOTAL	1970.66	1579.26

SCHEDULE 15 - INTEREST EXPENDED*(₹ In million)*

	YEAR ENDED 31/03/2013	YEAR ENDED 31/03/2012
I. Interest on Deposits	12991.33	10605.87
II. Interest on Reserve Bank of India / Inter-Bank Borrowings	694.17	874.46
TOTAL	13685.50	11480.33

SCHEDULE 16 - OPERATING EXPENSES*(₹ In million)*

	Year ended 31/03/2013	Year ended 31/03/2012
I. Payments to and Provision for Employees	1576.20	1412.48
II. Rent, Taxes & Lighting	383.04	318.39
III. Printing & Stationery	32.91	28.93
IV. Advertisement & Publicity	43.06	56.21
V. Depreciation on Bank's Property	254.45	235.66
VI. Director's fees, allowances	5.94	5.81
VII. Auditors' fees & Expenses (incl. Branch Auditors)	8.07	7.73
VIII. Law Charges	10.12	14.34
IX. Postage, Telegrams, Telephones, etc.,	74.47	57.93
X. Repairs & Maintenance	21.90	17.92
XI. Insurance	147.64	117.26
XII. Other Expenditure	821.39	664.45
TOTAL	3379.18	2937.11

SCHEDULE 17

SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING:

The financial statements have been prepared in accordance with the historical cost convention except where otherwise stated and conform to the statutory provisions and practices prevailing within the banking industry in India and the guidelines / instructions of Reserve Bank of India issued from time to time.

2. TRANSACTIONS INVOLVING FOREIGN EXCHANGE:

- (a) Foreign Currency Assets and Liabilities have been translated at the exchange rates prevailing at the close of the year as per the guidelines issued by FEDAI. The resultant profit or loss is accounted for.
- (b) Income and Expenditure in foreign currency are translated at the exchange rates prevailing on the date of the respective transaction.
- (c) Forward Exchange Contracts:
In accordance with the guidelines of FEDAI and the provisions of AS-11, outstanding forward exchange contracts in each currency are revalued at the Balance Sheet date at the corresponding forward rates for the residual maturity of the contract. The difference between revalued amount and the contracted amount is recognized as profit or loss, as the case may be.
- (d) Contingent liabilities on guarantees, letters of credit, acceptances and endorsements are reported at the rates prevailing on the Balance Sheet date.

3. INVESTMENTS:

Investments are categorized under the heads 'Held to Maturity', Available for Sale, and 'Held for Trading' and are valued category wise, in accordance with the guidelines of the Reserve Bank of India.

- (i) Brokerage / commission etc, paid in connection with the acquisition of investments is charged to revenue and not included in cost.
- (ii) Broken period interest paid / received on debt instruments is treated as interest expended / income.

4. ADVANCES:

4.1 In accordance with the prudential norms issued by RBI:

- (i) Advances are classified into standard, sub-standard, doubtful and loss assets borrower-wise;
- (ii) Provisions are made for loan losses, and
- (iii) General provision for standard advances is made.

4.2 Advances disclosed are net of provisions made for non-performing assets, ECGC claims settled, part recovery towards NPA accounts receipts held under sundries, and provision made for sacrifice of interest / diminution in the value of restructured advances measured in present value terms as per RBI guidelines.

5. FIXED ASSETS AND DEPRECIATION:

- (a) Fixed assets (Premises portfolio) have been accounted for at their revalued cost. Fixed assets other than premises portfolio have been accounted for at their historical cost.
- (b) Depreciation on assets other than computers has been provided for on the diminishing balance method at the rates specified in Schedule XIV to the Companies Act, 1956.

- (c) Depreciation on computers has been provided for on straight-line method at the rate of 33.33% as per the guidelines issued by the Reserve Bank of India.
- (d) In view of fast changing technology and obsolescence, iPad communication device is depreciated in full.
- (e) Operating Software, which is an integral part of hardware, is capitalized and depreciation is provided for at the rate of 33.33% on straight-line method.
- (f) For premises, in which land cost and construction cost could not be ascertained separately, depreciation is provided for on the total cost.

6. EMPLOYEE BENEFITS:

- (a) Annual contributions to the approved Employees' Gratuity Fund, Approved Pension Fund and Provision for Leave Encashment benefits have been made on actuarial basis. Contribution to Provident Fund is accounted for on actual basis.
- (b) Consequent to reopening of pension option to Employees and enhancement in Gratuity limits, the additional liability have been amortised over a period of 5 years and 1/5th of the additional liability have been charged to the current year Profit & loss account vide RBI circular DBOD. No. BP.BC.15896/21.04.018/2010-11 dated 08.04.2011.
- (c) The Employee Stock Option Scheme provides for grant of equity stock options to top executives of the bank that vest in a graded manner. The Bank follows the intrinsic value method to account for its employee compensation costs arising from grant of such options. The excess of fair market price over the exercise price shall be accounted as employee compensation cost over the respective period of vesting. The fair market price is the latest closing price of the shares on the stock exchanges in which shares of the bank are largely traded immediately prior to the date of meeting of the compensation committee in which the options are granted.

7. PROVISION FOR TAXATION:

Provision for taxation is made on the basis of the estimated tax liability with adjustment for deferred tax in terms of the Accounting Standard 22 (Accounting for Taxes on Income) formulated by the Institute of Chartered Accountants of India

8. REVENUE RECOGNITION:

- (a) Income and expenditure are accounted for on accrual basis.
- (b) The following items of income are recognized on realization basis, owing to the significant uncertainty in collection thereof:
 - (i) Interest on non-performing advances, including overdue bills and dividend income on investments.
 - (ii) Interest on non-performing investments.
 - (iii) Interest on tax refund from Income Tax Department based on assessment orders received.

9. NET PROFIT:

The net profit as per the Profit & Loss account is arrived at after necessary provisions towards: –

- (a) Taxation.
- (b) Advances and other assets.
- (c) Shortfall in the value of investments
- (d) Staff Retirement benefits.
- (e) Other usual and necessary provisions.

10. ACCOUNTING STANDARDS:

Accounting Standards as specified in section 211(3C) of the Companies Act 1956, to the extent they are applicable to Banking Companies and as per directions issued by the RBI from time to time, have been followed.

11. SEGMENT INFORMATION:

The reportable business segments have been classified in accordance with the guidelines issued by Reserve Bank of India. The directly attributable income and assets are considered under respective segments and the other income, expenses, other assets & liabilities are considered on appropriate basis.

12. EARNING PER SHARE:

Basic and Diluted earnings per equity share are reported in accordance with the Accounting Standard 20 "Earnings per share" issued by the Institute of Chartered Accountants of India. Basic earnings per equity share are computed by dividing net profit by the weighted average number of equity shares outstanding for the period. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period.

13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

As per the Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by The Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realised.

SCHEDULE 18

NOTES ON ACCOUNTS

1. The reconciliation of inter branch transactions and tallying of balances is ensured on an ongoing basis. Reconciliation of accounts with other Banks, in few branches, is in progress. The impact of the above, if any, on the financial results for the year ended 31st March 2013, in the opinion of the management, is not material.
2.
 - (a) Provision for income tax for the year is arrived at after due consideration of the various favourable judicial decisions on disputed issues.
 - (b) The disputed Income Tax demand outstanding as on 31.03.2013 amounts to ₹1381.00 Mn (previous year ₹2022.60 Mn) and is included under Item I of Schedule 12 (Contingent Liabilities). No provision is considered necessary in respect of the disputed liabilities in view of favourable decisions by various appellate authorities on similar issues.
 - (c) In the current year, ₹255.30 Mn being the interest on Income Tax refund is accounted based on assessment orders received.

3. DISCLOSURE REQUIREMENTS

3.1 Capital

		(₹ In million)	
	Items	2012-13	2011-12
i)	CRAR (%)		
	Basel-I	10.43	12.08
	Basel-II	12.32	13.10
ii)	CRAR - Tier I Capital (%)		
	Basel-I	7.75	8.17
	Basel-II	9.15	8.86
iii)	CRAR – Tier II Capital (%)		
	Basel-I	2.68	3.91
	Basel-II	3.17	4.24
iv)	Percentage of the shareholding of the Government of India in nationalized banks	NA	NA
V)	Amount raised by issue of IPDI	NA	NA
VI)	Amount raised by issue of Tier II Instruments during the year	NIL	2500.00

(₹ In million)			
Raised in the year	Nature	Amount	Reckoned for the purpose of CRAR computation (as per RBI guidelines)
2006-07	Lower Tier II	300.00	180.00
2009-10	Lower Tier II	1000.00	400.00
2011-12	Lower Tier II	2500.00	1709.00

- 3.2.1 In respect of securities held under HTM category premium of ₹38.1 Mn (previous year ₹45.0 Mn) has been amortized during the year and debited under interest received on Government Securities.

3.2.2 INVESTMENTS

		(₹ In million)	
	Particulars	2012-13	2011-12
(1)	Value of Investments		
(i)	Gross Value of Investments		
	(a) In India	43479.32	44105.08
	(b) Outside India.	NIL	NIL

Particulars	2012-13	2011-12
(ii) Provisions for Depreciation		
(a) In India	233.85	153.90
(b) Outside India	NIL	NIL
(iii) Net Value of Investments		
(a) In India	43245.47	43951.18
(b) Outside India.	NIL	NIL
(2) Movement of provisions held towards Depreciation on investments.		
(i) Opening balance	153.90	252.00
(ii) Add: Provisions made during the year	92.35	90.00
(iii) Less: Write-off / write-back of excess provisions during the year	12.40	188.10
(iv) Closing Balance	233.85	153.90

3.2.3 Repo Transactions (in face value terms)

(₹ In million)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding As on March 31 2013
Securities sold under repo	100.00	2250.00	417.80	1500.00
I. Government securities	(250.00)	(3000.00)	(517.10)	(NIL)
II. Corporate debt securities	NIL	NIL	NIL	NIL
Securities purchased under reverse repo				
I. Government securities	100.00 (50.00)	1500.00 (1750.00)	9.60 (41.00)	NIL NIL
II. Corporate debt securities	NIL	NIL	NIL	NIL

(Figures in bracket indicates in previous year)

3.2.4. Non-SLR Investment Portfolio

i) Issuer composition of Non SLR investments:

(₹ In million)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	114.00	113.30	--	--	--
2	FIs	160.00	160.00	--	--	--
3	Banks	2382.50	319.90	--	--	--
4	Private Corporate	1267.40	879.00	138.00	138.00	138.00
5	Subsidiaries/ Joint Ventures	0.00	0.00	--	--	--
6	Others**	1542.10	900.00	--	--	--
7	Less: Provision held towards depreciation	(233.85)	--	--	--	--

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
	Total	5232.15	2372.30	138.00	138.00	138.00

** Others include RIDF investments of ₹ 621.00 Mn, Mutual Fund of ₹ 21.10 Mn and ARCs security receipts of ₹900.00 Mn.

ii) Non-performing Non-SLR investments

(₹ In million)

Particulars	2012-13
i) Net NPIs to Net Investment (%)	---
ii) Movement of NPIs (Gross)	
Opening balance	78.20
Additions during the year since 1 st April 2012	---
Reductions during the above period	---
Closing balance	78.20
iii) Movement of Net NPIs	---
Opening balance	---
Additions during the year since 1 st April 2012	---
Reductions during the above period	---
Closing balance	---
Movement of provision for NPIs	
Opening balance	61.80
Additions during the year since 1 st April 2012	---
Reductions during the above period	---
Closing balance	61.80*

*An amount of ₹16.40 Mn received towards part settlement is parked under sundries account.

3.2.5 Sale and transfers to / from HTM category

During the year, the value of sales and transfers of securities to / from HTM category has not exceeded 5 percent of the book value of investments held in HTM category at the beginning of the year.

3.3 Derivatives

3.3.1 Forward Rate Agreement/ Interest Rate Swap

(₹ In million)

Particulars	2012-13	2011-12
The notional principle of swap agreements	NIL	NIL
Losses which would be incurred if counterparties failed to fulfill obligations under the agreements	NIL	NIL
I Collateral required by the bank upon entering into swaps	NIL	NIL
I Concentration of credit risk arising from the swaps	NIL	NIL
The fair value of the swap book	NIL	NIL

3.3.2 Exchange Traded Interest Rate Derivatives:

(₹ In million)

Sl. No	Particulars	2012-2013
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	NA
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2013 (instrument-wise)	NA
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NA
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NA

3.3.3 Disclosures on risk exposure in derivatives

Qualitative Disclosure

- (i) The Bank does not have exposure in derivatives. Therefore the qualitative disclosure on risk exposure in derivatives is "Not Applicable"

(₹ In million)

Sl. No	Particular	Currency Derivatives	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount)		
		NA	NA
	a) For hedging	NA	NA
	b) For trading	NA	NA
(ii)	Marked to Market Positions [1]	NA	NA
	a) Asset (+)	NA	NA
	b) Liability (-)	NA	NA
(iii)	Credit Exposure [2]	NA	NA
(iv)	Likely impact of one percentage change in interest rate (100*PV01)	NA	NA
	a) On hedging derivatives	NA	NA
	b) On trading derivatives	NA	NA
(v)	Maximum and Minimum of 100*PV01 observed during the year	NA	NA
	a) On hedging	NA	NA
	b) On trading	NA	NA

3.3.4 Shifting of securities:

For the year ended 31.03.2013, Bank has shifted securities amounting to ₹1905.80 Mn (face value) (previous year NIL) from HTM to AFS category and no loss arose on such transfer. Further, Bank has shifted securities amounting to ₹1696.40 Mn (Face Value) (Previous year ₹4400.00 Mn) from AFS to HTM category and loss which arose on such transfer amounted to ₹12.40 Mn has been provided during the year (previous year ₹188.10 Mn).

3.3.5 SLR Securities

(₹ In million)

Particulars	As at 31.03.2013		As at 31.03.2012	
	Book Value	Market Value	Book Value	Market Value
Government Securities	38013.30*	37711.80*	35575.79	33935.10
SLR (CG, SG, TB)				
Approved securities - SLR	0.00	0.00	50.00	49.20

* Net of securities pledged under REPO (₹1575.00 Mn).

3.4 Asset Quality

3.4.1 Non-Performing Assets

<i>(₹ In million)</i>		
Particulars	2012-13	2011-12
(i) Net NPAs to Net Advances (%)	2.43%	1.74%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	3077.33	1577.86
(b) Additions during the year	4001.57	2829.80
(c) Reductions during the year	2479.83	1330.33
(d) Closing balance	4599.08	3077.33
(iii) Movement of Net NPAs		
(a) Opening balance	1770.90	728.80
(b) Additions during the year	2775.30	2291.20
(c) Reductions during the year	1708.10	1249.10
(d) Closing balance	2838.10	1770.90
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	677.10	342.80
(b) Provisions made during the year	761.40	703.70
(c) Write-off/ write-back of excess provisions	435.50	369.40
(d) Closing balance	1003.00	677.10

The provision coverage ratio of the Bank as on 31.03.2013 is 54.48%.

3.4.2 Particulars of Accounts Restructured Disclosure of Restructured Accounts

(₹ In million)

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	SubStandard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
		Details																				
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	4	0	0	0	4	1	0	0	0	1	41	9	31	0	81	46	9	31	0	86
		Amount outstanding	145.80	0.00	0.00	0.00	145.80	48.00	0.00	0.00	0.00	48.00	2564.00	493.30	59.00	0.00	3116.30	2757.80	493.30	59.00	0.00	3310.10
		Provision thereon (including Standard asset / NPA provision)	23.30	0.00	0.00	0.00	23.30	3.00	0.00	0.00	0.00	3.00	41.00	19.30	1.60	0.00	61.90	67.30	19.30	1.60	0.00	88.20
2	Fresh restructuring during the year	No. of borrowers	2	1	0	0	3	0	0	0	0	0	15	0	1	0	16	17	1	1	0	19
		Amount outstanding	866.10	949.00	0.00	0.00	1815.10	0.00	0.00	0.00	0.00	0.00	2886.10	0.00	0.90	0.00	2887.00	3752.20	949.00	0.90	0.00	4702.10
		Provision thereon (including Standard asset / NPA provision)	111.20	92.10	0.00	0.00	203.30	0.00	0.00	0.00	0.00	0.00	114.70	0.00	0.20	0.00	114.90	225.90	92.10	0.20	0.00	318.20
3	Upgradations to restructured standard category during the FY	No. of borrowers	0	0	0	0	0	0	0	0	0	0	3	0	0	0	3	3	0	0	0	3
		Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.20	0.20	0.00	0.00	0.00	0.20
		Provision thereon (including Standard asset / NPA provision)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Asset Classification																			
	Details		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	SubStandard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	0	0	0	0	0	0	0	0	0	0	9	1	3	0	13	9	1	3	0	13
		Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	43.80	0.10	26.80	0.00	70.70	43.80	0.10	26.80	0.00	70.70
		Provision thereon (including Standard asset / NPA provision)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.50	0.50	0.00	0.00	0.00	0.50
5	Downgradations of restructured accounts during the FY	No. of borrowers	0	1	0	0	1	0	0	0	0	0	0	1	4	2	7	0	2	4	2	8
		Amount outstanding	0.00	30.10	0.00	0.00	30.10	0.00	0.00	0.00	0.00	0.00	0.00	265.60	414.40	38.80	718.80	0.00	295.70	414.40	38.80	748.90
		Provision thereon (including Standard asset / NPA provision)	0.00	5.50	0.00	0.00	5.50	0.00	0.00	0.00	0.00	0.00	0.00	27.30	157.40	0.00	184.70	0.00	32.80	157.40	0.00	190.20
6	Write-offs of restructured accounts during the FY	No. of borrowers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Asset Classification																			
	Details		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	SubStandard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
7	Restructured Accounts as on March 31 of the	No. of borrowers	6	2	0	0	8	1	0	0	0	1	48	1	32	2	83	55	3	32	2	92
	FY (closing figures*)	Amount outstanding	992.60	979.10	0.00	0.00	1971.70	37.60	0.00	0.00	0.00	37.60	4491.80	265.60	428.50	38.80	5224.70	5522.00	1244.70	428.50	38.80	7234.00
		Provision thereon (including Standard asset / NPA provision)	119.20	102.00	0.00	0.00	221.20	1.10	0.00	0.00	0.00	1.10	123.70	27.30	163.30	0.00	314.30	244.00	129.30	163.30	0.00	536.60

*Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

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

(₹ In million)

Sr No.	Particulars	2012-13	2011-12
1.	No. of accounts*	14	1
2.	Aggregate value (net of provisions) of accounts sold to SC/RC	163.20	77.40
3.	Aggregate consideration	195.20	84.50
4.	Additional consideration realized in respect of accounts transferred in earlier years	0.0	0.0
5.	Aggregate profit/(loss) loss over net book value.	32.00	7.10

* NPA accounts only

3.4.4 Details of non-performing financial assets purchased/sold

A. Details of non-performing financial assets purchased:

(₹ In million)

Particulars	2012-13	2011-12
1 (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding	NIL	NIL
2 (a) Of these, number of accounts restructured during the year	NIL	NIL
(b) Aggregate outstanding	NIL	NIL

B. Details of non-performing financial assets sold:

(₹ In million)

Particulars	2012-13	2011-12
1. No. of accounts sold	14	1
2. Aggregate outstanding	227.30	91.00
3. Aggregate consideration received	195.20	84.50

3.4.5 Provisions on Standard Assets

(₹ In million)

Particulars	2012-13	2011-12
Provisions towards Standard Assets	388.40	369.90

3.5 Business Ratios

Particulars	2012-13	2011-12
(i) Interest Income as a percentage to Working Funds	10.41	10.28
(ii) Non-interest income as a percentage to Working Funds	1.16	1.07
(iii) Operating Profit as a percentage to Working Funds	1.48	1.59
(iv) Return on Assets	0.54	0.73
(v) Business (Deposits plus advances) per employee (₹ in Mn)	86.3	78.7
(vi) Profit per employee (₹ in Mn)	0.29	0.35

3.6 Asset Liability Management

Maturity pattern of certain items of assets and liabilities

(₹ In million)

Items	1Day	2 to 7 days	8 to 14 Days	15 to 28 days	29 days to 3 month	Over 3 months & upto 6 month	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	1323.90	2252.90	2514.10	2479.90	12058.50	18088.60	37054.90	52972.40	7810.80	19633.80	156189.78
	(1210.70)	(1726.80)	(2223.70)	(3201.50)	(14088.70)	(14030.20)	(26376.40)	(72464.80)	(5301.90)	(516.70)	(141141.40)
Advances	1279.50	2918.00	2927.20	5371.40	19309.70	7170.30	20767.50	44566.70	6104.40	6613.30	117027.96
(Net)	(982.20)	(2046.00)	(2160.40)	(3195.20)	(11405.70)	(6832.90)	(19838.70)	(42683.90)	(5536.40)	(7205.40)	(101886.80)
Investments	155.50	773.50	497.90	743.70	298.20	395.70	560.00	2672.90	4642.90	32505.10	43245.47
(Net)	(700.00)	(588.50)	(00.00)	(244.70)	(1487.60)	(2161.80)	(658.50)	(1096.10)	(4662.90)	(32353.10)	(43951.18)
Borrowings	00.00	00.00	00.00	00.00	1000.00	00.00	00.00	1000.00	2295.00	505.00	4800.00
	(00.00)	(00.00)	(00.00)	(00.00)	(00.00)	(00.00)	(2000.00)	(00.00)	(1300.00)	(2500.00)	(5800.00)
Foreign	269.90	00.00	4.60	22.80	129.00	68.30	90.40	00.00	00.00	00.00	585.00
Currency assets	(78.90)	(00.00)	(00.00)	(04.00)	(08.60)	(60.80)	(50.20)	(00.00)	(00.00)	(00.00)	(202.50)
Foreign	170.90	00.00	00.00	1.30	19.40	25.20	75.70	21.70	6.30	00.00	320.50
Currency liabilities	(224.10)	(00.00)	(0.40)	(2.30)	(18.80)	(17.40)	(70.30)	(17.90)	(6.50)	(00.00)	(357.70)

(Figures in brackets indicates in previous year). The above data has been compiled on the basis of the guidelines of RBI which have been relied upon by Auditors

3.7 Exposures
3.7.1 Exposure to Real Estate Sector

(₹ In million)

<i>Category</i>	2012-13	2011-12
<i>a) Direct exposure</i>		
(i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans eligible for inclusion in priority sector advances may be shown separately).	2633.30	1985.70
(ii) Commercial Real Estate – Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	1619.40	3055.40
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential,	0.00	0.00
b. Commercial Real Estate.	0.00	0.00
<i>b) Indirect Exposure</i>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	45.40	228.20
Total Exposure to Real Estate Sector	4298.10	5269.30

3.7.2 Exposure to Capital Market

(₹ In million)

<i>Particulars</i>	2012-13	2011-12
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	328.40	227.20
(ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	32.90	35.00
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	5.90	10.30
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds ₹does not fully cover the advances;	NIL	52.80
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	814.70	448.90
(vi) Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	NIL	NIL
(vii) Bridge loans to companies against expected equity flows / issues;	NIL	NIL
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	NIL	NIL
(ix) Financing to stockbrokers for margin trading;	NIL	NIL
(x) All exposures to Venture Capital Funds (both registered and unregistered)	NIL	NIL
Total Exposure to Capital Market	1181.90	774.20

The exposure to capital market of ₹1181.90 Mn is within the limit of ₹3449.60 Mn (i.e. 40% of Bank's Net Worth ₹8624.00 Mn as on 31.03.2012). The direct exposure to capital market is ₹328.40 Mn and is within 20% of bank's Net Worth amounting to ₹1724.80 Mn (i.e. 20% of Banks Net worth ₹8624.00 Mn as on 31.03.2012).

3.7.3 Risk Category wise Country Exposure (As compiled by Management)

(₹ In million)

Risk Category	Exposure (net) as at 31/3/2013	Provision held as at 31/3/2013	Exposure (net) as at 31/3/2012	Provision held as at 31/3/2012
Insignificant	438.90	NIL	527.80	NIL
Low	690.40	NIL	368.30	NIL
Moderate	75.20	NIL	12.30	NIL
High	83.10	NIL	0.50	NIL
Very High	--	NIL	--	NIL
Restricted	--	NIL	--	NIL
Off-credit	--	NIL	--	NIL
Total	1287.60	NIL	908.90	NIL

As the bank's exposure for the year in respect of risk category wise country exposure (Foreign exchange transactions) is less than 1% of total assets of the bank, no provision is considered necessary.

3.7.4 Details of Single Borrower Limit (SBL)/ Group Borrower Limit (GBL) exceeded by the bank. (As compiled by Management)

- A. SBL exceeded by the Bank for the period 01/04/2012 to 31/03/2013 ----- NIL
 B. GBL exceeded by the Bank for the period 01/04/2012 to 31/03/2013 ----- NIL

3.7.5 Unsecured Advances (Amount of Advances for which, intangible securities has been taken

(₹ In million)

Particulars	As on 31.03.2013	As on 31.03.2012
The total amount of Advances for which intangible Securities such as charge over the rights, licenses, Authority, etc. has been taken.	546.90	1124.80
Estimated value of such intangible collaterals	1410.80	1506.90

3.7.6 Letter of Comforts issued by the bank (As compiled by management)

(₹ In million)

Particulars	
Letter of comfort issued in earlier years and outstanding as on 01.04.2012	823.30
Add: Letter of comfort issued during the FY 2012 - 13	4565.80
Less: Letter of comfort expired during the FY 2012 - 13	4205.90
Letter of comforts outstanding as on 31/03/2013	1183.20

3.8 Miscellaneous 3.8.1 Amount of Provisions made for Income-tax during the year:

(₹ in Mn)

Particulars	2012-13	2011-12
Provision for Income Tax	584.30	305.30
Provision for Deferred Tax (net)	(122.30)	(115.30)

3.8.2 Disclosure of Penalties imposed by RBI In 2012-13, RBI has imposed a penalty of ₹0.07 Mn on account of two counterfeit notes detected in the chest balance and non-utilization of note sorting machine during inspection of currency chest.

