

Central Bank of India
Head Office, Chandermukhi, Nariman Point, Mumbai - 400021

NOTICE

NOTICE is hereby given that the 2nd Annual General Meeting of the shareholders of Central Bank of India will be held at , Sir Sorabji Pochkhanawala Bankers' Training College, Nr Cooper Hospital/BSES Office, JVPD Scheme, Vile Parle - West, Mumbai 400056, on Tuesday, 4th August 2009 at 03:00 PM. to transact the following business:

1. To discuss, approve and adopt the Balance Sheet of the Bank as at 31st March, 2009, Profit & Loss Account for the year ended 31st March, 2009, the Report of the Board of Directors on the working and activities of the Bank for the period covered by the accounts and the Auditor's Report on the Balance Sheet and Accounts.
2. To declare Dividend for the year 2008-09.
3. Any other item including increase of authorised capital of the Bank, issue of Shares etc as deemed fit by the Board.

Place : Mumbai
Date : June 24, 2009

S. Sridhar
Chairman and Managing Director

NOTES:

1. APPOINTMENT OF PROXY:

A SHAREHOLDER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY (WHETHER A SHAREHOLDER OR NOT, BUT OTHER THAN AN EMPLOYEE OR OFFICER OF THE BANK) TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF.

The Proxy, in order to be effective, must be received at Head Office situated at Chandermukhi, Nariman Point, Mumbai 400021 not less than four days before the date of Meeting i.e., on or before the closing hours of the Bank at 5:00 p.m. on Wednesday, 29th July 2009, together with a Power of Attorney or other authority, if any, under which it is signed or a copy of that Power of Attorney or other authority Certified as a True Copy by a Notary Public or a Magistrate unless such Power of Attorney or other authority has been previously deposited and registered with the Bank.

2. APPOINTMENT OF A REPRESENTATIVE:

No person shall be entitled to attend or vote at the Meeting as a duly authorised representative of a Company unless a copy of the Resolution appointing him as a duly authorised representative, Certified to be True Copy by the Chairman of the Meeting at which it was passed, shall have been deposited at the Head Office of the Bank not later than four days before the date of Meeting i.e., on or before the closing hours of the Bank at 05:00 PM. on Wednesday, 29th July, 2009.

3. ATTENDANCE SLIP-CUM ENTRY PASS:

For convenience of the Shareholders, Attendance Slip-cum-Entry Pass is annexed to this Notice. Shareholders are requested to affix their signatures at the space provided therein and hand over the same at the venue of the Meeting. Proxy/Representative of the shareholder should state on the attendance slip as "Proxy" or "Representative", as the case may be.

4. CLOSURE OF REGISTER OF SHAREHOLDERS:

The Register of Members and Share Transfer Books of the Bank will remain closed from 29th July 2009 to 04th August 2009 (both days inclusive).

5. PAYMENT OF DIVIDEND:

The Board of Directors of the Bank in its meeting held on 28th April 2009 has recommended final dividend at Rs.2/- per share for the Financial Year 31st March 2009. Pursuant to the Book Closure as mentioned at point No.4 above, such dividend is payable to those shareholders whose names appear on the Register of Shareholders of the Bank as on 4th August 2009 for those holding shares in physical form, and as per the details made available to the Bank on the close of 28th July 2009 by NSDL & CDSL for those holding shares in demat form. The dividends will be distributed to the eligible shareholders on or before 18 August 2009.

6. CHANGE OF ADDRESS/DIVIDEND MANDATE:

Shareholders are requested to intimate change of their address, dividend mandate, Bank particulars, etc., to Bank's Registrars & Transfer Agent, immediately after such changes to avoid inconvenience at a later date. The shareholders holding their shares in electronic form may approach their Depository Participant (DP) for recording such requests.

7. CONSOLIDATION OF FOLIOS:

The Shareholders who are holding shares in identical order of names in more than one account are requested to intimate to the Registrars & Transfer Agent, the ledger folio of such accounts together with the share certificates to enable the Bank to consolidate all the holdings into one account. The share certificates will be returned to the members after making necessary endorsement in due course.

8. LODGEMENT FOR TRANSFERS AND INVESTORS' SERVICES:

Share Certificate along with transfer deed and any complaint should be forwarded to the Registrars & Share Transfer Agent of the Bank at the following address.

Link Intime India Pvt. Ltd
(Unit: Central Bank of India)
C-13 Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai 400078
Phone: (022) 2596 3838
Fax: (022) 2594 6969
e-mail: isrl@linkintimeco.in

9. REQUEST TO MEMBERS:

Please note that copies of the Annual Report will not be distributed at the Annual General Meeting as an economy measure. Hence, members are requested to bring their copies of the Annual Report to the Meeting.

Directors' Report 2008-09

To the Members,

Your Directors have pleasure in presenting the Bank's Annual Report along with the Audited Statement of Accounts, the Profit and Loss accounts and the Cash Flow Statement for the year ended March 31, 2009.

1. PERFORMANCE HIGHLIGHTS

- Total Business of the Bank increased by Rs 33405 crore to Rs 218012 crore, which is a y-o-y increase of 18.10 percent.
- Total Deposits increased by Rs 20952 crore to Rs 131272 crore, which is a y-o-y increase of 18.99 percent.
- Gross Credit increased by Rs 12453 crore to Rs 86740 crores, which is a y-o-y growth of 16.76 percent.
- Operating Profit increased by Rs 169 crore to Rs 1437 crore, registering a y-o-y increase of 13.33 percent.
- Net Profit increased by Rs 21 crore, registering an y-o-y increase of 3.82 percent.
- Capital Adequacy Ratio (as per Basel-I) increased to 11.75 percent from 10.42 percent during the previous fiscal. As per Basel-II, the CRAR of the bank stood at 13.12 percent.
- Net Worth increased by Rs 500 crore to Rs 4401 crore, registering a y-o-y increase of 12.82 percent.
- Gross NPAs reduced to Rs 2316 crore from Rs 2350 crore in the previous year. In terms of percentage, the Gross NPAs reduced to 2.67 percent from 3.16 percent in the previous year.
- Net NPA increased marginally to Rs 1063 crore from Rs 1060 crore in the previous year. Net NPA percentage reduced to 1.24 percent from 1.45 percent in the previous year.
- Net Interest Margin reduced to 1.97 percent from the previous year corresponding figure of 2.40 percent. This was due to fall in yield on investments from 7.03 percent (2008) to 6.89 percent (2009) and increase in Cost of Deposits from 6.24 percent (2008) to 6.90 percent (2009).
- Business per Employee increased to Rs 560 Lacs from the previous year corresponding figure of Rs 401 Lacs.
- Credit deployed under Priority Sector increased from Rs. 25442 crore to Rs. 29270 crore in 2008-09, recording a y-o-y growth of 15.05 per cent.
- Direct Agriculture advance recorded a growth of 27.91% over 2007-08 despite adjustment of Debt Waiver Claim of Rs. 399.59 crore. The Bank surpassed the target for Agriculture (18 per cent) by achieving 19.14 per cent of ANBC.
- The Bank issued 221558 Kisan Credit Cards during the year with sanctioned limit of Rs.1134 crore.
- The advances to SME increased to Rs. 6644.47 crore at the end of the current year from Rs. 6037 crore as on 31.03.2008. The number of specialized SSI / SME branches too increased from 35 to 60.
- 10968 Self Help Groups formed out of which 7824 groups have been credit-linked.
- Information Technology Based Financial Inclusion launched in four Districts and 1290822 accounts opened under Financial Inclusion.
- Educational Loan portfolio recorded a growth of 46.88 per cent to Rs 824 crore.
- The Bank has introduced a special package for housing loans of upto Rs 20 Lakh at a concessional rate of interest of 8% for the first year.
- Bank covered 20262 women beneficiaries under the Janashree Bima Yojana.
- Free counseling to distressed farmers/ borrowers on the various banking products started at two centers under CentSahyog.
- Five RUDSETI centres opened to encourage development of rural entrepreneurship.
- The Bank was ranked first amongst all bancassurance partners of LIC.
- Over 4.2 lacs ATM cards in operation.
- 1202 branches, 20 NBOs, 135 extension counters and 4 SCAPs are on the Core Banking Solution platform.
- Cheque Truncation System implemented in all CBS branches under NCR, Delhi.
- First nationalized Bank to launch Visa Platinum and Visa Gold credit cards.

2. INCOME & EXPENDITURE

Details of Income and Expenditure for the period 2008-09 are given hereunder:

| | | Rs. in crore | | | % |
|-----|---------------------------------|--------------|------------|-----------|---------|
| | | 31.03.2009 | 31.03.2008 | Variation | |
| 1. | INTEREST INCOME | 10455 | 7884 | 2571 | 32.61 |
| | - Advances | 7753 | 5297 | 2456 | 46.37 |
| | - Investments | 2563 | 2350 | 213 | 9.06 |
| | - Others | 139 | 237 | (98) | (41.35) |
| 2. | OTHER INCOME | 1070 | 902 | 168 | 18.63 |
| | (Profit on Sale of Investments) | 410 | 154 | 256 | 166.23 |
| 3. | TOTAL INCOME (1+2) | 11525 | 8786 | 2739 | 31.17 |
| 4. | INTEREST EXPENDED | 8227 | 5772 | 2455 | 42.53 |
| | - Deposits | 7913 | 5579 | 2334 | 41.84 |
| | - Others | 314 | 193 | 121 | 62.69 |
| 5. | OPERATING EXPENSES | 1861 | 1746 | 115 | 6.59 |
| | - Establishment | 1272 | 1214 | 58 | 4.78 |
| | - Others | 589 | 532 | 57 | 10.71 |
| 6. | TOTAL EXPENSES (4+5) | 10088 | 7518 | 2570 | 34.18 |
| 7. | SPREAD (1-4) | 2228 | 2112 | 116 | |
| 8. | OPERATING PROFIT (3-6) | 1437 | 1268 | 169 | 13.33 |
| 9. | PROVISIONS – NPA/INVST./OTHERS | 512 | 416 | 96 | 23.08 |
| 10. | PROVISION FOR TAXATION | 354 | 302 | 52 | 17.22 |
| 11. | NET PROFIT | 571 | 550 | 21 | 3.82 |

- Interest income from advances increased by 46.37 percent but reduction in the interest income from others resulted in moderation of increase in Interest Income by 32.61 percent.
- Net Interest spread grew by 5.50 percent inspite of 42.53 percent increase in total Interest expended. Interest paid on deposits was higher by 41.84 percent and interest paid to others higher by 62.69 percent.
- Net Interest Margin has reduced to 1.97 percent from 2.40 percent during the previous year due to fall in Yield on Investments and Increase in the Cost of deposits.
- Operating profit increased by 13.33 percent, but due to higher provisions by 23.08 percent, the increase in Net Profit moderated to 3.82 percent.

3. PROVISIONS

Details of Total Provisions of Rs. 866 crore charged to the Profit and Loss Account during the current year vis-à-vis Rs. 718 crore for the year ended March 31, 2008 are as under :

| | (Rs. in crore) | | |
|---------------------------------------|----------------|------------|-----------|
| | 31.03.2009 | 31.03.2008 | Variation |
| Provisions for Standard Assets | 45 | 84 | (39) |
| Provisions for NPAs | 322 | 289 | 33 |
| Depreciation/Provision on Investments | 91 | 74 | 17 |
| Provision for Taxes | 354 | 302 | 52 |
| Others | 54 | (31) | 85 |
| Total | 866 | 718 | 148 |

4. SPREAD ANALYSIS

| | | (In percentage) |
|----------------------|------------|-----------------|
| | 31.03.2009 | 31.03.2008 |
| Cost of Deposits | 6.90 | 6.24 |
| Cost of Funds | 6.94 | 6.27 |
| Yield on Advances | 10.19 | 9.74 |
| Yield on Investments | 6.89 | 7.03 |
| Net Interest Margin | 1.97 | 2.40 |
| Cost – Income Ratio | 56.44 | 57.92 |

- The Cost of Deposits and the Cost of Funds increased to 6.90 percent and 6.94 percent respectively from the previous year corresponding figure of 6.24 percent and 6.27 percent respectively.
- The Yield on Advances increased to 10.19 percent but the yield on investments reduced to 6.89 percent.
- The Net Interest Margin reduced to 1.97 percent from 2.40 percent.

5. BANKING RATIOS

| | | (In percentage) |
|--|---------|-----------------|
| | 2008-09 | 2007-08 |
| Interest Income to Average Working Funds (AWF) | 8.22 | 7.81 |
| Non-Interest Income to AWF | 0.84 | 0.89 |
| Operating Profit to AWF | 1.13 | 1.26 |
| Return on Average Assets | 0.45 | 0.54 |
| Business per Employee (Rs. in lacs) | 560 | 401 |
| Net Profit per Employee (Rs. in lacs) | 1.71 | 1.56 |

6. CAPITAL TO RISK WEIGHTED ASSETS RATIO (CRAR)

The components of Capital adequacy Ratio are as under:

| | | | Rs in crore |
|------------------------|------------|----------|-------------|
| | 31.03.2009 | | 31.03.2008 |
| | Basle I | Basle II | Basel - I |
| Risk Weighted Assets | 79572 | 71270 | 71765 |
| Capital Funds | | | |
| -Tier I | 6.24% | 6.97% | 5.42% |
| -Tier II | 5.51% | 6.15% | 5.00% |
| Capital Adequacy Ratio | 11.75% | 13.12% | 10.42% |

The Bank's Capital adequacy ratio as on 31st March 2009 stood at 13.12% after providing capital charge for Credit, Market and Operational risks as per Basel II norms. The Bank mobilized additional capital of Rs.700 crore under Tier I capital during the year, which also enabled the Bank to increase its Tier II capital and overall capital adequacy ratio. The Bank's Tier I capital stood at 6.97% as on 31.3.09 against the mandatory requirement of 6% to be achieved by March 2010 as stipulated by RBI.'

7. NET PROFIT & DIVIDEND

The Bank registered a Net profit of Rs 571 crore for 2008-09 as against Rs 550 crore for the previous year. The Board of directors are pleased to recommend a dividend @ 20 percent.

8. CHANGES IN THE BOARD DURING THE YEAR

During the year under review, the following changes took place in the Board of Directors of the Bank:

- Dr. Shashank Saksena has been appointed as Government of India Nominee Director in place of Smt. Vinita Kumar with effect from 10th June, 2008.
- Shri Albert Tauro, Executive Director has retired from the Board of our Bank on 2nd August, 2008 due to his elevation as Chairman and Managing Director of Vijaya Bank.
- Shri Kamal Faruqui has retired on 15th September due to expiry of his term of 3 years.
- Shri K. Subbaraman, Executive Director has retired on 30th September, 2008 due to his superannuation.
- Major (Retd.) Ved Prakash has retired on 5th October due to expiry of his term of 3 years.
- Smt. Satya Bahin has retired on 9th November, 2008 due to expiry of her term of 3 years.
- Shri Harish Chandhok has retired on 9th November, 2008 due to expiry of his term of 3 years.
- Shri Brijlal Kshatriya and Prof. N. Balakrishnan have been elected as Shareholders' Director on our Bank's Board on 20th November, 2008.
- Shri Ramnath Pradeep has been appointed as Executive Director with effect from 19th December, 2008.
- Ms. H.A. Daruwalla has retired on 31st December, 2008 due to her superannuation.
- Shri S. Sridhar has been appointed as Chairman and Managing Director with effect from 2nd March, 2009.
- Shri Romesh Sabharwal has retired on 2nd March, 2009 due to expiry of his term of 3 years.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that in the preparation of the annual accounts for the year ended March 31, 2009:

- a. The applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b. The accounting policies framed in accordance with the guidelines of the Reserve Bank of India, were consistently applied;
- c. Reasonable and prudent judgment and estimates were made so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit of the Bank for the year ended March 31, 2009;
- d. Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of applicable laws governing banks in India; and
- e. The accounts have been prepared on a going concern basis.

10. ACKNOWLEDGEMENT

The Board is grateful to the Government of India, Reserve Bank of India and the Securities & Exchange Board of India for their continued cooperation, support and advice. The Board acknowledges with gratitude the unstinted support of its customers and shareholders. The Board wishes to place on record its appreciation of the dedicated services and contribution made by members of staff for the overall performance of the Bank.

For and on behalf of the Board of Directors

Place: Mumbai
Date: June 24, 2009

S Sridhar
CHAIRMAN & MANAGING DIRECTOR

Management Discussion and Analysis

PART A - ECONOMIC SCENARIO

GLOBAL DEVELOPMENTS

The sub-prime mortgage crisis, which emanated from the USA, spread to other economic zones and engulfed the world economy. Since mid-2008, the crisis intensified following bankruptcy of Lehman Brothers and led to freezing of credit and money markets in major financial markets the world over. To counter these, the monetary and regulatory authorities have acted in sync and initiated measures to improve liquidity conditions in the financial markets. Despite these measures, the global growth decelerated to 3.4 percent in the year 2008, as compared to the previous year growth of 5.2 percent. The US economy is expected to decline by 2.8 percent; Japan by 6.2 percent; Germany by 5.6 percent; Italy by 4.4 percent and France by 3 percent during the current year. The IMF has estimated that during 2009, the overall global growth will decline by 1.3 percent and is expected to stabilize only during 2010.