3.9. Disclosure in terms of Accounting Standards:

Accounting Standard 15 – Employee Benefits

Payments to and provision for employees include provision made during the year towards pension, gratuity and leave encashment etc in accordance with Revised Accounting Standard AS-15.

Retirement benefits to employees

- (a) The summarized position of Post-employment benefits and long term employee benefits recognized in the profit and loss account and balance sheet as required in accordance with the **Accounting Standard -15 (Revised)** are as under.

I. Principal Actuarial Assumptions at the Balance Sheet Date

Particulars	Gratuity	Pension	Privilege Leave
Discount Rate	8.25%	8.25%	8.25%
Expected return on assets	9.16%	9.00%	0.00%
Salary Escalation Rate	3.01%	3.01%	3.01%
Attrition Rate	4.00%	4.00%	4.00%

II. Change in Defined Benefit Obligation

(₹ In million)			
Particulars	Gratuity	Pension	Privilege Leave
DBO at beginning of the period	557.10	1782.60	259.70
Service Cost	26.40	81.20	2.30
Interest Cost	44.10	137.00	20.80
Curtailment Cost / (Credit)	-	-	-
Settlement Cost / (Credit)	-	-	-
Plan Amendments	-	-	-
Acquisitions	-	-	-
Actuarial Losses / (Gains)	22.50	148.60	9.60
Benefit Payments	(59.10)	(286.90)	(2.12)
DBO at end of the period	591.00	1862.60	27.12

III. Change in Fair Value of Plan Asset

(₹ In million)			
Particulars	Gratuity	Pension	Privilege Leave
Fair Value of Plan Assets at beginning of the period	503.10	1693.00	-
Acquisition adjustment	-	-	-
Expected return on plan assets	44.70	146.60	-
Actual Company contributions	46.00	157.80	21.20
Actuarial Gain / (Loss)	18.20	18.60	-
Benefits payments	(59.10)	(286.90)	(21.20)
Fair Value of Plan assets at the end of period	552.80	172.91	-

IV. Actual Return on Plan Assets

(₹ In million)			
Particulars	Gratuity	Pension	Privilege Leave
Expected return on plan assets	44.70	146.60	-
Actuarial gain/(loss) on plan assets	18.20	18.60	-
Actual return on plan assets	62.90	165.20	-

V. Actuarial Gain / Loss recognized*(₹ In million)*

Particulars	Gratuity	Pension	Privilege Leave
Actuarial gain/(loss) for the Period - Obligation	(2.25)	(148.60)	(9.60)
Actuarial gain/(loss) for the Period - Plan Assets	18.20	1.86	-
Total (gain)/loss for the period	(4.40)	(13.00)	(9.60)
Actuarial (gain)/loss recognized in the period	(4.40)	(13.00)	(9.60)
Unrecognized actuarial (gain)/loss at the end of the year	-	-	-

VI. Net asset / liability recognized in Balance Sheet*(₹ In million)*

Particulars	Gratuity	Pension	Privilege Leave
Present value of Defined Benefit Obligation	591.00	1862.60	271.20
Fair Value of Plan Assets	552.80	1729.10	-
Funded status [Surplus/(Deficit)]	(38.20)	(133.50)	(271.20)
Unrecognized Transition Liability	-	-	-
Unrecognized Past Service Costs	61.40	311.10	-
Net Asset / (Liability) recognized in the Balance Sheet	23.20	177.60	(271.20)

VII. Disclosure of Employer Expenses*(₹ In million)*

Particulars	Gratuity	Pension	Privilege Leave
Current Service cost (including risk premiums for fully insured benefits)	26.40	81.20	2.30
Interest Cost	44.10	137.00	20.80
Expected Return on Plan Assets	(44.70)	(146.60)	-
Curtailment Cost / (Credit)	-	-	-
Settlement Cost / (Credit)	-	-	-
Past Service Cost	30.60	155.60	-
Transition Liability	-	-	-
Actuarial Losses / (Gains)	4.40	13.00	9.60
Total employer expense recognized in P&L	60.08	357.30	32.70

VIII. Reconciliation of Net Asset / Liability Recognized in the balance Sheet*(₹ In million)*

Particulars	Gratuity	Pension	Privilege Leave
Net Asset / (Liability) at beginning of period	38.00	377.10	(259.70)
Employer Expense	60.80	357.30	32.70
Employer Contributions	46.00	157.80	21.20
Acquisitions / Business Combinations	-	-	-
Net Asset / (Liability) at end of period	23.20	177.60	(271.20)

IX. Experience History*(₹ In million)*

Particulars	Gratuity	Pension	Privilege Leave
Defined Benefit Obligation at end of the period	591.00	1862.60	271.20
Plan Assets at end of the period	552.80	1729.10	-

Particulars	Gratuity	Pension	Privilege Leave
Funded Status	(38.20)	(133.50)	(271.20)
Experience adjustments on plan liabilities	22.30	147.20	9.60
Experience adjustments on plan assets	18.20	18.60	-

X. Major categories of Plan Assets

Particulars	Gratuity	Pension
Government of India Securities	13.76%	10.85%
State Government Securities	42.13%	37.35%
High Quality Corporate Bonds	35.65%	37.49%
Equity Share of listed Companies	0.00%	0.00%
Property	0.00%	0.00%
Special Deposit Scheme	1.94%	0.00%
Balance with Bank Account	3.46%	1.25%
Balance held at LIC of India's Running Account	0.00%	1.95%
Funds managed by insurer	0.00%	8.83%
Amount receivable from Bank	0.00%	0.00%
Others (Interest Receivables)	3.06%	2.28%
Total	100.00%	100.00%

XI. Enterprises Best Estimate

(₹ In million)

Particulars	Gratuity	Pension	Privilege Leave
Enterprise's Best Estimate of Contribution during next year	60.00	200.00	40.00

XII. Other Long Term Employee benefit (Un-Funded)

Sick leave: The bank had a provision of ₹159.20 Mn for sick leave upto 31.03.2012. The sick leave being non-encashable, the bank has written back the same to the provision account during the year, as it is no longer required.

3.10 Prudential regulatory treatment prescribed by RBI in respect of pension and Gratuity liability.

Reserve Bank of India issued guidelines vide their Circular No.DBOD.BP.BC.80/21.04.018/2010-11 dated 09.02.2011 and letter DBOD. No. BP.BC. 15896 /21.04.018/2010-11 dated 08.04.2011. Accordingly, the liability on account of employee benefits of ₹931.10 Mn (towards Pension ₹777.90 Mn and towards gratuity ₹153.20 Mn) is amortised over a period of 5 years from FY 2010-11. Accordingly, Bank has charged to Profit & Loss Account a sum of ₹186.20 Mn, (representing 1/5th of the total amount) during the FY 2012-13. Unamortised amount of ₹311.20 Mn in respect of pension liability and ₹61.30 Mn in respect of gratuity liability is carried forward to be charged to P&L account in future periods.

3.11 Employee Stock Option Scheme The Compensation Committee of the Board of Directors has granted in aggregate 1685238 stock options, grant date being 21.07.2011 to top Executives of the Bank under the Lakshmi Vilas Bank Employees Stock Option Scheme 2010 –LVB ESOS 2010 at an exercise price of ₹ 61.25 per share. As on 31st March, 2013, the options in force are 410000. These options would vest over a period of 2 to 3 years and the Bank has provided ₹ 21.20 Mn being the proportionate compensation expenses for the period upto 31st March 2013.

Accounting Standard 17 – Segment Reporting
PART A: BUSINESS SEGMENTS

PARTICULARS	QUARTER ENDED 31/03/2013	QUARTER ENDED 31/12/2012	QUARTER ENDED 31/03/2012	YEAR ENDED 31/03/2013	YEAR ENDED 31/03/2012
1. SEGMENT REVENUE :	(Audited)	(Reviewed)	(Audited)	(Audited)	(Audited)
a. Treasury operations	941.40	927.70	877.10	3663.50	3286.90
b. Corporate/wholesale banking operations	1862.00	1796.20	1777.40	6900.80	7038.10
c. Retail banking operations	2246.30	2150.40	1953.90	8730.40	6371.10
d. Other banking operations	158.40	111.10	54.10	281.40	75.70
TOTAL	5208.10	4985.40	4662.50	19576.10	16771.80
2. SEGMENT RESULTS (Profit/loss before Tax)					
a. Treasury operations	37.10	56.30	77.00	203.90	312.70
b. Corporate/wholesale Banking operations	46.60	165.10	92.60	388.20	459.40
c. Retail banking operations	104.70	181.80	87.10	534.20	446.60
d. Other banking operations	144.60	99.90	42.90	251.40	41.50
TOTAL	333.00	503.10	299.60	1377.70	1260.20
PROFIT BEFORE TAX	333.00	503.10	299.60	1377.70	1260.20
Less : Tax expenses	162.00	190.00	50.00	462.00	190.00
NET PROFIT	171.00	313.10	249.60	915.75	1070.22
3. SEGMENT ASSETS :					
a. Treasury operations	44141.40	45546.40	44803.50	44141.40	44803.50
b. Corporate/wholesale banking operations	55120.70	49347.40	52231.00	55120.70	52231.00
c. Retail banking operations	67092.10	64501.90	56250.20	67092.10	56250.20
d. Other banking operations	10312.60	11210.60	8344.00	10312.60	8344.00
TOTAL	176666.80	170606.30	161628.70	176666.80	161628.70
4. SEGMENT LIABILITIES:					
a. Treasury operations	203.50	251.20	219.20	203.50	219.20
b. Corporate/wholesale banking operations	35709.40	28474.80	36955.20	35709.40	36955.20
c. Retail banking operations	126301.70	126499.00	111281.00	126301.70	111281.00
d. Other banking operations	4308.80	5052.20	3589.60	4308.80	3589.60
TOTAL	166523.40	160277.20	152045.00	166523.40	152045.00
CAPITAL AND RESERVES	10143.40	10329.10	9583.70	10143.40	9583.70
TOTAL	176666.80	170606.30	161628.70	176666.80	161628.70

PARTB – GEOGRAPHICAL SEGMENTS: Since the Bank is having domestic operations only, no reporting is made under international segment.

5. Accounting Standard 18 – Related Party Disclosures Payment to and Provision for Employees” includes remuneration paid to Managing Director and CEO of the Bank as detailed below:

Particulars	Managing Director & CEO	
	P.R. Somasundaram	K.S.R Anjaneyulu
	(from 01.04.12 to 21.11.2012)	(10.01.2013 to 31.03.2013)
Consolidated Pay	2566666.41	1246451.61
Employers' contribution to Provident Fund	308000.00	81290.00
Drivers Salary, petrol & Office expenses	234200.55	66335.00
Others	* 3126304.41	50000.00
Total	6235171.37	1444076.61

* including transit house rent – Mumbai.

6. Accounting Standard 20 – Earnings per Share (EPS): EPS calculation in accordance with the AS-20 issued by the ICAI is as under:

	(₹ In million)	
	2012-13	2011-12
Net profit after Tax	915.75	1070.22
Weighted Average No. of Equity shares	97540690	97525840
Weighted Average No. of Diluted Equity shares	97525768	97427611
Earnings per share – Basic (₹)	9.39	10.97
Earnings per share – Diluted (₹)	9.39	10.98

7. Accounting Standard 22 – Accounting for Taxes on Income

The bank has accounted for Income Tax in compliance with AS 22. Accordingly, Deferred Tax Assets & Liabilities are recognized. The major components of DTA / DTL are furnished as under:

Components	(₹ In million)			
	Deferred Tax Assets		Deferred Tax Liabilities	
	2012-13	2011-12	2012-13	2011-12
Leave Encashment	70.30	59.70	00.00	00.00
Employee Benefits	00.00	00.00	3.00	63.40
Others	368.90	310.80	168.10	161.30
TOTAL	439.20	370.50	171.10	224.70
Net DTA	268.10	145.80		

Deferred tax assets are recognised for future tax consequences of temporary differences arising between the carrying values of assets and liabilities and their respective tax bases and operating carry forward losses. Deferred tax assets are recognized only after giving due consideration to prudence. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. The impact on deferred tax assets and liabilities on account of a change in the tax rates is also recognized in the income statement.

8. Intangible Assets AS 26: The Bank has followed AS 26 – Intangible asset issued by ICAI and the guidelines issued by the RBI in this regard.

9. Accounting Standard 28 – Impairment of Assets: A substantial portion of the bank's assets comprises financial assets to which Accounting Standard 28 is not applicable. In the opinion of the bank, there is no impairment of other assets to any material extent as at 31st March 2013 requiring recognition in terms of the said standard.

10. Additional Disclosures

10.1 Provisions and Contingencies: Break up of 'Provisions & Contingencies' shown under the head in Profit & Loss Account

(₹ In million)

Particulars	2012-13	2011-12
Provision towards Standard Asset	18.50	62.60
Provision towards NPA	645.20	454.30
Provision made towards Income tax (net of deferred tax)	462.00	190.00
Provisions for depreciation in market value of Investments	92.40	90.00
Transitional Termination Benefits under revised AS15	00.00	39.60
Provision for Sick Leave	-159.20	14.20
Provision for leave encashment	32.70	41.70
Provision for Gratuity (Amortised)	30.60	30.60
Provision for Pension (Amortised)	155.60	155.60
Provision for Pension (Retirees)	00.00	120.30
Provision for other Assets	00.00	-1.10
Counter cyclical buffer provision for NPA	00.00	61.20
Provision for contingency	53.00	00.00
Provision for Restructured Advances (Economic sacrifice)	264.90	25.10
TOTAL	1595.70	1284.20

10.2 Details of movement in provisions in accordance with Accounting Standard 29:

(₹ In million)

Particulars	Opening as on 01.04.2012	Provision made during the year	Provisions reversed/ adjusted	Closing as on 31.03.2013
Prov. for Standard Assets	369.90	18.50	00.00	388.40
Prov. for Bad and Doubtful debts	677.10	645.20	319.30	1003.00
Prov. for Income Tax (net of deferred tax)	787.00	586.10	00.00	1373.10
Prov. for depreciation in market value of Investments	153.90	92.40	12.40	233.90
Prov. for Sick Leave (including Transitional Liability)	159.20	7.00	166.20	00.00
Prov. for Leave encashment (including Transitional Liability)	259.70	32.70	21.20	271.20
Prov. for Other assets	35.00	00.00	00.00	35.00
Prov. For Other Liabilities (NLD agents gratuity)	4.90	00.00	00.00	4.90
Counter cyclical buffer	439.20	00.00	00.00	439.20
Prov. for Interest Tax	1.00	00.00	00.00	1.00
Prov. for Fringe Benefit Tax	19.00	00.00	00.00	19.00
Prov. for Dividend (incl. Div. Tax)	396.80	342.40	396.80	342.40
Prov. for Restructured Advances & FITL	133.60	283.10	18.20	398.50
Others:				
Prov. For Bonus.	1.40	2.50	2.10	1.80
Prov. For pension. (including Transitional Liability)	105.20	158.90	105.20	158.90
Prov. For Gratuity. (including Transitional Liability)	46.00	43.00	46.00	43.00
Prov. For Wage arrears	7.00	00.00	7.00	00.00

Particulars	Opening as on 01.04.2012	Provision made during the year	Provisions reversed/ adjusted	Closing as on 31.03.2013
Prov. for Contingency	00.00	53.00	00.00	53.00

10.3 Movement of Floating Provisions

(₹ In million)		
Particulars	2012-13	2011-12
(a) Opening balance in the floating provisions account	0.00	378.00
(b) Provisions made in the accounting year	0.00	0.00
(c) Amount of draw down made during the accounting year	0.00	378.00
(d) Closing balance in the floating provisions account	0.00	0.00

11. Disclosure of complaints (As complied by Management)

A. Customer Complaints:

(a)	No. of complaints pending at the Beginning of the year	4
(b)	No. of complaints received during the year	161
(c)	No. of complaints redressed during the year	161
(d)	No. of complaints pending at the end of the year	4

B. Awards passed by the Banking Ombudsman.

(a)	No. of unimplemented Awards at the beginning of the year	0
(b)	No. of Awards Passed by the Banking Ombudsmen during the year	0
(c)	No. of Awards implemented during the year	0
(d)	No. of unimplemented Awards at the end of the year	0

12. Concentration of Deposits, Advances, Exposures and NPAs

12.1 Concentration of Deposits

(₹ In million)	
Total Deposits of twenty largest depositors	17533.80
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	11.23%

12.2 Concentration of Advances

(₹ In million)	
Total Advances to twenty largest borrowers	17573.90
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	13.12%

12.3 Concentration of Exposures

(₹ In million)	
Total Exposure to twenty largest borrowers/customers	19740.30
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	14.15%

12.4 Concentration of NPAs (As compiled by Management)

(₹ In million)	
Total Exposure to top four NPA accounts	1726.40

12.5 Sector-wise NPAs (As compiled by Management)

Sl. No.	Sector	Percentage of NPAs to Total Advances in that sector
1	Agriculture & allied activities	0.67
2	Industry (Micro & small, Medium and Large)	4.50
3	Services	1.00
4	Personal Loans	0.75

12.6 Movement of NPAs (As compiled by Management)*(₹ In million)*

Particulars	
Gross NPAs as on 1 st April of particular year (opening Balance)	3077.33
Additions (Fresh NPAs) during the year	4001.57
Sub – total (A)	7078.90
Less:-	
(i) Up gradations	681.20
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1769.10
(iii) Write-offs	29.50
Sub-total (B)	2479.80
Gross NPAs as on 31 st March of following year (closing balance) (A-B)	4599.08

12.7 Overseas Assets, NPAs and Revenue*(₹ In million)*

Particulars	
Total Assets	NIL
Total NPAs	NIL
Total Revenue	NIL

12.8 Off-balance Sheet SPVs sponsored

Name of the SPV sponsored	
Domestic	Overseas
NA	NA

13. Bancassurance Business:

Fees, remuneration received from Bancassurance business: For the year ended 31.03.2013, the bank received income of ₹31.40 Mn (Gross commission) from Bancassurance business.

14. Disclosure on Remuneration:**(a) Qualitative disclosures:**

(a)	Information relating to the composition and mandate of the Remuneration Committee.	Compensation committee of the Board (CCB) Members as on 31.03.2013 is 3.
(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	Compensation Policy on the guidelines of Reserve Bank of India approved by Board on 03.03.2012.
(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	

(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with level of remuneration.	
(e)	A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting	
(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.	ESOS options granted on 21.07.2011 – Mr. P.R.Somasundaram (Ex. MD) – 975238 (options expired on his resignation), Mr. K.S.R. Anjaneyulu (MD & CEO) – 360000 options and Mr. M. Palaniappan (CFO) – 50000 options.

(b) Quantitative disclosures:

Particulars		2012-13	2011-12
(g)	Number of meeting held by the remuneration committee during the financial year and remuneration paid its members	CCB having 3 Members Meetings held – 2 and Remuneration paid ₹0.10 Mn.	CCB having 5 Members Meetings held – 5 and Remuneration paid ₹0.50 Mn.
	(i) Number of employees having received a variable remuneration award during the financial year.	1	1
	(ii) Number and total amount sign-on awards made during the financial year.	NIL	NIL
(h)	(iii) Details of guaranteed bonus, if any, paid as joining / Sign on bonus.	NIL	Mr. Rajat (ED) ₹7 lacs.
	(iv) Details of severance pay, in addition to accrued benefits, if any.	NIL	Mr. V.Prakash (ED) ₹1.00 Mn (2 months' notice pay)
(i)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and shares – linked instruments and other forms. (ii) Total amount of deferred remuneration paid out in the financial year.	NIL	NIL
(j)	Breakdown of amount remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Variable pay ₹0.20 Mn No deferred and non-deferred remuneration.	Variable pay ₹0.30 Mn No deferred and non-deferred remuneration.
	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments.	NIL	NIL
(k)	(ii) Total amount of reductions during the financial year due to ex-post explicit adjustments.	NIL	NIL
	(iii) Total amount of reductions during the financial year due to ex-post implicit adjustments.	NIL	NIL

15. Disclosures relating to securitization: NA

16. Credit Default Swaps: NIL

17. Previous year's figures have been regrouped / reclassified wherever considered necessary to conform to the current year's classification.

(K.S.R ANJANEYULU)
MANAGING DIRECTOR & CEO
PLACE: KARUR
DATE: 27.05.2013

DIRECTORS

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2013

(₹ In million)

	31.03.2013	31.03.2012
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit as per Profit & Loss Account	915.75	1070.22
ADJUSTMENTS FOR:		
Provisions & Contingencies	1595.73	1284.16
Depreciation	254.45	235.66
Loss on sale of assets	(0.22)	0.54
Income Tax / T D S paid	(490.00)	(770.00)
Net cash flow before changes in Working Capital	2275.70	1820.58
CHANGES IN WORKING CAPITAL :		
LIABILITIES : Increase/Decrease in		
Deposits	15048.38	29646.29
Refinances	(1000.00)	(1451.07)
Other Liabilities	(354.91)	(2755.55)
	13693.47	25439.67
ASSETS : Increase/Decrease in		
Investments	(705.71)	8762.68
Advances	15141.16	20942.57
Leased-out Assets	0.00	0.00
Other Assets	671.63	1158.68
	(15107.08)	(30863.92)
CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(277.51)	(356.84)
Sale of Fixed Assets	2.28	4.79
	(275.23)	(352.05)
CASH FLOW FROM FINANCING ACTIVITIES:		
Share issue including share premium net of forfeited shares	0.15	0.00
Tier II Bonds	0.00	2400.00
Dividends paid	(334.95)	(242.45)
	(334.80)	2157.55
Cash flow for the year	252.06	(1798.16)
Cash & Cash equivalents at the beginning of the year	8467.44	10265.60
Cash & Cash equivalents at the end of the year	8719.50	8467.44

Note: Cash, Balances with Other Banks, Balances with R B I, and Money at Call and Short Notice have been considered as cash and cash equivalents

AUDITORS' CERTIFICATE

We have verified the Cash Flow Statement of The Lakshmi Vilas Bank Limited, Karur for the year ended March 31,2013. This cash flow statement is the responsibility of the Management of the Bank in accordance with clause 32 of the listing agreement entered into with the Stock Exchange and is in agreement with the Balance Sheet as at March 31, 2013 and the Profit & Loss Account for the year ended March 31, 2013 dealt with in our report dated 27.05.2013 to the members of The Lakshmi Vilas Bank Limited

For SAGAR & ASSOCIATES,
CHARTERED ACCOUNTANTS
FRN: 003510S

(D.MANOHAR)
PARTNER
Mno:029644

Karur
27.05.2013

ANNUAL REPORT 2012 -2013

Balance Sheet abstract and Company's general business profile as per Schedule VI, Part IV of the Companies Act, 1956

A.	REGISTRATION DETAILS	
	Registration	1377
	State	18
	Balance Sheet Date	31.03.2013
B.	CAPITAL RAISED DURING THE YEAR	
	Public Issue	NIL
	Bonus Issue	NIL
	Rights Issue	NIL
	Private placement	NIL
C.	POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS	
	Total liabilities	176666.8
	Total Assets	176666.8
	SOURCES OF FUNDS	
	Paid up capital	975.41
	Reserves and Surplus	9168.04
	Secured Loans	0
	Deposits	156189.78
	Unsecured Loans	4800
	Other Liabilities & Provisions	5533.58
D.	APPLICATION OF FUNDS	
	Net Fixed Assets	1898.20
	Advances	117027.96
	Investment	43245.47
	Other Assets	5775.68
	Miscellaneous Expenses	NIL
	Accumulated Losses	NIL
	PERFORMANCE OF THE COMPANY	
	Total Income	19576.14
	Total Expenditure	17064.67
	Profit Before Tax	1377.75
	Profit After Tax	915.75
	Earnings per share (₹)	9.39
	Dividend Rate	30%
	GENERAL NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY (AS PER MONETARY TERMS)	
	Items Code	N.A.
	Product Description	Banking Company

EXAMINATION REPORT

The Board of Directors
The Lakshmi Vilas Bank Limited
Salem Road Kathapara
KARUR, Tamil Nadu – 639006

Re: Examination Report on the Unaudited Limited Reviewed Interim Financial Statements of The Lakshmi Vilas Bank Limited (“Bank”) in connection with the proposed rights issue of securities of the Bank (“Issue”).