DEVELOPMENTS IN THE ECONOMY DURING 2008-09

The domestic economy witnessed moderation in growth during 2008-09 and materialization of the downside risks led the RBI to revise the estimates for GDP growth during the year in the range of 6.5-6.7 percent from the earlier projection of 8.0-8.5 percent. In the agriculture sector, according to Advanced Estimates, the total foodgrains production during 2008-09 is placed at 227.9 million tonnes as compared with 230.8 million tonnes during the previous year. This decline is attributable to kharif crop losses due to floods in states like Bihar, Eastern U.P., Orissa and Assam. There has also been a decline in the production of coarse cereals, pulses, oil seeds, cotton and sugar cane.

In the industrial sector there was marked deceleration with the year-on-year expansion from April 2008 to February 2009 at 2.8 percent as against the corresponding year's figure of 8.8 percent. Except two industry groups viz. beverages and tobacco and related products and textile products, all other industry groups recorded decelerated/negative growth during April-February 2008-09.

The services sector also recorded a lower growth of 9.7 percent during April-December 2008-09 as compared with 10.5 percent growth during corresponding period of 2007-08.

The global slowdown severely impacted the economy's external sector. During 2008-09 (April-February), exports recorded a growth of 6.4 percent as compared to 28.4 percent growth recorded during the corresponding period of the previous year. Imports during the same period also recorded a lower growth due to deceleration in the growth of both POL and non-POL imports. During 2008-09 (April-February), the POL imports showed a growth of 24.4 percent, lower than 35.3 percent recorded during the corresponding period of the previous year. Non-POL imports during this period also exhibited moderation in growth to 15.0 percent from 42.6 percent during the previous year. As a result of these, the merchandise trade deficit widened to US \$ 113.8 billion from US \$ 82.2 billion during the previous year.

Headline inflation, as measured by year-on-year variation in the Wholesale Price Index (WPI) touched the peak of 12.9 percent as on August 2, 2008 but due to three-pronged attack through monetary, fiscal and supply-side measures of the Government and the Regulator, the WPI inflation was contained during the last quarter of the fiscal and was recorded at 0.26 percent as on March 28, 2009. However, owing to the firm trends in prices of the food articles, the inflation as measured by Consumer Price Index continued to be higher at 9.63 percent for industrial workers and 10.79 percent for agricultural labourers as of February 2009.

MONETARY DEVELOPMENT

Since mid-September 2008, the RBI aggressively lowered the policy rates and the Cash Reserve ratio viz., Repo rate by 400 bps, Reverse repo by 250 bps and the CRR by 400 bps. As a result of these measures, comfortable liquidity conditions prevailed in the economy after October 2008. The Money Supply (M3), on a year-on-year basis, grew by 18.4 percent during 2008-09 as compared with 21.2 percent during the previous year.

The unprecedented quantitative easing by the Regulator has already created stable conditions in the Money and Credit markets, improved sentiments and lowered the effective cost of borrowing, both for companies and individuals. During 2009-10, the RBI has estimated growth in broad money M3 at 17 percent; aggregate deposits of the SCBs at 18 percent and non-food credit at 20 percent.

GROWTH IN BANKING SECTOR

The aggregate deposits of Scheduled Commercial banks (SCB) stood at Rs 38,30,322 crore as at 31-03-2009, recording a growth of 19.8 percent (Rs. 6,33,382 crore) during 2008-09. The growth was lower than 22.4 percent (Rs. 5,85,006 crore) recorded in the previous year. On a y-o-y basis, demand deposits showed a negative growth of (-) 0.2 percent in 2008-09 as compared to 20.9 percent growth during the previous year, but the time deposits recorded a higher growth of 22.6 percent (y-o-y) at end-March 2009 as compared with 21.9 percent a year ago.

Non-food credit of the SCBs as of March 27, 2009 stood at Rs 2723801 crore, recording a growth rate of 17.5 percent (Rs. 4,06,287 crore) on a y-o-y basis, as compared with 23.0 percent (Rs. 4,32,846 crore) in the previous year. Food credit by SCBs

increased by Rs. 1812 crore in 2008-09 as against a decline of Rs. 2121 crore in 2007-08. The lower expansion in credit relative to the expansion in deposits resulted in a decline in the incremental credit-deposit ratio (y-o-y) of SCBs to 64.4 percent at the end March 2009 from 73.6 percent a year ago.

Statistics released by the RBI on sectoral deployment of bank credit as of February 27, 2009 reveal that credit to the industrial sector on y-o-y basis recorded the highest growth (25.8 percent), followed by agriculture and allied activities sector (21.5 percent) and services (19.2 percent). Within the industrial sector, the expansion of incremental non-food credit was led by petroleum, coal and nuclear fuels (78.2 percent) followed by construction (58.5 percent), Iron & Steel (37.0 percent), Infrastructure (35.1 percent), Rubber, Plastics & their products (34.0 percent) and Engineering (31.2 percent). The infrastructure sector alone accounted for 31.3 percent of the incremental credit to industry as compared with 33.2 percent in the corresponding period of the previous year. Priority Sector advances grew by 19.2 percent in February 2009 as compared with 16.9 percent growth during the corresponding period of the previous year.

The SCBs invested Rs. 1,94,031 crore in the Government and other Approved Securities in 2008-09, which was higher than Rs. 1,80,199 crore in the previous year. SCBs' holding of Government and other approved securities (SLR investments) as a percent of their net demand and time liabilities (NDTL) increased to 28.1 percent at end-March 2009 from 27.8 percent a year ago.

PART B - PERFORMANCE OF THE BANK

BUSINESS

The total business of the Bank increased to Rs 218012 crore, registering a year-on-year growth of Rs 33405 crore or 18.1 percent. The Operating Profit increased by 13.33 percent from Rs 1268 crore to Rs 1437 crore. During the year, the Net Profit increased by 3.82 percent from Rs 550 crore to Rs 571 crore. The Net worth increased by 12.82 percent from Rs 3901 crore to Rs 4401 crore. The Business-per-employee and the Business-per-branch also increased to Rs 5.60 crore and Rs 54.23 crore, respectively.

RESOURCE MOBILISATION

The total deposits of the Bank recorded a growth of about 19.0 percent from Rs 110320 crore to Rs 131272 crore. Within these, the CASA registered a growth of 9.84 percent from Rs 39867 crore as of March 2008 to Rs 43793 crore as on March 2009. As a business strategy to bring down the cost of deposits, the bulk deposits of about Rs 11000 crore were not renewed on maturity.

CREDIT DEPLOYMENT

The gross credit stood at Rs. 86,740 crore as on 31-3-2009 as against Rs.74,287 crore during the previous year, registering a growth of 16.76 percent. This year witnessed a moderate credit growth, which decelerated significantly after October 2008, as a consequence to the global melt down and its ripple effect on the Indian economy in general and Industries and Services Sector in particular. Nevertheless, the growth in credit is diversified in all segments and is more pronounced in Infrastructure, Construction and Retail.

During the year under review, the Bank tried to increase its Retail Lending Portfolio, which is more remunerative as compared to the Corporate Loans. The Bank tied up with TATA Motors to provide finance on easy terms for booking and purchase of all passenger vehicles of TATA Motors Ltd., especially their recently launched economy car NANO.

The Bank has also reduced the rate of interest on Housing Loan to 8 percent for a loan upto Rs.20 lacs for first year to make Housing Loans cheaper and affordable to low and middle income group in conformity with Government Directives.

PRIORITY SECTOR CREDIT

The credit deployed under Priority Sector increased from Rs. 25411 crore to Rs. 29246 crore in 2008-09, recording a y-o-y growth of 15.09 percent. Out of this, the direct Agriculture advance has recorded a growth of 27.59 percent over 2007-08 despite adjustment of the Debt Waiver Claim of Rs. 399.59 crore. The performance recorded by the Bank under various segments of Priority Sector as on 31.03.2009 is as under:

| PARTICULARS | (Rs. in crore) | | % of Growth |
|---|----------------|----------------|-------------|
| | March 2008 | March 2009 | |
| Adjusted Net Bank Credit(ANBC) | 52483 | 73619 | — |
| Priority Sector Advances percent to ANBC | 25442 48.48 | 29270 39.76 | 15.05 |
| Total Agricultural Advances % to ANBC | 11287 21.51 | 14093 19.14 | 24.86 |
| Direct Agricultural Advances % to ANBC | 6982 13.30 | 8931 12.13 | 27.91 |
| Education | 561 | 824 | 46.88 |
| Housing (upto Rs 20 Lacs) | 3704 | 4983 | 34.53 |
| Micro & Small Enterprises | 5078 | 5816 | 14.53 |

AGRICULTURE

Total Agriculture credit increased by 24.66 percent from a level of Rs 11287 crore as on 31.03.2008 to Rs 14093 crore as on 31.03.2009. The share to adjusted net bank credit (ANBC) stood at 19.14 percent which was higher than the stipulated share of 18 percent.

CENTRAL KISAN CREDIT CARD (CKCC)

During the year the Bank issued 221558 Kisan Credit Cards with sanctioned limit of Rs.1134 crore. The cumulative number of cards issued is 1317111 and the total number of cards in operation are 744768, with outstanding balance of Rs. 3805 crore.

MICRO, SMALL AND MEDIUM ENTERPRISES (SME)

The advances to SME increased to Rs. 6644.47 crore at the end of the current year from Rs. 6037 crore as on 31.03.2008. The number of branches identified for focused attention on MSME credit increased from 35 to 60. Extensive training was provided to Branch Managers of these branches at our apex institute in Mumbai. These branches are now adopting cluster-based approach for accelerated growth under the MSME. Further, the Bank is extending collateral free loans up to Rs.100 Lakh for setting up of units under Micro & Small Enterprises sector, which are also eligible for cover under CGTMSE scheme.

The Bank has implemented a scheme to extend credit against Ware House Receipts under the Collateral Management Services favouring National Bulk Handling Corporation Ltd. (NBHC) and National Collateral Management Services Ltd. (NCMSL). The scheme is applicable to all rice mills against stock of rice and paddy. In addition, the Bank has also provided finance to farmers, traders and industries against pledge of warehouse receipts issued by major warehousing bodies.

SELF HELP GROUPS

During the year, 10968 groups were formed under the scheme by the Bank, out of which 7824 groups have been credit-linked. Since inception of the scheme, the Bank has formed 102090 SHGs out of which 66863 groups are credit-linked with outstanding balance of Rs. 724.11 crore at the end of the year. Out of the credit-linked groups, 51798 are Women SHGs with total sanctioned limits of Rs. 437 crore.

FINANCIAL INCLUSION

During the year our Bank has opened 1290822 accounts under Financial Inclusion. As per the RBI directives, the convenors of respective State Level Bankers' Committee (SLBC) have identified certain districts for 100 percent financial inclusion. Out of these, The Bank has been allocated 19059 villages in 260 identified districts by the respective SLBC convenors. Out of these, 12088 villages have been covered under 100 percent Financial Inclusion. Further, the Bank has launched Information Technology (IT) based Financial Inclusion in four Districts viz. Hoshangabad (M.P.), Goalpara (Assam), Warangal (A.P.) and Dhule (Maharashtra).

EDUCATIONAL LOAN

The Bank entered into tie-up arrangements with a number of educational institutions to increase disbursements under Educational Loan Scheme. Some of these institutions are Air Hostess Academy, Meteor Institute of Digital Design Studies, GMR Varahlaxmi Foundation, Great Eastern Institute of Maritime Studies, Bajaj Institute of Modern Management, Pune etc. As a result of these and other measures, the Educational Loan portfolio recorded a growth of 47 percent from Rs. 561 crore as of March 2008 to Rs. 824 crore as of March 2009.

HOUSING LOAN (Upto Rs 20 Lacs)

The Bank continued to perform well in the housing sector under priority sector i.e., with a ticket size of Rs 20 Lacs. The y-o-y growth under this segment was recorded at 34.53 percent.

AGRICULTURAL DEBT WAIVER AND DEBT RELIEF SCHEME 2008

The Bank has implemented the scheme, as announced by the Hon'ble Union Finance Minister in his Budget Speech 2008 and has waived loan of Rs. 974.62 crore, benefiting 443000 Marginal and Small farmers during the year. Under the One Time Settlement (OTS) Scheme, Debt Relief has been provided to 112355 Other farmers with total amount of Rs. 286.72 crore.

STATE LEVEL BANKERS' COMMITTEE

The Bank is the convener of SLBC in the State of Madhya Pradesh. During the year 2008-09, seven SLBC meetings were held to review and monitor the progress made in the State under various parameters including Government sponsored programmes and also to review the implementation of ADWDRS 2008.

GOVERNEMENT SPONSORED PROGRAMME (2008-09)

During the year, the Bank has sanctioned loans amounting Rs. 21.74 crore to 6527 beneficiaries under Swarna Jayanti Shahari Rojgar Yojana (SJSRY). Further, loans amounting to Rs 133.86 Crore were sanctioned to 14986 swarozgaries under Swarna Jayanti Gramin Swarogjar Yojana (SGSY).

ADVANCE TO WEAKER SECTION

During the year, the Bank has extended loans of Rs. 7392 crore to various categories of weaker sections, which constitutes 10.04 percent of ANBC.

ADVANCE TO MINORITY COMMUNITIES

The Govt. of India has recently finalized a new Prime Minister's 15 Point Programme for welfare of Minorities in identified 121 districts. The Bank has extended various loan facilities amounting to Rs. 2589 crore to 3373109 beneficiaries, belonging to different Minority Communities.

ADVANCES TO WOMEN BENEFICIARIES:

Credit disbursement to women beneficiaries, particularly in Tiny & SSI sectors improved, resulting in the outstanding credit to women as of March 2009 at Rs. 3761.93 crore to 420055 women beneficiaries. This is 5.11 percent of ANBC as against the stipulated RBI norm of 5 percent.

MICRO CREDIT

The Bank has extended credit of Rs. 193.45 crore to 128966 beneficiaries where the loan amount does not exceed Rs. 5000 per borrower.

SOCIAL SECURITY SCHEMES

1. JANASHREE BIMA YOJANA:

The scheme is operated in association with LIC of India to provide life insurance cover to rural and urban poor women, who are below or marginally above the poverty line and who are members of Credit linked Women SHGs of our Bank. The Bank has already covered 20262 women beneficiaries during 2008-09, against the target of 5000, thereby recording 405.24 percent achievement vis-à-vis the target.

2. RASHTRIYA KRISHI BIMA YOJANA

Under the scheme, coverage is extended to the farmers for yield losses arising due to non-preventable risks. The above scheme is available throughout the country. Under the Crop Insurance scheme, finance was extended to 143866 farmers to the tune of Rs. 407.68 crore for cultivation of cereals, oilseeds in the notified states/areas.

3. CENT JANATA CREDIT CARDS:

Bank has issued 4991 Cent Janata Credit Cards with sanctioned limit of Rs. 10.92 crore to meet the different requirements of the beneficiaries residing in the rural and semi-urban area.

4. RURAL GODOWNS AND WAREHOUSES / COLD STORAGEES

The Bank has extended advances for construction of rural godowns and warehouses / cold storages so that farmers are not compelled to make distress sale of their produce during peak season. During the year, advance against warehouse receipts was granted to 886 farmers for an amount of Rs. 189.92 crore.

5. CENT SAHYOG

Our Bank has opened two centers one at Ratlam in Madhya Pradesh and the other at Vadkun in Thane District, in Maharashtra to provide free counseling to the villagers on the various Banking products, both deposits and loans and also counseling to distressed farmers / borrowers, irrespective of whether they are Bank's client or not.

6. RURAL DEVELOPMENT & SELF EMPLOYMENT TRAINING INSTITUTE (RUDSETI)

With a view to encourage development of rural entrepreneurship, the Bank has set up five CBI-RUDSETIs at Kota (Rajasthan), Muzaffarpur (Bihar), Hoshangabad (Madhya Pradesh), Ambikapur (Chhattisgarh) and Chhindwara (Madhya Pradesh). Proposals are in pipe line to set up eight more CBI-RUDSETIs in four States to cover our thirty-seven Lead Districts to provide intensive entrepreneurship training to the rural youth to enable them to take vocational activities.

7. INDIRA AWAS YOJANA

The Bank has extended top-up loan of Rs. 378.63 Lakh to 1744 beneficiaries under the scheme for construction of dwelling units.

MANAGEMENT OF NPAs & RECOVERY

The Bank has a Recovery Policy with detailed guidelines for NPA management. These are being reviewed from time to time to incorporate the latest changes / developments and trends in NPA management, encompassing all areas of NPA management viz., monitoring, follow-up, staff accountability, compromise settlements and reporting systems.

The Bank has shown good performance in terms recovery and reduction of NPAs during the year 2008-09.

- Level of gross NPA brought down from Rs 2350 crore as on 31-03-08 to Rs 2316 crore as on 31-03-09.
- The percentage of net NPA to net advances reduced from 1.45 percent as on 31-03-08 to 1.24 percent as on 31-03-09. Bank plans to bring this further down to below 1 percent during 2009-10.
- Early identification of problem accounts under Early Alert System (EAS) and Special Mention Accounts (SMA) for special follow up as a preventive measure effectively put in place.
- Cash recovery Rs.308 crore and Upgradation Rs. 116 crore achieved during the year 2008-09.
- The Bank recovered Rs. 84 crore from prudentially written off accounts.
- Special OTS scheme for advances under Govt. sponsored schemes with sanctioned limits upto Rs. 1 lakh and other accounts upto Rs. 10 lakhs was in force upto 31-03-09.
- Greater focus on non-legal methods for recovery in NPA accounts.
- Several multipurpose camps held in different locations where negotiated settlements were made across the table resulting in substantial recoveries.
- Effective and timely invocation of SARFAESI Act provisions in eligible accounts is resulting in good recovery.

All the above efforts have helped the Bank to contain NPAs within reasonable limits. Bank's commitment to keep NPAs under check will continue through concerted efforts backed by effective recovery strategies and prudent watch on asset quality.

INTERNATIONAL DIVISION

Foreign Exchange business of the Bank is carried out through our 7 'A' Category Authorised Dealer (AD) Branches and 78 'B' Category branches. As against the 68 AD branches, which had migrated to Core Banking Solutions during the year 2007-08, the remaining 17 AD branches have also been networked to the CBS system. The Export Credit of the Bank stood at Rs.2618.81 Crore as on March 31, 2009. During the year one account of Exchange House has been added under the Rupee Drawing Arrangement. In order to facilitate faster USD cheque collection, the Bank has entered into tie up with Citibank N.A. for collection of USD cheques under Check 21. The Bank is negotiating and is in the process of arranging further tie up arrangements for Cash to Cash Inward remittance Scheme. The Bank is also considering proposals received under Speed Remittance.

The Bank has approved Trading in Currency Futures and is in the process of obtaining Membership of MCX-Stock Exchange and National Stock Exchange. The product shall shortly be available to all our customers to hedge their forex risk. FCNR (B) deposits stood at Rs.675.73 crore as on March 31, 2009 and the NRE Deposits stood at Rs.1365.70 crore as on March 31, 2009. In order to cater to the banking needs of our NRI customers and exporter/importer clientele, the Bank has applied to Reserve Bank of India for permission to open Representative Offices abroad at the following centers: Dubai, Singapore, Hong Kong, Doha and London

TREASURY, FUNDS AND INVESTMENT

The Investment Portfolio of the Bank increased to Rs.44,445 crore as on March 31, 2009 as against Rs.32,796 crore as on March 31, 2008 recording an increase of 35.52 percent over the previous financial year.

During the year, the debt market witnessed high levels of volatility in interest rates. The ten-year benchmark yield moved upward from 7.94 percent as on 31-03-2008 to as high as 9.37 percent in July 2008. It eased to 5.25 percent on 31st December 2008 before hardening to 7.02 percent on 31st March 2009. Despite the extreme volatilities, the Bank achieved a trading turnover of Rs.46,764.92 crore during the year 2008-09 and a volume growth of 11.41 percent over the previous financial year. However, the yield on Bank's investment portfolio was 6.88 percent vis-à-vis 7.42 percent in the financial year 2007-08. Market trends such as redemption of high coupon investment, and fresh investment at current low market yields have caused reduction in overall investment yield.

In terms of Reserve Bank of India guidelines, the Bank has transferred securities amounting to Rs. 3036.82 crore from Available for Sale [AFS] category to Held to Maturity [HTM] category in June 2008. Provisions to the extent of Rs.84.67 crore was reversed to Profit & Loss account on account of Prudential Write Off of NPI where 100 percent provision was already held. The AFS portfolio increased by Rs.4276.18 crore during the financial year 2008-09 to a level of Rs.14,952.67 crore.

The composition of investment portfolio of the Bank as on 31-03-2009 is as under:

Rs in Crore

| Sl No. | Composition | 31-03-2008 | 31-03-2009 |
|--------|--------------|-----------------|-----------------|
| 1 | S L R | 27666.67 | 39439.73 |
| 2 | Non-SLR | 5129.71 | 5005.92 |
| 3 | TOTAL | 32796.38 | 44445.65 |

CAPITAL ADEQUACY

The Bank assessed its capital requirement for this financial year keeping in view the implementation of Basel II, effective 31st March 2009, and the overall business growth and raised capital as under:

| Capital | Quantum in Rs | Month of raising capital |
|---------------|---------------|--------------------------|
| Upper Tier II | Rs.300 crore | November 2008 |
| Upper Tier II | Rs.285 crore | February 2009 |
| Lower Tier II | Rs.270 crore | February 2009 |

In addition, the Government of India has also infused capital in the Bank to the tune of Rs.700 crore under Tier I, as per details as under:

| Tier I Capital | Quantum in Rs | Month of raising capital |
|--|---------------|--------------------------|
| Perpetual Non cumulative Preference Shares (PNCPS) | Rs.117 crore | March 2009 |
| Innovative Perpetual Debt Instrument (IPDI) | Rs.583 crore | March 2009 |

The Capital Adequacy Ratio as per Basel – I increased from 10.42 percent (2008) to 11.75 percent (2009) inspite of increase in advances by Rs 12453 crore and consequent increase in Risk Weighted Assets from Rs 71765 crore as on March 31, 2008 to Rs 79572 crore as on March 31,2009. As per Basel – II, the CRAR of the Bank stood at 13.12 percent.

NEW INITIATIVES

BANCASSURANCE

The Bancassurance business which was started under corporate agency of LIC and NIA gained further momentum. The Bank achieved the distinction of being ranked first amongst all bancassurance partners of LIC.

- 65 percent of branches of the Bank were activated for bancassurance business as on 31.3.09. Each of these branches had canvassed a minimum of 12 Policies or collected Premia of Rs. 2 Lacs during the year
- 189 branches became Bima Bank branches during the year by canvassing more than 200 policies or FPI of Rs. 30 lacs per branch during the year.
- Two zones of the Bank became BIMA Zones during the year, having 10 percent of the branches qualifying as Bima Bank branches
- The commission income under para banking activities achieved growth of 65 percent during the year.

MUTUAL FUND

The Bank entered into a cross selling arrangement with Kotak Mahindra MF during the year, thus increasing the tie up with seven top Funds viz. UTI Mutual Fund, Tata Mutual Fund, Franklin Templeton Investments, ICICI Prudential, Reliance Mutual Fund and Sundaram BNP Paribas. During the year the Bank earned commission of Rs 1 crore in mutual fund business through 450 identified branches.

DEMAT SERVICES

Demat Services are being provided to 23134 account holders through 117 identified branches under Central Depository Services India Ltd (CDSL). SMS alert and easi/easiest facilities are also provided to the customers, free of cost.

BRANCH EXPANSION

As on 31st March 2008, Bank was having 3308 Branches, 34 Satellite offices and 243 Extension Counters. During the year 190 branches were opened and 22 Extension Counters were upgraded into full-fledged branches. Two branches viz., Cuffe Parade branch and Versova Road branch were merged with Colaba Causeway branch and Seven Bunglows branch respectively.

At the end of the financial year, 31st March 2009, there were 3518 Branches, 34 Satellite Offices and 219 Extension Counters. Out of these 1376 are Rural Branches, 884 Semi-Urban Branches, 675 Urban Branches and 583 Metro Branches."

INFORMATION TECHNOLOGY

BRANCH AUTOMATION

As on 31.03.2009, the Bank has achieved 100 percent Computerisation and the software-wise branch distribution is as follows :

| Particulars (No. of Branches) | March 2008 | March 2009 |
|-------------------------------|------------|------------|
| Total Branches | 3308 | 3518 |
| a. TBA | 1796 | 1854 |
| b. PBA | 492 | 462 |
| c. CBS | 1020 | 1202 |

The Total Branch Automation packages are procured from M/s. Zenith Infotech Ltd (ZIL) and M/s. InfraSoft. As regards to PBA, most of the branches are using ALPM package developed in-house. Core Banking Solution procured from M/s. TCS is implemented at 1202 branches, 135 Extension Counters, 20 NBOs and 4 SCAPs.

ATM NETWORK AND DEBIT CARD

Bank has successfully completed roll-out of 400 ATMs by October 2008 as per Phase-I implementation. The spread of ATMs is as under :

| | LIVE ATMs As on 31.03.2009 | | | CARD BASE | AV. HITS / ATM/ DAY |
|-------|----------------------------|----------|-------|-----------|---------------------|
| | ON SITE | OFF SITE | TOTAL | 31.03.09 | 31.03.09 |
| TOTAL | 302 | 98 | 400 | 421984 | 46 |

Our card-base has crossed 4.2 lacs mark. Our cards can be used at 2.5 lacs ATMs and purchases can be made at more than 25 lacs locations in India. For the month of March 2009, total hits have crossed 6.48 lacs with more than 4.51 lacs cash transactions. There are more than 1.29 lacs balance enquiries per month and nearly 8000 point of sales, amounting to Rs. 1.53 crore. The Bank plans a further rollout of 350 ATMs (250 On-site and 100 Off-site) including 25 Biometric ATMs.

NETWORK AND CONNECTIVITY

CORPORATE WAN

Corporate WAN was established covering all Zonal Offices, Regional Offices and 73 Major branches and NBOs. Applications like CentMail, Centvoice (WAN Phone), RTGS etc. are working on this WAN. After introduction of new WAN for CBS (BWCN), all the applications hitherto working on old WAN have been migrated to work on BWCN.

MAIL MESSAGING SERVICE (CENT MAIL)

Presently, the corporate mail service - CentMail is working on a distributed architecture implemented in 2002. The main server is placed at ChanderMukhi building and zonal servers at zonal offices. Cent Mail is now working in such a way that Zonal Servers are using CBS Network for connectivity. IDRBT has withdrawn the MMS support for routing our mails to outside the Bank. Now the mails sent outside the Bank are sent directly through Internet. The configuration for this was done in-house using the anti-virus gateway at Central Office without vendor's support or any additional expenditure. The FMS (Facility Management Service) of CentMail is being handled in-house. The present mail system is more than seven years old and frequent problems are faced. In order to have a problem-free centralized corporate Mail system with latest features and State-of-the-art technology, revamping of MMS system to bring additional functions is currently planned and RFP for the same has been floated.

VIDEO CONFERENCING

Polycom Video Conferencing Equipments are installed at all 16 Zonal Offices, Bhopal OTC, Kolkata OTC, SPBT College and Belapur. Videoconference Master Control Unit is at Central Office. The Zones are getting connected to Central Office through ISDN Dial up service. The possibility of extending the Video Conferencing facility to 16 more Regional Offices is being explored.

WEBSITE

Our Bank's website (www.centralbankofindia.co.in) displays information pertaining to Deposit Schemes, Loan Schemes/facilities, International Banking, Interest Rates, Services, Service charges and fees, RTI Act etc. The Website also has a Branch Locator through which a visitor can search nearest branch like CBS branches, ATM location, RTGS branches etc.

The Website also has a facility wherein a customer can apply for Education Loan from Website itself. Once a visitor submits the application through website, an acknowledgement containing application reference number is automatically sent to the visitor's e-mail-ID and the application is forwarded to concerned Regional Office for further processing.

Agriculture Debt Waiver Data has been amalgamated and made available on the Bank's website for the information of customers across the Nation.

Our website can also be accessed through following domain names :-

www.centralbank.org.in

www.centralbankofindia.org.in

www.centralbankofindia.net.in
 www.centralbankofindia.asia
 www.centralbank.asia

These additional domain names were registered to mitigate the risk of phishing of website over cyberspace, so that deceptive websites with names similar to Bank's website are not able to capture confidential data from our customers. As per guidelines provided by Cert-In, the Bank has initiated a process for providing a dedicated server for web-site applications.

CORE BANKING SOLUTION

A total of 1202 branches, 20 NBOs, 135 extension counters and 4 SCAPs are on the Core Banking Solution platform, which has been implemented together with Oracle Apps (Corporate General Ledger) and Channel G (Government Business). Exim-bills (Trade Finance & Forex Module) also were implemented in 85 Forex branches. Channel-G (Government business Module) and E-Credit (Credit Appraisal Module) have been deployed in the production and is available to all the CBS branches.

INTERNET BANKING

Internet Banking facility has been launched for the customers of CBS branches during April, 2007 and SMS Banking during September 2007. Presently there are 33,397 customers using Internet Banking Solution.

CHEQUE TRUNCATION SYSTEM

Cheque Truncation System (CTS) has been implemented in all CBS branches under National Capital Region, Delhi. Higher bandwidth of 2 mbps is also provided at Delhi NBO to take care of the high volume of cheque images.

RBI PROJECTS

RTGS - Development of RTGS interface with CBS has been completed and RTGS solution is implemented in 1227 branches as on 31.03.2009 out of which 1200 are through CBS interface.

NEFT- As at the end of the year, 1227 branches have been brought under NEFT out of which 1200 are through CBS interface.

Speed Clearing - Speed clearing has been introduced in 37 centres of the Bank. As per RBI instructions speed clearing is to be extended through all 60 MICR centres. As and when the local clearing centres introduce Speed clearing, remaining 23 centres of the Bank will participate in Speed clearing.

OTHER GOVERNMENT PROJECTS

Online Direct Taxes, Indirect Taxes and on-line DGFT license fee remittance facilities are provided under CBS. 457 branches are designated for Direct tax collection, out of which 399 branches have been implemented in CBS.

212 branches of the Bank are authorized for collection of Central Excise and Service tax under EASIEST (Electronic Accounting System in Excise & Service Tax), out of which 113 branches are under CBS.

Electronic Accounting System for E-Receipts (EASeR), an e-payment solution for Excise duty and service tax was implemented on 1st August 2008 with Churchgate and Chennai Main Branch as Nodal branches. E-payment facility for direct taxes was implemented on 15th May 2008 with Vikhroli, Mumbai as Collecting Branch.

IN-HOUSE DEVELOPED PROJECTS

Automation of departments like General Administration Department (GAD) including its Printing and Stationery, Government modules like Online Tax Accounting System (OLTAS), Electronic Accounting System in Excise and Service Tax (EASIEST), Banking Cash Transaction Tax (BCTT), Assets & Liabilities statement Software of HRD, software for suit-filed and non-suit-filed accounts data for submission to RBI, are done through in-house software.

Similarly NBO Tool, CTR transaction capturing tool for TBA branches and Tool for uploading Exchange House Data in CBS System (Overseas Branch) software for preparation of VOSTRO R-Return from Exchange House statements, software for separating Exchange-house statements, software for conversion of F111 summary from CBS system to format that can be uploaded in CAS package and NECS Tool in Mumbai NBO for NECS clearing for CBS branches are also developed in-house and implemented.

A web based Software "Compliance Monitoring System" has been developed in-house and implemented in Compliance Cell. All the zones are directly accessing this software for data entry. Govt. Module E-Scroll Software for Maharashtra Sales Tax collection has been implemented for designated branches in Mumbai and is being rolled out in Pune Zone.

DISASTER RECOVERY MANAGEMENT

A Disaster Drill was conducted on 14.03.2009 by switching off the DC Servers at about 01.30 p.m. and making the DC Servers up at 3.15 p.m. Even though the DC was cut off from Branches without prior intimation, no data loss occurred during the drill

process. 1,89,000 transactions were done by the branches at DRC. End of Day (EOD) was also done at the DRC and the system was changed to DC at 4 a.m. on 15.03.2009.

REMITTANCE & PAYMENT SYSTEM

PAYMENT GATEWAY

Departments like RTGS and Certifying Authority (CA) Office are connected to RBI through two 2 Mbps lines at CO and one 64 Kbps line at MMO.

We propose to start Multi Protocol Label Switching Virtual Private Network (MPLS VPN) through IDRBT and two service providers. It would be the single point of contact for service providers and member banks. Installation and connectivity are completed at Data Centre, Belapur. And the Payment Gateway is functioning live from Data Center, Belapur under MPLS connectivity to RBI with Leased Lines backup. For DR Site of Payment Gateway also, the MPLS Connectivity will be soon shifted to Hyderabad.

BUSINESS PROCESS RE-ENGINEERING

BPR is the analysis and radical design of the existing systems and procedure and work processes so as to lower the costs, increase the quality of services and better delivery systems to customers both in terms of response time and quality. To fulfill this objective, BPR exercise in respect of following areas were undertaken during the year:

- **SETTING UP OF SPECIALISED CENTRES FOR OPENING OF ACCOUNTS (SCAP)**

SCAP have been started in four metros to take up back office work related to opening deposit accounts viz., scrutiny of docs, CIF data capture, letter of thanks, processing of ATM/ Internet banking request and mailing Welcome kit to beneficiaries, containing personalized cheque book and brochure on various products and services offered by the Bank.