1. We have reviewed the accompanying un-audited Balance Sheet of Lakshmi Vilas Bank Limited (the “**Bank**”) as at September 30, 2013, and the related Profit and Loss Accounts and Cash Flow Statement for six months ended on that date annexed thereto (all of which are hereinafter referred to as the “**Statement**”), for the purpose of its inclusion in the Draft Letter of Offer /Letter of Offer prepared by the Bank in connection with its proposed rights issue. The Statement is responsibility of the Bank’s management and has been approved by Board of Directors of the Bank. Our responsibility is to issue a report on the Statement based on our review of the Statement, which has been prepared by the Bank’s management pursuant to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended (“**SEBI (ICDR) Regulations 2009**”), issued by the Securities and Exchange Board of India (“**SEBI**”), in accordance with Accounting Standard 25 (“**AS 25**”) on Interim Financial Reporting, and other applicable accounting standards, notified under the Companies (Accounting Standards) Rules, 2006.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410 – “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” – issued by Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A limited review of interim financial statements consists principally of applying analytical procedures to financial data and making enquiries with the Bank personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards followed in India, objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.
3. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the Statement, prepared in all material respects in accordance with AS 25, has not disclosed the information required to be disclosed in terms of AS 25 read with Paragraph A (3) in Clause X in Part E of SEBI (ICDR) Regulations 2009, including the manner in which it is to be disclosed, or that it contains any material misstatement.
4. This report is intended solely for the use of the Bank for filing with SEBI and Stock Exchanges in connection with the proposed rights issue of Equity shares of the Bank under SEBI (ICDR) Regulations 2009 and the same should not be used, referred to or distributed for any other purpose, without our prior written consent. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

Yours faithfully,

For Sagar & Associates
Chartered Accountants
Firm registration No.003510S

(D.Manohar)
Partner
Membership No: 029644

Place: Karur, India
Date: January 18, 2014

**REVIEWED STATEMENTS OF PROFIT AND LOSS FOR SIX MONTHS PERIOD ENDED
SEPTEMBER 30, 2013**

(₹ In million)

Particulars	HY Ended 30/09/2013	HY Ended 30/09/2012	Year Ended 31/03/2013
I. INCOME			
a. Interest Earned	9635.96	8488.99	17605.48
b. Other Income	1056.26	893.63	1970.66
T O T A L	10692.22	9382.62	19576.14
II. EXPENDITURE			
a. Interest Expended	7282.35	6789.48	13685.50
b. Operating Expenses	1852.50	1581.50	3379.18
c. Provisions & Contingencies	1245.38	579.99	1595.72
T O T A L	10380.23	8950.97	18660.40
III. NET PROFIT FOR THE YEAR	311.99	431.65	915.74
a.Excess Dividend Provided- Reversed	0	0	0
b.Profit brought forward	0.88	0.88	0.88
T O T A L	312.87	432.53	916.62

REVIEWED STATEMENT OF ASSET AND LIABILITIES AS AT SEPTEMBER 30, 2013

(₹ In million)

I. CAPITAL & LIABILITIES	As at 30/09/2013	As at 30/09/2012	As at 31/03/2013
a. Capital	975.61	975.41	975.41
b. Reserves & Surplus	9482.28	9040.63	9168.04
c. Deposits	164554.52	146388.91	156189.78
d. Borrowings	6549.48	5882.33	4800.00
e. Other Liabilities & Provisions	5787.98	6021.76	5533.57
T O T A L	187349.87	168309.04	176666.80
II. ASSETS			
a. Cash & Balances with Reserve Bank			
of India	9790.80	9408.23	7281.51
b. Balances with Banks and Money at			
Call & Short Notice	495.12	418.29	1437.99
c. Investments	48227.41	44159.14	43245.46
d. Advances	121213.27	107204.01	117027.96
e. Fixed Assets	1900.74	1900.18	1898.20
f. Other Assets	5722.53	5219.19	5775.68
T O T A L	187349.87	168309.04	176666.80

NOTES:

- The working results for the quarter ended 30th September 2013 have been arrived at after considering provision for Non Performing Assets and Depreciation on Investments. Provision for Employees Benefit, Income Tax and Other usual and necessary provisions are on an estimated and proportionate basis and are subject to adjustment at the year end.

2. In accordance with RBI Circular no. DBOD.BP.BC.80/21.04.018/10-11 dt:09.02.2011
 - a) a sum of ₹ 38.90 Mn has been charged to profit & loss account during the quarter on proportionate basis towards pension liability. The balance amount of ₹ 233.38 Mn is carried forward to be charged to Profit & Loss Account in future periods.
 - b) a sum of ₹ 7.66 Mn has been charged to profit & loss account during the period on proportionate basis towards gratuity liability. The balance amount of ₹ 45.96 Mn is carried forward to be charged to Profit & Loss Account in future periods.
3. RBI vide its circular No.DBOD.BP.BC.No.41/21.04.141/2013-14 dated 23.08.2013 has allowed banks to transfer SLR securities from AFS/HFT categories to HTM category upto 24.50% of NDTL, as a one time measure. Accordingly, Bank has transferred SLR securities of book value ₹ 5873.62 Mn from AFS to HTM and recognised a loss of ₹ 70.87 Mn. The said circular allowed banks to distribute the net depreciation on the entire AFS and HFT portfolio on the valuation date over the current financial year in equal instalments. Accordingly, out of the net depreciation of ₹ 324.12 Mn as at 30.09.2013, bank has recognised ₹ 46.30 Mn in the current quarter.
4. In respect of certain non-performing advances, bank has obtained dispensation from Reserve Bank of India vide RBI letter DBS.CO.PvtSBMD.No.2116/15.01.067/2013-14 dated 08.08.2013 and accordingly the bank has provided ₹ 458.00 Mn up to Sep 2013 in respect of such advances and the balance provision of ₹ 514.50 Mn will be made as permitted by RBI during the financial year ending March 2014.
5. In accordance with RBI Circular no. DBOD.BP.BC.88/21.06.201/2013-14 dt:28.03.2013, banks have been advised to disclose capital adequacy ratio computed under Basel III regulations from the quarter ended 30.06.2013. Accordingly, corresponding details for the previous years/periods are not furnished.
6. In accordance with RBI Circular no. DBOD.BP.BC.2/21.06.201/2013-14 dt:01.07.2013, banks are required to make half yearly Pillar 3 disclosures under Basel III capital requirements w.e.f.30.09.2013. Bank has made these disclosures available on its website.
7. The above financial results were recommended by the Audit Committee and approved by the Board of Directors of the Bank at their meeting held on 13th Nov, 2013.
8. The figures of the previous period/year have been regrouped / rearranged, wherever necessary.
9. Status of Investor Complaints for the quarter ended 30th September 2013

Complaints pending at the beginning of the Quarter: Nil

Complaints received during the Quarter: 1

Complaints disposed during the Quarter: 1

Complaints unresolved at the end of the Quarter: Nil

REVIEWED FINANCIAL STATEMENT OF CASH FLOWS AS AT SEPTEMBER 30, 2013

(₹ In million)

	30.09.2013	31.03.2013
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit as per Profit & Loss Account	311.99	915.75
ADJUSTMENTS FOR:		
Provisions & Contingencies	1245.38	1595.72
Depreciation	134.98	254.45
Loss on sale of assets	(0.01)	(0.22)
Income Tax / T D S paid	(285.29)	(490.00)
Net cash flow before changes in Working Capital	1407.05	2275.70
CHANGES IN WORKING CAPITAL :		
LIABILITIES : Increase/Decrease in		
Deposits	8364.74	15048.38
Refinances	1749.48	(1000.00)
Other Liabilities	(696.71)	(354.91)
	9417.51	13693.47
ASSETS : Increase/Decrease in		
Investments	4981.95	(705.71)
Advances	4185.31	15141.16
Leased-out Assets	0.00	0.00
Other Assets	(338.45)	671.63
	(8828.81)	(15107.08)
CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(137.66)	(277.51)
Sale of Fixed Assets	0.15	2.28
	(137.51)	(275.23)
CASH FLOW FROM FINANCING ACTIVITIES:		
Share issue including share premium net of forfeited shares	2.45	0.15
Tier II Bonds	0.00	0.00
Dividends paid	(294.27)	(334.95)
	(291.82)	(334.80)
Cash flow for the half year ended 30th Sep 13	1566.42	252.06
Cash & Cash equivalents at the beginning of the year	8719.50	8467.44
Cash & Cash equivalents at the end of the half year 30.09.13	10286.92	8719.50

Note: Cash, Balances with Other Banks, Balances with R B I, and Money at Call and Short Notice have been considered as cash and cash equivalents

AUDITORS' CERTIFICATE

We have verified the Cash Flow Statement of The Lakshmi Vilas Bank Limited, Karur for the half year ended September 30, 2013. This cash flow statement is the responsibility of the Management of the Bank and is in agreement with the Unaudited Balance Sheet as at September 30, 2013 and the Reviewed Unaudited Financial Results for the half year ended September 30, 2013 dealt with in our report dated 13.11.2013 to the Bank

For SAGAR & ASSOCIATES,
CHARTERED ACCOUNTANTS
FRN: 003510S

(CA D.MANO HAR)
PARTNER
M no:029644

ACCOUNTING RATIOS AND CAPITALISATION STATEMENT

Accounting Ratios

The following tables present certain accounting and other ratios on basis derived from our audited financial statements as at and for the Fiscal 2013 and Fiscal 2012 and the unaudited condensed financial statements for the six months ended September 30, 2013 included in the chapter “Financial Statements” on page 100.

(₹ in million)

Particulars	Six months ended September 30, 2013	Year Ended March 31, 2013	Year Ended March 31, 2012
Capital Adequacy Ratio			
(a) Basel – II (in %)	11.29	12.32	13.10
(b) Basel – III (in %)	10.98	N.A.	N.A.
Earnings Per Share			
(a) Basic Earnings Per Share (not annualised) (₹)	3.20	9.39	10.97
(b) Diluted Earnings Per Share (not annualised) (₹)	3.20	9.39	10.98
Non-Performing Assets Ratio (₹ In Millions)			
(a) Gross NPA	6441.30	4599.08	3077.33
Net NPA	4573.58	2838.09	1770.89
(b) % of Gross NPA to Gross Advances	5.22	3.87	2.98
% of Net NPA to Ne Advances	3.77	2.43	1.74
(c) Return on assets	0.34	0.54	0.73
Return on Net Worth (after excluding revaluation reserves and extra-ordinary items) (%)	6.77	10.36	12.85
Net Asset Value/Book Value per Equity Share of ₹ 10 each (after excluding revaluation reserves)	92.72	92.88	90.14

The Ratios have been computed as below:

Return On Assets:	$\frac{\text{Net Profits after tax}}{\text{Total average assets}}$
Return On Net worth:	$\frac{\text{Net Profits after tax}}{\text{Average net worth}}$
Net Asset Value per Equity Share (₹):	$\frac{\text{Net Worth}}{\text{Number of equity shares outstanding at the end of the period/year}}$

Capitalisation Statement:

The statement on our capitalisation is as set out below:

Particulars	Amount (₹ in Millions)	
	Pre Issue	Post Issue ^{##}
	As at 30 September 2013	
Borrowings:		
Deposits ¹	164,544.52	164,544.52
Long Term Debt – Tier II Bonds	3800.00	3800.00
Short Term Debt	2749.48	2749.48
Total Debt	171,104.00	171,104.00
Shareholder's Fund		
Share Capital	975.61	[●]
Reserves & Surplus (excluding Revaluation Reserve)	5397.36	[●]
Total Shareholders' Fund	9679.99	[●]
Long Term Debt/Equity Ratio (in%)	1 : 2.55	[●]

¹ Deposits include Demand, Savings, Term and Deposits of branches in India

^{##} The corresponding post issue figures will be determined upon finalization of issue price

STOCK MARKET DATA FOR EQUITY SHARES

The Equity Shares of the Bank are listed on the BSE from September 24, 2012 and the NSE with effect from June 21, 2000. Stock market data for our Equity Shares has been given separately for the BSE and the NSE. As our Equity Shares are actively traded on both BSE and NSE, stock market data has been given separately for each of these Stock Exchanges.

The high and low closing prices recorded on the BSE and the NSE for the preceding three Financial Years and the number of Equity Shares traded on the days the high and low prices were recorded are stated below.

BSE

Year ending March 31	High (₹)	Date of High	No. of Shares traded on date of high	Total Volume of traded on date of high (₹ in million)	Low (₹)	Date of Low	No. of Shares traded on date of low	Total Volume of traded on date of low (₹ in million)	Average price for the year (₹)*
2013	128.35	7/1/2013	1606944	197.89	68.55	11/9/2012	6525	0.46	84.79
2012	130.00	15/07/2011	7879	0.93	80.00	21/12/2011	10274	0.83	100.63
2011	142.80	20/09/2010	522511	73.48	74.50	17/05/2010	47233	3.58	104.95

(Source: www.bseindia.com)

* Average of the daily closing prices.

NSE

(₹ In million)

Year ending March 31	High (₹)	Date of High	No. of Shares traded on date of high	Total Volume of traded on date of high	Low (₹)	Date of Low	No. of Shares traded on date of low	Total Volume of traded on date of low	Average price for the year (₹)*
2013	128.30	7/1/2013	5074556	625.35	66.60	24/05/2012	27022	2.07	84.77
2012	140.00	1/7/2011	209056	25.12	70.10	20/01/2012	259285	22.06	100.63
2011	143.00	20/09/2010	1564655	220.26	74.55	17/05/2010	147124	11.10	104.95

(Source: www.nseindia.com)

* Average of the daily closing prices.

The high and low prices and volume of the Equity Shares traded on the respective dates during the last six months is as follows:

BSE

Month	Date of High	High (₹)	Volume (No. of Shares)	Date of Low	Low (₹)	Volume (No. of Shares)	Average Price for the Month (₹)	Total No of Trading Days
February 2014	4/02/2014	66.95	9713	19/02/2014	57.50	8515	62.37	19
January 2014	22/01/2014	79.5	8084	30/01/2014	61	19799	68.37	23
December 2013	3/12/2013	74.00	21672	18/12/2013	65.55	43451	69.94	21
November 2013	7/11/2013	80.45	172130	27/11/2013	67.10	10101	71.84	20
October 2013	15/10/2013	81.05	315152	1/10/2013	60.50	10896	68.77	21
September 2013	19/09/2013	70.80	55220	30/09/2013	60.00	11494	63.97	20

(Source: www.bseindia.com)

* Average of the daily closing prices.

NSE

Month	Date of High	High (₹)	Volume (No. of Shares)	Date of Low	Low (₹)	Volume (No. of Shares)	Average Price for the Month (₹)	Total No of Trading Days
February 2014	7/02/2014	66.75	87077	14/02/2014	58.60	406804	62.38	19
January 2014	02/01/14	77.3	588549	30/01/2014	60.8	113780	68.37	23
December 2013	27/12/2013	73.25	260055	16/12/2013	66.60	64732	70.02	21
November 2013	7/11/2013	80.40	778620	27/11/2013	67.60	49313	71.88	20
October 2013	15/10/2013	81.00	1339582	1/10/2013	60.55	75363	68.72	21
September 2013	19/09/2013	70.90	332904	30/09/2013	59.80	63784	63.93	20

(Source: www.nseindia.com)

* Average of the daily closing prices.

In the event the high or low or closing price of the Equity Shares are the same on more than one day, the day on which there has been higher volume of trading has been considered for the purposes of this chapter.

The closing price of the Equity Shares was ₹ 73.80 on the BSE on January 6, 2014, the trading day immediately following the day on which Board approved the Issue. The closing price of the Equity Shares was ₹ 73.70 on NSE on January 6, 2014, the trading day immediately following the day on which Board approved the Issue.

Week end closing prices of the Equity Shares for the last four weeks on the BSE and NSE are as below:

BSE

Week Ended on	Closing Price (₹)	Highest Price (₹)	Date of High	Low	Date of Low
March 21, 2014	65.45	67.50	20/03/2014	65.00	21/03/2014
March 14, 2014	65.55	69.70	11/03/2014	65.00	11/03/2014
March 7, 2014	67.65	68.85	5/03/2014	62.20	3/03/2014
February 28, 2014	62.50	64.40	28/02/2014	59.95	25/02/2014

(Source: www.bseindia.com)

NSE

Week Ended on	Closing Price	Highest Price	Date of High	Low	Date of Low
March 21, 2014	65.75	68.00	20/03/2014	65.00	19/03/2014
March 14, 2014	65.45	69.90	11/03/2014	65.00	14/03/2014
March 7, 2014	67.55	68.90	7/03/2014	62.10	4/03/2014
February 28, 2014	62.70	64.50	28/02/2014	59.75	25/02/2014

(Source: www.nseindia.com)

The closing market price of our Equity Shares as on March 21, 2014 was ₹ 65.45 and ₹ 65.75 on the BSE and the NSE, respectively

MATERIAL DEVELOPMENTS

In accordance with circular no.F.2/5/SE/76 dated February 5, 1977 issued by the Ministry of Finance, Government of India, as amended by Ministry of Finance, Government of India through its circular dated March 8, 1977, the information relating to the working results for the period between the last date of the financial statements and up to the end of the last but one month preceding the date of the Letter of Offer will be updated in the Letter of Offer to be filed with the Stock Exchanges.

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

There are no material changes and commitments, other than as disclosed below, which are likely to affect our financial position since March 31, 2013 till date of the Letter of Offer:

In compliance with the listing agreement, we have approved and filed the following limited review financial results for the quarter ended December 31, 2013 with the Stock Exchanges:

Limited Review Report

To
The Board of Directors,
Lakshmi Vilas Bank Ltd.,
Karur.

Review Report to the Board of Directors of Lakshmi Vilas Bank Limited

We have reviewed the accompanying statement of unaudited financial results of Lakshmi Vilas Bank Limited for the quarter ended December 31, 2013. This Statement is the responsibility of the Bank's management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statement based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Engagement to Review Financial Statements issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the bank personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

In the conduct of our Review, we have relied on the concurrent audit reports received from other firms of auditors of 88 branches. These concurrent audit reports of the 88 branches reviewed by us cover 73% of the advances portfolio and 91% of the Non –performing Assets of the Bank. Apart from these, in the conduct of our review, we have also relied upon various returns received from the branches of the bank.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies, has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of Income recognition, asset classification, provisioning and other related matters.

FOR SAGAR & ASSOCIATES
CHARTERED ACCOUNTANTS
F. R. NO:003510S

(CA.D.Manohar)
PARTNER
M.No: 029644
Station: Karur
Date: 14th February, 2014

Unaudited Financial Results For The Quarter / Nine Months Ended December 31, 2013

(₹ in Mn)

Particulars	Quarter-Ended			Nine Months Ended		Year Ended
	31-Dec-13 (Reviewed)	30-Sep-13 (Reviewed)	31-Dec-12 (Reviewed)	31-Dec-13 (Reviewed)	31-Dec-12 (Reviewed)	31-Mar-13 (Audited)
1. Interest Earned (a+b+c+d)	5065.03	4856.72	4512.18	14700.99	13001.17	17605.48
(a) Interest/discount on advances/bills	4076.33	3879.32	3555.48	11810.44	10326.53	13934.54
(b) Income on investments	964.74	942.89	851.84	2805.43	2562.05	3407.82
(c) Interest on balances with RBI & Other inter- bank funds	1.90	1.39	0.82	26.43	4.59	7.85
(d) Others	22.06	33.12	104.04	58.69	108.00	255.27
2. Other Income	507.49	510.96	473.23	1563.76	1366.87	1970.66
3. Total Income (1+2)	5572.52	5367.68	4985.41	16264.75	14368.04	19576.14
4. Interest expended	3811.80	3666.66	3440.89	11094.15	10230.38	13685.50
5. Operating Expenses (I) + (ii)	1009.78	986.13	838.11	2862.27	2419.61	3379.18
(I) Employees cost	492.59	451.62	360.88	1363.07	1126.20	1576.20
(ii) Other operating expenses	517.19	534.51	477.23	1499.20	1293.41	1802.98
6. Total Expenditure (excluding provisions and contingencies (4) + (5))	4821.58	4652.79	4279.00	13956.42	12649.99	17064.68
7. Operating Profit before provisions and contingencies (3) - (6)	750.94	714.89	706.41	2308.33	1718.05	2511.46
8. Provisions (other than Tax) and Contingencies	676.69	746.35	203.32	1922.07	673.31	1133.73
9. Exceptional Items	0.00	0.00	0.00	0.00	0.00	0.00
10. Profit/Loss from ordinary activities before tax (7)-(8)-(9)	74.25	-31.46	503.09	386.26	1044.74	1377.73
11. Tax expense	0.00	-90.00	190.00	0.00	300.00	462.00
12. Net Profit/Loss from Ordinary activities after tax (10) - (11)	74.25	58.54	313.09	386.26	744.74	915.73
13. Extra Ordinary items (Net of Tax Expense)	0.00	0.00	0.00	0.00	0.00	0.00
14. Net Profit/Loss for the period (12+13)	74.25	58.54	313.10	386.25	744.74	915.73
15. Paid up equity share capital (Face Value ₹10/-)	975.61	975.61	975.41	975.61	975.41	975.41
16. Reserves excluding revaluation reserves as per balance sheet of previous accounting year	8390.14	8390.14	7816.17	8390.14	7816.17	8390.14
17. Analytical Ratios						
i) Percentage of shares held by Govt. of India	NIL	NIL	NIL	NIL	NIL	NIL
ii) Capital Adequacy Ratio (%)						
(a) Basel - II	10.69	11.29	12.20	10.69	12.20	12.32
(b) Basel - III	10.46	10.98	NA	10.46	NA	NA
iii) Earnings Per Share (EPS)(*Not Annualised)						
(a) Basic EPS - before/after extra ordinary items (Not annualised) (₹)	0.76	0.60	3.21	3.96	7.64	9.39
(b) Diluted EPS - before/after extra ordinary items (Not annualised) (₹)	0.76	0.60	3.21	3.97	7.64	9.39
iv) NPA RATIOS						
(a) Gross NPA	7222.09	6441.30	4870.22	7222.09	4870.22	4599.08
Net NPA	5502.28	4573.58	3224.87	5502.28	3224.87	2838.09
(b) % of Gross NPA	5.60	5.22	4.41	5.60	4.41	3.87
% of NET NPA	4.33	3.77	2.97	4.33	2.97	2.43

Particulars	Quarter-Ended			Nine Months Ended		Year Ended
	31-Dec-13 (Reviewed)	30-Sep-13 (Reviewed)	31-Dec-12 (Reviewed)	31-Dec-13 (Reviewed)	31-Dec-12 (Reviewed)	31-Mar-13 (Audited)
(c) Return on Assets (%) (Annualised)	0.16	0.13	0.74	0.28	0.60	0.54
18. Public Shareholding						
No. of Shares (in Mn)	87.99	87.88	87.53	87.99	87.53	87.86
Percentage of shareholding	90.19	90.07	89.73	90.19	89.73	90.07
19. Promoters and promoter group shareholding						
(a) Pledged /Encumbered						
Number of Shares	4075609	3028509	3721628	4075609	3721628	2978628
Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	42.57	31.28	37.17	42.57	37.17	30.76
percentage of shares (as a % of the total share capital of the company)	4.18	3.10	3.82	4.18	3.82	3.05
(b) Non-encumbered						
Number of shares	5498625	6654916	6291997	5498625	6291997	6704797
Percentage of shares (as a % of the total shareholding of promoter and promoter group)	57.43	68.72	62.83	57.43	62.83	69.24
percentage of share (as a % of the total share capital of the company)	5.63	6.82	6.45	5.63	6.45	6.87

NOTES:

- The working results for the quarter ended 31st December 2013 have been arrived at after considering provision for Non Performing Assets and Depreciation on Investments. Provision for Employees Benefit, Income Tax and Other usual and necessary provisions are on an estimated and proportionate basis and are subject to adjustment at the year end.
- In accordance with RBI Circular no. DBOD.BP.BC.80/21.04.018/10-11 dt:09.02.2011
 - a sum of ₹ 38.90 Mn has been charged to profit & loss account during the quarter on proportionate basis towards pension liability. The balance amount of ₹194.50 Mn is carried forward to be charged to Profit & Loss Account in future periods.
 - a sum of ₹7.70 Mn has been charged to profit & loss account during the period on proportionate basis towards gratuity liability. The balance amount of ₹38.30 Mn is carried forward to be charged to Profit & Loss Account in future periods.
- RBI vide its circular No.DBOD.BP.BC.No.41/21.04.141/2013-14 dated 23.08.2013 has allowed banks to distribute the net depreciation on the entire AFS and HFT portfolio on the valuation date over the current financial year in equal instalments. Accordingly, out of the net depreciation of ₹ 256.40 Mn as at 31.12.2013, bank has recognised ₹ 128.20 Mn in the current quarter.
- In respect of certain non-performing advances, bank has obtained dispensation from Reserve Bank of India vide RBI letter DBS.CO.PvtSBMD.No.2116/15.01.067/2013-14 dated 08.08.2013 and accordingly the bank has provided ₹ 708.00 Mn up to Dec 2013 in respect of such advances and the balance provision of ₹264.50 Mn will be made as permitted by RBI during the last quarter in the financial year ending March 2014.
- As permitted by RBI vide circular DBOD.No.BP.95/21.04.048/2013-14 dated 07.02.2014, the bank has utilised to the extent of ₹144.90 Mn from countercyclical provisions held, for making specific provisions for non-performing assets during the quarter.

- 6 In accordance with RBI Circular no. DBOD.BP.BC.88/21.06.201/2013-14 dt:28.03.2013, banks have been advised to disclose capital adequacy ratio computed under Basel III regulations from the quarter ended 30.06.2013. Accordingly, corresponding details for the previous years/periods are not furnished.
- 7 In accordance with RBI Circular no. DBOD.BP.BC.2/21.06.201/2013-14 dt:01.07.2013, banks are required to make half yearly Pillar 3 disclosures under Basel III capital requirements w.e.f.30.09.2013. Bank has made these disclosures available on its website.
- 8 The above financial results were recommended by the Audit Committee and approved by the Board of Directors of the Bank at their meeting held on 14th Feb, 2014.
- 9 The figures of the previous period/year have been regrouped/rearranged, wherever necessary.
- 10 Status of Investor Complaints for the quarter ended 31st December 2013

Complaints pending at the beginning of the Quarter : Nil

Complaints received during the Quarter : Nil

Complaints disposed during the Quarter: Nil

Complaints unresolved at the end of the Quarter: Nil

Place: Karur

Date: 14.2.14

K.S.R.ANJANEYULU

MD & CEO

SECTION VIII – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND DEFAULTS

Except as described below, there are no outstanding litigations including, suits, criminal or civil prosecutions and taxation related proceedings against us that would have a material adverse effect on our business. Further, there are no defaults, non-payment of statutory dues including, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against us as of the date of this Draft Letter of Offer.

Further, except as disclosed below, we are not aware of any litigation involving moral turpitude, material violations of statutory regulations and or proceedings relating to economic offences which have arisen in the last ten years.