- **INTER-BRANCH TRANSFER OF FUNDS ON CBS PLATFORM**

This will facilitate inter-branch transfer of funds

- **RE-DESIGN OF ACCOUNT OPENING FORMS**

The account opening forms have been redesigned, keeping in view the Anti Money Laundering (AML) guidelines and requirements of the core banking

- **CENTRALISATION OF INWARD CLEARING**

Processing of inward clearing is being centralized at the Bank's Non Business Offices to cut down on expenditure and improve the customer service

- **RATIONALISATION OF CONTROL RETURNS**

The Management Information System is being revamped for effective monitoring

RISK MANAGEMENT

INTEGRATED RISK MANAGEMENT SYSTEM/ORGANIZATIONAL SET-UP

Integrated Risk Management systems are now well established in the Bank. A Committee of the Board of Directors regularly oversees the Bank's Risk Management policies/practices under Credit, Market and Operational risks. The Committee reviews the policies and procedures for pricing of products and assessing the risk models relative to market developments and also identifies and controls new risks. The committee also regularly monitors compliance of various risk parameters by the concerned Departments at the corporate level.

RISK MANAGEMENT STRUCTURE

At operational level, various Committees like Asset Liability Management Committee (ALCO) for Market Risk, Credit Policy Committee (CPC) for Credit Risk and Operational Risk Management Committee (ORCO) for Operational Risk have been constituted comprising of members from the top management team. These Committees meet at regular intervals throughout the year to assess and monitor the level of risk under various Bank operations and initiate appropriate mitigation measures wherever necessary.

The Bank has identified officers of the rank of Senior Managers/Managers to act as 'Risk Managers' at all the Zonal and Regional Offices. The Risk Managers would act as the 'Extended Arms' of the Risk Management Department of the Central Office at the Zonal Level. All the identified Risk Managers as well as Risk Analysts of Zonal and Regional Offices have been given training at the Bank's training centers at Mumbai, Bhopal and Kolkata during 2008. The Bank has also identified officers at the senior level in various functional departments of Central Office to act as 'Nodal Officers' in the matter of submission of data relating to Risk Management and support risk management in the Bank.

CREDIT RISK MANAGEMENT

The Bank has a well-documented Credit Risk Management Policy, which was reviewed by the Board during the year. Risk rating tools developed for rating of large corporates, and SMEs are fully operational in the Bank. Credit Risk Rating Tools for NBFCs, Greenfield Manufacturing Units and Infrastructure Projects are also functional through intra-net based system. The Bank has formulated manual scoring models for Retail and Agricultural advances which have been approved by the Board and are under implementation. Thus almost the entire credit portfolio of the Bank, barring those under schematic lending are covered by the risk rating process. The Bank has identified and posted 26 officers to exclusively carry out the duties of Loan Review Officers at the Zonal Offices.

OPERATIONAL RISK MANAGEMENT

Operational Risk is embedded in all business operations and the Management of Operational Risk is an important part of the sound Integrated Risk Management structure. The Bank has formulated a well laid down policy for managing Operational Risk, which was reviewed during the year. In the background of the size and complexity of business and risk philosophy of the Bank, emphasis is being given to impart knowledge at the field level through continuous training process. The process of identifying, assessing, measuring, monitoring and controlling of Operational risk is in place apart from creation of Data Base for moving towards Standardized and Advanced Measurement Approach for capital charge calculation under Basel II implementation within a time frame.

MARKET RISK MANAGEMENT

Market Risk is the risk to the Bank resulting from the movements in market prices particularly due to changes in the interest rates, foreign exchange rates, and equity and commodity prices. The changes will have direct impact on the Bank's earning and its capital. These changes can have ramifications on the Bank's liquidity and profitability.

For management of market risk, the emphasis has been placed on stabilization and steady growth of Bank's net interest income (NII). The Treasury Mid Office reviews the market position, funding patterns and ensures compliance in terms of exposure, duration, counter party limits and various sensitive parameters. The tools such as VaR and Duration analysis are used on an ongoing basis to measure and manage the risk to Bank's NII in the short run and equity value in the long run.

A model to estimate Capital charge on trading portfolio on daily basis is being developed to implement the Basle II guidelines on the Market Risk. The Bank has maintained comfortable liquidity position throughout the year.

IMPLEMENTATION OF BASEL - II GUIDELINES

Reserve Bank of India has issued master circular on implementation of the New Capital Adequacy Framework on 1st July 2008. Reserve Bank of India has further issued certain amendments to these guidelines on 15th November 2008. As per the guidelines, the Bank has adopted Basel II norms with effect from 31st March 2009 and provided capital as per Standardized Approach for Credit Risk, Basic Indicator Approach for Operational Risk and Standardized Duration method for Market Risk.

The Bank has appointed a solution provider for implementation of the internationally reputed SAS Risk Management solution through out the Bank to meet Basel II norms. Roll out of the solution is under implementation. The Bank has a well laid out plan for migrating to advanced approaches and conveyed its readiness to Reserve Bank of India for adoption of advanced approaches as per the timeframe suggested by them. The Bank has entered into MoU with all the four external credit rating agencies viz., CRISIL, CARE, ICRA and Fitch for rating of its corporate exposures as required under Basel II. Major part of the Bank's exposure to the corporate category is already covered under external rating.

All necessary policies such as Market Risk Policy, Investment Policy, Credit Risk Mitigation and Collateral Management Policy, Market Discipline and Disclosures Policy, ICAAP etc are in place duly approved by the Board.

CUSTOMER SERVICE

In order to meet the growing expectations of customers in the context of liberalization and competition in the banking industry, the Bank has taken several steps, some of which are as under:-

- Customers can meet Zonal / Regional / Branch Managers on 15th of every month without prior appointment to resolve their grievances.
- Providing training to front line staff at branches to improve quality of customer service and be more responsive to their needs.
- Providing a separate counter for senior citizens.
- Exemption from minimum balance requirement to all senior citizens above 60 years of age only.
- New concessions to all the Senior Citizens, who are maintaining an average half yearly balance of Rs.5000/- in Savings Bank Accounts.

- a) Two demand drafts (Maximum monthly aggregate amount of Rs.25000/- to be issued free of service charges by non-cash payment only).
- b) Free standing instructions.
- Quick settlement of deceased claims.
- Additional interest on Term Deposits to Senior Citizens.
- Cheque Drop Box facilities provided at branches.
- Immediate credit of local / outstation cheques upto Rs.15000/- given to eligible customers.
- Exchange facility of soiled / mutilated currency notes and distribution of coins at designated branches.
- The Customer Service Committee of the Board has been set up to look into the implementation of the Customer Service Policies of the Bank.
- Standing Committee on Customer Service comprising of four customers of the Bank has been constituted.
- Cent Bal Bhavishya -a special deposit scheme for children upto the age of 12 years was launched

KYC NORMS AND AML MEASURES

A policy document on Know Your Customer (KYC) Norms and Anti Money Laundering (AML) measures was formulated and adopted / approved by the Bank's Board. All the offices of the Bank have been provided with these documents for implementation. Periodical checks are made by Bank's audit team to verify whether these norms are properly implemented. All training colleges and training centres of the Bank impart training programmes / specific sessions on KYC and AML.

RIGHT TO INFORMATION ACT, 2005

After enactment of the Right to Information Act, 2005, the disclosure of information pertaining to the Bank was displayed on Bank's website. Further, to facilitate General Public in seeking information from the Bank, Central Public Information Officers (CPIO) and Appellate Authorities were appointed at the Administrative Offices of the Bank. Also for proper implementation of the Act, a Nodal Officer in the rank of General Manager of the Bank has been nominated.

GRIEVANCES REDRESSAL MECHANISM

The Bank believes in providing prompt and efficient services not only to attract new customers but to effectively retain the existing ones. The policy aims at minimizing instances of customer complaints through proper service delivery to ensure prompt redressal of customer complaints. Customers can access Bank's website and place their grievances, if any, through Internet, Phone or any other mode of communication. General Manager (Operations) has been designated as Nodal Officer at Corporate level for redressal of public grievances.

CODE OF THE BANK'S COMMITMENT TO CUSTOMERS

The Bank has joined "Banking Codes and Standards Board of India" as a member and voluntarily adopted the Code of Bank's Commitment so as to ensure that the comprehensive code of conduct for fair treatment of customers are evolved and adhered to. The Code is placed on the Bank's website and printed copies of the Code in Hindi, English and vernacular languages are made available to existing and prospective new customers of the Bank at branch level.

For imparting better customer service, the Bank has formulated specific policies on:-

- (i) Policy on collection of cheques / instruments.
- (ii) Policy on grievances redressal mechanism
- (iii) Compensation policy
- (iv) Policy on collection of Dues and Repossession of securities.

Further, BCSBI has formulated "Code of Bank's Commitment to Micro & Small Enterprises "(MSE). The Code has been adapted and is being implemented in our Bank and also placed on our Bank's website.

CURRENCY CHEST

There are 110 Currency Chest Branches functioning in the Bank. During the year the Bank has submitted six proposals to Reserve Bank of India for opening new currency chests.

RBI's Clean Note Policy has been implemented by the Bank. Under the Policy, Bank is able to supply good quality currency notes to the general public and also mutilated notes are being taken out of circulation. All the designated branches extend the facility

of exchange of soiled / mutilated currency notes and distribution of coins on all working days. This facility is also extended on any one Sunday of the month at select currency chest branches with special emphasis in the Rural / Semi-urban area.

Integrated Currency Chest Operations and Management Systems (ICCOMS) is implemented in 110 Currency Chest Branches.

GOVERNMENT BUSINESS

The Bank is handling Government transaction relating to collection of funds of Central Board of Direct Taxes (CBDT), Central Board of Excise and Customs (CBEC), Railways, Postal and Departmentalised Ministries accounts. The Bank is also maintaining PPF and Senior Citizen Deposit Scheme 2004 accounts. The total Government Business handled by the Bank during the year 2008-09 amounted to Rs 27,901 crore.

OLTAS & EASIEST

The Bank is participating in On Line Tax Accounting System (OLTAS) introduced by Central Board of Direct Taxes. 459 Branches of the Bank are authorized to collect direct taxes and Bank's participation is 100 percent. Excise and Service Tax module under the Electronic Accounting system in Central Excise and Service Tax (EASIEST) has been implemented at 210 Branches.

CENTRAL CARD

On 20.08.08, the Bank launched two premium visa credit card products – Visa Platinum and Visa Gold credit cards. The Bank became the first nationalized Bank in India to launch Visa Platinum cards, to suit the high-end lifestyle of top Corporate Executives and High Networth Individuals. Both the Platinum and Gold credit cards have international acceptance and have embedded in them all the attractive features like Revolving Credit, Reward Points, Balance Transfer Facility etc. The Bank also plans to introduce cash-back offers on these Platinum and Gold cards with the promotional incentive programme approved by Visa Worldwide Pvt. Ltd.

AUDIT & INSPECTION

All the branches of the Bank are subjected to internal audit, risk assessment & Information Systems audit every year. The Non-Banking Offices, Currency Chests and Dealing Rooms are also audited regularly. Management Audit of the Controlling Offices and functional departments at the Corporate Office is conducted regularly for continuous improvement in the systems and procedures and effective monitoring of the Bank's business.

The Integrated Treasury branch and 610 branches are under Concurrent audit by the firms of Chartered Accountants, covering 57.90 percent of total deposits and 77.67 percent of total advances of the Bank as on 31.03.2009. The General Administration Dept. at Corporate Office is also under concurrent audit by in-house Auditors.

The internal auditors have been imparted training & sensitized to bring in attitudinal change in their mindset in view of the impending Basel II implementation. The Audit & Inspection policy of the Bank has been revised. Environment is being created to move strategically from the conventional transaction testing to a forward looking approach, on the basis of risk perception, and also for suggesting adequately for risk mitigation.

The Audit Committee of the Board of Directors (ACB) meetings were convened on seven occasions, during the year, and the reports on controlling offices, major audit findings, progress on audit function, etc. were apprised regularly to the ACB for guidance & improvements.

IBR / HOUSE-KEEPING

During Financial Year 2008-09, The Bank has maintained a satisfactory position in balancing of books of accounts by focused attention and regular up-gradation of the system. The Core Banking platform is now being directly utilized to speed up the process of reconciliation work of Inter Branch Transactions. The Inter-Branch transactions spreading over 3518 branches/Offices are being carried out successfully on an on going basis.

Significant improvement has also been achieved in reconciling and restricting number of outstanding entries under various Impersonal accounts viz. Clearing Difference, Inter-Branch, Inter-Bank (RBI/SBI/Other Banks) and other Nominal Accounts. The Bank is persevering towards maintaining overall healthy position of House keeping so as to keep the level of risk at minimum. The position of outstanding entries is maintained well within the RBI norms.

VIGILANCE

The Vigilance Department of the Bank continues to oversees three basic functions relating to Vigilance in the Bank, viz., Preventive, Investigative, & Punitive Vigilance, while ensuring compliance with the directions emanating from the Central Vigilance Commission / Government of India from time to time relating to the subject.

The Department has focused its attention on aspects relating to Preventive Vigilance by offering suitable advices to the operational departments from time to time, with regard to review of the existing Systems & Procedures. Analysis of the modus-operandi of frauds committed provide inputs for suggesting implementation of measures to plug loopholes and prevent recurrence of such frauds etc.

With the objective of highlighting the constant need for upgrading skills and awareness relating to prevention/ handling of frauds, Workshops have been held in some Zonal Offices and are scheduled to be held shortly at the remaining Zonal Offices to interact with the various field /operating level functionaries. At these workshops, while emphasis is laid on the need to strictly follow laid down procedures, the field level officials are also advised of the steps to be taken on an ongoing basis to prevent / minimise frauds etc.

In respect of Investigative vigilance, Vigilance Officers posted at the Zonal Offices, who directly report to the Chief Vigilance Officer, have been advised to increase the number of surprise inspections of branches, so as to ensure increased coverage of branches, and also to speed up the process of carrying out investigation into specific complaints received from various sources. Workshops of these Vigilance Officers are also held to enable sharing of experiences and honing of investigative skills.

As regards Punitive Vigilance, the Department oversees the conduct of the Disciplinary action initiated arising out of the investigations and where the nature of irregularities are decided as having a vigilance angle. The decision by the Chief Vigilance Officer to treat a matter as Vigilance or otherwise is taken based on the recommendations of the Internal Advisory Committee, comprising 3 General Managers, set up as per the guidelines of the CVC. The department has taken various measures to ensure speedier disposal of Disciplinary Action cases, which have borne fruit in bringing down the number of outstanding cases.

The functioning of the Vigilance Department is reviewed every quarter by the Vigilance Committee of the Board of Directors of the Bank. The Board also reviews the Quarterly / Annual reports of Frauds in Borrowal / Non-Borrowal accounts. Frauds in excess of Rs.10.00 million are reported to the Special Committee of the Board for Monitoring Large-value Frauds.

RAJBHASHA

The Bank has made good progress in implementation of Official Language Policy of Govt. In our Bank, we ensure cent-percent compliance of Official Language Policies and Directives. Third sub-committee of Parliament Committee on Official Language and Draft and evidence sub-committee on Official Language visited our Bank's Gangtok Branch; Regional Office, Siliguri; Regional Office, Ahmednagar; Zonal Office, Delhi; Zonal Office, Lucknow and Regional Office, Varanasi and complimented the work being done by the Bank in Hindi. A glimpse of admirable achievements in the field of compliance of Official Language Policy of Govt. of India are as under :

- The Bank has been awarded Indira Gandhi Rajbhasha Prize.
- In the Reserve Bank Rajbhasha Shield, the Bank has been awarded second prize in Linguistic Region 'B' and Fourth Prize in Linguistic Region 'A'.
- Various Town Official Language Implementation Committee working under the control of Govt.of India, Ministry of Home Affairs have given :
- First prize to our Bank's Zonal Office, Pune, Ahmedabad, Patna, Agra, Kolkata, Delhi, Chandigarh, Regional Office, Aurangabad, Kota, Bhubneshwar and Makarpura Branch (Baroda);
- Second prize to our Zonal Office Lucknow, Ahmedabad, Regional Office, Indore, Deharadun and
- Third prize to Regional Office, Hoshangabad.
- The Bank has been assigned responsibility of co-ordination of Town Official Language Committee of Bhopal, Raipur, Madurai and Jalgaon.
- Govt. of India, Ministry of Home Affairs awarded Second and Third prize, respectively, for best co-ordination of Town Official Language Implementation Committee, Raipur and Madurai.
- Zonal Office, Delhi has bagged third prize from TOLIC Delhi for 'Centralvani' being published by Delhi Zone.

HUMAN RESOURCE MANAGEMENT

MANPOWER

At the end of March 2009, the staff strength of the Bank stood at 35,543 (including PTSK) as against 37,488 (incl. PTSK) in the previous year. The category-wise break-up of staff is given below :

| Category | March 2009 | March 2008 |
|------------------------|--------------|--------------|
| Officers | 12441 | 11768 |
| Clerks | 12935 | 15126 |
| Sub.Staff (incl. PTSK) | 10167 | 10594 |
| GRAND TOTAL | 35543 | 37488 |

HUMAN RESOURCES DEVELOPMENT AND TRAINING

With the winds of competition blowing hard in the Banking Industry, it is the quality of human resource and not the numbers that matter for any Organisation. Such quality in human resource can be achieved through constant harnessing of their skills, providing continuous opportunities for acquiring new knowledge and also instilling positive attitudes among rank and file. Accordingly, 'Training & Development' function continued to be given major thrust. The quality of training is the cornerstone for building healthy succession and to nurture a sound managerial team. With this backdrop and in furtherance to the constant endeavour to transform the Bank as a 'Learning Organisation', vibrant changes were brought about in the entire gamut of the training activity encompassing training modules, contents and delivery systems etc.

During the year 2008-09, around 1000 class room training programmes were conducted covering more than 15,000 participants and 60,000 man-days by three Training Colleges and nine Zonal Training Centres. These programmes covered various topics like Core Banking Solutions, Risk Management, Basel II, Advance Credit Management, NPA Management, E-Credit, Eximills, Management Development and General Banking etc. Apart from these regular training programmes, special training programmes were conducted at SPBT College for 56 Regional Managers on 'Strategic Development, Leadership and Team Building' with the expertise of Centre for Applied System Analysis in Development (CASAD) Pune. Further, 30 identified officers were trained at SPBT College in Risk Management with the domain training inputs by Institute of Insurance and Risk Management, Hyderabad. Further, the special training programmes on Core Banking Solutions (CBS) were conducted on continuous basis for those officers and employees who are presently working in CBS branches and also those working in the branches which are likely to be made CBS-enabled in the near future.

Experiences reveal that the locational programmes make positive impact on the officers and employees working in the field by enabling them to clear their doubts which they come across while implementing the various guidelines, policies and programmes of Central Office. Considering this aspect, during the year 2008-09, about 100 locational programmes on wide ranging topics of operational importance, were conducted in which around 2000 employees including officers, were trained. In order to get the officers fully acquainted with the concept of Basel II and computation of credit risk several locational programmes were conducted wherein 386 officers were trained. During the year 2008-09, 33 pre-promotion programmes were conducted covering 1020 SC & 309 ST candidates. Further, in response to the Bank's advertisement for recruitment of 850 clerical staff in the first phase, as many as 3,24,000 aspirants have applied out of which around 40,000 belong to SC/ST. The Bank will be imparting pre-recruitment training for all these 40,000 SC/ST applicants through an outside agency of repute at 26 locations.

Information Technology continues to be the key driver of Bank's growth. Apart from the exclusive training programmes on Information Technology, in each programme, one full length session each on IT and Bancassurance were dedicated to sensitize the officers on these topics. Besides this, 392 officers in various scales were imparted special training in the emerging new thrust areas, through reputed external training agencies like BIRD, FEDAI, NIBM, CAB, IDRBT etc. As a part of this, 22 Auditors were trained by SAMA Audit Systems & Software Pvt. Ltd., Mumbai in the field of IT Security, Governance, Risk & control. During the year 2008-09, 24 officers in senior level were deputed abroad for attending seminars on various subjects related to the emerging developments in Banking.

RECRUITMENT & PROMOTIONS

As a part of the Bank's constant endeavour to fulfill the psychological needs of the staff members on their career front, during the year 2008-09, 1852 clerical staff were promoted to officer cadre. Further, 110 sub-staff who have completed their graduation were promoted to clerical cadre under special channel promotion process. This apart, during the year 2008-09, processes for inter-scale promotions of officers were undertaken for all scales of officers (both mainstream & Specialist Category) and accordingly, 466 mainstream officers and 181 Specialists Category officers were promoted from one scale to another. The elevation process from lower scale wages to higher scale wages within safai-karmacharis (sub-staff cadre) has been held for 57 vacancies.

Further, fresh promotion processes from Scale I to II (Mainstream) and from Scale II to III (Mainstream) were held for 1056 vacancies and 420 vacancies, respectively and the final results along with the postings of the selected candidates will be issued in April 2009. Process for promotion from Steno clerks to Steno Officer for 104 vacancies is underway and is scheduled to be completed shortly.

On recruitment front, looking into the growing need for security, the Bank has recruited around 150 Armed Guards and posted them in high-risk areas. Further, recruitment process of Safai Karmacharies for 252 posts (190 in 1/3rd scale wages and 61 in consolidated wages) was initiated during the year 2008-09. Considering the perspective plan as drawn up by the Bank on IT expansion and implementation of Centralised Banking Solutions (CBS), further requirement for technical/specialized skills in IT has been assessed and accordingly, a fresh process for direct recruitment of 200 IT officers i.e. 150 officers in Scale II & 50 officers in Scale III has been initiated.

During the year under review, the Board of Directors have accorded sanction for 2800 clerical posts (in two spells) to be filled in through internal promotion for 1050 posts and through direct recruitment for 1750 posts. Accordingly, in the first phase, Bank has initiated a recruitment process for 850 clerical posts through IBPS. The said process has received a massive response from

more than 3 lac aspirants and the written test for the eligible candidates is scheduled for 24th May, 2009. During the year, the Board of Directors have also accorded its approval for direct recruitment of 800 Probationary Officers, 500 Rural Development Officers and 70 Law Officers. This apart, considering the need to supplement the experiences with the new and contemporary banking knowledge in order to combat the growing competition in the Banking Sector. Board of Directors have accorded its in-principle approval to embark upon Campus recruitment of officers to function in strategic and key areas. These process will be initiated and completed during the next fiscal.

SUCCESSION PLANNING ENDEAVOURS

One of the noteworthy and pioneering HR initiative taken by the Bank during the year 2008-09 was the direct recruitment of officers in Senior Management cadre and the level jumping promotions to Scale IV & V positions. A process for Direct Recruitment of 70 Senior Management positions has been initiated in which the internal officers have also been given an opportunity to participate with relaxation in age. However, in the said process which concluded during the year 2008-09, only 19 candidates (8 in Scale IV & 11 in Scale V) could be selected all of whom incidentally are internal officers.

In its quest to enhance the psychological motivation among the officers, the Bank initiated an internal process by way of Level Jumping Promotion to fill in the posts of Scale IV & V which remained unfilled in the above recruitment process. This was one of the first ever implemented HR initiative in any public sector bank. Having regard to the growing aspirations of officers to shoulder higher responsibilities and also looking to the present age profile of the officers, the management has been proactive enough to relax the age beyond the one prescribed for the Direct Recruitment Process. In the said innovative promotion exercise, 18 Scale II & III officers who were promoted to Scale IV position and 12 Scale III and Scale IV officers who were promoted to Scale V position, benefited immensely in their career graph.

IMPLEMENTATION OF RESERVATION POLICY

The Bank has been implementing the guidelines / instructions received from Govt. of India / Indian Banks Association on Reservation Policy and concessions and relaxations are extended to SCs/STs/OBCs/PWDs as admissible in the Reservation Policy. In order to effectively implement the Reservation Policy, concerned staff have been nominated to special training programme conducted by outside agencies like Institute of Public Administration, Bangaluru. During the year, Dr. Buta Singh, Hon'ble Chairman & Prof. N.M. Kamble, Vice Chairman of the National Commission for Scheduled Castes, New Delhi alongwith other members of Commission paid visit to Bank for on the spot review of implementation of Reservation Policy in the Bank and expressed their satisfaction over the status of implementation of Reservation Policy by the Bank.

BUSINESS MEETINGS WITH REPRESENTATIVES UNIONS / ASSOCIATIONS

During the year under review, exclusive meeting was held on 28th June 2008 at Corporate Office level with major Unions / Associations to discuss solely on the strategies of business development. Similar such meetings were held thereafter with the Zonal / State units of the unions at all Zonal Head Quarters as well. During these meetings, the management explained the Bank's position on business front and solicited the views / suggestions from the representatives for business strategies, besides seeking their co-operation in business development endeavours of the management.

STAFF WELFARE SCHEMES

Welfare of Staff and their families continues to be the committed endeavour of the management and this is always kept on the top of the HR agenda of the Bank. Accordingly, during the year, an amount of Rs. 12 crore has been apportioned for expending towards various Staff Welfare Schemes.

INDUSTRIAL RELATIONS

The Industrial Relations during the year remained generally cordial.

AWARDS & ACCOLADES

- The Bank received "Best Education Loan Provider" and Runner-up award for "Best Home Loan Provider" by the Outlook Money – NDTV Profit Award 2008
- The Bank ranked First amongst all bancassurance partners of LIC
- The Bank was conferred with the First Award under " National Awards for excellence in MSE Lending" by the Govt of India.

CORPORATE COMMUNICATIONS

During the year, the Bank has taken various steps for creating continuous awareness about our brand, services and products through print, electronic and outdoor media throughout the country. The Bank also participated in various fairs and exhibitions for popularization of our various products and services by displaying the same at stalls. The Bank also sponsored various conferences of national and international importance and sports events.

Ms Perizaad Zorabian Irani, the well-known Film and TV actress was associated as Brand Ambassador of the Bank to enhance our brand recall. The Bank has adopted a new signage in vibrant Blue and Red, which depicts the dynamism and the present day profile. The blue colour denotes peace and stability and Red for vibrant thoughts and positive action. Together they aptly bring forth the forward-looking approach and new age outlook of one of India's most historic bank.

BANK'S SUBSIDIARIES AND JOINT VENTURES

CENTBANK HOME FINANCE LIMITED

The Company has recorded an operating profit of Rs 5.03 crore, Net Profit after Tax of Rs 3.16 crore during the year and reduced the quantum of Non-Performing Assets to Rs 44.64 crore from Rs 50.77 crore as at the end of the previous year. The company has achieved Capital Adequacy Ratio of 21.07 percent as against the stipulated norm of 12 percent. The loan portfolio of the CHFL at the end of the year was Rs 257.88 crore. Fresh disbursements of Rs 21.54 crore were made during the year. The company's earning per share stood at Rs 15.79 at the end of the year. The company is going in for restructuring and revamping in order to make it vibrant, market oriented and proactive to the market requirements.

CENTBANK FINANCIAL & CUSTODIAL SERVICES LTD

The Company made a Net Profit of Rs 21.67 Lacs during the year ended March 31, 2009 as against a Net Profit of Rs 21.05 Lacs during the previous year.

INDO ZAMBIA BANK LTD

The Bank's joint venture in Zambia is promoted jointly by Govt of Zambia and three Indian banks viz., Central Bank of India, Bank of Baroda and Bank of India. Each Indian bank is holding 20 percent equity and the Govt of Republic of Zambia holds the balance 40 percent equity. The bank continues to perform well under all parameters. The present Managing Director of the Indo Zambia Bank Ltd is Mr S.R.Shukla from Central Bank of India.

REGIONAL RURAL BANKS (RRBs)

The Bank had 11 sponsored RRBs as on 31.03.2008 covering 55 districts in 7 states with a network of 1719 branches. During the year 2008-09 Government of India, vide notification dated 08.04.2008 amalgamated our 3 RRBs namely Satpura Kshetriya Gramin Bank, Chambal Gwalior Kshetriya Gramin Bank and Ratlam Mandasaur Kshetriya Gramin Bank in Madhya Pradesh to form a new entity with the name as Satpura Narmada Kshetriya Gramin Bank. Similarly, Government of India vide notification dated 01.05.2008 amalgamated 2 RRBs namely Uttar Bihar Kshetriya Gramin Bank and Kosi Kshetriya Gramin Bank in Bihar to form a new entity with the name Uttar Bihar Gramin Bank.

Thus the number of our sponsored RRBs reduced to 8 as on 31.03.2009. The cumulative performance of all the 8 RRBs under major parameters as on 31.03.2009 is as under:-

- A. **Branch Expansion** - during the year 2008-09 the RRBs have opened 7 new branches raising the total number of branches to 1726 as on 31.03.2009.
- B. **Deposits** - The deposits of RRBs increased from Rs.10186.93 crores as on 31.03.08 to Rs.12575.44 crores as on 31.03.09, registering a growth of 23.35 %.
- C. **Advances** - The advances of RRBs have showed slight decline from Rs.4967.79 crores as on 31.03.08 to Rs.4934.19 crores as on 31.03.09.
- D. **Profitability** - The RRBs have earned profit of Rs.196.52 crores during the year 2008-09 against the previous year's profit of Rs.99.08 crores".

BOARD OF DIRECTORS

At the beginning of the year, there were fourteen Directors on the Board of the Bank namely Ms H.A. Daruwalla, Shri K.Subbaraman, Shri Albert Tauro, Smt. Vinita Kumar (Government of India Nominee), Shri M.K.Bhattacharya (RBI nominee), Shri M.S.Johar (Part Time Non-official Director), Shri Kamal Faruqui, Major (Retd.) Ved Prakash, Shri Harish Chandhok, Shri Romesh Sabhrwal, Shri N.K.Pareek, Shri C.M.Puri, Smt. Satya Bahin and Ms. Indu Singh Pawar.

Ms. H.A.Daruwalla retired on 31.12.2008 due to her superannuation, Shri Albert Tauro, Executive Director retired from the Board of our Bank on 02.08.2008 due to his elevation as Chairman and Managing Director of Vijaya Bank. Shri K.Subbaraman, Executive Director retired on 30.09.2008 due to his superannuation. Shri Kamal Faruqui retired on 15.09.2008, Major (Retd.) Ved Prakash retired on 05.10.2008, Smt. Satya Bahin retired on 09.11.2008, Shri Harish Chandhok retired on 09.11.2008, Shri Romesh Sabharwal retired on 02.03.2009 due to expiry of his term of 3 years.

Shri S.Sridhar has been appointed as Chairman and Managing Director w.e.f. 02.03.2009. Shri Ramnath Pradeep has been appointed as Executive Director w.e.f. 19.12.2008. Dr. Shashank Saksena has been appointed as Government of India Nominee Director in place of Smt. Vinita Kumar w.e.f. 10.06.2008. Shri Brijlal Kshatriya and Prof. N. Balakrishnan have been elected as Shareholders' Directors on our Bank's Board on 20.11.2008.

At present the total strength of the Board of Directors is ten namely Shri S.Sridhar, Shri Ramnath Pradeep, Shri Shashank Saksena, Shri M.K.Bhattacharya, Shri M.S.Johar, Mrs. Indu Singh Pawar, Shri N.K.Pareek, Shri C.M.Puri, Shri Brijlal Kshatriya and Prof. N.Balakrishnan.

During the year, 17 meetings of the Board, 25 meetings of the Management Committee of the Board, 7 meetings of the Audit Committee of the Board and 4 meetings of the Shareholders'/Investors' Grievances Committee of the Board were held.

FUTURE ROADMAP

The Bank has embarked on a new Vision and Operation, titled NAVCHETNA to inculcate awareness and vitality towards achievement of organizational goals. Some of the immediate goals are as per the following :

- Focus on Profit maximization
- Achieving Total Business Growth of over 25 percent with deposit Growth of 24 percent and Credit Growth of 27 percent
- Thrust on CASA and NRI deposits
- Emphasis on Asset Quality and bringing down Gross NPA to 1.3 percent
- Thrust on SME, Channel, Vendor and Supply-Chain financing
- International Foray
- New Customer acquisition
- Large Corporate Vertical
- Centralised Processing for retail credit and other verticals
- Organisational Restructuring
- Business Process Re-engineering
- 1000 additional branches to be brought under CBS so as to cover 60 percent of total branches and 90 percent of business
- Achieving Financial Inclusion through use of technology

ACKNOWLEDGEMENT

The Board of Directors places on record its gratitude to the Government of India, the Reserve Bank of India and the Securities & Exchange Board of India for their valuable guidance and support. We also wish to acknowledge with gratitude unstinted support and faith of millions of the Bank's customers and shareholders. The performance of the Bank could not have been achieved but for the dedicated services provided by members of the staff.

Place : Mumbai

Date : June 24, 2009

For and on behalf of Board of Directors.

S Sridhar

CHAIRMAN & MANAGING DIRECTOR

Corporate Governance

Bank's Philosophy of Corporate Governance

The thrust of the Corporate Governance of the Bank is to enhance shareholder's value by pursuing ethical practices in the conduct of its business and maintaining high standard of disclosure and transparency. The Bank has adopted best practices and standards of governance are monitored by various Committees of the Board. The Board, the Executives and other functionaries have distinctly demarcated roles in achieving the Corporate goals – improved performance and enhanced shareholder's value.

Board of Directors

The Bank is constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 as amended from time to time. The general superintendence, direction and management of the affairs and business of the Bank is vested in the Board of Directors presided over by the Chairman and Managing Director.