Further, except as disclosed below, we are not subject to:

- a. Any outstanding litigations which do not impact our future revenues which have monetary value of more than 1% of our networth, for the last completed financial year.*
- b. Any outstanding litigations which impact our future revenues, which have monetary value of more than 1% of our revenue, for the last completed financial year.*

Further from time to time, we have been and continue to be involved in legal proceedings filed by and against us, arising in the ordinary course of our business. These legal proceedings are both in the nature of civil, labour and tax proceedings. We believe that the number of proceedings in which we are/ were involved is not unusual for a company of our size doing business in India.

Notices received from SEBI

1. The Bank has received a letter from SEBI no. CFD/DCR/RC/TO/23040/04 dated November 16, 2004 alleging violation of Regulation 6 and 8 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997 (“SEBI (SAST) Regulations, 1997”) calling for consent order to pay a penalty of ₹ 275,000 for non-filing of disclosure under Regulations 6(2), 6(4) and 8(3). Subsequently, the Bank has submitted a reply to SEBI on January 12, 2005 requesting SEBI to drop further proceedings, stating that the SEBI (SAST) Regulations, 1997 were not applicable to the Bank.
2. The Bank has received a letter from SEBI no. ID8/BM/RC/BCHRL/183044/2009 dated November 13, 2009 pertaining to investigation in the case of Blue Coast Hotels and Resorts Limited (“Blue Coast”) wherein the required disclosures under Regulation 13 of the SEBI (Prohibition of Insider Trading) Regulations, 1992 with respect to the transfer of 807,000 shares of Blue Coast were allegedly not made by the Bank. SEBI advised the Bank to be careful in future and avoid recurrence of such instances, failing which action would be initiated by SEBI. SEBI further directed the Bank to inform its Board of the matter. Consequently, *vide* Notice to the Board dated November 30, 2009, Agenda No. 57, the Board was informed of the matter.

Cases filed against our Bank

1. A criminal complaint has been filed by Mr Mukesh Deodutta Gupta (an erstwhile Director of M/s Grace Industries Limited, and a customer of the Nagpur branch of the Bank) and others (“Applicants”) against Mr Chandrashekhar Kakatkar, a branch manager of the Bank, Sanvijay Rolling & Steel Limited (“SREL”) and others (“Respondents”) on November 22, 2011 before the Judicial Magistrate First Class, Court No. 2, Nagpur (“JMFC”) *vide* Miscellaneous Criminal Application Number 1721 of 2011 (“Application”). The Application was filed under Section 156(3) of the Code of Criminal Procedure, 1973 (“CrPC”) for directing the police to register and investigate an offence committed by the Respondents under Sections 384, 415, 420, 423, 465, 468, 406 read with Sections 34 and 120(B) of the Indian Penal Code, 1860 (“IPC”). Certain shares of M/s Grace Industries Limited (“GIL”) were owned by the Applicants and pursuant to a memorandum of understanding between the Applicants and SREL dated 11 November 2008 GIL was to be sold as a going concern on ‘as is where is’ basis, for a consideration of ₹ 18 per share. The Applicants alleged that the bank manager and accountant/cashier of the Bank’s Gandhibagh branch, Nagpur, were involved in a criminal conspiracy with other

Respondents with an intention to cheat and defraud the Applicants. Further, it was alleged that there was criminal breach of trust by Mr Chandrashekhkar Kakatkar who criminally conspired with the other Respondents in cheating the applicant of realizing the consideration of ₹ 18 per share of GIL (amounting to approximately ₹ 350,000,000). The JMFC *vide* its order dated 22 November 2011, directed the police to register and investigate the complaint under Section 156(3) of CrPC. Consequently, FIR No. 347/11 (Form 1-A No. 0055849) was registered against the Respondents by the police at Dhantoli police station, Nagpur on 25 November 2011. Criminal Revision Application No. 689/2011, seeking to quash the complaint, was filed by the Applicants before the Hon'ble District and Sessions Judge, Nagpur ("Sessions Judge") which was dismissed on 21 March 2012. The Sessions Judge held that the encashment of a cheque by the officers of the Bank in favour of the other Respondents, in spite of lacking sufficient balance in the Applicant's account to do so, *prima facie* established that there was need for further investigation by the police. The Sessions Judge, therefore, found no reason to interfere with the order of the JMFC and dismissed the revision application. The police have not filed a charge sheet in the matter as of date.

In addition to the above, Mr Mukesh Deodutta Gupta, on behalf of the shareholders of GIL filed a complaint of fraud against SREL in connivance with the Bank with the Department of Financial Services ("DOFS") *vide* Reference No. MG/GIL DISPUT/2010/5367A which was forwarded by the DOFS to the Chief General Manager in Charge, Customer Services Department ("CSD"), RBI on November 2, 2010 *vide* Diary No. 4221 and file No. 20/26/1419-1464/2010/ BO-II. Consequently, the CSD sent a notice to the Bank on December 30, 2010 directing the Bank to act on the notice of the DOFS within 10 days of receipt of the notice. Subsequently, the Bank replied to the notice of the DOFS *vide* a letter addressed to Mr Mukesh Deodutta Gupta on January 7, 2011, refuting any connivance on its part in committing fraud against the Applicants, as alleged.

2. A criminal complaint bearing No. 132/05 dated December 15, 2005 has been filed with the police station at Mahalaxmi Lay Out Circle, Malleswaram, Bangalore by Ms Sharadamma ("Complainant") against Mr HS Mahabala Rao, Mr Ramaswamy, Mr Rajashekar and Mr Sudarshan, who is an officer of the Bank ("Respondents") ("Criminal Complaint"). Mr HS Mahabala Rao had availed a term loan of ₹ 2,500,000 from the Bank which was secured by personal guarantee of the Complainant and mortgage of property belonging to her. The Complainant, however, disputed the creation of mortgage over the property alleging that it had been fraudulently created in her name. The Complainant subsequently filed the Criminal Complaint alleging offences committed under Sections 420, 465, 468 and 471 read with section 34 of the Indian Penal Code, 1860 ("IPC"). The Police have investigated the complaint and filed a Criminal Case CC 2007/08 against the Respondents before the 7th Additional Criminal Metropolitan Magistrate Court, Bangalore ("Magistrate Court"). The case is currently pending before the Magistrate Court.

Subsequently the Complainant expired and her sole legal heir and daughter Ms Premakumari sold the mortgaged property to Mr P Ganesh and MS Palaniyamma ("Petitioners"). The Petitioners have filed a Civil Suit OS No. 942 of 2012 before the Hon'ble City Civil Court, Bangalore against the Bank disputing the creation of mortgage in favour of our Bank and also the guarantee executed by Complainant for the due payment of the loan availed by Mr HS Mahabala Rao, and prayed for the declaration of their ownership over the impugned property. The matter is currently pending before the Hon'ble City Civil Court, Bangalore.

3. Dr Shabana Kalal had availed term loan and created equitable mortgage for the due payment of the loan availed by her. The title deed in the name of Dr Shabana Kalal mortgaged with the Bank is a conditional sale wherein a condition has been imposed on Dr Shabana Kalal that the cheques drawn by her in favour of the vendor towards the sale consideration should be honoured and in case of dishonour of cheques or non-payment, the sale in favour of Dr Shabana Kalal is void. The balance sale consideration paid by Dr Shabana Kalal through cheques was dishonoured and hence she failed to pay the entire sale consideration to the vendor of the sale deed executed in her favour. The mortgaged property was brought for sale under SARFAESI Act and the successful bidders Mohammad Arif and Anil Kumar Soni have paid the sale consideration. Possession of the secured asset sold to the auction purchasers was with the original vendor Neeraj Jain. Subsequently the auction purchasers have issued a legal notice dated February 3, 2011 and lodged a complaint with the Police on June 4, 2011 and FIR was registered against the Bank officers Mr Nagesh Mangrulkar and Mr Ezhil Arasu ("Bank officials"). The police have investigated the complaint and filed a charge sheet No. 370/2012 dated July 28, 2012.

before the Judicial Magistrate court, Tukoganj, Indore under sections 409,420,467 and 468 of IPC against the Bank officials. Our Bank is not named as an accused in the FIR.

4. Two house properties were purchased by the proprietor of M/s Priya Fashions ("Borrower"), Mr Jigneshbahai Haribhai Aanghan and his brother Mr Pareshbhai Haribhai Aanghan. The said persons mortgaged the said house properties for the 'Lakshmi Business Credit' loan availed by the Borrower through the Surat branch of the Bank by creating equitable mortgage by deposit of title deeds over the properties. The Borrower defaulted in repayment of dues and the account became NPA. Hence, notice under the SARFAESI Act was issued by the Bank on May 26, 2011 for recovery of dues. Subsequent to the issuance of the notice under the SARFAESI Act, the Bank received a legal notice dated February 3, 2011 from third parties, Ms Giraben Bhikhubhai Mistry and Ms Kokilaben Natwarlal Daber disputing the mortgage of the Bank and also the title of the mortgagors. They alleged that they were having the title deeds of the mortgaged properties. Ms Giraben Bhikhubhai Mistry alleged that she had purchased the property through a home loan taken from HDFC Bank in the year 2004 and that she had cleared the debt in the year 2008. Ms Giraben Bhikhubhai Mistry had also complained to RBI. The Bank replied to the RBI and also filed recovery application before the Debt Recovery Tribunal, Ahmedabad and the same is pending. Further the said Complainant has filed criminal complaint against the Borrower, Guarantor and our Bank officer namely Mr SL Murali, the then Branch Head as accused in the complaint. Our Bank officer Mr SL Murali was arrested and subsequently released on bail. Charges were framed against the accused under Sections 408,419,420,465,468,471,474,114 & 120-B of IPC. Charge sheet is yet to be filed. The Criminal case is pending.
5. M/s Denim Chemicals, a proprietorship firm represented by Ms Lakshmi Durga approached the Hyderabad branch of the Bank and availed financial assistance. To secure the advances granted to M/s Denim Chemicals, Mr Shankaraiah ("Guarantor") offered land as security. Subsequently, the account became NPA and the Guarantor passed away. A private complaint under section 200 of CrPC against the Bank was filed by third parties, Mr Suresh and Mr Ravi, before the Judicial Magistrate, Chevella ("Judicial Magistrate") on December 7, 2011 alleging that the title deed deposited by the Guarantor with the Bank was forged. The Judicial Magistrate directed the investigating authorities for investigation, following which the police authorities have registered an F.I.R. under Sections 406, 420, 467, 468, 471 and 472 of IPC in FIR No. 167/2011 on December 12, 2011 at the Shankerpally police station, Ranga Reddy District, Hyderabad. No chargesheet or final report has been filed as yet. An application was filed before the Debt Recovery Tribunal, Hyderabad *vide* S.A. No. 323 of 2011 ("DRT") by Ms Bhagyamma and others (legal heirs of the Guarantor) ("Bhagyamma") against the Bank alleging that the Bank has colluded with Ms Lakshmi Durga and that the Bank did not verify the genuineness of the security offered by Ms Lakshmi Durga. Ms Bhagyamma sought that the DRT to stay all proceedings initiated by the Bank with respect to the property of the Guarantor. However, the DRT in its order dated March 1, 2012 dismissed the application filed by Ms Bhagyamma stating that no case was made out against the Bank.

Income tax matters

Assessment year 2003-2004

Our Bank has filed an appeal before Income Tax Appellate Tribunal, Chennai ("ITAT"), on May 5, 2013 disputing certain additions/disallowance aggregating ₹ 527,149,400 for the assessment year 2003-2004. These additions/disallowances were on account of fall in market value of securities, interest on purchase of securities, loss on sale of bonds, provision for leave encashment, expenses, surplus realized and interest on SIDBI and NABARD. The tax liability calculated on the basis of the tax rate for the assessment year 2003-04 (i.e. 36.75%) is ₹ 193,727,404.50. The appeal is currently pending before the ITAT.

Assessment year 2005-2006

Our Bank has filed an appeal before Income Tax Appellate Tribunal, Chennai ("ITAT") on May 5, 2013 disputing certain additions/disallowance aggregating ₹ 947,416,422 for the assessment year 2005-2006. These additions/disallowances were on account of depreciation on account of value of government securities, interest paid on purchase of securities, brokerage paid, bad debts written off and expenses incurred under different heads. The tax liability calculated on the basis of the tax rate for the assessment year 2005-06 (i.e. 36.59%) is ₹ 346,683,354.22. The appeal is currently pending before the ITAT.

Our Bank has filed an appeal before Commissioner of Income Tax (Appeals), Tiruchirappalli ("CIT (A)"), on April 17, 2013 disputing certain additions/disallowance aggregating ₹ 292,962,631 for the assessment year 2010-2011. These additions/disallowances were on account of loss on account of shifting of securities, expenses under various heads, ex-gratia payment, accrued interest on NPAs, donation, provision for wage arrears and disallowance on deduction. The tax liability calculated on the basis of the tax rate for the assessment year 2010-11 (i.e. 33.99%) is ₹ 99,577,998.28. The appeal is currently pending before CIT (A).

Cases filed by our Bank

1. An application *vide* O.A. No. 103 of 2012 has been filed by Union Bank of India ("Applicant 1") and the Bank ("Applicant 2") ("Applicants") against Srimauli Infrastructure Private Limited ("Srimauli / Defendant 1") and Another ("Defendants") before the Debt Recovery Tribunal No. 2, Mumbai ("DRT (Mumbai)"). Srimauli undertook development of certain highway projects on a Build, Operate and Transfer ("BOT") basis for which a sum of ₹ 445,000,000 was advanced to Srimauli by the Applicants *vide* Term Loan Consortium Agreement dated May 4, 2009. Due to non-payment by Srimauli, the accounts of the Applicants were classified as Non Performing Assets ("NPA"). The Applicants were informed by a letter dated April 16, 2012 that the contract of the government authorities with Srimauli had been cancelled and fresh tenders had been invited *vide* Tender Notice No. BOT-2/2011-12. Presently, an amount of ₹ 252,346,364.85 is due and payable by the Defendants to Applicant 1, along with interest at the rate of 17% per annum from April 23, 2012. Further, an amount of ₹ 223,511,314.8 is due and payable by the Defendants to the Bank, along with interest at the rate of 20.35% per annum from April 23, 2012. Therefore, a sum aggregating to ₹ 475,857,679.72 in addition to interest at the rate of 17% and 20.35%, to Applicant 1 and the Bank, respectively, is due and payable by the Defendants to the Applicants. Final orders passed and Recovery Certificate issued and it is pending for execution before the DRT (Mumbai).
2. An application *vide* O.A. No. 483 of 2012 has been filed by the Bank ("Applicant") against Sterling Biotech Limited ("Sterling") and Others ("Respondents") before the Debt Recovery Tribunal No. 2, Mumbai ("DRT (Mumbai)"). Sterling availed a loan of ₹ 250,000,000 *vide* sanction letter dated September 14, 2009 under consortium arrangement. The Defendants failed to make payment as specified under the repayment schedule of the loan, following which the Bank recalled the loan *vide* its letter dated August 11, 2012 and through its Advocate's notice dated October 1, 2012 and October 8, 2012. The application has been filed by the Bank for recovery of a sum of ₹ 139,003,390 along with an interest at the rate of 20.35% per annum from October 23, 2012 till the date of repayment. The matter is currently pending before the DRT (Mumbai).
3. An application *vide* O.A. No. 59 of 2012 has been filed by the Bank ("Applicant") against Biotor Industries Limited (formerly known as Jayant Oils and Derivatives Limited) ("Biotor") and Others ("Respondents") before the Debt Recovery Tribunal No. 2, Mumbai ("DRT (Mumbai)"). The Bank sanctioned ₹ 100,000,000 to Biotor as per the terms and conditions of the sanction letter dated June 17, 2006, which was renewed *vide* sanction letter dated March 24, 2009 between the Bank and Biotor. The Respondents committed defaults of repayment obligations to the Bank, in view of which the Bank duly classified the loan account as a Non Performing Asset ("NPA") on September 20, 2009. The Bank has, therefore, called upon the Respondents to pay to the Bank a sum of ₹ 114,188,382 along with an interest of 18.25% per annum calculated from November 1, 2011. The matter is currently pending before the DRT (Mumbai).
4. An application *vide* O.A. No. 49 of 2007 has been filed by the Bank ("Applicant") against M/s R.J. Agri Source ("RJ Agri") and Others ("Defendants") before the Debt Recovery Tribunal for Karnataka, Bangalore ("DRT (Bangalore)"). RJ Agri, a partnership firm registered under the Indian Partnership Act, 1932, trades in commodities and availed a loan from the Bank for an amount of ₹ 200,000,000 *vide* sanction letter dated June 20, 2006. RJ Agri sought an enhancement of the loan amount and the Bank increased the loan amount to ₹ 400,000,000 *vide* sanction letter dated November 9, 2006. On default of repayment by the Defendants to the Bank, a legal notice dated January 28, 2007, was served on the Defendants calling upon them to repay the balance outstanding amount of ₹ 382,887,696 along with an interest of 13.5% per annum due from February 20, 2007. The DRT(Bangalore) *vide* its order dated July 11, 2012 directed the Defendants to pay to the Bank an amount of ₹ 382,887,696 along with

an interest of 13% per annum compounded at monthly rests from February 20, 2007, failing which the Bank may enforce the securities created in favour of the Bank. The case is currently pending before the DRT(Bangalore) for execution of Recovery Certificate. Further the said account has been classified as fraud and the Fraud Monitoring Report was submitted to RBI.

5. An application *vide* O.A. No. 10 of 2012 has been filed by the Bank (“Applicant”) against Shiv Shakti Sulz Private Limited (“Shiv Shakti”) and Others (“Defendants”) before the Debt Recovery Tribunal, Jaipur (“DRT (Jaipur)”). Shiv Shakti had availed credit facilities from the State Bank of Bikaner and Jaipur (“SBBJ”) in the year 2006. Subsequently, Shiv Shakti approached the Bank on November 10, 2010 for credit facilities and takeover of the loan account of Shiv Shakti from SBBJ which was done by the Bank *vide* sanction letter dated February 3, 2011. Shiv Shakti failed to make payments and the Bank served recall notice on Shiv Shakti *vide* its letter dated August 16, 2011. The Bank has sought recovery of a sum of ₹ 115,580,414 from the Defendants along with an interest of 16.15% per annum from September 16, 2011 till the date of repayment. The DRT(Jaipur) *vide* its order dated September 4, 2013 directed the Defendants to pay to the Bank an amount of ₹ 115,580,414.71 along with an interest of 16.15% per annum compounded at monthly rests from September 22, 2011. The case is pending before DRT, Jaipur for execution of Recovery Certificate.
6. An application *vide* O.A. No. 47 of 2013 has been filed by the Bank (“Applicant”) against A Ramasamy, sole proprietor, M/s Sri Sivaganesh Textiles (“Sivaganesh”) and Others (“Defendants”) before the Debt Recovery Tribunal, Coimbatore (“DRT(Coimbatore)”). Sivaganesh *vide* request and application letter dated August 20, 2010, approached the Bank for taking over of Open Cash Credit limit availed by Sivaganesh from Andhra Bank, by enhancing the same to ₹ 45,000,000 and term loan of ₹ 99,200,000. The Bank sanctioned the facilities to Sivaganesh by sanction letter dated November 3, 2010. The Defendants, however, failed to keep the accounts in order and on December 31, 2011, the account of Sivaganesh was classified as Non Performing Asset (“NPA”). Subsequently, recall notice dated June 27, 2012 was issued to the Defendants, however, no payment was made by Sivaganesh upon receiving the notice from the Bank. The Bank has sought recovery of a sum of ₹ 165,057,089 from the Defendants along with an interest of 14.25% per annum from March 7, 2013 till the date of repayment. The matter is currently pending before the DRT(Coimbatore).
7. An application *vide* O.A. No. 136 of 2013 has been filed by the Bank (“Applicant”) against Surya Vinayak Industries Limited (“Surya Vinayak”) and Others (“Defendants”) before the Debt Recovery Tribunal - II, Keshav Kunj, New Delhi (“DRT(Delhi)”). The Bank had sanctioned working capital facilities amounting to ₹ 500,000,000 to the Defendants by sanction letter dated January 13, 2010, which was subsequently renewed on July 6, 2011 and December 8, 2011. The Defendants, however, consistently defaulted in paying the interest/instalments and on September 30, 2012, the account of Defendants was classified as Non Performing Asset (“NPA”). Subsequently, recall notice dated January 30, 2013 was issued to the Defendants, however, no payment was made by Surya Vinayak upon receiving the notice from the Bank. The Bank has sought recovery of a sum of ₹ 611,414,639 from the Defendants along with an interest of 15.50% per annum from April 16, 2013, along with penal interest of 2% per annum, till the date of repayment. The matter is currently pending before the DRT(Delhi). Further the said account has been classified as fraud and the Fraud Monitoring Report was submitted to RBI
8. An application *vide* O.A. No. 136 of 2010 has been filed by the Bank (“Applicant”) against Maa Shree Laxmi Exim Private Limited (“Maa Shree”) and Others (“Defendants”) before the Debt Recovery Tribunal - I, Mumbai (“DRT(Mumbai)”). Maa Shree was granted certain working capital facilities by the Bank amounting to ₹ 250,000,000 *vide* sanction letter dated February 7, 2008. The Defendants defaulted on repayments and a recall notice dated October 19, 2010 was issued to the Defendants by the Bank. However, no payment was made by Maa Shree upon receiving the notice from the Bank. The Bank has sought recovery of a sum of ₹ 481,084,172 from the Defendants along with an interest of 20.25% per annum from September 24, 2010 till the date of repayment. The matter is currently pending before the DRT(Mumbai). Further the said account has been classified as fraud and the Fraud Monitoring Report was submitted to RBI
9. An application *vide* O.A. No. 74 of 2013 has been filed by the Bank (“Applicant”) against Arshiya International Limited (“Arshiya”) and Others (“Respondents”) before the Debt Recovery Tribunal - II, Mumbai (“DRT(Mumbai)”). Arshiya was granted short term loan credit facility by the Bank amounting to ₹ 550,000,000 *vide* sanction letter dated November 29, 2011. The Defendants, however, defaulted

on repayments and were issued a recall notice dated February 1, 2013 by the Bank. However, no payment was made by Arshiya upon receiving the notice from the Bank. The Bank has sought recovery of a sum of ₹ 515,577,137 from the Defendants along with an interest of 18.10% per annum from February 1, 2013 till the date of repayment. The matter is currently pending before the DRT(Mumbai).

10. An application vide O.A No. 470 of 2011 has been filed by the Bank (“Applicant”) against M/s Sanghi Polyesters Private Limited (“Sanghi Polyesters”) and others (“Respondents”) before Debt Recovery Tribunal, Hyderabad (“DRT (Hyderabad)”). Sanghi Polyesters was granted certain working capital facilities by the Bank amounting to ₹17,500,000 under consortium vide sanction Letter dated March 17, 1993. The Defendants, however, defaulted on repayments and were issued a Demand notice dated January 31, 2011 by the Bank. However, no payment was made by Sanghi Polysters upon receiving the notice from the Bank. The Bank has sought recovery of a sum of ₹ 161,539,664.04 from the Defendants along with an interest of 20.25% per annum from August 30, 2013 till the date of repayment. The matter is currently pending before the DRT (Hyderabad).
11. An application vide O.A No.181 of 2012 has been filed by the Bank (“Applicant”) against M/s B & C Machinery Limited (“B & C Machinery”) and others (“Respondents”) before Debt Recovery Tribunal - I, Chennai (“DRT(Chennai)”). B & C Machinery was granted certain working capital facilities by the Bank amounting to ₹ 250,000,000 under consortium vide sanction Letter dated June 16, 2009. The Defendants, however, defaulted on repayments and were issued a Recall notice dated July 19, 2012 by the Bank. However, no payment was made by B & C Machinery upon receiving the notice from the Bank. The Bank has sought recovery of a sum of ₹ 223,458,243 from the Defendants along with an interest of 18.25% per annum from September 01, 2013 till the date of repayment. The matter is currently pending before the DRT (Chennai).
12. An application vide O.A.-443 of 2011, has been filed by the Bank (“Applicant”) against M/s Erica Niramaya Ethicals Private Limited (“Erica”) and others (“Respondents”) before Debt Recovery Tribunal - III, Mumbai (“DRT(Mumbai)”). Erica was granted Usance Bill Discounting facilities by the Bank amounting to ₹ 67,500,000 vide sanction Letter dated July 30, 2009. The Defendants, however, defaulted on repayments and were issued a Recall notice dated July 05, 2010- by the Bank. However, no payment was made by Erica upon receiving the notice from the Bank. The Bank has sought recovery of a sum of ₹ 90,622,984 from the Defendants along with an applicable interest from August 17, 2011 till the date of repayment. The matter is currently pending before the DRT (Mumbai). Further the said account has been classified as fraud and the Fraud Monitoring Report was submitted to RBI.

GOVERNMENT AND OTHER APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the Government of India and various governmental agencies required for our present business and to undertake the Issue and no further material approvals are required for carrying on our present activities. In addition, except as mentioned in this chapter “Government and Other Approvals”, as on the date of this Draft Letter of Offer, there are no pending regulatory and government approvals and no pending material renewals of licenses or approvals in relation to the activities undertaken by us or in relation to the Issue.

I. Approvals for the Issue:

1. Board resolutions dated January 3, 2014 and March 26, 2014 approving the Issue.
2. In-principle approval from BSE dated [●].
3. In-principle approval from NSE dated [●].
4. RBI approval dated [●] received from RBI in relation to renunciation of rights entitlement by and to persons resident outside India.
5. Approval dated [●] from the FIPB for allotting partly paid-up Equity Shares to Non-Resident Eligible Equity Shareholders and Renouncees.

II. Approvals for its business:

Except as stated below under the heading “*Government Approvals*”, we have received the necessary consents, licenses, permissions and approvals from the Government of India and various governmental agencies required for our present business and no further material approvals are required for carrying on our present activities.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue of Equity Shares to the Eligible Equity Shareholders is being made in accordance with the resolution passed by our Board of Directors under Sections 81(1) and other provision of the Companies Act, at its meetings held on January 3, 2014 and March 26, 2014.

The Board of Directors or Committee thereof in their meeting held on [●] have determined the Issue Price as ₹ [●] per Equity Share and the Rights Entitlement as [●] Equity Share(s) for every [●] Equity Share(s) held on the Record Date. The Issue Price has been arrived at in consultation with the Lead Manager.

Prohibition by SEBI or RBI

Neither we, the Promoters, the Promoter Group entities, the Directors nor the persons in control of the corporate Promoters or any other company to which the above persons are associated as promoters, directors or persons in control, have been prohibited from accessing or operating in the capital markets, or restrained from buying, selling or dealing in securities under any order or direction passed by the SEBI.

All the directors of the Bank are associated with the capital markets as the Bank is registered as a Depository Participant with NSDL and the Bank is registered as a Banker to the Issue. Except as stated above, none of the directors of the Bank are associated with the capital market in any manner. SEBI has not initiated action against any entity with which the Directors are associated.

Further neither us, the Promoters, the Promoter Group entities, the Group Companies nor the relatives of the Promoters have been declared willful defaulters by the RBI or any other authority and no violations of securities laws have been committed by them in the past and no proceedings in relation to such violations are currently pending against them.

Except as stated in the chapter titled “*Our Management*” on page 91, none of our directors hold current or have held directorships in the last five years in a listed company whose shares have been suspended from trading on BSE or NSE or in a listed company that has been/ was delisted from any stock exchange.

Eligibility for the Issue

We are an existing Bank registered under the Companies Act, Banking Regulation Act, 1949, as amended and our Equity Shares are listed on BSE and NSE. We are eligible to undertake the Issue in terms of Chapter IV of the SEBI ICDR Regulations.

We are eligible to make disclosures in this Draft Letter of Offer as per clause (5) Part E of Schedule VIII of the SEBI ICDR Regulations as we are in compliance with the following:

- (a) we have been filing periodic reports, statements and information in compliance with the listing agreement for the last three years immediately preceding the date of filing this Letter of Offer with SEBI;
- (b) the reports, statements and information referred to in sub-clause (a) above are available on the website of the BSE and the NSE which are recognised stock exchange with nationwide trading terminals;
- (c) we have an investor grievance-handling mechanism which includes meeting of the Shareholders’ or Investors’ Grievance Committee at frequent intervals, appropriate delegation of power by the Board as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT LETTER OF OFFER. THE LEAD MANAGER, AXIS CAPITAL LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DRAFT LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER, AXIS CAPITAL LIMITED, HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MARCH 26, 2014 WHICH READS AS FOLLOWS:

- (1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE ISSUE;**
- (2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE BANK, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE BANK, WE CONFIRM THAT:**
 - (a) THE DRAFT LETTER OF OFFER FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
 - (b) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ ISSUED BY SEBI, THE GOVERNMENT OF INDIA AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
 - (c) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**
- (3) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH SEBI AND THAT UNTIL DATE SUCH REGISTRATION IS VALID.**
- (4) WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS – NOTED FOR COMPLIANCE.**
- (5) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD**

STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS/ RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS/ RED HERRING PROSPECTUS – NOT APPLICABLE

- (6) WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS / RED HERRING PROSPECTUS – NOT APPLICABLE
- (7) WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE – NOT APPLICABLE
- (8) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE BANK FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE OBJECTS LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE BANK AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
- (9) WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE DRAFT LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. – NOTED FOR COMPLIANCE, SUBJECT TO COMPLIANCE WITH REGULATION 56 OF THE SEBI ICDR REGULATIONS
- (10) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.
- (11) WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
- (12) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:
 - (a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE BANK; AND

- (b) **AN UNDERTAKING FROM THE BANK THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY SEBI FROM TIME TO TIME.**
- (13) **WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**
- (14) **WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.**
- (15) **WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**
- (16) **WE ENCLOSE STATEMENT ON ‘PRICE INFORMATION OF PAST ISSUES HANDLED BY MERCHANT BANKER BELOW (WHO IS RESPONSIBLE FOR PRICING THIS ISSUE)’, AS PER FORMAT SPECIFIED BY SEBI THROUGH THE CIRCULAR DATED SEPTEMBER 27, 2011 – NOT APPLICABLE**
- (17) **WE CERTIFY THAT PROFITS FROM RELATED PARTY TRANSACTIONS HAVE ARISED FROM LEGITIMATE BUSINESS TRANSACTIONS.**

THE FILING OF THIS DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE BANK FROM ANY LIABILITIES UNDER SECTION 34 OR SECTION 36 OF THE COMPANIES ACT, 2013 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THIS DRAFT LETTER OF OFFER.

Caution

Disclaimer clauses from the Bank and the Lead Manager

We and the Lead Manager accept no responsibility for statements made otherwise than in this Draft Letter of Offer or in any advertisement or other material issued by us or by any other persons at our instance and anyone placing reliance on any other source of information would be doing so at his own risk.

We and the Lead Manager shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer with SEBI.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Draft Letter of Offer. You must not rely on any unauthorized information or representations. This Draft Letter of Offer is an offer to sell only the Equity Shares and rights to purchase the Equity Shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Draft Letter of Offer is current only as of its date.

Investors who invest in the Issue will be deemed to have represented to us and Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares, and are relying on independent advice/ evaluation as to their ability and quantum of investment in the Issue.

Disclaimer with respect to jurisdiction

This Draft Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations thereunder. Any disputes arising out of the Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

Designated Stock Exchange

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

Disclaimer Clause of BSE

As required, a copy of this Draft Letter of Offer has been submitted to the BSE. The Disclaimer Clause as intimated by the BSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to filing with the Stock Exchanges.

Disclaimer Clause of NSE

As required, a copy of this Draft Letter of Offer has been submitted to the NSE. The Disclaimer Clause as intimated by the NSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to filing with the Stock Exchanges.

Filing

This Draft Letter of Offer has been filed with the Corporation Finance Department of the SEBI, located at Mumbai, India for its observations. After SEBI gives its observations, the Letter of Offer will be filed with the Designated Stock Exchange as per the provisions of the Companies Act.

Selling Restrictions

The distribution of this Draft Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by the legal requirements prevailing in those jurisdictions. Persons into whose possession this Draft Letter of Offer may come are required to inform themselves about and observe such restrictions. We are making this Issue of Equity Shares on a rights basis to our Eligible Equity Shareholders and will dispatch the Letter of Offer/ Abridged Letter of Offer and CAFs to the Eligible Equity Shareholders who have provided an Indian address.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Draft Letter of Offer is filed with SEBI for observations. Accordingly, the rights or Equity Shares may not be offered or sold, directly or indirectly, and this Draft Letter of Offer may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction.

Receipt of this Draft Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, under those circumstances, this Draft Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Draft Letter of Offer should not, in connection with the issue of the rights or Equity Shares or rights, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Draft Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the rights referred to in this Draft Letter of Offer.

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

IMPORTANT INFORMATION FOR INVESTORS – ELIGIBILITY AND TRANSFER RESTRICTIONS

As described more fully below, there are certain restrictions regarding the rights and Equity Shares that affect potential investors. These restrictions are restrictions on the ownership of Equity Shares by such persons following the offer.

The rights and the Equity Shares have not been and will not be registered under the Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) (“U.S. Persons”) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The rights and the Equity Shares have not been and will not be registered, listed or otherwise qualified in any jurisdiction outside India and may not be offered or sold, and bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Until the expiry of 40 days after the commencement of the Issue, an offer or sale of rights or Equity Shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the Securities Act.

Eligible Investors

The rights or Equity Shares are being offered and sold only to persons who are outside the United States and are not U.S. Persons, nor persons acquiring for the account or benefit of U.S. Persons, in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. All persons who acquire the rights or Equity Shares are deemed to have made the representations set forth immediately below.

Equity Shares and Rights Offered and Sold in this Issue

Each purchaser acquiring the rights or Equity Shares, by its acceptance of this Draft Letter of Offer and of the rights or Equity Shares, will be deemed to have acknowledged, represented to and agreed with us and the Lead Manager that it has received a copy of this Draft Letter of Offer and such other information as it deems necessary to make an informed investment decision and that:

- (1) the purchaser is authorized to consummate the purchase of the rights or Equity Shares in compliance with all applicable laws and regulations;
- (2) the purchaser acknowledges that the rights and Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and, accordingly, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (3) the purchaser is purchasing the rights or Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the Securities Act;
- (4) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the rights or Equity Shares, is a non-U.S. Person and was located outside the United States at each time (i) the offer was made to it and (ii) when the buy order for such rights or Equity Shares was originated, and continues to be a non-U.S. Person and located outside the United States and has not purchased such rights or Equity Shares for the account or benefit of any U.S. Person or any person in the United States or entered into any arrangement for the transfer of such rights or Equity Shares or any economic interest therein to any U.S. Person or any person in the United States;
- (5) the purchaser is not an affiliate of the Bank or a person acting on behalf of an affiliate;
- (6) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such rights or Equity Shares, or any economic interest therein, such rights or Equity Shares or any economic interest therein

may be offered, sold, pledged or otherwise transferred only (A) outside the United States in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act and (B) in accordance with all applicable laws, including the securities laws of the states of the United States. The purchaser understands that the transfer restrictions will remain in effect until the Bank determines, in its sole discretion, to remove them, and confirms that the proposed transfer of the rights or Equity Shares is not part of a plan or scheme to evade the registration requirements of the Securities Act;

- (7) the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any “directed selling efforts” as defined in Regulation S under the Securities Act in the United States with respect to the rights or the Equity Shares;
- (8) the purchaser understands that such rights or Equity Shares (to the extent they are in certificated form), unless the Bank determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

- (9) the purchaser agrees, upon a proposed transfer of the rights or the Equity Shares, to notify any purchaser of such rights or Equity Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the rights or Equity Shares being sold;
- (10) the Bank will not recognize any offer, sale, pledge or other transfer of such rights or Equity Shares made other than in compliance with the above-stated restrictions; and
- (11) the purchaser acknowledges that the Bank, the Lead Manager, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such rights or Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of such rights or Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Each person in a Member State of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”) who receives any communication in respect of, or who acquires any rights or Equity Shares under, the offers contemplated in this Draft Letter of Offer will be deemed to have represented, warranted and agreed to and with each Lead Manager and the Bank that in the case of any rights or Equity Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive:

- (i) the rights or Equity Shares acquired by it in the placement have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Lead Manager has been given to the offer or resale; or
- (ii) where rights or Equity Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those rights or Equity Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an “offer of Equity Shares to the public” in relation to any of the rights or Equity Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and the rights or Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the rights or Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Listing

The existing Equity Shares are listed on the BSE and the NSE. We have made applications to the BSE and the NSE for obtaining in-principle approval in respect of the Rights Issue Equity Shares. We will apply to the BSE and the NSE for listing and trading of the Rights Issue Equity Shares.

If the permission to deal in and for an official quotation of the securities is not granted by any of the Stock Exchanges mentioned above, we shall forthwith repay, without interest, all monies received from applicants in pursuance of the Letter of Offer.

We will issue and dispatch Allotment advice/ share certificates/demat credit and/or letters of regret along with refund order or credit the Allotted Equity Shares to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date.

If such money is not repaid beyond eight days after our Company becomes liable to repay it, i.e., the date of refusal of an application for such a permission from a Stock Exchange, or on expiry of 15 days from the Issue Closing Date in case no permission is granted, whichever is earlier, then our Company and every Director who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest as per applicable law.

Consents

Consents in writing of the Directors, the Auditor, the Lead Manager, the Legal Counsel, the Registrar to the Issue and the Bankers to the Issue to act in their respective capacities have been obtained and such consents have not been withdrawn up to the date of this Draft Letter of Offer.

Sagar & Associates, our Auditors, have given their written consent for the inclusion of their report appearing in this Draft Letter of Offer and such consent and report have not been withdrawn up to the date of this Draft Letter of Offer.

Expert

Except as stated below, our Bank has not obtained any expert opinions:

Our Bank has received written consent from the Auditor namely, Sagar & Associates, Chartered Accountants to include its name as an expert under Section 58 of the Companies Act in this Draft Letter of Offer in relation to the report of the Auditor on Reformatted Financial Statements dated January 18, 2014 and January 18, 2014 Examination Report on the Unaudited Limited Reviewed Interim Financial Statements for half year ended September 30, 2013, statement of tax benefits dated January 18, 2014 included in this Draft letter of Offer and such consent has not been withdrawn as of the date of this Draft Letter of Offer. However, the term “expert” shall not be construed to mean an “expert” as defined under the Securities Act.

Issue Related Expenses

The Issue related expenses include, *inter alia*, Lead Manager’s fee, printing and distribution expenses, advertisement and marketing expenses and Registrar, legal and depository fees and other expenses and are estimated at ₹ [●] (approximately [●] % of the total Issue size) and will be met out of the proceeds of the Issue.

(in ₹ million)			
Activity	Expense*	Expense (% of total expenses)*	Expense (% of Issue Size)*
Fees of lead manager, bankers to the Issue, legal advisor, registrar to the Issue and out of pocket expenses	[●]	[●]	[●]
Expenses relating to advertising, printing, distribution, marketing and stationery expenses	[●]	[●]	[●]
Regulatory fees, filing fees, listing fees, depository fees, auditor fees and miscellaneous expenses	[●]	[●]	[●]
Total estimated Issue expenses	[●]	[●]	[●]

**Amount will be finalized at the time of filing the Letter of Offer and determination of Issue Price and other details.*

Investor Grievances and Redressal System

We have adequate arrangements for the redressal of investor complaints in compliance with the corporate governance requirements under the Listing Agreements. Additionally, we have been registered with the SEBI Complaints Redress System (“**SCORES**”) as required by the SEBI Circular no. CIR/ OIAE/ 2/ 2011 dated June 3, 2011. The share transfer and dematerialization for us is being handled by Integrated Enterprises (India) Limited, Registrar and Share Transfer Agent, which is also the Registrar to the Issue. Letters are filed category wise after being attended to. All investor grievances received by us have been handled by the Registrar and Share Transfer agent in consultation with the compliance officer.

Our Share Transfer and Investors’ Grievance Committee comprises of Shri K.R.Pradeep, Director as the Chairman and Directors Shri N.Saiprasad and Shri R.Sharan as members. Our Share Transfer and Investors’ Grievance Committee oversees the reports received from the Registrar and Share Transfer agent and facilitates the prompt and effective resolution of complaints from our shareholders and investors.

Investor Grievances arising out of the Issue

The investor grievances arising out of the Issue will be handled by Integrated Enterprises (India) Limited, the Registrar to the Issue. The Registrar will have a separate team of personnel handling post-Issue correspondences only.

All grievances relating to the Issue may be addressed to the Registrar to the Issue or the SCSB in case of ASBA Applicants giving full details such as folio no. / demat account no., name and address, contact telephone/ cell numbers, email id of the first applicant, number of Equity Shares applied for, CAF serial number, amount paid on application and the name of the bank/ SCSB and the branch where the CAF was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished.

The Bank is registered with the SEBI Complaints Redress System (“**SCORES**”) as required by the SEBI Circular no. CIR/ OIAE/ 2/ 2011 dated June 3, 2011. Consequently, investor grievances are tracked online by us.

The average time taken by the Registrar for attending to routine grievances will be within 30 days from the date of receipt of complaints. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to attend to them as expeditiously as possible. We undertake to resolve the Investor grievances in a time bound manner.

Registrar to the Issue

Integrated Enterprises India Limited

II Floor, ‘Kences Towers’

No.1 Ramakrishna Street,

North Usman Road, T Nagar,

Chennai – 600 017

Tel.: + 91 44 28140801

Fax : + 91 44 28142479

E-mail: lvb@integratedindia.in

Investor Grievance E-mail: sureshbabu@integratedindia.in

Website: www.integratedindia.in

Contact Person: Mr. S. Sriram

SEBI Registration No: INR 000000544

Investors may contact the Compliance Officer in case of any pre-Issue/ post -Issue related problems such as non-receipt of Allotment advice/ share certificates/ demat credit/ refund orders etc. The contact details of the Compliance Officer are as follows:

Mr. N. Ramanathan

The Lakshmi Vilas Bank Limited

Salem Road, Kathapara

P.O. Karur – 639006

Tamil Nadu

Tel: (04324) 220051- 60

Fax: (04324) 223607

Website: <http://www.lvbank.com/>

Email: Ramanathan.Natarajan@lvbank.in

Status of Complaints

- (a) Total number of complaints received during Fiscal 2011: 5 Complaints
- (b) Total number of complaints received during Fiscal 2012: Nil Complaints
- (c) Total number of complaints received during Fiscal 2013: 1 Complaints
- (d) Time normally taken for disposal of various types of investor complaints:
- (e) Share transfer process: Within 10 days after receiving full set of documents
Share transmission process: Within 10 days after receiving full set of documents
Other Complaints: Within 10 to 15 days from the receipt of the Complaint

Status of outstanding investor complaints

As on February 28, 2014, there were no outstanding investor complaints.

Changes in Auditors during the last three years

There has been no change in Auditors during last three years.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue, we 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 Company shall pay interest for the delayed period at rates prescribed under applicable laws. The above is subject to the terms mentioned under the section titled 'Terms of the Issue - Basis of Allotment' on page 191.

SECTION IX – OFFERING INFORMATION

TERMS OF THE ISSUE

The Rights Issue Equity Shares proposed to be issued are subject to the terms and conditions contained in this Draft Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, including the CAF, FIPB approval, the Memorandum of Association and Articles of Association, the provisions of the Companies Act, the terms and conditions as may be incorporated in the FEMA, applicable guidelines and regulations issued by SEBI and RBI, or other statutory authorities and bodies from time to time, the Listing Agreements entered into by us, terms and conditions as stipulated in the allotment advice or security certificate and rules as may be applicable and introduced from time to time. All rights/ obligations of Equity Shareholders in relation to application and refunds pertaining to this Issue shall apply to the Renouncee(s) as well.

Please note that, in terms of SEBI circular CIR/CFD/DIL/1/ 2011 dated April 29, 2011, all QIB applicants, Non-Institutional Investors (applicants whose application amount exceeds ₹ 200,000) complying with the eligibility conditions of SEBI circular dated December 30, 2009 can participate in the Issue only through the ASBA process. The Investors who are (i) not QIBs, (ii) not Non-Institutional Investors, or (iii) investors whose application amount is less than ₹ 200,000 can participate in the Issue either through the ASBA process or the non ASBA process. ASBA Investors should note that the ASBA process involves application procedures that may be different from the procedure applicable to non ASBA process. ASBA Investors should carefully read the provisions applicable to such applications before making their application through the ASBA process. For details, please see “*Procedure for Application through the Applications Supported by Blocked Amount (“ASBA”) Process*” on page 182 of this Draft Letter of Offer. Notwithstanding anything contained hereinabove, all Renouncees (including Renouncees who are Individuals) shall apply in the Issue only through the non-ASBA process.

Further, in terms of the SEBI circular CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for ASBA applications. SCSBs applying in the Issue using the ASBA facility shall be responsible for ensuring that they have a separate account in its own name with any other SCSB having clear demarcated funds for applying in the Issue and that such separate account shall be used as the ASBA Account for the application, for ensuring compliance with the applicable regulations.

Please note that in terms of the SEBI (Foreign Portfolio Investors) Regulations, 2014 (“**SEBI FPI Regulations**”), foreign institutional investor or qualified foreign investor who holds a valid certificate of registration shall be deemed to be a foreign portfolio investor till the expiry of the block of three years for which fees have been paid as per the SEBI (Foreign Institutional Investors) Regulations, 1995.

Basis for the Issue

The Rights Issue Equity Shares are being offered for subscription for cash to those existing equity shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories for the purpose of this Rights Issue in respect of the Equity Shares held in the electronic form and on the Register of Members in respect of the Equity Shares held in physical form at the close of business hours on the Record Date, fixed in consultation with the Designated Stock Exchange.

Rights Entitlement

As your name appears as a beneficial owner in respect of the Equity Shares held in the electronic form or appears in the register of members as an Equity Shareholder as on the Record Date, i.e., [●], you are entitled to the number of Rights Issue Equity Shares as set out in Part A of the CAFs.

The distribution of this Draft Letter of Offer and the issue of the Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Draft Letter of Offer or CAF may come are required to inform themselves about and observe such restrictions. We are making the issue of the Equity Shares on a rights basis to the Equity Shareholders and the Letter of Offer, the Abridged Letter of Offer and the CAFs will be dispatched only to those Equity Shareholders who have a registered address in India or who have provided an Indian address. Any person

who acquires Rights Entitlements or the Rights Issue Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer, the Abridged Letter of Offer and the CAFs, that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States and in other restricted jurisdictions.

PRINCIPAL TERMS OF THE EQUITY SHARES ISSUED UNDER THIS ISSUE

Face Value

Each Equity Share will have the face value of ₹ 10.

Issue Price

The Issue Price has been arrived at by us in consultation with the Lead Manager.

Rights Entitlement Ratio

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

Terms of Payment

The Issue Price is ₹ [●] per Equity Share. Investors are required to pay Issue Price as below:

Payment Method*			
Amount payable per Equity Share (in ₹)			
	Face Value	Premium	Total
On Application	[●]	[●]	[●]
On Call	[●]	[●]	[●]
Total	[●]	[●]	[●]

* See risk factor title “Investment in partly paid Equity Shares in the Issue is exposed to certain risks” on page 17 for risks associated with the Payment Method.

While making the Application, the Investor shall make a payment, or in case the Investor is applying under the ASBA process, instruct the relevant SCSB to block funds in the ASBA Account, equivalent to the Application Money, calculated on the basis of the Issue Price of ₹ [●] per Equity Share. Out of the Application Money of ₹ [●] per Equity Share, ₹ [●] per Equity Share shall be adjusted towards the face value of the Equity Shares per Equity Share and ₹ [●] shall be adjusted towards the share premium account per Equity Share. Accordingly, out of the Call Money of ₹ [●], ₹ [●] per Equity Share shall be adjusted towards the face value of the Equity Shares per Equity Share and ₹ [●] shall be adjusted towards the share premium account per Equity Share.

Notices for the payment of the Call Money shall be given by our Bank to the holders of the partly paid-up Equity Shares on the Call Record Date, provided that such notice is given in writing at least 14 days prior to the date of the Call.

In terms of Regulation 17 of the SEBI Regulations, our Bank shall ensure that the Call is completed within 12 months from the date of the Allotment. In case an Investor fails to pay the amount of the Call within the said 12 months from the date of the Allotment, the Equity Shares in respect of which any amount of the Call remains outstanding shall be forfeited, along with the Application Money already paid.

The Equity Shares in respect of which the balance amount payable remains unpaid on Call, may be forfeited, along with the Application Money already paid, by our Bank at any time after the due date for payment of such balance amount due, after giving a prior notice of at least 14 days.

Any amount paid on Application in excess of the Application Money shall be adjusted towards the Call Money, if such amount does not exceed the Call Money payable, subject to the provisions of the Companies Act. In the event the amount paid on Application in excess of the Application Money exceeds the Call Money payable, an amount equivalent to the Call Money payable out of such excess amount shall be adjusted towards the Call Money as abovementioned, and the balance amount shall be refunded, as provided for in “Payment of Refund” on page 192.

Where an applicant has applied for additional Rights Equity Shares and is allotted lesser number of Rights Equity Shares than applied for, the excess application money shall be refunded. The excess application monies would be refunded within 15 days from the closure of the Issue. If there is a delay beyond 8 days from the stipulated period (15 days from the closure of the Issue) our Bank shall be punishable with a fine which shall not be less than five lakh rupees but which may extend to fifty lakh rupees and every officer of our Bank in default shall be punishable with imprisonment for a term of one year or with fine which shall not be less than fifty thousand rupees but may extend to three lakh rupees or with both in accordance with Section 40 (5) of the Companies Act, 2013.

Fractional Entitlements

The Equity Shares are being offered on a rights basis to the existing Equity Shareholders in the ratio of [●] Equity Shares for every [●] Equity Shares held as on the Record Date. For Equity Shares being offered on a rights basis under this Issue, if the shareholding of any of the Equity Shareholders is less than [●] Equity Shares or is not in a multiple of [●] Equity Shares, the fractional entitlement of such Equity Shareholders shall be ignored for computation of the Rights Entitlement. However, Equity Shareholders whose fractional entitlements are being ignored will be given preference in the allotment of [●] additional Equity Share each, if such Equity Shareholders have applied for additional Equity Shares over and above their Rights Entitlement.

For example, if an Equity Shareholder holds [●] Equity Shares, he will be entitled to [●] Equity Shares on a rights basis. He will also be given a preferential consideration for the Allotment of one additional Equity Share if he has applied for the same.

Also, those Equity Shareholders holding less than [●] Equity Shares and therefore entitled to 'Zero' Rights Issue Equity Shares under this Issue shall be despatched a CAF with 'Zero' entitlement. Such Equity Shareholders are entitled to apply for additional Rights Issue Equity Shares and would be given preference in the allotment of [●] additional Rights Issue Equity Share if, such Equity Shareholders have applied for the additional Rights Issue Equity Shares. However, they cannot renounce the same to third parties. CAFs with zero entitlement shall be non-negotiable/ non – renunciable.

Ranking

The Equity Shares being issued shall be subject to the provisions of our Memorandum of Association and Articles of Association. The Equity Shares issued under this Issue shall rank *pari passu*, in all respects including dividend, with our existing Equity Shares, provided that voting rights and dividend payable shall be in proportion to the paid-up value of Equity Shares held. In terms of Article 9(1) of the Articles of Association, money paid in advance of calls shall not confer a right to dividend or participation in profits of our Bank..