The Chairman and Managing Director and the Executive Directors are appointed by the Central Government. During the year under review i.e. 2008-09, the composition of the Board was as under:

| | |
|--|---|
| Mr. S. Sridhar (From 02.03.2009) | Chairman and Managing Director |
| Ms. H.A. Daruwalla (Retired on 31.12.2008) | Chairperson and Managing Director |
| Shri Ramnath Pradeep (From 19.12.2008) | Executive Director |
| Shri K. Subbaraman (Retired on 30.09.2008) | Executive Director |
| Shri Albert Tauro (Elavated as CMD of Vijaya Bank from 02.08.2008) | Executive Director |
| Shri Shashank Saksena (From 06.06.2008) | Government of India Nominee Director |
| Smt Vinita Kumar (upto 05.06.2008) | Government of India Nominee Director |
| Shri M.K. Bhattacharya (From 27.02.2007) | RBI Nominee Director |
| Shri M.S. Johar (From 02.01.2008) | Part Time Non-official Director under Chartered Accountant category |
| Mrs. Indu Singh Pawar (From 02.01.2007) | Part Time Non-official Director |
| Shri N.K. Pareek (From 10.08.2006) | Officer Employee Director |
| Shri C.M. Puri (From 05.09.2003) | Workmen Employee Director |
| Shri Brijlal Kshatriya (From 20.11.2008) | Shareholder Director |
| Prof. N. Balakrishnan (From 20.11.2008) | Shareholder Director |
| Major Ved Prakash (Upto 05.10.2008) | Part Time Non-official Director |
| Shri Kamal Faruqui (Upto 15.09.2008) | Part Time Non-official Director |
| Smt. Satya Bahin (Upto 09.11.2008) | Part Time Non-official Director |
| Shri Harish Chandhok (Upto 09.11.2008) | Part Time Non-official Director |
| Shri Romesh Sabharwal (Upto 02.03.2009) | Part Time Non-official Director |

All directors, other than the Chairman & Managing Director and the Executive Directors, are Part Time Non-Executive Directors on the Board.

Brief Profile of the New Directors or re-appointed

Shri S. Sridhar, Chairman & Managing Director, aged 58 years, was appointed as the Chairman and Managing Director of the Bank on 02.03.2009. He is a Banker with about 35 years professional experience in commercial and development banking, His aim is to transform Central Bank of India into a techno-savy Bank, a market-responsive, customer oriented, expertise laden, problem-solving institution.

He has educated at Indian Institute of Technology, Delhi and at Jamanalal Bajaj Institute of Management Studies, Mumbai. He is also a Certified Associate of Indian Institute of Bankers. He was the Lord Aldington Banking Research Fellow for the year 1984, working in UK and France. He has been an invited speaker/ panelist at national and international Conferences including UNCTAS, UN Habitat, UNESCAP, OECD.

Shri S. Sridhar has been the Chairman & Managing Director of National Housing Bank (NHB), India, since April 2006, a position, which he continues to hold. Prior to joining NHB, he was Executive Director and Chief Operating Officer of Exim Bank of India for about 5 years and worked in other capacities for about 16 years. He had earlier worked in State Bank of India for about 12 years.

Shri S. Sridhar is a director on (1) National Housing Bank (2) Centbank Financial & Custodial Services Ltd and (3) Indo Zambia Bank Ltd., Zambia.

Shri Ramnath Pradeep, Executive Director, aged 58, was appointed as Executive Director of the Bank on 19.12.2008. He has postgraduated in Economics and LL.B. After completing his LL.B., he joined Madhya Pradesh Financial Corporation as Law Officer. He joined Dena Bank in 1981 for a short period, thereafter joined ONGC. He again joined Dena Bank as a Senior Manager (Legal). During his long tenure, he has held various assignments, including Legal, Publicity, Marketing as Deputy General Manager and Treasury Management, ALM, Recovery, I.T., Implementation of Core Banking Solutions, Card Management Department etc. as General Manager.. He was also deputed to State Bank of India as Chief Vigilance Officer.

Shri Ramnath Pradeep is a director of (1) Cent Bank Home Finance Ltd (2) Centbank Financial & Custodial Services Ltd, and (3) Infrastructure Leasing & Financial Services Ltd.

Dr Shashank Saxena, aged 46 years, was nominated by the Gol to our Board on June 06, 2008. He has master's degrees in Economics as well as in Science. He is a Bachelor of Law and having Doctorate in Philosophy. He is presently Director, Department of Financial Services, Ministry of Finance, Government of India.

Shri Brijlal Kshatriya, aged 73 years was elected as shareholder director on our Board on 20.11.2008. He has a bachelor's degree in Metallurgical Engineering from Banaras Hindu University. Shri Kshatria, former Managing Director of Steel Authority of India Ltd., is specialised in Management of Steel Plants. He had extensive training in Works and HR functions in India and abroad.

Shri Kshatriya has received many awards including the Rajiv Gandhi Excellence Award from Siromani Institute - 1993, Mother India International Award from NRI World - December 1993, Glory of India International Award from International Friendship Society of India - December 1993.

Prof. N. Balakrishnan, aged 58 years was elected as shareholder director on our Board on 20.11.2008. He is a scientist of high international repute. Prof. Balakrishnan has received his B.E.(Hons) in Electronics & Communication from the University of Madras in 1972 and PhD from the Indian Institute of Science in 1979. He is currently the Associate Director of the Indian Institute of Science and a Professor at the Department of Aerospace Engineering and at the Supercomputer Education and Research Centre and the National Centre for Science Information at the Indian Institute of Science.

Prof. Balakrishnan is well decorated with many prestigious awards including the Padmashree by President of India in 2002, Homi J.Bhabha Award for applied Science in 2004, J.C.Bose National Fellowship in 2007, etc.

Details of other Directors

Shri M.K. Bhattacharya, aged 65 years was appointed as the RBI nominee Director on our Board on 27.02.2007. He has a master's degree in Commerce. He is also a Certified Associate of Indian Institute of Bankers. He has worked in various departments of the RBI and was on the board of other PSUs.

Shri M.S. Johar, aged 53 years was appointed as the Director under Chartered Accountant category on 02.01.2008. He has a bachelor's degree in Arts and he is a qualified Chartered Accountant.

Ms. Indu Singh Pawar, aged 51 years was appointed as a part time non-official Director of the Bank on 02.01.2007. She is Bachelor of Science and Bachelor of Laws.

Shri N.K. Pareek, aged 59 years, was appointed as the Officer Employee Director of the Bank by the Government of India on 10.08.2006. He has a Master's degree in commerce, Bachelor degree in Law. He is also a Certified Associate of Indian Institute of Bankers. He is the president of the All India Bank Officers' Confederation, Rajasthan, General Secretary of Central Bank Officers' Association, Rajasthan, President of All India Central Bank Officers' Federation, and Dy. General Secretary of All India Bank Officers' Confederation.

Shri C.M. Puri, aged 58 years, was appointed as the Workmen Employee Director of the Bank by the Government of India on 05.09.2003, and represents workmen employees of the Bank. He has a bachelor's degree in Science. He is also a Junior Associate of Indian Institute of Bankers. He is the President of All India Central Bank Employees' Federation. He is also a member of the general council of the All India Bank Employees Association.

OTHER PARTICULARS OF DIRECTORS

| Name of Directors | Date of Appointment as Director | Area of Expertise | Member of Committees of Board of Central Bank of India | | Directorship of other Companies |
|------------------------|---------------------------------|----------------------------|--|---------------------------|---|
| | | | Member | Chairman | |
| Shri S. Sridhar | 02.03.2009 | Banking | MCB, RMC, LVFC, CSC, ITP, SIGC | MCB, RMC, LVFC, CSC, ITP. | i) Chairman, National Housing Bank ii) Chairman, Cent Bank Financial & Custodial Services Ltd. iii) Director, Indo Zambia Bank Ltd. |
| Shri Ramnath Pradeep | 19.12.2008 | Banking | MCB, ACB, RMC, LVFC, CSC, ITP, SIGC | Nil | i) Director, Cent Bank Home Finance Ltd., ii) Director, Cent Bank Financial & Custodial Services Ltd. iii) Director, Infrastructure Leasing & Financial Services Ltd. |
| Dr Shashank Saxena | 10.06.2008 | Economist | ACB, RMC, LVFC | RC | IIBI, DICGS |
| Shri M.K. Bhattacharya | 27.02.2007 | Banking | MCB, ACB, RMC, CSC, RC | Nil | Nil |
| Shri M.S. Johar | 02.01.2008 | Accountancy | MCB, ACB, CSC, SIGC | ACB, SIGC | - |
| Mrs. Indu Singh Pawar | 02.01.2007 | Social Worker and Business | LVFC, ITP, ACB, RC | Nil | Nil |
| Shri N.K. Pareek | 10.08.2006 | Banking | MCB | Nil | Nil |
| Shri C.M. Puri | 05.09.2003 | Banking | ITP, RMC | Nil | Nil |

| | | | | | |
|------------------------|------------|-----------------------------|---------------------|-----|---|
| Shri Brijlal Kshatriya | 20.11.2008 | Human Resources Development | MC, LVFC, CSC, ISGC | Nil | i) Eco-Tech Management Services Pvt. Ltd. ii) Sanson Association (I) Pvt. Ltd. iii) Strategic HR Services Pvt. Ltd. |
| Shri N. Balakrishnan | 20.11.2008 | Information Technology | RMC, ITP | Nil | i) C-DOT Alcatel Research Centre Pvt. Ltd. ii) Bharat Electronics Ltd. |

| | | |
|------|---|---|
| MC | - | Management Committee of the Board |
| ACB | - | Audit Committee of the Board |
| RMC | - | Risk Management Committee |
| LVFC | - | Large Value Fraud Committee |
| CSC | - | Customer Service Committee |
| ITP | - | Information Technology Project in the Bank |
| SIGC | - | Shareholders'/Investors' – Grievances Committee |
| RC | - | Remuneration Committee |

Remuneration of Directors:

The Directors are paid sitting fees of Rs.5,000/- for attending every meeting of the Board of Directors and Rs.2,500/- for attending every meeting of various Committees of the Board, apart from reimbursement of usual travelling and halting expenses. Sitting fees are not paid to the Chairman & Managing Director, Executive Directors and Directors who are appointed by the Government of India.

During the financial year 2008-09, the following amounts have been paid to the Managing Directors and Executive Directors as total salary, allowances and perks:

| Sr | Name | Rupees |
|----|----------------------|-----------|
| 1 | Shri S Sridhar | - |
| 2 | Ms H.A. Daruwalla | 15,63,663 |
| 3 | Shri K. Subbaraman | 8,62,930 |
| 4 | Shri Albert Tauro | 6,63,453 |
| 5 | Shri Ramnath Pradeep | 2,82,562 |

In addition to the above salary, allowances and perks, the Remuneration Committee of the Board approved the payment of performance-linked incentive amounting to Rs.7.00 Lac to Ms H.A.Daruwalla, CMD, Rs.5.50 Lac to Shri K. Subbaraman, E.D. and Rs.4.58 Lac to Shri Albert Tauro, E.D., in respect of the financial year 2007-08.

During the year under review, the Bank has paid Rs.6,85,000 towards sitting fees for attending Board Meetings and Rs.4,10,000 towards attending the Committee Meetings of the Board, to the eligible Directors.

Conduct of Board Meetings

During the year, 17 Board Meetings were held on the following dates:

| | | | | |
|------------|------------|------------|------------|------------|
| 24.04.2008 | 08.05.2008 | 22.05.2008 | 18.06.2008 | 23.06.2008 |
| 30.07.2008 | 22.08.2008 | 06.09.2008 | 27.09.2008 | 25.10.2008 |
| 02.12.2008 | 23.12.2008 | 30.12.2008 | 28.01.2009 | 14.02.2009 |
| 07.03.2009 | 28.03.2009 | | | |

Details of attendance of the Directors at the Board Meetings are:

| Name of the Director | Attendance Recorded | Meetings held during their tenure | Period (From - To) | Whether attended last AGM on 31.07.2008 |
|------------------------|---------------------|-----------------------------------|--------------------------|---|
| Shri S.Sridhar | 02 | 02 | 02.03.2009 to 31.03.2009 | N.A. |
| Ms H.A.Daruwalla | 13 | 13 | 01.04.2008 to 31.12.2008 | YES |
| Shri Ramnath Pradeep | 06 | 06 | 19.12.2008 to 31.03.2009 | N.A. |
| Shri K. Subbaraman | 09 | 09 | 01.04.2008 to 30.09.2008 | YES |
| Shri Albert Tauro | 05 | 06 | 10.04.2008 to 02.08.2008 | YES |
| Dr Shashank Saxena | 11 | 14 | 06.06.2008 to 31.03.2009 | YES |
| Smt Vinita Kumar | 03 | 03 | 01.04.2008 to 05.06.2008 | N.A. |
| Shri M.K. Bhattacharya | 17 | 17 | 01.04.2008 to 31.03.2009 | NO |
| Shri M.S. Johar | 17 | 17 | 01.04.2008 to 31.03.2009 | YES |
| Mrs. Indu Singh Pawar | 17 | 17 | 01.04.2008 to 31.03.2009 | YES |
| Shri N.K. Pareek | 17 | 17 | 01.04.2008 to 31.03.2009 | YES |
| Shri C.M. Puri | 14 | 17 | 01.04.2008 to 31.03.2009 | NO |
| Shri Brijlal Kshatriya | 06 | 07 | 20.11.2008 to 31.03.2009 | N.A. |
| Shri N. Balakrishnan | 02 | 07 | 20.11.2008 to 31.03.2009 | N.A. |
| Shri Kamal Faruqui | 08 | 08 | 01.04.2008 to 15.09.2008 | YES |
| Major Ved Prakash | 09 | 09 | 01.04.2008 to 05.10.2008 | YES |
| Smt Satya Bahin | 10 | 10 | 01.04.2008 to 09.11.2008 | YES |
| Shri Harish Chandhok | 10 | 10 | 01.04.2008 to 09.11.2008 | YES |
| Shri Romesh Sabharwal | 15 | 15 | 01.04.2008 to 02.03.2009 | YES |

Management Committee of the Board:

The Management Committee of the Board is constituted as per the provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and it exercises all the powers vested in the Board in respect of financial sanctions, compromises/write off proposals and filing of suits/appeals etc. As on 31.03.2009, it comprised of 6 members consisting of the Chairman & Managing Director, Executive Director, Reserve Bank of India Nominee Director, Chartered Accountant Director and 2 part time non-official Directors.

The Management Committee of the Board met 25 times during the year on the following dates:

| | | | | |
|------------|------------|------------|------------|------------|
| 12.04.2008 | 23.04.2008 | 08.05.2008 | 21.05.2008 | 09.06.2008 |
| 23.06.2008 | 15.07.2008 | 30.07.2008 | 21.08.2008 | 06.09.2008 |
| 26.09.2008 | 24.10.2008 | 10.11.2008 | 02.12.2008 | 22.12.2008 |
| 30.12.2008 | 14.01.2009 | 28.01.2009 | 10.02.2009 | 14.02.2009 |
| 25.02.2009 | 07.03.2009 | 12.03.2009 | 20.03.2009 | 28.03.2009 |

Attendance record of the members is shown below:

| Name of Directors | Attendance Record | Meetings held during their tenure | Period on the Management Committee (From – To) |
|------------------------|-------------------|-----------------------------------|--|
| Shri S.Sridhar | 04 | 04 | 02.03.2009 to 31.03.2009 |
| Ms H.A.Daruwalla | 16 | 16 | 01.04.2008 to 31.12.2008 |
| Shri Ramnath Pradeep | 11 | 11 | 19.12.2008 to 31.03.2009 |
| Shri K. Subbaraman | 11 | 11 | 01.04.2008 to 30.09.2008 |
| Shri Albert Tauro | 07 | 08 | 01.04.2008 to 02.08.2008 |
| Shri M.K. Bhattacharya | 25 | 25 | 01.04.2008 to 31.03.2009 |
| Shri M.S.Johar | 25 | 25 | 01.04.2008 to 31.03.2009 |
| Shri N.K. Pareek | 12 | 13 | 10.11.2008 to 31.03.2009 |
| Shri Brijlal Kshatriya | 10 | 12 | 02.12.2008 to 31.03.2009 |
| Shri Kamal Faruqui | 05 | 05 | 01.04.2008 to 09.06.2008 |
| Major Ved Prakash | 04 | 05 | 01.04.2008 to 09.06.2008 |
| Shri Harish Chandhok | 03 | 05 | 01.04.2008 to 09.06.2008 |
| Smt Satya Bahin | 07 | 07 | 10.06.2008 to 09.11.2008 |
| Shri Romesh Sabharwal | 09 | 09 | 10.06.2008 to 09.12.2008 |

Audit Committee of the Board

The Audit Committee of the Board (ACB) has been constituted by the Board of Directors as per the guidelines of the Reserve Bank of India. The ACB provides direction as well as overseeing the operation of the total audit function of the Bank, which includes the organisation, operationalisation and quality control of internal audit and inspection within the Bank and follow-up on the statutory/external audit of the Bank and inspections of the RBI. The terms of reference to the Audit Committee are:

- Reviewing, in respect of Internal Audit, the Internal Inspection/Audit function in the Bank, with specific focus on the follow-up on inter-branch adjustment accounts, unreconciled long outstanding entries in inter-bank accounts and nostro accounts, arrears in balancing of books at various branches, frauds and all other major areas of house-keeping;
- Obtaining and reviewing half-yearly reports from the Compliance Officers appointed in the Bank in terms of the instructions of the RBI;
- Following-up, in respect of Statutory Audits, on all the issues raised in the Long Form Audit Report and interacting with the External Auditors before finalisation of the annual/semi-annual financial accounts and reports;
- Reviewing regularly the accounts, accounting policies and disclosures;
- Reviewing the major accounting entries based on exercise of judgment by management and reviewing any significant adjustments arising out of the audit;
- Qualifications in the draft Audit Report;
- Establishing and reviewing the scope of the independent audit including the observations of the auditors and reviewing the quarterly, half-yearly and annual financial statements before submission to the Board;

- h. To have post-audit discussions with the Auditors to ascertain any area of concern;
- i. Establishing the scope and frequency of Internal Audit, reviewing the findings of the Internal Auditors and ensuring the adequacy or internal control systems;
- j. To look into the reasons for substantial defaults in the payment to depositors, debentureholders, shareholders and creditors;
- k. Compliance with the Stock Exchanges' legal requirements concerning financial statements, to the extent applicable;
- l. To look into any related party transactions, i.e., transactions of the Bank of a material nature, with promoters or management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the Bank at large; and
- m. Such other matters as may from time to time be required by any statutory, contractual or regulatory requirements to be attended to by the Audit Committee.