Mode of payment of dividend

In the event of declaration of dividend, we shall pay dividend to Equity Shareholders as per the provisions of the Companies Act and the provisions of our Articles of Association.

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

Our existing Equity Shares are currently listed and traded on BSE (Scrip Code: LAKSHVILAS) and the NSE (Scrip Code: LAKSHVILAS) under the ISIN –INE694C01018. In addition to the ISIN for the existing Equity Shares, our Bank shall obtain separate ISIN for the partly paid-up Equity Shares.

The listing and trading of the Equity Shares shall be based on the current regulatory framework applicable thereto. Accordingly, any change in the regulatory regime would affect the schedule. Upon Allotment, the Equity Shares shall be traded on Stock Exchanges in the demat segment only.

The partly paid-up Equity Shares offered pursuant to the Issue shall be listed and traded under a separate ISIN for the period prior to the record dates for the Call. On the record date for the Call, the trading of the partly paid-up Equity Shares shall be terminated. The process of corporate action for crediting the fully paid-up Equity Shares to the Investors demat accounts may take about two weeks from the last date of payment of money under the notice for the Call. On payment of the Call Money, the partly paid-up Equity Shares shall be converted into fully paid-up Equity Shares and will trade under the ISIN for the existing Equity Shares. The Equity Shares, in

respect of which the balance amount payable remains unpaid may be forfeited, along with the Application Money already paid, at any time after the due date for payment of the balance amount due, with prior notice of at least 14 days.

We have made an application for “in-principle” approval for listing of the Equity Shares to the BSE and the NSE and have received such approval from the BSE and the NSE pursuant to the letter numbers [●] and [●], dated [●] and [●], respectively. We will apply to the BSE and the NSE for final approval for the listing and trading of the Equity Shares. All steps for the completion of the necessary formalities for listing and commencement of trading of the Equity Shares to be allotted pursuant to the Issue shall be taken as soon as possible from the finalisation of the basis of allotment but not later than 7 working days of finalization of basis of allotment. The Equity Shares proposed to be issued on a rights basis shall be listed and admitted for trading on the BSE and the NSE under the existing ISIN for Equity Shares.

Rights of the Equity Shareholder

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

- Right to receive dividend, if declared. The dividend payable on partly-paid-up Equity Shares until fully paid-up shall rank for dividend in proportion to the amount paid-up;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right to free transferability of Equity Shares; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum of Association and Articles of Association.

General Terms of the Issue

Market Lot

The market lot for the Equity Shares in dematerialised mode is one Equity Share. In case an Equity Shareholder holds Equity Shares in physical form, we would issue to the allottees one certificate for the Equity Shares allotted to each folio (“Consolidated Certificate”). In respect of Consolidated Certificates, we will upon receipt of a request from the respective Equity Shareholders, split such Consolidated Certificates into smaller denominations within one week’s time from the receipt of the request in respect thereof. We shall not charge a fee for splitting any of the Consolidated Certificates.

Joint Holders

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

Nomination

In terms of Section 109A of the Companies Act, nomination facility is available in respect of the Equity Shares. An Investor can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

In case of Equity Shareholders who are individuals, a sole Equity Shareholder or the first named Equity Shareholder, along with other joint Equity Shareholders, if any, may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon

the sale of the Equity Shares by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. Fresh nominations can be made only in the prescribed form available on request at our Registered Office or such other person at such addresses as may be notified by us. The Investor can make the nomination by filling in the relevant portion of the CAF. In terms of Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Only one nomination would be applicable for one folio. Hence, in case the Equity Shareholder(s) has already registered the nomination with us, no further nomination needs to be made for Equity Shares that may be allotted in this Issue under the same folio.

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

Offer to Non Resident Eligible Equity Shareholders/ Investors

Applications received from NRs for Equity Shares under the Issue shall be *inter alia*, subject to the conditions laid down in the FIPB Approval and the conditions imposed from time to time by the RBI under FEMA, including the regulations relating to QFIs, in the matter of receipt and refund of Application Money, Allotment, issue of letters of Allotment/ allotment advice/ share certificates, payment of interest and dividends. General permission has been granted to any person resident outside India to purchase shares offered on a rights basis by an Indian company in terms of FEMA and Regulation 6 of notification No. FEMA 20/2000-RB dated May 3, 2000. Our Board of Directors may, at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the Issue. The Equity Shares purchased on a rights basis by Non-Residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original equity shares against which equity shares are issued on a right basis.

We will make an application to FIPB for seeking its approval to Allot partly paid-up Equity Shares to Non-Resident Eligible Equity Shareholders and Renouncees (including FIIs and NRIs).

Notices

All notices to the Equity Shareholder(s) required to be given by us shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and one regional language daily newspaper with wide circulation in the state where our registered office is located and/ or will be sent by ordinary post/ registered post/ speed post to the registered address of the Equity Shareholders in India or the Indian address provided by the Equity Shareholders, from time to time.

Subscription by the Promoter and Promoter Group

Ms M R Sasikaladhevi, one of our Promoter Group has not given confirmation with respect to her intention to participate in the Rights Issue. For more details please refer to chapter titled "Risk Factors" on page 30. Other than the above, our Promoters have confirmed that, they along with their respective Promoter Group Entities (except N Susila) intend to subscribe to their Rights Entitlement in full in the Issue, in compliance with regulation 10 (4) of Takeover Regulations. Our Promoters have also confirmed that they along with the Promoter Group (except N Susila) intend to (i) subscribe to additional Equity Shares, and (ii) subscribe for unsubscribed portion in the Issue, if any. Such subscription to additional Equity Shares and the unsubscribed portion, if any, shall be in accordance with regulation 10 (4) of Takeover Regulations and in accordance with RBI directive the total shareholding of the Promoter and Promoter Group will not exceed 10% of the post

issue Equity Share Capital of the Bank.

Such subscription for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding. Any such acquisition of additional Equity Shares of the Bank shall not result in a change of control of the management of the bank in accordance with provisions of the Takeover Code and shall be exempt in terms of Regulation 10 (4) (a) and (b) of the Takeover Code.

For details, please see chapter titled “*Terms of the Issue - Basis of Allotment*” on page 191 of this Draft Letter of Offer.

Procedure for Application

The CAF for Rights Issue Equity Shares offered as a part of the Issue would be printed for all Eligible Equity Shareholders. In case the original CAFs are not received by the Eligible Equity Shareholders or is misplaced by the Eligible Equity Shareholders, the Eligible Equity Shareholders may request the Registrar to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. In case the signature of the Eligible Equity Shareholder(s) does not match with the specimen registered with us, the application is liable to be rejected.

Please note that neither the Bank nor the Registrar shall be responsible for delay in the receipt of the CAF/ duplicate CAF attributable to postal delays or if the CAF/ duplicate CAF are misplaced in the transit.

Please note that QIB applicants, Non-Institutional Investors and other applicants whose application amount exceeds ₹ 200,000 can participate in the Issue only through the ASBA process, subject to their fulfilling the eligibility conditions to be an ASBA Investor. Further all QIB applicants and Non-Institutional Investors are mandatorily required to use ASBA, even if application amount does not exceed ₹ 200,000, subject to their fulfilling the eligibility conditions to be an ASBA Investor. The Investors who are (i) not QIBs, (ii) not Non-Institutional Investors or (iii) investors whose application amount is less than ₹ 200,000 can participate in the Issue either through the ASBA process or the non ASBA process.

Please also note that by virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies (“OCBs”) have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Any Equity Shareholder being an OCB is required to obtain prior approval from RBI for applying to this Issue.

The CAF consists of four parts:

- Part A: Form for accepting the Equity Shares offered as a part of this Issue, in full or in part, and for applying for additional Equity Shares;
- Part B: Form for renunciation of Equity Shares;
- Part C: Form for application of Equity Shares by Renouncee(s);
- Part D: Form for request for split Application forms.

Option available to the Equity Shareholders

The CAFs will clearly indicate the number of Rights Issue Equity Shares that the Shareholder is entitled to.

If the Eligible Equity Shareholder applies for an investment in the Rights Issue Equity Shares, then he can:

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

Acceptance of the Issue

You may accept the offer to participate and apply for the Rights Issue Equity Shares, either in full or in part without renouncing the balance by filling Part A of the CAFs and submit the same along with the application money payable to the collection branches of the Banker to the Issue as mentioned on the reverse of the CAFs before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors in this regard. Investors at centres not covered by the branches of the Banker to the Issue can send their CAFs together with the cheque drawn at par on a local bank at Chennai/ demand draft payable at Chennai to the Registrar to the Issue by registered post / speed post so as to reach the Registrar to the Issue prior to the Issue Closing Date. Please note that neither the Bank nor the Lead Manager nor the Registrar to the Issue shall be responsible for delay in the receipt of the CAF attributable to postal delays or if the CAF is misplaced in transit. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected. For further details on the mode of payment, please see the headings “*Mode of Payment for Resident Equity Shareholders/ Investors*” and “*Mode of Payment for Non-Resident Equity Shareholders/ Investors*” on page 201 of this Draft Letter of Offer.

Additional Equity Shares

You are eligible to apply for additional Rights Issue Equity Shares over and above your Rights Entitlement, provided that you are eligible to apply under applicable law and have applied for all the Rights Issue Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Rights Issue Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, subject to sectoral caps and in consultation if necessary with the Designated Stock Exchange and in the manner prescribed under “*Terms of the Issue - Basis of Allotment*” on page 191 of this Draft Letter of Offer.

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

Where the number of additional Rights Issue Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Renunciation

This Issue includes a right exercisable by you to renounce the Rights Issue Equity Shares offered to you either in full or in part in favour of any other person or persons. Your attention is drawn to the fact that we shall not Allot and/ or register the Rights Issue Equity Shares in favour of more than three persons (including joint holders), partnership firm(s) or their nominee(s), minors, HUF, any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act, 1882 or any other applicable law relating to societies or trusts and is authorized under its constitution or bye-laws to hold Equity Shares, as the case may be). Additionally, existing Equity Shareholders may not renounce in favour of persons or entities in the United States, or to, or for the account or benefit of a “U.S. Person” (as defined in Regulation S), or who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities laws.

We made an application to the RBI vide our letter dated [●], to seek approval to permit renunciation of Rights Issue Equity Shares from a resident Equity Shareholder to a non-resident (other than OCB), from non-resident Equity Shareholder (other than OCB) to a resident and from non-resident Equity Shareholder (other than OCB) to another non-resident (other than OCB).

Any renunciation other than as stated above is subject to the renouncer(s)/renouncee(s) obtaining the approval of the FIPB and/or necessary permission of the RBI under the FEMA and such permissions should be attached to the CAF or SAF. In case of Applications which are not accompanied by the aforesaid approvals, our Board reserves the right to reject such CAF or SAF.

Renunciations by OCBs

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies

("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the existing Equity Shareholders who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of Renouncee shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non-resident entities in terms of Regulation 5(1) of RBI Notification No.20/ 2000-RB dated May 3, 2000 under FDI Scheme with the prior approval of Government if the investment is through Government Route and with the prior approval of RBI if the investment is through Automatic Route on case by case basis. Shareholders renouncing their rights in favour of OCBs may do so provided such Renouncee obtains a prior approval from the RBI. On submission of such approval to us at our Registered Office, the OCB shall receive the Abridged Letter of Offer and the CAF.

Part 'A' of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part 'B' of the CAF) duly filled in shall be conclusive evidence for us of the fact of renouncement to the person(s) applying for Equity Shares in Part 'C' of the CAF for the purposes of Allotment of such Equity Shares. The Renouncees applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares. Part 'A' of the CAF must not be used by the Renouncee(s) as this will render the application invalid. Renouncee(s) will have no further right to renounce any Equity Shares in favour of any other person.

Procedure for renunciation

To renounce all the Equity Shares offered to an Equity Shareholder in favour of one Renouncee

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

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

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer under this Issue in favour of two or more Renouncees, the CAF must be first split into requisite number of SAFs. Please indicate your requirement of SAFs in the space provided for this purpose in Part 'D' of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for SAFs. On receipt of the required number of SAFs from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not match with the specimen registered with us/ Depositories, the application is liable to be rejected.

Renouncee(s)

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

Change and/ or introduction of additional holders

If you wish to apply for the Rights Issue Equity Shares jointly with any other person(s), not more than three (including you), who is/ are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that the Board of Directors shall be entitled in its absolute discretion to reject the request for Allotment from the Renouncee(s) without assigning

any reason thereof.

Instructions for Options

The summary of options available to the Eligible Equity Shareholder is presented below. You may exercise any of the following options with regard to the Rights Issue Equity Shares offered, using the CAF:

Sr. No	Option Available	Action Required
i.	Accept whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A (All joint holders must sign)
ii.	Accept your Rights Entitlement in full and apply for additional Rights Issue Equity Shares	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)
iii.	Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s)	Fill in and sign Part D (all joint holders must sign) requesting for SAFs. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for SAFs. Splitting will be permitted only once.
	OR	On receipt of the SAF take action as indicated below.
	Renounce your Rights Entitlement of all the Rights Issue Equity Shares offered to you to more than one Renouncee	For the Equity Shares you wish to accept, if any, fill in and sign Part A. For the Rights Issue Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the Renouncee. Each of the Renouncee should fill in and sign Part C for the Equity Shares accepted by them.
iv.	Renounce your Rights Entitlement in full to one person (Joint Renouncees are considered as one)	Fill in and sign Part B (all joint holders must sign) indicating the number of Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C (All joint Renouncees must sign)
v.	Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the Renouncee must fill in and sign Part C.

In case of Equity Shares held in physical form, applicants must provide information in the CAF as to their respective bank account numbers, name of the bank, to enable the Registrar to print the said details on the refund order. Failure to comply with this may lead to rejection of application. In case of Equity Shares held in demat form, bank account details furnished by the Depositories will be printed on the refund order.

Please note that:

- Options iii-iv will not be available for Equity Shareholders applying through ASBA process.
- Part 'A' of the CAF must not be used by any person(s) other than the Eligible Equity Shareholder to whom the Letter of Offer has been addressed. If used, this will render the application invalid.
- Request for Split Application Forms/ SAF should be made for a minimum of one Equity Share or, in either case, in multiples thereof, and one SAF for the balance Equity Shares, if any.
- Request by the Equity Shareholder for the SAFs should reach the Registrar on or before [●].
- Only the Equity Shareholder to whom the Letter of Offer has been addressed shall be entitled to renounce and to apply for SAFs. Forms once split cannot be split further.
- SAFs will be sent to the Equity Shareholder(s) by post at the applicant's sole risk.
- Equity Shareholders may not renounce in favour of persons or entities in the restricted jurisdictions

including the United States or to or for the account or benefit of a “U.S. Person” (as defined in Regulation S), or who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities laws.

- Submission of the CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part ‘B’ of the CAF) duly filled in shall be conclusive evidence for us of the person(s) applying for Equity Shares in Part ‘C’ of the CAF to receive Allotment of such Equity Shares.
- While applying for or renouncing their Rights Entitlement, joint Equity Shareholders must sign the CAF in the same order as per specimen signatures recorded with us or the Depositories.
- Non-resident Equity Shareholders: Application(s) received from Non-Resident/ NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares allotted as a part of this Issue shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Eligible Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
- Applicants must write their CAF number at the back of the cheque / demand draft.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the Equity Shareholder, the Registrar to the Issue will issue a duplicate CAF on the request of the Eligible Equity Shareholder who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue at least 7 days prior to the Issue Closing Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the Eligible Equity Shareholder violates such requirements, he/ she shall face the risk of rejection of both the applications.

Neither the Registrar nor the Lead Manager or our Bank, shall be responsible for postal delays or loss of duplicate CAFs in transit, if any.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with account payee cheque drawn on a bank in Chennai demand draft (after deducting banking and postal charges) payable at Chennai which should be drawn in favour of “***The Lakshmi Vilas Bank Limited – Rights Issue - R***” in case of resident shareholders and non-resident shareholders applying on non-repatriable basis and in favour of “***The Lakshmi Vilas Bank Limited – Rights Issue – NR***” in case of non-resident shareholders applying on repatriable basis and send the same by registered post directly to the Registrar to the Issue so as to reach Registrar to the Issue on or before the Issue Closing Date. The envelope should be superscribed “***The Lakshmi Vilas Bank Limited – Rights Issue - R***” in case of resident shareholders and Non-resident shareholders applying on non-repatriable basis, and “***The Lakshmi Vilas Bank Limited – Rights Issue – NR***” in case of non-resident shareholders applying on repatriable basis.

The application on plain paper, duly signed by the applicant(s) including joint holders, in the same order as per specimen recorded with us or the Depositories, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being The Lakshmi Vilas Bank Limited;
- Name and address of the Equity Shareholder including joint holders;
- Registered Folio Number/ DP and Client ID no.;
- Number of Equity Shares held as on Record Date;
- Number of Equity Shares entitled to;
- Number of Equity Shares applied for;

- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Total amount paid at the rate of ₹ [●] per Equity Share;
- Particulars of cheque/ demand draft;
- Savings/ Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order. In case of Equity Shares allotted in demat form, the bank account details will be obtained from the information available with the Depositories;
- Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Investor and for each Investor in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue;
- Share certificate numbers and distinctive numbers of Equity Shares, if held in physical form;
- Allotment option preferred - physical or demat form, if held in physical form;
- If the payment is made by a draft purchased from NRE/ FCNR/ NRO account, as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account;
- Signature of the Equity Shareholders to appear in the same sequence and order as they appear in our records; and
- Additionally, all such applicants are deemed to have accepted the following:

“I/ We understand that neither the Rights Entitlement nor the Equity Shares have been, and will be, registered under the United States Securities Act of 1933 (the “US Securities Act”) or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the “United States”) or to, or for the account or benefit of a “U.S. Person” as defined in Regulation S of the US Securities Act (“Regulation S”). I/ we understand the Equity Shares referred to in this application are being offered in India but not in the United States. I/ we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. Accordingly, I/ we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/ we understand that neither us, nor the Registrar, the Lead Manager or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who we, the Registrar, the Lead Manager or any other person acting on behalf of us have reason to believe is, a resident of the United States or a “U.S. Person” (as defined in Regulation S) or is ineligible to participate in the Issue under the securities laws of their jurisdiction.

I/ We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/ We understand and agree that the Rights Entitlement and Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

I/ We (i) am/ are, and the person, if any, for whose account I/ we am/ are acquiring such Rights Entitlement and/ or the Equity Shares is/ are, outside the United States, (ii) am/ are not a “U.S. Person” as defined in Regulation S, and (iii) is/ are acquiring the Rights Entitlement and/ or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/ We acknowledge that we, the Lead Manager, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.”

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Investor violates such requirements, he/ she shall face the risk of rejection of both the applications. We shall refund such application amount to the Investor without any interest thereon.

Investors are requested to strictly adhere to these instructions. Failure to do so could result in an application being rejected, with our Bank, the Lead Manager and the Registrar not having any liability to the Investor.

Last date for Application

The last date for submission of the duly filled in CAF is [●]. The Board of Directors may extend the said date for such period as it may determine from time to time, subject to the Issue Period not exceeding 30 days.

If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board or any authorised committee thereof, the invitation to offer contained in the Letter of Offer shall be deemed to have been declined and the Board or any authorised committee thereof shall be at liberty to dispose of the Equity Shares hereby offered, as provided under chapter titled “*Terms of the Issue – Basis of Allotment*” on page 191 of this Draft Letter of Offer.

PROCEDURE FOR APPLICATION THROUGH THE APPLICATIONS SUPPORTED BY BLOCKED AMOUNT (“ASBA”) PROCESS

This section is for the information of the ASBA Investors proposing to subscribe to the Issue through the ASBA Process. The Lead Manager and we are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Letter of Offer. Investors who are eligible to apply under the ASBA Process are advised to make their independent investigations and to ensure that the CAF is correctly filled up.

The Lead Manager, we, our directors, affiliates, associates and their respective directors and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to applications accepted by SCSBs, applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.

Please note that pursuant to the applicability of the directions issued by SEBI vide its circular bearing number CIR/CFD/DIL/1/ 2011 dated April 29, 2011, all applicants who are (i) QIBs, (ii) Non-Institutional Investors or (iii) other applicants whose application amount exceeds ₹ 200,000 can participate in the Issue only through the ASBA process, subject to them complying with the requirements of SEBI Circular dated December 30, 2009. Further, all QIB applicants and Non-Institutional Investors are mandatorily required to use ASBA, even if application amount does not exceed ₹ 200,000, subject to their fulfilling the eligibility conditions to be an ASBA Investor. The Investors who are (i) not QIBs, (ii) not Non-Institutional Investors, or (iii) investors whose application amount is less than ₹ 200,000 can participate in the Issue either through the ASBA process or the non ASBA process. Notwithstanding anything contained hereinabove, all Renouncees (including Renouncees who are Individuals) shall apply in the Issue only through the non-ASBA process.

Further, in terms of the SEBI circular CIR/CFD/DIL/1/2013 dated January 2, 2013 it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for ASBA applications. SCSBs applying in the Issue using the ASBA facility shall be responsible for ensuring that they have a separate account in its own name with any other SCSB having clear demarcated funds for applying in the Issue and that such separate account shall be used as the ASBA Account for the application, in accordance with the applicable regulations.

The list of banks which have been notified by SEBI to act as SCSBs for the ASBA Process is provided on http://www.sebi.gov.in/cms/sebi_data/attachdocs/1365051213899.html and/or such other website(s) as may be prescribed by the SEBI / Stock Exchange(s) from time to time. For details on Designated Branches of SCSBs collecting the CAF, please refer the above mentioned SEBI link.

Equity Shareholders who are eligible to apply under the ASBA Process

The option of applying for Rights Issue Equity Shares through the ASBA Process is available only to the Equity Shareholders on the Record Date.

To qualify as ASBA Applicants, Eligible Equity Shareholders:

- are required to hold Equity Shares in dematerialized form as on the Record Date and apply for (i) their Rights Entitlement or (ii) their Rights Entitlement and Equity Shares in addition to their Rights Entitlement in dematerialized form;
- should not have renounced their Right Entitlement in full or in part;
- should not have split the CAF and further renounced it;
- should not be Renouncees;
- should apply through blocking of funds in bank accounts maintained with SCSBs; and
- are eligible under applicable securities laws to subscribe for the Rights Entitlement and the Rights Issue Equity Shares in the Issue.

CAF

The Registrar will dispatch the CAF to all Eligible Equity Shareholders as per their Rights Entitlement on the Record Date for the Issue. Those Eligible Equity Shareholders who must apply or who wish to apply through the ASBA will have to select for this ASBA mechanism in Part A of the CAF and provide necessary details.

Eligible Equity Shareholders desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A of the CAF. Application in electronic mode will only be available with such SCSBs who provide such facility. The Eligible Equity Shareholder shall submit the CAF to the Designated Branch of the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the ASBA Account.

More than one ASBA Investor may apply using the same ASBA Account, provided that SCSBs will not accept a total of more than five CAFs with respect to any single ASBA Account as provided for under the SEBI Circular dated December 30, 2009.

Acceptance of the Issue

You may accept the Issue and apply for the Rights Issue Equity Shares either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA Mechanism in Part A of the CAF and submit the same to the Designated Branch of the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors or any committee thereof in this regard.

Mode of payment

The Eligible Equity Shareholder applying under the ASBA Process agrees to block the entire amount payable on application with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the amount payable on application, in an ASBA Account.

After verifying that sufficient funds are available in the ASBA Account details of which are provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives instructions from the Registrar. Upon receipt of instructions from the Registrar, the SCSBs shall transfer amount to the extent of Equity Shares allotted in the Rights Issue as per the Registrar's instruction from the ASBA Account. This amount will be transferred in terms of the SEBI ICDR Regulations, into the separate bank account maintained by us. The balance amount blocked shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue to the respective SCSB.

The Equity Shareholders applying under the ASBA Process would be required to give instructions to the respective SCSBs to block the entire amount payable on their application at the time of the submission of the CAF.

The SCSB may reject the application at the time of acceptance of CAF if the ASBA Account with the SCSB details of which have been provided by the Equity Shareholder in the CAF does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, we would have a right to reject the application only on technical grounds.

Options available to the Eligible Equity Shareholders applying under the ASBA Process

The summary of options available to the Equity Shareholders is presented below. You may exercise any of the following options with regard to the Equity Shares, using the respective CAFs received from Registrar:

Option Available	Action Required
1. Accept whole or part of your Rights Entitlement without renouncing the balance	Fill in and sign Part A of the CAF (All joint holders must sign)
2. Accept your Rights Entitlement in full and apply for additional Equity Shares	Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)

The Eligible Equity Shareholders applying under the ASBA Process will need to select the ASBA process option in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the designated branch of the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then that CAF would be treated as if the Equity Shareholder has selected to apply through the ASBA process option.

Please note that pursuant to the applicability of the directions issued by SEBI vide its circular bearing number CIR/CFD/DIL/1/ 2011 dated April 29, 2011, all applicants who are QIBs, Non-Institutional Investors or other applicants whose application amount exceeds ₹ 200,000 can participate in the Issue only through the ASBA process subject to their fulfilling the eligibility conditions to be an ASBA Investor. Further, all QIB applicants and Non-Institutional Investors are mandatorily required to use ASBA, even if application amount does not exceed ₹ 200,000, subject to their fulfilling the eligibility conditions to be an ASBA Investor. The Investors who are (i) not QIBs, (ii) not Non-Institutional Investors, or (iii) investors whose application amount is less than ₹ 200,000 can participate in the Issue either through the ASBA process or the non ASBA process. Notwithstanding anything contained hereinabove, all Renouncees (including Renouncees who are Individuals) shall apply in the Issue only through the non-ASBA process.

Further, in terms of the SEBI circular CIR/CFD/DIL/1/2013 dated January 2, 2013 it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for ASBA applications. SCSBs applying in the Issue using the ASBA facility shall be responsible for ensuring that they have a separate account in its own name with any other SCSB having clear demarcated funds for applying in the Issue and that such separate account shall be used as the ASBA Account for the application, in accordance with the applicable regulations.

Additional Rights Issue Equity Shares

You are eligible to apply for additional Rights Issue Equity Shares over and above the number of Rights Issue Equity Shares that you are entitled to, provided that you are eligible to apply for the Rights Issue Equity Shares under applicable law and you have applied for all the Rights Issue Equity Shares (as the case may be) offered without renouncing them in whole or in part in favour of any other person(s). Where the number of additional Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made as per the Basis of Allotment in consultation with the Designated Stock Exchange. Applications for additional Rights Issue Equity Shares shall be considered and Allotment shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under “*Terms of the Issue - Basis of Allotment*” on page 191 of this Draft Letter of Offer.

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

Renunciation under the ASBA Process

Renouncees are not eligible to participate in this Issue through the ASBA Process.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF and who is applying under the ASBA Process may make an application to subscribe to the Issue on plain paper. The Equity Shareholder shall submit the plain paper application to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB.

The envelope should be superscribed “*The Lakshmi Vilas Bank Limited – Rights Issue- R*” or “*The Lakshmi Vilas Bank Limited – Rights Issue- NR*”, as the case may be. The application on plain paper, duly signed by the Investors including joint holders, in the same order as per the specimen recorded with us or the Depositories, must reach the Designated Branch of the SCSBs before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being The Lakshmi Vilas Bank Limited;
- Name and address of the Equity Shareholder including joint holders;
- Registered Folio Number/ DP and Client ID no.;
- Number of Equity Shares held as on Record Date;
- Number of Equity Shares entitled to;
- Number of Equity Shares applied for;
- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Total amount to be blocked at the rate of ₹ [●] per Equity Share;
- Details of the ASBA Account such as the account number, name, address and branch of the relevant SCSB;
- In case of non-resident investors, details of the NRE/ FCNR/ NRO account such as the account number, name, address and branch of the SCSB with which the account is maintained;
- Except for applications on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts (subject to submitting sufficient documentary evidence in support of their claim for exemption, provided that such transactions are undertaken on behalf of the Central and State Government and not in their personal capacity), PAN of the Investor and for each Investor in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue;
- Signature of the Shareholders to appear in the same sequence and order as they appear in our records or depositories records; and
- Additionally, all such applicants are deemed to have accepted the following:

“I/ We understand that neither the Rights Entitlement nor the Equity Shares have been, and will be, registered under the United States Securities Act of 1933 (the “US Securities Act”) or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the “United States” or to or for the account or benefit of a “U.S. Person” as defined in Regulation S of the US Securities Act (“Regulation S”). I/ we understand the Equity Shares referred to in this application are being offered in India but not in the United States. I/ we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. Accordingly, I/

we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/ we understand that none of we, the Registrar, the Lead Manager or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who, we, the Registrar, the Lead Manager or any other person acting on behalf of we have reason to believe is, a resident of the United States or a “U.S. Person” as defined in Regulation S, or is ineligible to participate in the Issue under the securities laws of their jurisdiction.

I/ We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/ We understand and agree that the Rights Entitlement and Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

I/ We (i) am/ are, and the person, if any, for whose account I/ we am/ are acquiring such Rights Entitlement and/ or the Equity Shares is/ are, outside the United States, (ii) am/ are not a “U.S. Person” as defined in (“Regulation S”), and (iii) is/ are acquiring the Rights Entitlement and/ or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/ We acknowledge that we, the Lead Manager, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.”

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Investor violates such requirements, he/she shall face the risk of rejection of both the applications. We shall refund such application amount to the Investor without any interest thereon

Option to receive Equity Shares in Dematerialized Form

EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES UNDER THE ASBA PROCESS CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY SUCH ASBA APPLICANT ON THE RECORD DATE.

General instructions for Equity Shareholders applying under the ASBA Process

- Please read the instructions printed on the CAF carefully.
- Application should be made on the printed CAF only and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of the Letter of Offer and the Abridged Letter of Offer are liable to be rejected. The CAF must be filled in English.
- ASBA Applicants are required to select this mechanism in Part A of the CAF and provide necessary details, including details of the ASBA Account, authorizing the SCSB to block an amount equal to the Application Money in the ASBA Account mentioned in the CAF, and including the signature of the ASBA Account holder if the ASBA Account holder is different from the Applicant.
- The CAF in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose ASBA Account/ bank account details are provided in the CAF and not to the Banker to the Issue/ Collecting Banks (assuming that such Collecting Bank is not a SCSB), to us or Registrar or Lead Manager to the Issue.
- All applicants, and in the case of application in joint names, each of the joint applicants, should mention his/ her PAN allotted under the IT Act, irrespective of the amount of the application. Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts,

CAFs without PAN will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for Investors for which PAN details have not been verified shall be “suspended for credit” and no allotment and credit of Equity Shares shall be made into the accounts of such Investors.

- All payments will be made by blocking the amount in the ASBA Account. Cash payment or payment by cheque/ demand draft/ pay order is not acceptable. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with us and/ or Depositories.
- In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the depository/ us. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/ sole applicant Equity Shareholder, folio numbers and CAF number.
- Only the person or persons to whom the Equity Shares have been offered shall be eligible to participate under the ASBA Process.
- Only persons outside restricted jurisdictions and who are eligible to subscribe for Rights Entitlement and Equity Shares under applicable securities laws are eligible to participate.
- Only the Equity Shareholders holding shares in demat are eligible to participate through ASBA process.
- Equity shareholders who have renounced their entitlement in part/ full are not entitled to apply using ASBA process.
- Please note that pursuant to the applicability of the directions issued by SEBI vide its circular bearing number CIR/CFD/DIL/1/ 2011 dated April 29, 2011, all applicants who are QIBs, Non-Institutional Investor and other applicants whose application amount exceeds ₹ 200,000 can participate in the Issue only through the ASBA process, subject to their fulfilling the eligibility conditions to be an ASBA Investors. Further, all QIB applicants and Non-Institutional Investors are mandatorily required to use ASBA, even if application amount does not exceed ₹ 200,000, subject to their fulfilling the eligibility conditions to be an ASBA Investor. The Investors who are (i) not QIBs, (ii) not Non-Institutional Investors, or (iii) investors whose application amount is less than ₹ 200,000 can participate in the Issue either through the ASBA process or the non ASBA process. Notwithstanding anything contained hereinabove, all Renouncees (including Renouncees who are Individuals) shall apply in the Issue only through the non-ASBA process.
- Further, in terms of the SEBI circular CIR/CFD/DIL/1/2013 dated January 2, 2013 it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for ASBA applications. SCSBs applying in the Issue using the ASBA facility shall be responsible for ensuring that they have a separate account in its own name with any other SCSB having clear demarcated funds for applying in the Issue and that such separate account shall be used as the ASBA Account for the application, in accordance with the applicable regulations.
- In case of non – receipt of CAF, application can be made on plain paper mentioning all necessary details as mentioned under the heading “*Application on Plain Paper*” on page 180 of this Draft Letter of Offer.

Do's:

- Ensure that the ASBA Process option is selected in part A of the CAF and necessary details are filled in.
- Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.
- Ensure that the CAFs are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the CAF.
- Ensure that there are sufficient funds (equal to {number of Equity Shares as the case may be applied for} X {Issue Price of Equity Shares, as the case may be}) available in the ASBA Account mentioned in the CAF before submitting the CAF to the respective Designated Branch of the SCSB.
- Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the CAF, in the ASBA Account, of which details are provided in the CAF and have signed the same.
- Ensure that you receive an acknowledgement from the Designated Branch of the SCSB for your submission of the CAF in physical form.
- Except for CAFs submitted on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, each applicant should mention their PAN allotted under the I T Act.
- Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF.
- Ensure that the Demographic Details are updated, true and correct, in all respects.
- Ensure that the account holder in whose bank account the funds are to be blocked has signed authorising such funds to be blocked.
- Apply under ASBA process only if you fall under the definition of an ASBA Investor.

Don'ts:

- Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.
- Do not apply on duplicate CAF after you have submitted a CAF to a Designated Branch of the SCSB.
- Do not pay the amount payable on application in cash, by money order, by pay order or by postal order.
- Do not send your physical CAFs to the Lead Manager to Issue/ Registrar/ Collecting Banks (assuming that such Collecting Bank is not a SCSB)/ to a branch of the SCSB which is not a Designated Branch of the SCSB/ Bank; instead submit the same to a Designated Branch of the SCSB only.
- Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- Do not apply if the ASBA account has already been used for five applicants.
- Do not apply through the ASBA Process if you are not an ASBA Investor.
- Do not instruct the SCSBs to release the funds blocked under the ASBA Process.

Grounds for Technical Rejections under the ASBA Process

In addition to the grounds listed under “*Grounds for Technical Rejections for non-ASBA Investors*” on page 198 of this Draft Letter of Offer, applications under the ASBA Process are liable to be rejected on the following grounds:

- Application on a SAF by a person who has renounced or by a renouncee.
- Application for allotment of Rights Entitlements or additional shares which are in physical form.
- DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar.
- Sending CAF to a Lead Manager/ Registrar/ Collecting Bank (assuming that such Collecting Bank is not a SCSB)/ to a branch of a SCSB which is not a Designated Branch of the SCSB/ Bank.
- Insufficient funds are available with the SCSB for blocking the amount.
- Funds in the bank account with the SCSB whose details have been mentioned in the CAF / Plain Paper Application having been frozen pursuant to regulatory order.
- ASBA Account holder not signing the CAF or declaration mentioned therein.
- CAFs that do not include the certification set out in the CAF to the effect that the subscriber is not a “U.S. Person” (as defined under Regulation S) and does not have a registered address (and is not otherwise located) in the United States or restricted jurisdictions and is authorized to acquire the rights and the securities in compliance with all applicable laws and regulations.
- CAFs which have evidence of being executed in/ dispatched from a restricted jurisdiction or executed by or for the account or benefit of a U.S. Person (as defined in Regulation S).
- Renouncees applying under the ASBA Process.
- Submission of more than five CAFs per ASBA Account.
- QIBs, Non-Institutional Investors and other Equity Shareholders who are eligible ASBA Investors (as per conditions of the SEBI circular dated December 30, 2009) applying for Equity Shares in this Issue for value of more than ₹ 2,00,000 holding Equity Shares in dematerialised form and not renouncing or accepting Equity Shares from an Eligible Equity Shareholder, not applying through the ASBA process.
- QIB applicants and Non-Institutional Investors making an application of below ₹ 2,00,000 and not applying through the ASBA process subject to their fulfilling the eligibility conditions to be an ASBA Investor.
- The application by an Equity Shareholder whose cumulative value of Equity Shares applied for is more than ₹ 200,000 but has applied separately through split CAFs of less than ₹ 200,000 and has not done so through the ASBA process.
- Multiple CAFs, including cases where an Investor submits CAFs along with a plain paper application.
- Submitting the GIR number instead of the PAN.
- An investor, who is not complying with any or all of the conditions for being an ASBA Investor, applies under the ASBA process.
- Applications by persons not competent to contract under the Contract Act, 1872, as amended, except applications by minors having valid demat accounts as per the demographic details provided by the Depositories.

Depository account and bank details for Equity Shareholders applying under the ASBA Process

IT IS MANDATORY FOR ALL THE ELIGIBLE EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALISED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY THE EQUITY SHAREHOLDER ON THE RECORD DATE. ALL EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF. EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF.

Equity Shareholders applying under the ASBA Process should note that on the basis of name of these Equity Shareholders, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF, the Registrar to the Issue will obtain from the Depository demographic details of these Equity Shareholders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Equity Shareholders applying under the ASBA Process should carefully fill in their Depository Account details in the CAF.

These Demographic Details would be used for all correspondence with such Equity Shareholders including mailing of the letters intimating unblocking of their respective ASBA Accounts. The Demographic Details given by the Equity Shareholders in the CAF would not be used for any other purposes by the Registrar. Hence, Equity Shareholders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the CAFs, the Equity Shareholders applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating Allotment and unblocking the funds would be mailed at the address of the Equity Shareholder applying under the ASBA Process as per the Demographic Details received from the Depositories. The Registrar to the Issue will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent Equity Shares are not allotted to such Equity Shareholders. Equity Shareholders applying under the ASBA Process may note that delivery of letters intimating unblocking of the funds may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Equity Shareholder in the CAF would be used only to ensure dispatch of letters intimating unblocking of the ASBA Accounts.

Note that any such delay shall be at the sole risk of the Equity Shareholders applying under the ASBA Process and none of us, the SCSBs or the Lead Manager shall be liable to compensate the Equity Shareholder applying under the ASBA Process for any losses caused due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, (a) names of the Equity Shareholders (including the order of names of joint holders), (b) the DP ID, and (c) the beneficiary account number, then such applications are liable to be rejected.

Issue Schedule

Issue Opening Date:	[●]
Last date for receiving requests for SAFs:	[●]
Issue Closing Date:	[●]

The Board may however decide to extend the Issue period, as it may determine from time to time, but not exceeding 30 days from the Issue Opening Date.

Basis of Allotment

Subject to the provisions contained in the Letter of Offer, the Articles of Association and the approval of the Designated Stock Exchange, the Board will proceed to Allot the Equity Shares in the following order of priority:

- (i) Full Allotment to those Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part.
- (ii) Allotment pertaining to fractional entitlements in case of any shareholding less than [●] Equity Shares or not in multiples of [●]. Investors whose fractional entitlements are being ignored would be given preference in allotment of one additional Equity Share each if they apply for additional Equity Share. Allotment under this head shall be considered if there are any unsubscribed Equity Shares after allotment under (a) above. If number of Equity Shares required for allotment under this head are more than number of Equity Shares available after allotment under (a) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange, as a part of Issue and will not be a preferential allotment.
- (iii) Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares. The Allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an unsubscribed portion after making full Allotment in (a) and (b) above. The Allotment of such Equity Shares will be at the sole discretion of the Board/ Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and will not be a preferential Allotment.
- (iv) Allotment to Renouncees who having applied for all the Equity Shares renounced in their favour, have applied for additional Equity Shares provided there is surplus available after making full Allotment under (a), (b) and (c) above. The Allotment of such Equity Shares will be at the sole discretion of the Board/ Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and will not be a preferential Allotment.
- (v) Allotment to any other person that the Board of Directors in their absolute discretion decide.

Ms M R Sasikaladhevi, one of our Promoter Group has not given confirmation with respect to her intention to participate in the Rights Issue. For more details please refer to chapter titled “Risk Factors” on page 30. Other than the above, our Promoters have confirmed that, they along with their respective Promoter Group Entities (except N Susila) intend to subscribe to their Rights Entitlement in full in the Issue, in compliance with regulation 10 (4) of Takeover Regulations. Our Promoters have also confirmed that they along with the Promoter Group (except N Susila) intend to (i) subscribe to additional Equity Shares, and (ii) subscribe for unsubscribed portion in the Issue, if any. Such subscription to additional Equity Shares and the unsubscribed portion, if any, shall be in accordance with regulation 10 (4) of Takeover Regulations and in accordance with RBI directive the total shareholding of the Promoter and Promoter Group will not exceed 10% of the post issue Equity Share Capital of the Bank.

Such subscription for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding. Any such acquisition of additional Equity Shares of the Bank shall not result in a change of control of the management of the bank in accordance with provisions of the Takeover Code and shall be exempt in terms of Regulation 10 (4) (a) and (b) of the Takeover Code.

Underwriting

Our Bank has not currently entered into any underwriting arrangement. We may enter into such an arrangement for the purpose of this Issue at an appropriate time and on such terms and conditions as we may deem fit. In the event our Bank enters into such an arrangement, which shall be done, prior to the filing of the Letter of Offer with the Designated Stock Exchange, we shall disclose the details of the underwriting arrangement in the Letter of Offer as required under the SEBI ICDR Regulations.

Allotment Advices/ Refund Orders

Our Bank will issue and dispatch allotment advice/ share certificates/ demat credit and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within 15 days from the Issue Closing Date. If there is a delay beyond 8 days from the stipulated period (i.e. 15 days from the closure of the Issue) our Bank shall be punishable with a fine which shall not be less than five lakh rupees but which may extend to fifty lakh rupees and every officer of our Bank in default shall be punishable with imprisonment for a term of one year or with fine which shall not be less than fifty thousand rupees but may extend to three lakh rupees or with both in accordance with Section 40 (5) of the Companies Act, 2013.

Investors residing at centres where clearing houses are managed by the Reserve Bank of India ("RBI"), payment of refund would be done through NECS and for applicants having an account at any of the centres where such facility has been made available to get refunds through direct credit and real time gross settlement ("RTGS").

In case of those Investors who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of the Issue Closing Date.

In case of those Investors who have opted to receive their Rights Entitlement in physical form and we issue letter of allotment, the corresponding share certificates will be kept ready within three months from the date of Allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act or other applicable provisions, if any. Investors are requested to preserve such letters of allotment, which would be exchanged later for the share certificates. For more information, please see chapter titled "*Terms of the Issue*" on page 171 of this Draft Letter of Offer.

The letter of allotment/ refund order would be sent by registered post/ speed post to the sole/ first Investor's registered address in India or the Indian address provided by the Equity Shareholders from time to time. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked 'Account Payee only' and would be drawn in favour of the sole/ first Investor. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Our Bank shall ensure at par facility is provided for encashment of refund orders or pay orders at the places where applications are accepted.

As regards allotment/refund to Non-residents, the following further conditions shall apply:

In the case of Non-resident Shareholders or Investors who remit their Application Money from funds held in NRE/FCNR Accounts, refunds and/or payment of interest or dividend and other disbursements, if any, shall be credited to such accounts, the details of which should be furnished in the CAF. Subject to the applicable laws and other approvals, in case of Non-resident Shareholders or Investors who remit their application money through Indian Rupee demand drafts purchased from abroad, refund and/or payment of dividend or interest and any other disbursement, shall be credited to such accounts and will be made after deducting bank charges or commission in US Dollars, at the rate of exchange prevailing at such time. Our Bank will not be responsible for any loss on account of exchange rate fluctuations for conversion of the Indian Rupee amount into US Dollars. The Share Certificate(s) will be sent by registered post / speed post to the address in India of the Non Resident Shareholders or Investors.

The Letter of Offer/ Abridged Letter of Offer and the CAF shall be dispatched to only such Non-resident Shareholders who have a registered address in India or have provided an Indian address.

Payment of Refund

Mode of making refunds

The payment of refund, if any, would be done through any of the following modes:

- (i) **NECS** – Payment of refund would be done through NECS for Investors having an account at any of centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a

cheque leaf, from the Depositories/ the records of the Registrar. The payment of refunds is mandatory for Investors having a bank account at any centre where NECS facility has been made available (subject to availability of all information for crediting the refund through NECS).

- (ii) **NEFT** – Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number with the Registrar or with the depository participant while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.
- (iii) **RTGS** – If the refund amount exceeds ₹ 200,000, the Investors have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through NECS or any other eligible mode. Charges, if any, levied by the refund bank(s) for the same would be **borne** by the Bank. Charges, if any, levied by the Investor's bank receiving the credit would be borne by the Investor.
- (iv) **Direct Credit** – Investors having bank accounts with the Banker to the Issue shall be eligible to receive **refunds** through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by us.
- (v) For all other Investors, the refund orders will be despatched through speed post/ registered post. Such **refunds** will be made by cheques, pay orders or demand drafts drawn in favour of the sole/ first Investor and payable at par.
- (vi) Credit of refunds to Investors in any other electronic manner permissible under the banking laws, which are in **force** and are permitted by the SEBI from time to time.

Refund payment to Non- resident

Where applications are accompanied by Indian rupee drafts purchased abroad and payable at Chennai, refunds will be made in the Indian rupees based on the U.S. dollars equivalent which ought to be refunded. Indian rupees will be converted into U.S. dollars at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned applicant and our Bank shall not bear any part of the risk.

Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO accounts respectively, on which such cheques were drawn and details of which were provided in the CAF.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars, where available, will be printed on the refund orders/ refund warrants which can then be deposited only in the account specified. We will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Allotment advice/ Share Certificates/ Demat Credit

Allotment advice/ share certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named Investor or respective beneficiary accounts will be credited within 15 days, from the Issue Closing Date. Allottees are requested to preserve such allotment advice (if any) to be exchanged later for share certificates. In case our Bank issues allotment advice, the respective share certificates will be dispatched within one month from the date of the Allotment.

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall

send to the Controlling Branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

- The amount to be transferred from the ASBA Account to the separate bank account opened by our Bank for the Issue, for each successful ASBA;
- The date by which the funds referred to above, shall be transferred to the aforesaid bank account; and
- The details of rejected ASBA applications, if any, to enable the SCSBs to unblock the respective ASBA Accounts.

Option to receive Equity Shares in Dematerialized Form

Investors shall be allotted the Equity Shares in dematerialized (electronic) form at the option of the Investor. We have signed a tripartite agreement with NSDL and the Registrar to the Issue on December 14, 2000 which enables the Investors to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates. We have also signed a tripartite agreement with CDSL and the Registrar to the Issue on December 20, 2000 which enables the Investors to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates. In addition to the ISIN for the existing Equity Shares, our Bank shall obtain separate ISIN for the partly paid-up Equity Shares. The partly paid-up Equity Shares offered pursuant to the Issue shall be listed and traded under a separate ISIN for the period prior to the Call Record Date. On the Call Record Date, the trading of the existing partly paid-up Equity Shares shall be terminated.

In this Issue, the allottees who have opted for Equity Shares in dematerialized form will receive their Equity Shares in the form of an electronic credit to their beneficiary account as given in the CAF, after verification with a depository participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Allotment advice, refund order (if any) would be sent directly to the Investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Equity Shares to the Investor's depository account. CAFs, which do not accurately contain this information, will be given the Equity Shares in physical form. No separate CAFs for Equity Shares in physical and/ or dematerialized form should be made.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGE ONLY IN DEMATERIALIZED FORM.

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

- Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in our records. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as registered in our records). In case of Investors having various folios with different joint holders, the Investors will have to open separate accounts for such holdings. Those Equity Shareholders who have already opened such beneficiary account(s) need not adhere to this step.
- For Equity Shareholders already holding Equity Shares in dematerialized form as on the Record Date, the beneficiary account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the Allotment of Equity Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares are not dematerialized. Nonetheless, it should be ensured that the depository account is in the name(s) of the Equity Shareholders and the names are in the same order as in our records.
- The responsibility for correctness of information (including Investor's age and other details) filled in the CAF vis-à-vis such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in CAF should be the same as registered with the Investor's depository participant.
- If incomplete/ incorrect beneficiary account details are given in the CAF, then such shares will be credited

to a demat suspense a/c which shall be opened by the Bank as specified in the SEBI circular no. SEBI/CFD/DIL/LA/1/2009/24/04 dated April 24, 2009.

- The Equity Shares allotted to applicants opting for issue in dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's depository participant will provide to the applicant the confirmation of the credit of such Equity Shares to the applicant's depository account. It may be noted that Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL.
- Renouncees will also have to provide the necessary details about their beneficiary account for Allotment of Equity Shares in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.
- Non-transferable allotment advice/refund orders will be directly sent to the Investors by the Registrar.
- Dividend or other benefits with respect to the Equity Shares held in dematerialized form would be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the Depository Participant to our Bank as on the date of the book closure.

General instructions for non-ASBA Investors

- (i) Please read the instructions printed on the CAF carefully.
- (ii) Applicants that are not QIBs or are not Non – Institutional Investor or those whose Application Money does not exceed ₹ 200,000 may participate in the Issue either through ASBA or the non-ASBA process. Eligible Equity Shareholders who have renounced their entitlement (in full or in part), Renouncees and Applicants holding Equity Shares in physical form and/or subscribing in the Issue for Allotment in physical form may participate in the Issue only through the non ASBA process.
- (iii) Application should be made on the printed CAF, provided by us except as mentioned under the head “*Application on Plain Paper*” on page 180 of this Draft Letter of Offer and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Draft Letter of Offer or Abridged Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the Investors, details of occupation, address, father's/ husband's name must be filled in block letters.
- (iv) Eligible Equity Shareholders participating in the Issue other than through ASBA are required to fill Part A of the CAF and submit the CAF along with Application Money before close of banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board in this regard. The CAF together with the cheque/ demand draft should be sent to the Banker to the Issue/ Collecting Bank or to the Registrar to the Issue and not to us or Lead Manager to the Issue. Investors residing at places other than cities where the branches of the Banker to the Issue have been authorised by us for collecting applications, will have to make payment by demand draft payable at Chennai of an amount net of bank and postal charges and send their CAFs to the Registrar to the Issue by registered post / speed post. If any portion of the CAF is/ are detached or separated, such application is liable to be rejected. **CAF's received after banking hours on closure day will be liable for rejection.**
- (v) Applications where separate cheques/ demand drafts are not attached for amounts to be paid for Equity Shares are liable to be rejected.
- (vi) Except for applications on behalf of the Central and State Government, the residents of Sikkim and the officials appointed by the courts, all Investors, and in the case of application in joint names, each of the joint Investors, should mention his/ her PAN allotted under the I.T. Act, irrespective of the amount of the application. CAFs without PAN will be considered incomplete and are liable to be rejected.
- (vii) Investors, holding Equity Shares in physical form, are advised that it is mandatory to provide information as to their savings/ current account number and the name of the bank with whom such

account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.