The Audit Committee comprises of 5 members viz. Executive Director, Government of India Nominee Director, Reserve Bank of India Nominee Director two non-official part time Directors. Shri M.S. Johar, Chartered Accountant, is the present Chairman of the Audit Committee of the Board. He is appointed for a period of 3 years from the date of the appointment i.e. 02.01.2008.

The members of the Audit committee are as under:

| | | |
|---|------------------------|----------|
| 1 | Shri M S Johar | Chairman |
| 2 | Shri Ramnath Pradeep | Member |
| 3 | Dr Shashank Saksena | Member |
| 4 | Shri M.K. Bhattacharya | Member |
| 5 | Smt Indu Singh Pawar | Member |

During the year, the Audit Committee met 7 times on the following dates:

| | | | | | |
|------------|------------|------------|------------|------------|------------|
| 23.04.2008 | 09.06.2008 | 31.07.2008 | 24.10.2008 | 10.11.2008 | 22.12.2008 |
| 27.01.09 | | | | | |

The attendance record of the members is shown below:

| Name of Directors | Attendance Record | Meetings held during their tenure | Period on the Audit Committee (From – To) |
|------------------------|-------------------|-----------------------------------|---|
| Ms H.A.Daruwalla | 03 | 03 | 24.10.2008 to 18.12.2008 |
| Shri Ramnath Pradeep | 02 | 02 | 01.04.2007 to 31.03.2008 |
| Shri K.Subbaraman | 03 | 03 | 01.04.2008 to 30.09.2008 |
| Shri Albert Tauro | 03 | 03 | 01.04.2008 to 02.08.2008 |
| Dr Shashank Saksena | 02 | 05 | 06.06.2008 to 31.03.2009 |
| Smt Vinita Kumar | 02 | 02 | 01.04.2008 to 05.06.2008 |
| Shri M.K. Bhattacharya | 07 | 07 | 01.04.2008 to 31.03.2009 |
| Shri M S Johar | 07 | 07 | 01.04.2008 to 31.03.2009 |
| Smt Indu Singh Pawar | 03 | 03 | 25.02.2008 to 31.03.2009 |
| Shri Kamal Faruqui | 03 | 03 | 01.04.2008 to 15.09.2008 |
| Major Ved Prakash | 03 | 03 | 01.04.2008 to 05.10.2008 |

Unaudited quarterly results of the Bank and audited results for the year were reviewed by the Audit Committee of the Board and placed before the Board of Directors for approval.

Shareholders'/ Investors' Grievance Committee

In compliance of SEBI guidelines on Corporate Governance as provided in Clause 49 of the Listing Agreement, Shareholders'/ Investors Grievances Committee has been constituted, for redressal of the grievances of the shareholders/ investors with regard to the transfer of shares, non-receipt of Balance Sheet, non- receipt of dividends, etc. All the references/ complaints received from the investors during the year have been replied/ redressed till date. Investors' grievances are normally attended to within seven days, on receipt of the relevant information. The Committee comprises of Chairman & Managing Director, Executive Director and two independent Directors. It is headed by one of independent director on the Board of our Bank.

The Committee met 4 times during the year on the following dates:

| | | | |
|------------|------------|------------|------------|
| 24.04.2008 | 30.07.2008 | 25.10.2008 | 31.03.2009 |
|------------|------------|------------|------------|

The attendance record of the members is shown below:

| Name of Directors | Attendance Record | Meetings held during their tenure | Period on the Committee (From - To) |
|------------------------|-------------------|-----------------------------------|-------------------------------------|
| Shri S.Sridhar | 01 | 01 | 28.03.2009 to 31.03.2009 |
| Ms H.A.Daruwalla | 01 | 01 | 28.03.2008 to 31.12.2008 |
| Shri Ramnath Pradeep | 01 | 01 | 28.03.2009 to 31.03.2009 |
| Shri K. Subbaraman | 02 | 02 | 01.04.2008 to 30.09.2008 |
| Shri Albert Tauro | 02 | 02 | 01.04.2008 to 02.08.2008 |
| Shri M.S.Johar | 02 | 02 | 23.12.2008 to 31.03.2009 |
| Shri Brijlal Kshatriya | 01 | 01 | 28.03.2009 to 31.03.2009 |
| Major Ved Prakash | 02 | 02 | 01.04.2008 to 05.10.2008 |
| Shri Harish Chandhok | 02 | 02 | 01.04.2008 to 10.11.2008 |

The details of Investor Grievances for the year 2008-09 (01.04.2008 to 31.03.2009) is as under:

| | |
|---|------|
| Total investors complaint at the beginning of the year | 21 |
| Total complaints received through correspondence during the year | 1196 |
| Total complaints received for mutilated / cheque correction during the year | 42 |
| Total complaints received from N.S.E during the year | 12 |
| Total complaints received from B.S.E during the year | 30 |
| Total complaints received from SEBI during the year | 356 |
| Total complaints received from legal notice/ Consumer Forum during the year | 22 |
| Total complaints resolved/replied during the year | 1679 |
| Total investors complaints pending at the end of the year | 0 |

We confirm that no investors' complaints remained unattended/pending for more than 30 days.

Compliance Officer

Shri J.P. Srivastava, Deputy General Manager (Priority Sector), is the Compliance Officer of the Bank for Corporate Governance.

Remuneration Committee

The Remuneration Committee of the Board of Directors was constituted as per Ministry of Finance Communication F.No.20.1.2005-Bo-I dated 09.03.2007 for payment of performance-linked incentive to wholetime Directors. During the year the Committee consisting of Dr. Shashank Saksena, Government Nominee Director (in the Chair), Shri M.K.Bhattacharya, Reserve Bank of India Nominee Director, Shri Romesh Sabharwal and Smt Indu Singh Pawar, met on 30.07.2008 for considering the performance-linked incentive to wholetime directors for the year 2007-08.

Proceeds from Public issues, Right issues, preferential issues, etc.

During the year , Bank has increased its paid-up Capital by way of issue of Preference Shares in the form of Perpetual Non-cumulative preference shares (PNCPS) to the tune of Rs.117 crore to Government of India. Bank has also increased its Tier I capi-

tal by way of issue of Innovative Perpetual Debt Instrument (IPDI) to the tune of Rs.583 crore to Government of India. Further, Bank has also raised Rs.585.00 crore in the form of Upper Tier II bonds and Rs.270 crore in the form of Lower Tier II bonds. The funds were raised with the primary objective of augmenting Tier-I and II capital for strengthening capital adequacy ratio and for enhancing the long-term resources of the Bank. The funds raised will be utilised for the above purpose.

The above issues to the Government of India are not transferable and are not dealt with the Stock Exchanges and accordingly, can't be traded and/or listed.

Means of Communications

The quarterly financial results (unaudited but subject to limited review by the Statutory Auditors) and audited Annual results were published in the Business Standard/Financial Express in English and Loksatta (Regional language) and Navkal. The results were also displayed on the Bank's website at www.centralbankofindia.co.in.

Code of Conduct

The Bank has adopted a Code of Conduct for the Board of Directors and Senior Management. The text of the same is available on the website of the Bank i.e. www.centralbankofindia.co.in. All the Directors and Senior Management have affirmed their Compliance of code of conduct during the year under review and a certificate affirming the compliance is given in Annexure I.

The Bank has also framed a Code of Conduct for its Directors and designated employees for prevention of Insider Trading in Bank's security.

Number of shares of Bank held by Directors is as under:

| Sr | Name of Shareholder | Total Shares held | |
|----|------------------------|-------------------|-----------------------|
| | | Number | As a % of grand total |
| 1. | Shri N K Pareek | 240 | 0.000059 |
| 2 | Shri Brijlal Kshatriya | 200 | 0.000049 |
| 3 | Shri N Balakrishnan | 100 | 0.000024 |
| | Total | 540 | 0.000132 |

Corporate Social Responsibility

The Bank has formulated schemes under financial inclusion for financially weaker excluded person of society

Donations: The Bank has donated a sum of Rs.83.16 lacs during the year to various Trusts, NGOs, etc.

Bank has also started Financial Literacy and Credit Counseling Centre namely Centsahyog which was launched at Vadkun in Thane District to provide free counseling to the villagers on the various banking products, both deposits and loans and also counseling to distressed borrowers, irrespective of whether they are Bank's clients or not.

Further in order to develop rural entrepreneurship, the Bank launched a **Rural Development and Self-Employment Training Institute (RUDSETI)** at Hoshangabad. This will provide intensive entrepreneurship training to the rural youth, to enable them to take to vocational activities. The Bank has already set Rudsetis at Kota and Muzaffarpur.

Other Disclosures

Other than those in the normal course of banking business, the Bank has not entered into any materially significant transaction with its promoters, directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Bank at large. There was no pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Bank during the year.

It is an established practice in the Bank that the Directors do not take part in the deliberations of the Board and other Sub-Committees of the Board, when matters relating to them or to their relatives are discussed.

The Bank has complied with applicable rules and regulations prescribed by RBI, SEBI, Stock Exchanges or any other statutory authority relating to Capital Market.

No penalties or strictures were imposed on the Bank by any of the Stock Exchanges, SEBI or any Statutory Authority on any matter relating to Capital Markets during the year under review.

The Bank has complied with the stipulated requirement of Clause 49 of Listing Agreement to the extent that the requirements of the clause do not violate the provision of Banking Regulations Act 1949, Banking Companies (Acquisition and Transfer of Undertakings) Act 1970 and Nationalised Banks (Management and Miscellaneous Provisions) Scheme 1970 and guidelines, provisions, regulations or directives issued by Reserve Bank of India.

Non-Mandatory Requirements (Annexure I D of Listing Agreement)

The Bank has presently not adopted the non-mandatory requirement set out in Annexure-1D to the Clause 49 of the Listing Agreement.

Certificate of Compliance

A certificate of compliance of stipulations and conditions of Corporate Governance as per clause 49 (VII) of the Listing Agreement with the stock exchanges has been obtained and placed on record of the Board.

General Body Meeting

The first Annual General Meeting of the Bank for financial year 2007-08 was held on 31st July 2008 at 03:00 PM at Sir SPBT College, Nr. Cooper Hospital, JVPD Scheme, Vile Parle (W), Mumbai 400056.

No special resolution has been passed at the General Meeting and no resolution has been passed through Postal ballot during the year under review.

General Shareholder Information

- 2nd Annual General Meeting of the Bank:

Date: Tuesday, 04 August 2009 at 03:00 pm at Sir Sorabhji Pochkhanawala Banker's Training College, Nr. Cooper Hospital/ BSES Office, JVPD Scheme, Vile Parle (W), Mumbai 400056.

- The Annual General Meeting is relevant for the financial year 2008-09
- Date of Book-Closure: 29th July 2009 to 04th August 2009 (both days inclusive)
- Dividend payment date: 18th August 2009
- Listing on Stock Exchanges:

The shares of the Bank are listed on The Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. The scrip codes are as follows:

| | |
|--|--------------|
| The Bombay Stock Exchange Ltd. (BSE) | 532885 |
| National Stock Exchange of India Limited (NSE) | CENTRALBK |
| ISIN Number | INE483A01010 |

Annual listing fee for 2009-10 has been paid to both the stock exchanges.

The Bank has issued Non-Convertible Bonds in the nature of Promissory Notes (Tier-II Capital) from time to time. The relevant outstanding details thereof are as under:

Central Bank of India Bonds – Tier-II Capital position as on 31.03.2009

| Particulars of the Issue (Series and Issue Date) | Total Value (Rs. in crores) | ISIN |
|--|-----------------------------|--------------|
| Series V-Option II (29.12.2001) | 95.00 | INE483A09104 |
| Series VI – Option II (25.09.2002) | 184.00 | INE483A09088 |
| Series VII (25.09.2003) | 200.00 | INE483A09112 |
| Series VIII (07.10.2003) | 70.00 | INE483A09120 |
| Series IX (08.10.2004) | 200.00 | INE483A09138 |
| Series X (28.03.2006) | 578.20 | INE483A09146 |
| Series XI (04.10.2006) | 700.00 | INE483A09153 |
| Series XII (03.03.2008) | 389.10 | INE483A09161 |
| Series XIII(10.02.2009) | 270.00 | INE483A09187 |
| Upper Tier II Series I (14.11.2008) | 300.00 | INE483A09179 |
| Upper Tier II Series II (17.02.2009) | 285.00 | INE483A09195 |
| TOTAL | 3271.30 | |

All these bonds are listed either on National Stock Exchange of India Ltd or Bombay Stock Exchange Ltd; the Bank has paid the Annual listing fee for 2009-10 to the Exchanges.

6. Market price data:

The monthly high and low quotation and the volume of Shares traded on NSE (with Comparison of share price of Bank with NSE Bank Nifty) are as under:

| Period | High Rs. | Low Rs. | Total Traded Qty | NSE Nifty | |
|----------------|----------|---------|------------------|-----------|-------|
| | | | | High | Low |
| April 2008 | 95.45 | 92.40 | 293566 | 5,231 | 5,156 |
| May 2008 | 84.40 | 82.60 | 132610 | 4,909 | 4,833 |
| June 2008 | 64.75 | 60.50 | 171707 | 4,022 | 4,041 |
| July 2008 | 60.00 | 57.60 | 493576 | 4,286 | 4,333 |
| August 2008 | 59.50 | 57.25 | 225637 | 4,231 | 4,360 |
| September 2008 | 49.90 | 45.10 | 298343 | 3,715 | 3,921 |
| October 2008 | 36.35 | 33.70 | 292851 | 2,696 | 2,886 |
| November 2008 | 35.00 | 33.00 | 289100 | 2,690 | 2,755 |
| December 2008 | 43.50 | 40.75 | 874572 | 2,937 | 2,959 |
| January 2009 | 39.10 | 38.15 | 208495 | 2,774 | 2,875 |
| February 2009 | 33.60 | 32.95 | 287454 | 2,708 | 2,764 |
| March 2009 | 34.45 | 32.85 | 364321 | 2,966 | 3,021 |

The monthly high and low quotation and the volume of Shares traded on BSE (with comparison of monthly share price of Bank with BSE Bankex) are as under:

| Month | High (Rs.) | Low (Rs.) | Volume of shares traded | Sensex | |
|----------------|------------|-----------|-------------------------|----------|----------|
| | | | | High | Low |
| April 2008 | 98.80 | 86.00 | 3795576 | 17480.74 | 15297.96 |
| May 2008 | 99.45 | 81.50 | 2721823 | 17735.70 | 16196.02 |
| June 2008 | 84.20 | 60.30 | 2032619 | 16632.72 | 13405.54 |
| July 2008 | 64.00 | 52.60 | 3324989 | 15130.09 | 12514.02 |
| August 2008 | 66.45 | 56.25 | 1976050 | 15579.78 | 14002.43 |
| September 2008 | 62.20 | 45.00 | 2731021 | 15107.01 | 12153.55 |
| October 2008 | 50.40 | 34.00 | 2225000 | 13203.86 | 7697.39 |
| November 2008 | 42.70 | 33.30 | 2491814 | 10945.41 | 8316.39 |
| December 2008 | 43.40 | 32.25 | 5103944 | 10188.54 | 8467.43 |
| January 2009 | 48.50 | 36.55 | 3732468 | 10469.72 | 8631.60 |
| February 2009 | 41.00 | 32.90 | 2587373 | 9724.87 | 8619.22 |
| March 2009 | 35.80 | 29.75 | 11392647 | 10127.09 | 8047.17 |

7. Share Transfers and Redressal of Shareholders'/Investors' Grievances

Share Transfers, Refund Order, Dividend payments and all other investor related activities are attended to and processed at the office of our Registrar and Transfer Agents. For lodgment of any of these documents and for queries/complaints/ grievances, shareholders and investors are requested to contact the Registrars at the following address:

Link Intime India Pvt. Ltd.