- (viii) All payment should be made by cheque/ demand draft only. Application through the ASBA process as mentioned above is acceptable. Cash payment is not acceptable. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- (ix) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with us/ Depositories.
- (x) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and certified true a copy of the Memorandum and Articles of Association and/ or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case the above referred documents are already registered with us, the same need not be a furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Banker to the Issue.
- (xi) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with us or the Depositories. Further, in case of joint Investors who are Renouncees, the number of Investors should not exceed three. In case of joint Investors, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.
- (xii) Application(s) received from NRs/ NRIs, or persons of Indian origin residing abroad for Allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA, including regulations relating to QFI's, in the matter of refund of application money, Allotment of Equity Shares, subsequent issue and Allotment of Equity Shares, interest, export of share certificates, etc. In case a NR or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF. Additionally, applications will not be accepted from NRs/ NRIs in the United States or its territories and possessions, or any other jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws.
- (xiii) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/ sole Investor, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of Allotment, should be sent to our Registrar and Transfer Agent, in the case of Equity Shares held in physical form and to the respective depository participant, in case of Equity Shares held in dematerialized form.
- (xiv) SAFs cannot be re-split.
- (xv) Only the Equity Shareholder(s) and not Renouncee(s) shall be entitled to obtain SAFs.
- (xvi) Investors must write their CAF number at the back of the cheque/ demand draft.
- (xvii) Only one mode of payment per application should be used. The payment must be by cheque/ demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- (xviii) A separate cheque/ draft must accompany each CAF. Outstation cheques/ demand drafts or post-dated

cheques and postal/ money orders will not be accepted and applications accompanied by such outstation cheques/ outstation demand drafts/ money orders or postal orders will be rejected.

- (xix) No receipt will be issued for application money received. The Banker to the Issue/ Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.
- (xx) The distribution of the Letter of Offer and issue of Equity Shares and Rights Entitlements to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons in such jurisdictions are instructed to disregard the Letter of Offer and not to attempt to subscribe for Equity Shares.
- (xxi) Investors are requested to ensure that the number of Equity Shares applied for by them do not exceed the prescribed limits under the applicable law.
- (xxii) The Reserve Bank of India has issued standard operating procedure in terms of paragraph 2(a) of RBI circular number DPSS.CO.CHD.No./133/04.07.05/2013-14 dated July 16, 2013, detailing the procedure for processing CTS 2010 and Non-CTS 2010 instruments in the three CTS grid locations. As per this circular, processing of non-CTS cheques shall be done only on three days of the week. As prescribed by the SEBI Circular No.CIR/CFD/DIL/3/2010 dated April 22, 2010, the Equity Shares are required to be listed within 12 Working Days of the closure of the issue. In order to enable compliance with the above timelines, investors are advised to use CTS cheques or use ASBA facility to make payment. Investors using non-CTS cheques are cautioned that applications accompanied by such cheques are liable to be rejected due to any clearing delays beyond 6 working days from the date of the closure of the issue, in terms of the aforesaid SEBI Circular.

Do's for non-ASBA Investors:

- Check if you are eligible to apply i.e. you are an Equity Shareholder on the Record Date;
- Read all the instructions carefully and ensure that the cheque/ draft option is selected in part A of the CAF and necessary details are filled in;
- In the event you hold Equity Shares in dematerialised form, ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as the Equity Shares will be allotted in the dematerialized form only;
- Ensure that your Indian address is available to us and the Registrar, in case you hold Equity Shares in physical form or the depository participant, in case you hold Equity Shares in dematerialised form;
- Ensure that the value of the cheque/ draft submitted by you is equal to the {(number of Equity Shares applied for) X (Issue Price of Equity Shares, as the case may be)} before submission of the CAF. Investors residing at places other than cities where the branches of the Banker to the Issue have been authorised by us for collecting applications, will have to make payment by demand draft payable at Chennai of an amount net of bank and postal charges;
- Ensure that you receive an acknowledgement from the collection branch of the Banker to the Issue for your submission of the CAF in physical form;
- Ensure that you mention your PAN allotted under the I.T. Act with the CAF, except for Applications on behalf of the Central and State Governments, residents of the state of Sikkim and officials appointed by the courts;
- Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF;

- Ensure that the demographic details are updated, true and correct, in all respects.

Don'ts for non-ASBA Investors:

- Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction;
- Do not apply on duplicate CAF after you have submitted a CAF to a collection branch of the Banker to the Issue;
- Do not pay the amount payable on application in cash, by money order or by postal order;
- Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground;
- Do not submit Application accompanied with Stock invest;

Grounds for Technical Rejections for non-ASBA Investors

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

- Amount paid does not tally with the amount payable;
- Bank account details (for refund) are not given and the same are not available with the DP (in the case of dematerialized holdings) or the Registrar (in the case of physical holdings);
- Submission of CAFs to the SCSBs;
- Submission of plain paper Applications to any person other than the Registrar to the Issue;
- Age of Investor(s) not given (in case of Renouncees);
- Except for CAFs on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN not given for application of any value;
- In case of CAF under power of attorney or by limited companies, corporate, trust, relevant documents are not submitted;
- If the signature of the Equity Shareholder does not match with the one given on the CAF and for Renouncee(s) if the signature does not match with the records available with their Depositories;
- CAFs are not submitted by the Investors within the time prescribed as per the CAF and the Letter of Offer;
- CAFs not duly signed by the sole/ joint Investors;
- CAFs/ SAFs by OCBs not accompanied by a copy of an RBI approval to apply in this Issue;
- CAFs accompanied by Stockinvest/ outstation cheques/ post-dated cheques/ money order/ postal order/ outstation demand draft;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Investors (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- CAFs that do not include the certifications set out in the CAF to the effect that the subscriber is not a "U.S. Person" (as defined in Regulation S) and does not have a registered address (and is not otherwise located) in the United States or other restricted jurisdictions and is authorized to acquire the Rights Entitlements and Equity Shares in compliance with all applicable laws and regulations;

- CAFs which have evidence of being executed in/ dispatched from restricted jurisdictions;
- CAFs by ineligible non-residents (including on account of restriction or prohibition under applicable local laws) and where the registered address in India has not been provided;
- CAFs where we believe that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements;
- In case the GIR number is submitted instead of the PAN;
- CAFs submitted by Renouncees where Part B of the CAF is incomplete or is unsigned. In case of joint holding, all joint holders must sign Part 'B' of the CAF;
- Applications by persons not competent to contract under the Contract Act, 1872, as amended, except bids by minors having valid demat accounts as per the demographic details provided by the Depositories.
- Applications by Renouncees who are persons not competent to contract under the Indian Contract Act, 1872, including minors;
- Multiple CAFs, including cases where an Investor submits CAFs along with a plain paper application; and
- Applications from QIBs, Non-Institutional Investors (including applications for less than ₹ 200,000) or Investors applying in this Issue for Equity Shares for an amount exceeding ₹ 200,000, not through ASBA process.

Please read the Letter of Offer or Abridged Letter of Offer and the instructions contained therein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of the Letter of Offer and must be carefully followed. The CAF is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.

Investment by FPIs

SEBI recently notified the SEBI FPI Regulations whereby FIIs, sub-accounts and QFIs categories of investors were merged to form a new category called 'Foreign Portfolio Investors'. Prior to the notification of the SEBI FPI Regulations, portfolio investments by FIIs and sub-accounts were governed by SEBI under the FII Regulations and portfolio investments by QFIs were governed by various circulars issued by SEBI from time to time (the "QFI circulars"). Pursuant to the notification of the SEBI FPI Regulations, the FII Regulations were repealed and the QFI circulars were rescinded.

Under the SEBI FPI Regulations, purchase of equity shares by an FPI or an investor group should be below 10% of the total issued capital of an Indian company.

However, portfolio investments by FIIs and QFIs are also governed by RBI under FEMA and RBI has not yet notified the corresponding amendments to regulations under FEMA. Under the FEMA regulations, no single FII can hold more than 10% of the paid up capital of an Indian company. In respect of an FII investing on behalf of its eligible sub-accounts, the investment on behalf of each eligible sub account shall not exceed 10% of the paid up capital, or 5% of the paid up capital in case such eligible sub-account is a foreign corporate or an individual. The total equity share holding of all FIIs in a company is subject to a cap of 24% of the paid up capital of the company. The 24% limit can be increased up to the applicable sectoral cap by passing a resolution by the board of the directors followed by passing a special resolution to that effect by the shareholders of the company.

The individual and aggregate investment limits for Eligible QFIs in equity shares of a listed Indian company, under the FEMA regulations, are 5% and 10%, respectively, of the paid up capital. Further, wherever there are composite sectoral caps under the extant FDI policy, these limits for Eligible QFI investment in equity shares shall also be within such overall FDI sectoral caps.

In light of the notification of FPI Regulations and the absence of any RBI notification on corresponding amendments to regulations under FEMA, FIIs and Eligible QFIs should consult their advisors regarding the investment limits applicable to them.

Under the FPI Regulations and subject to compliance with all applicable Indian laws, FPIs may issue, subscribe or otherwise deal in offshore derivative instruments (defined under the FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying security), directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate foreign regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. Further, Category II FPIs under the SEBI FPI Regulations which are unregulated broad based funds and Category III FPIs under the SEBI FPI Regulations shall not issue, subscribe or otherwise deal in such offshore derivative instruments directly or indirectly. In addition, FPIs are required to ensure that further issue or transfer of any offshore derivative instruments by or on behalf of it is made only to person regulated by an appropriate foreign regulatory authority.

Pursuant to a circular dated January 13, 2012, the RBI has permitted Eligible QFIs to invest in equity shares of Indian companies on a repatriation basis subject to certain terms and conditions. Eligible QFIs have been permitted to invest in equity shares of Indian companies which are offered to the public in India in accordance with the SEBI Regulations.

Eligible QFIs shall open a single non-interest bearing Rupee account with an AD category-I bank in India for routing the payment for transactions relating to purchase of equity shares (including investment in equity shares in public issues) subject to the conditions as may be prescribed by the RBI from time to time.

Applications will not be accepted from FPIs in restricted jurisdictions-

FPIs which are QIBs, Non-Institutional Investors or whose application amount exceeds ₹ 2,00,000 can participate in the Rights Issue only through the ASBA process. Further, FPIs which are QIB applicants and Non-Institutional Investors are mandatorily required to use ASBA, even if application amount does not exceed ₹ 2,00,000.

Investment by NRIs

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulation 5(3)(i) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. Applications will not be accepted from NRIs in restricted jurisdictions.

Only Applications accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRIs intending to make payment through freely convertible foreign exchange and Applying on a repatriation basis could make payments through Indian Rupee drafts purchased abroad or cheques or bank drafts or by debits to their Non-Resident External ("NRE") or Foreign Currency Non-Resident ("FCNR") accounts, maintained with banks authorized by the RBI to deal in foreign exchange. Eligible NRIs Applying on a repatriation basis are advised to use the CAF meant for Non-Residents, accompanied by a bank certificate confirming that the payment has been made by debiting to the NRE or FCNR account, as the case may be. Payment for Applications by non-resident Applicants Applying on a repatriation basis will not be accepted out of Non-Resident Ordinary ("NRO") accounts.

Please note that pursuant to the applicability of the directions issued by SEBI vide its circular bearing number CIR/ CFD/ DIL/ 1/ 2011 dated April 29, 2011, all applicants who are QIBs, Non-Institutional Investors or are applying in this Issue for Equity Shares for an amount exceeding ₹ 200,000 shall mandatorily make use of ASBA facility, subject to their fulfilling the eligibility conditions to be an ASBA Investor. Further, all QIB applicants and Non-Institutional Investors are mandatorily required to use ASBA, even if application amount does not exceed ₹ 200,000, subject to their fulfilling the eligibility conditions to be an ASBA Investor.

Procedure for Applications by Mutual Funds

A separate application can be made in respect of each scheme of an Indian mutual fund registered with the SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

Please note that pursuant to the applicability of the directions issued by SEBI vide its circular bearing number CIR/ CFD/ DIL/ 1/ 2011 dated April 29, 2011, all applicants who are QIBs, Non-Institutional Investors or are

applying in this Issue for Equity Shares for an amount exceeding ₹ 200,000 shall mandatorily make use of ASBA facility, subject to their fulfilling the eligibility conditions to be an ASBA Investor. Further, all QIB applicants and Non-Institutional Investors are mandatorily required to use ASBA, even if application amount does not exceed ₹ 200,000, subject to their fulfilling the eligibility conditions to be an ASBA Investor.

Procedure for Applications by AIFs, FVCIs and VCFs

The SEBI (Venture Capital Funds) Regulations, 1996, as amended (“**SEBI VCF Regulations**”) and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, as amended (“**SEBI FVCI Regulations**”) prescribe, amongst other things, the investment restrictions on VCFs and FVCIs registered with SEBI. Further, the SEBI (Alternative Investments Funds) Regulations, 2012 (“**SEBI AIF Regulations**”) prescribe, amongst other things, the investment restrictions on AIFs.

As per the SEBI VCF Regulations and SEBI FVCI Regulations, VCFs and FVCIs are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by VCFs or FVCIs will not be accepted in this Issue.

Venture capital funds registered as category I AIFs, as defined in the SEBI AIF Regulations, are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by venture capital funds registered as category I AIFs, as defined in the SEBI AIF Regulations, will not be accepted in this Issue. Other categories of AIFs are permitted to apply in this Issue subject to compliance with the SEBI AIF Regulations.

Such AIFs having bank accounts with SCSBs that are providing ASBA in cities / centres where such AIFs are located are mandatorily required to make use of the ASBA facility. Otherwise, applications of such AIFs are liable for rejection.

Mode of payment for Resident Equity Shareholders/ Investors

- All cheques/ drafts accompanying the CAF should be drawn in favour of the Collecting Bank (specified on the reverse of the CAF), crossed ‘A/c Payee only’ and marked “**The Lakshmi Vilas Bank Limited – Rights Issue - R**”;
- Investors residing at places other than places where the bank collection centres have been opened by us for collecting applications, are requested to send their CAFs together with Demand Draft for the full application amount, net of bank and postal charges favouring the Banker to the Issue, crossed ‘A/c Payee only’ and marked “**The Lakshmi Vilas Bank Limited – Rights Issue - R**” payable at Chennai directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. We, the Lead Manager or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Applications through mails should not be sent in any other manner except as mentioned above. The CAF along with the application money must not be sent to our Bank or the Lead Manager. Applicants are requested to strictly adhere to these instructions.

Mode of payment for Non-Resident Equity Shareholders/ Investors

- As regards the application by non-resident Equity Shareholders/ Investors, the following conditions shall apply:
- Individual non-resident Indian applicants who are permitted to subscribe for Equity Shares by applicable local securities laws can also obtain application forms from the following address:

Integrated Enterprises (India) Limited

II Floor, ‘Kences Towers’
No.1 Ramakrishna Street,
North Usman Road, T Nagar,
Chennai – 600 017
Tel.: + 91 44 28140801
Fax : + 91 44 28142479

Website: www.integratedindia.in
E-mail: lvb@integratedindia.in
Investor Grievance E-mail: sureshbabu@integratedindia.in
Contact Person: Mr. S. Sriram
SEBI Registration No: INR 000000544

Note: The Letter of Offer/ Abridged Letter of Offer and CAFs to NRIs shall be sent only to their Indian address, if provided.

- Applications will not be accepted from non-resident from any jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws.
- All non-resident investors should draw the cheques/ demand drafts for the full application amount, net of bank and postal charges and which should be submitted along with the CAF to the Banker to the Issue/ collection centres or to the Registrar to the Issue.
- Non-resident investors applying from places other than places where the bank collection centres have been opened by the Bank for collecting applications, are requested to send their CAFs together with Demand Draft for the full application amount, net of bank and postal charges, payable at Chennai directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Bank or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.
- Payment by non-residents must be made by demand draft payable at Chennai/ cheque payable drawn on a bank account maintained at Chennai or funds remitted from abroad in any of the following ways:

Application with repatriation benefits

- (i) By Indian Rupee drafts purchased from abroad and payable at Chennai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate);
- (ii) By local cheque / bank drafts remitted through normal banking channels or out of funds held in Non-Resident External Account (NRE) or FCNR Account maintained with banks authorized to deal in foreign currency in India, along with documentary evidence in support of remittance;
- (iii) By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Chennai;
- (iv) FIIs/FPIs registered with SEBI must remit funds from special non-resident rupee deposit account;
- (v) Non-resident investors applying with repatriation benefits should draw cheques/ drafts in favour of **‘The Lakshmi Vilas Bank Limited – Rights Issue - NR’** and must be crossed ‘account payee only’ for the full application amount;
- (vi) Investors may note that where payment is made by drafts purchased from NRE/ FCNR accounts, as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

Application without repatriation benefits

- (i) As far as non-residents holding Equity Shares on non-repatriation basis are concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in India or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Chennai. In such cases, the Allotment of Equity Shares will be on non-repatriation basis.
- (ii) All cheques/ drafts submitted by non-residents applying on a non-repatriation basis should be drawn in favour of **‘The Lakshmi Vilas Bank Limited – Rights Issue – R’** and must be crossed ‘account payee only’ for the full application amount. The CAFs duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAFs before the

close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

- (iii) Investors may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO accounts, as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.
- (iv) New demat account shall be opened for holders who have had a change in status from resident Indian to NRI. Any application from a demat account which does not reflect the accurate status of the Applicant are liable to be rejected.

Notes:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to the I.T. Act.
- In case Equity Shares are allotted on a non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAFs before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

Impersonation

As a matter of abundant caution, attention of the Investors is specifically drawn to the provisions of sub-section (1) of section 38 of the Companies Act, 2013 which is reproduced below:

“Any person who makes in a fictitious name an application to a Bank for acquiring, or subscribing for, any shares therein, or otherwise induces a Bank to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/ 24.47.00/ 2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn. Hence, payment through Stockinvest would not be accepted in this Issue.

Disposal of application and application money

No acknowledgment will be issued for the application moneys received by us. However, the Banker to the Issue/ Registrar to the Issue/ Designated Branch of the SCSBs receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

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

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the Applicant within a period of 15 days from the Issue Closing Date. If there is a delay beyond 8 days from the stipulated period (i.e. 15 days from the closure of the Issue) our Bank shall be punishable with a fine which shall not be less than five lakh rupees but which may extend to fifty lakh rupees and every officer of our Bank in default shall be punishable with imprisonment for a term of one year or with fine which shall not be less than fifty thousand rupees but may extend to three lakh rupees or with both in accordance with Section 40 (5) of the Companies Act, 2013.

For further instructions, please read the CAF carefully.

Undertakings by us

We undertake the following:

- (i) The complaints received in respect of the Issue shall be attended to by us expeditiously and satisfactorily.
- (ii) All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchange where the Equity Shares are to be listed will be taken within 7 working days from the date of finalization of the Basis of Allotment.
- (iii) The funds required for making refunds to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by us.
- (iv) We undertake that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Investor within 15 days of the Issue Closing Date, giving details of the banks where refunds shall be credited along with amount and expected date of electronic credit of refund.
- (v) Adequate arrangements shall be made to collect all ASBA applications and to consider them similar to non-ASBA applications while finalising the basis of Allotment.
- (vi) The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.
- (vii) Except for the Issue of Equity shares of our Bank arising upon exercise of options granted under ESOP, no further issue of securities affecting our equity capital shall be made till the securities issued/ offered through the Letter of Offer Issue are listed or till the application money are refunded on account of non-listing, under-subscription etc.
- (viii) At any given time there shall be only one denomination of our Equity Shares.
- (ix) We accept full responsibility for the accuracy of information given in the Letter of Offer and confirm that to the best of our knowledge and belief, there are no other facts the omission of which makes any statement made in the Letter of Offer misleading and further confirms that we have made all reasonable enquiries to ascertain such facts.
- (x) All information shall be made available by the Lead Manager and the Issuer to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.
- (xi) We shall comply with such disclosure and accounting norms specified by SEBI from time to time.
- (xii) We shall utilize the funds collected in the Issue only after finalisation of the Basis of Allotment.

Minimum Subscription

If our Bank does not receive the minimum subscription of 90% of the Issue, or the subscription level falls below 90%, after the Issue Closing Date on account of withdrawal of applications, our Bank shall refund the entire subscription amount received within 15 days from the Issue Closing Date. If such money is not repaid within a period of 30 days from the date of the Issue Closing Date, the application money has to be returned within such period as may be prescribed. In the event of any failure to refund the application money within the specified period, a penalty of ₹ 1,000 for each day during which the default continues or ₹ 100,000, whichever is less as per Section 39(3) of the Companies Act, 2013.

Important

- Please read the Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions and must be carefully followed; otherwise the application is liable to be rejected.
- All enquiries in connection with the Letter of Offer or accompanying CAF and requests for SAFs must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and super scribed ‘**The Lakshmi Vilas Bank Limited -Rights Issue**’ on the envelope and postmarked in India) to the Registrar to the Issue at the following address:

Integrated Enterprises (India) Limited

II Floor, ‘ Kences Towers’

No.1 Ramakrishna Street

North Usman Road, T Nagar

Chennai – 600 017

Tel.: + 91 44 28140801

Fax : + 91 44 28142479

Website: www.integratedindia.in

E-mail: lvb@integratedindia.in

Investor Grievance E-mail: sureshababu@integratedindia.in

Contact Person: Mr. S. Sriram

SEBI Registration No: INR 000000544

It is to be specifically noted that this Issue of Equity Shares is subject to the risk factors mentioned in chapter titled “*Risk Factors*” on page 13 of this Draft Letter of Offer.

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

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The contracts referred to in para (A) below (not being contracts entered into in the ordinary course of business carried on by us) which are or may be deemed material have been entered into by us.

The contracts together with the documents referred to in para (B) below may be inspected at the Registered Office of the Bank between 11.00 a.m. to 2.00 p.m. on any working day from the date of this Draft Letter of Offer until the closure of the subscription list.

(A) MATERIAL CONTRACTS

1. Engagement letter dated November 29, 2013 between the Bank and Axis Capital Limited, Lead Manager to the issue.
2. Issue Agreement dated March 26, 2014 between the Bank and Axis Capital Limited, Lead Manager to the issue.
3. Agreement dated January 22, 2014 between the Bank and Integrated Enterprises (India) Limited, Registrar to the Issue.
4. Tripartite Agreement dated December 14, 2000 between the Bank, National Securities Depository Limited and Integrated Enterprises (India) Limited.
5. Tripartite Agreement dated December 20, 2000 between the Bank, Central Depository Services (India) Limited and Integrated Enterprises (India) Limited.

(B) DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association.
2. Certificate of incorporation dated November 3, 1926.
3. License issued to the Bank by the Reserve Bank of India under the BR Act.
4. Resolution of the Board of Directors under section 81(1) of Companies Act, 1956 passed in its meeting dated January 3, 2014 authorising the Issue.
5. Consents of the directors, company secretary and Compliance Officer, statutory auditors, lead manager to the Issue, legal advisor to the Issue and Registrar to the Issue to include their names in the Draft Letter of Offer to act in their respective capacities.
6. Letter from RBI no. Ref. DBOD. 10731 /08.44.001/2013-14 dated December 2, 2013 approving the appointment of Mr. Rakesh Sharma as Managing Director and CEO of the Bank.
7. Letter from RBI no. Ref. DBOD. 10135/08.04.001/2012-13 dated January 14, 2013 approving the appointment of Mr. Raghuraj Gujjar as Non-Executive Chairman of the Bank.
8. Annual reports of the Bank for last five financial years.
9. The Report of the Auditors being, M/s. Sagar & Associates Chartered Accountants, as set out therein dated January 18, 2014 in relation to our reformatted financial information.
10. The Report of the Auditors being, M/s. Sagar & Associates Chartered Accountants, as set out therein dated January 18, 2014 in relation to limited review financial information for six months ended September 30, 2013.

11. The Limited Review Report of the Auditors being, M/s. Sagar & Associates Chartered Accountants, as set out therein dated February 14, 2014 in relation to unaudited financial results for the quarter ended December 31, 2013.
12. Statement of Tax Benefits dated January 18, 2014 by Sagar & Associates, Chartered Accountants.
13. Due Diligence Certificate dated March 26, 2014 by Axis Capital Limited, Lead Manager to the Issue.
14. In-principle listing approvals dated [●] and [●] from the BSE and the NSE, respectively.
15. Observation letter no. [●] dated [●] received from SEBI.
16. Approval dated [●] from FIPB giving approval to Allot partly paid-up Equity Shares to Non-Resident Eligible Equity Shareholders and Renouncees.
17. Copy of letter of offer dated November 6, 2009 for the rights issue of equity shares by the Bank.

Any of the contracts or documents mentioned in this Draft Letter of Offer may be amended or modified at any time, if so required, in our interest or if required by the other parties, without reference to the Equity Shareholders, subject to compliance with applicable law.

DECLARATION

We hereby certify that no statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act and the rules made thereunder. We further certify that all the legal requirements connected with the Issue as also the guidelines, instructions, etc., issued by SEBI, the Government and any other competent authority in this behalf, have been duly complied with. We further certify that all disclosures made in this Draft Letter of Offer are true and correct.

Board of Directors of the Bank

Name	Signature
Raghuraj Gujjar Non- Executive Chairman	
Rakesh Sharma Managing Director and CEO	
D.L.N. Rao Independent and Non-Executive Director	
B.K. Manjunath Independent and Non-Executive Director	
K.R. Pradeep Non-Independent and Non-Executive Director	
S.G. Prabhakharan Non-Independent and Non-Executive Director	
S. Dattathreya Independent and Non-Executive Director	
R. Sharan Independent and Non-Executive Director	
A. Satish Kumar Independent and Non-Executive Director	
P.A. Shankar Independent and Non-Executive Director	
N. Malayalaramamirtham Non-Independent and Non-Executive Director	
R. Ravikumar Independent and Non-Executive Director	
Ashok Narain Independent and Non-Executive Director	

Chief Executive Officer and Chief Financial Officer

Rakesh Sharma Chief Executive Officer	
M. Palaniappan Chief Financial Officer	

Place: Bangalore
Date: March 26, 2014