C-13, Pannalal Silk Mills Compound

LBS Marg, Bhandup (West)

Mumbai – 400 078

Tel : 022-25963838

Fax: 022-25946969

Email Id: isrl@linkintime.co.in

Address for correspondence with the Bank
Compliance officer
Central Bank of India
Chandermukhi, 9th Floor
Nariman Point Mumbai 400 021
Contact No. 022-66387600, 22820163
Fax No.: 022-22820989 / 22028605
Email Id: ipocell@centralbank.co.in

8. Distribution of shareholdings as on 31.03.2009

| No. of Equity Shares held | Folios | | Shares | |
|---------------------------|--------|---------|-----------|---------|
| | Nos. | % | Nos. | % |
| Upto 500 | 226766 | 96.5266 | 20710278 | 5.1245 |
| 501 to 1000 | 4633 | 1.9721 | 3643368 | 0.9015 |
| 1001 to 2000 | 1926 | 0.8198 | 2884412 | 0.7137 |
| 2001 to 3000 | 558 | 0.2375 | 1414876 | 0.3501 |
| 3001 to 4000 | 249 | 0.1060 | 891748 | 0.2207 |
| 4001 to 5000 | 184 | 0.0783 | 864942 | 0.2140 |
| 5001 to 10000 | 307 | 0.1307 | 2240134 | 0.5543 |
| 10000 to 999999999 | 303 | 0.1290 | 371491702 | 91.9212 |
| Total | 234926 | 100.00 | 404141460 | 100.00 |

Share Holding of persons belonging to the category "Public" and holding more than 1% of the total number of shares

| Name of the Shareholder | No. of shares | % |
|--|---------------|--------|
| Citigroup Global Markets Mauritius Private Ltd | 10313583 | 2.5520 |
| Merrill Lynch Capital Markets Espana S.A. S.V | 4563224 | 1.1291 |
| Life Insurance Corporation of India | 6314969 | 1.5626 |
| LIC of India – Market Plus | 527774 | 1.3109 |
| Total | 26489550 | 6.5546 |

Shareholding pattern as on 31.03.2009

| Category of shareholder | No. of shares | | No of shareholders | | Total shares | % of holding |
|-------------------------|---------------|----------|--------------------|----------|--------------|--------------|
| | Demat | Physical | Demat | Physical | | |
| Central Government | 324141460 | - | 1 | - | 324141460 | 80.2050 |
| Clearing Member | 922468 | - | 331 | - | 922468 | 0.2283 |
| Other Corporate Bodies | 9337536 | - | 1317 | - | 9337536 | 2.3105 |
| Directors | 540 | - | 3 | - | 540 | 0.0001 |
| Financial Institutions | 18519527 | - | 4 | - | 18519527 | 4.5824 |
| FIs | 7314030 | - | 18 | - | 7314030 | 1.8098 |
| Mutual Funds | 1768187 | - | 6 | - | 1768187 | 0.4375 |
| Nationalised Bank | 335045 | - | 6 | - | 335045 | 0.0829 |
| Non-Nationalised Bank | 101783 | - | 6 | - | 101783 | 0.0252 |
| Foreign National | 2000 | - | 1 | - | 2000 | 0.0005 |
| NRI | 363679 | - | 893 | - | 363679 | 0.0901 |
| NRI (Non-repatriable) | 91417 | - | 236 | - | 91417 | 0.0226 |

| | | | | | | |
|---------------------|------------------|------------|---------------|----------|------------------|---------------|
| Public | 33924582 | 333 | 232064 | 7 | 33924915 | 8.3943 |
| Trust | 14224 | - | 26 | - | 14224 | 0.0035 |
| Insurance Companies | 7304349 | - | 7 | - | 7304349 | 1.8074 |
| Total | 404141127 | 333 | 234919 | 7 | 404141460 | 100.00 |

9. Dematerialisation of Shares

The Bank's shares are being traded compulsorily in Demat form. The Bank has already entered into agreements with both the Depositories viz., National Securities Depositories Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) for dematerialization of shares.

Particulars of shares in Demat and Physical form held by shareholders as on 31.03.2009 are as under:

| | No. of shareholders | No. of shares | % shareholding |
|--------------|---------------------|------------------|----------------|
| Physical | 7 | 333 | - |
| NSDL | 159260 | 66796072 | 16.53 |
| CDSL* | 75659 | 337345055 | 83.47 |
| Total | 234926 | 404141460 | 100.00 |

* Including 3214141460 (80.20%) held by the Central Government.

There are no outstanding GDRs / ADRs /warrants or any convertible instruments.

Certificate of Compliance of mandatory stipulations of Corporate Governance

The certificate issued by the statutory auditors of the Bank, in compliance of mandatory stipulations of Corporate Governance in the Listing Agreement with the Stock Exchange is attached.

Acknowledgements

The Board expresses its gratitude to the Government of India, Reserve Bank of India and Securities and Exchange Board of India and Stock Exchanges for the valuable guidance and support received from them. The Board also thanks Financial Institutions and correspondent Banks for their co-operation and support. The Board acknowledges the unstinted support of its customers, shareholders and also wishes to place on record its appreciation for all staff members, for their dedicated services and contribution to the overall performance of the Bank.

For and on behalf of the Board of Directors

Place : Mumbai
Date : June 24, 2009

[S Sridhar]
Chairman and Managing Director

Annexure I

Declaration of Compliance with Code of Conduct

I confirm that all Board Members & Senior Management have affirmed Compliance with the Bank's Code of Conduct for the financial year 2008-09

Place: Mumbai
Date : June 24, 2009

[S Sridhar]
Chairman and Managing Director

Certification under Clause 49 of the Listing Agreement

To

The Board of Directors
Central Bank of India

This is to certify that:

- a. We have reviewed financial statements and the cash flow statement of Central Bank of India for the year 2008-09 and to the best of our knowledge and belief:
 - I. These statement do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading”
 - II. These statements together present a true and fair view of the Bank’s affairs and are in compliance with existing accounting standards, applicable law and regulations.
- b. There are, to the best of our knowledge and belief, no transaction entered into by the Bank during, which are fraudulent, illegal or violative of the Bank’s codes of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for the financial reporting and that we have evaluated the effectiveness of the internal control systems of the Bank pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal control, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies
- d. We have indicated to the auditors and the Audit Committee
 - I. Significant changes in internal control over financial reporting during the year;
 - II. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statement and
 - III. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or any employee having a significant role in the Bank’s internal control system over financial reporting.

P. V. Raveendran
General Manager (Accounts)

S Sridhar
Chairman and Managing Director

Place: Mumbai
Date: June 24, 2009

Auditors' Certificate on Corporate Governance

To

The Members of

Central Bank of India,

We have examined the compliance of conditions of Corporate Governance by Central Bank of India for the year ended 31st March 2009 as stipulated in Clause 49 of the Listing Agreement of the said Bank with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that no investor grievance is pending for a period exceeding one month against the Bank as per the records maintained by the Shareholders' & Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

For M/s Chhajed & Doshi

Chartered Accountants

(CA Kiran K. Daftary)

Partner

For M/s Bhushan Bensal Jain Associates

Chartered Accountants

(CA Kamal Jain)

Partner

For M/s Murali Associates

Chartered Accountants

(CA J. Sivasankaran)

Partner

For M/s Joseph & Rajaram

Chartered Accountants

(CA John Joseph P)

Partner

For M/s P.G. Bhagwat

Chartered Accountants

(CA S.S. Athavale)

Partner

For M/s Ummed Jain & Co

Chartered Accountants

(CA U.M. Jain)

Partner

Place: Mumbai

Date: June 24, 2009

Auditors' Report to the President of India

1. We have audited the attached Balance Sheet of **Central Bank of India** as at March 31, 2009 and also the Profit and Loss Account and Cash Flow Statement annexed thereto for the year ended on that date in which are incorporated the returns of 20 Branches, 16 Zonal Offices and 26 Regional Offices audited by us, 2858 Branches, 20 Non-Business Offices and 9 CMS Branches audited by branch auditors. Also incorporated in the Balance Sheet and Profit and Loss account are the returns of 669 Branches and 52 Regional Offices which have not been subjected to audit. The unaudited branches account for 1.16 per cent of advances, 4.40 per cent of deposits, 0.81 per cent of interest income and 3.92 per cent of interest expense. The Branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Balance Sheet and the Profit and Loss Account have been drawn up in Form 'A' and 'B' respectively of the Third Schedule to the Banking Regulation Act, 1949.
4. Subject to the limitations of the audit indicated in Para 1 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 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 purpose of our audit.
5. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement comply with the applicable Accounting Standards.
6. 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 :
 - i) The Balance Sheet, read with the notes thereon, is a full and fair Balance Sheet containing the necessary particulars, and is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at March 31, 2009, in conformity with Accounting Principles generally accepted in India;
 - ii) The Profit and Loss Account, read with the notes thereon, shows a true balance of Profit in conformity with the Accounting Principles generally accepted in India, for the year covered by the Account; and
 - iii) The Cash Flow Statement gives a true and fair view of the Cash Flows for the year ended on that date.

For M/S.Chhajed & Doshi
Chartered Accountants

(C.A. Kiran K Daftary)
Partner
M. No. 10279

For M/S. Bhusan Bensal Jain Associates
Chartered Accountants

(C.A. Kamal Jain)
Partner
M. No. 82279

For M/S.Murali Associates
Chartered Accountants

(C.A. J. Sivasankaran)
Partner
M. No. 22103

For M/S. Joseph & Rajaram
Chartered Accountants

(C.A. John Joseph P.)
Partner
M. No. 205893

For M/S. P. G. Bhagwat
Chartered Accountants

(C.A. S S Athavale)
Partner
M. No. 83374

For M/S. Ummed Jain & Co.
Chartered Accountants

(C.A. S.S.Sharma)
Partner
M. No. 10384

Place : Mumbai
Date : April 28, 2009

Balance Sheet as on March 31, 2009

(000's omitted)

| | Schedule No. | As on 31.03.2009 Rs. | As on 31.03.2008 Rs. |
|--|--------------|----------------------------|----------------------------|
| CAPITAL & LIABILITIES | | | |
| Capital | 1 | 1321,14,15 | 1204,14,15 |
| Reserves and Surplus | 2 | 5090,91,00 | 4738,61,92 |
| Deposits | 3 | 131271,84,88 | 110319,66,60 |
| Borrowings | 4 | 804,25,10 | 449,10,25 |
| Other Liabilities and Provisions | 5 | 9167,07,24 | 7244,26,23 |
| TOTAL | | 147655,22,37 | 123955,79,15 |
| ASSETS | | | |
| Cash and Balances with Reserve Bank of India | 6 | 11036,90,56 | 11537,18,64 |
| Balances with Banks and Money at Call and Short Notice | 7 | 1214,33,62 | 1302,05,31 |
| Investments | 8 | 43060,71,66 | 31455,18,74 |
| Advances | 9 | 85483,19,56 | 72997,42,87 |
| Fixed Assets | 10 | 2277,98,71 | 2320,29,13 |
| Other Assets | 11 | 4582,08,26 | 4343,64,46 |
| TOTAL | | 147655,22,37 | 123955,79,15 |
| Contingent Liabilities | 12 | 23404,19,71 | 20865,64,38 |
| Bills for Collection | - | 2833,02,81 | 3273,17,37 |
| Principal Accounting Policies | 17 | | |
| Notes to Accounts | 18 | | |

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

S.Sridhar
Chairman & Managing
Director

Ramnath Pradeep
Executive Director

Arun Kaul
Executive Director

P.V.Raveendran
General Manager

Dr.Shashank Saksena
Director

M.K.Bhattacharya
Director

C.A. M.S.Johar
Director

C.M.Puri
Director

N.K.Pareek
Director

Ms.Indu Singh Pawar
Director

Brijlal Kshatriya
Director

N. Balakrishnan
Director

As Per Our Report of Even Date

For M/S.Chhajed & Doshi
Chartered Accountants
(C.A. Kiran K Daftary)
Partner

For M/S.Murali Associates
Chartered Accountants
(C.A. J. Sivasankaran)
Partner

For M/S. P. G. Bhagwat
Chartered Accountants
(C.A. S S Athavale)
Partner

For M/S. Bhushan Bensal Jain Associates
Chartered Accountants
(C.A. Kamal Jain)
Partner

For M/S. Joseph & Rajaram
Chartered Accountants
(C.A. John Joseph P.)
Partner

For M/S. Ummed Jain & Co.
Chartered Accountants
(C.A. S.S.Sharma)
Partner

Place : Mumbai
Date : April 28, 2009

Profit and Loss Account for the Year Ended March 31, 2009

(000's omitted)

| | Schedule No. | Year ended 31-Mar-09 Rs. | Year ended 31-Mar-08 Rs. |
|--|--------------|--------------------------------|--------------------------------|
| I. INCOME | | | |
| Interest Earned | 13 | 10455,18,91 | 884,26,34 |
| Other Income | 14 | 1069,97,06 | 902,34,55 |
| TOTAL | | 11525,15,97 | 8786,60,89 |
| II. EXPENDITURE | | | |
| Interest Expended | 15 | 8226,71,54 | 5772,47,31 |
| Operating Expenses | 16 | 1861,70,02 | 1745,83,31 |
| Provisions and Contingencies | | 865,50,16 | 718,13,90 |
| TOTAL | | 10953,91,72 | 8236,44,52 |
| III. PROFIT/ LOSS | | | |
| Net Profit for the year | | 571,24,25 | 550,16,37 |
| Profit brought forward | | 58,33 | 2,78,61 |
| TOTAL | | 571,82,58 | 552,94,98 |
| IV. APPROPRIATIONS | | | |
| Transfer to : | | | |
| Statutory Reserve | | 142,81,06 | 165,04,91 |
| Investment Reserve | | 140,72,03 | 8,85,59 |
| Staff Welfare Fund | | 15,00,00 | 12,00,00 |
| Revenue Reserve | | 98,00,00 | 190,00,00 |
| Proposed Dividend - Preference Capital | | 68,03,85 | 70,00,00 |
| Proposed Dividend - Equity Capital | | 80,82,83 | 80,82,83 |
| Dividend Tax | | 25,29,99 | 25,63,32 |
| Balance Carried Over to Balance Sheet | | 1,12,82 | 58,33 |
| TOTAL | | 571,82,58 | 552,94,98 |
| EPS | | 12.17 | 12.48 |
| Principal Accounting Policies | 17 | | |
| Notes to Accounts | 18 | | |

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

| | | | |
|--|--|--|--|
| S.Sridhar Chairman & Managing Director | Ramnath Pradeep Executive Director | Arun Kaul Executive Director | P.V.Raveendran General Manager |
| Dr.Shashank Saksena Director | M.K.Bhattacharya Director | C.A. M.S.Johar Director | C.M.Puri Director |
| N.K.Pareek Director | Ms.Indu Singh Pawar Director | Brijlal Kshatriya Director | N. Balakrishnan Director |

As Per Our Report of Even Date

For M/S.Chhajed & Doshi
Chartered Accountants

(C.A. Kiran K Daftary)
Partner

For M/S. Bhushan Bensal Jain Associates
Chartered Accountants

(C.A. Kamal Jain)
Partner

For M/S.Murali Associates
Chartered Accountants

(C.A. J. Sivasankaran)
Partner

For M/S. Joseph & Rajaram
Chartered Accountants

(C.A. John Joseph P)
Partner

For M/S. P. G. Bhagwat
Chartered Accountants

(C.A. S S Athavale)
Partner

For M/S. Ummed Jain & Co.
Chartered Accountants

(C.A. S.S.Sharma)
Partner

 Place : Mumbai
Date : April 28, 2009

Schedules Forming Part of The Balance Sheet as on March 31, 2009

(000's omitted)

| | Rs. | As on 31.03.2009 Rs. | Rs. | As on 31.03.2008 Rs. |
|---|------------------|----------------------------|------------------|----------------------------|
| SCHEDULE 1 : CAPITAL | | | | |
| Authorised Capital | | 1500,00,00 | | 1500,00,00 |
| Issued, Subscribed and Paid up Capital : | | | | |
| 4041,41,460 Equity Shares of Rs.10 each (includes 3241,41,500 shares held by Central Govt.) | 404,14,15 | | 404,14,15 | |
| Perpetual non-cumulative Preference Share capital | 800,00,00 | | 800,00,00 | |
| Perpetual non-cumulative Preference Share capital | 117,00,00 | | | |
| | | 1321,14,15 | | 1204,14,15 |
| SCHEDULE 2 : RESERVES AND SURPLUS | | | | |
| I. Statutory Reserves | | | | |
| Balance as per last Balance Sheet | 802,76,81 | | 637,71,90 | |
| Additions during the year | 142,81,06 | | 165,04,91 | |
| | | 945,57,87 | | 802,76,81 |
| II. Capital Reserves | | | | |
| i) Revaluation Reserve | | | | |
| Balance as per last Balance Sheet | 2038,66,65 | | 485,84,60 | |
| Additions on account of Revaluation during the year | | | 1565,97,48 | |
| Deductions during the year | 29,75,06 | | 13,15,43 | |
| | | 2008,91,59 | | 2038,66,65 |
| ii) Investment Reserve | | | | |
| Balance as per last Balance Sheet | 175,76,00 | | 166,90,41 | |
| Additions during the year | 140,72,03 | | 8,85,59 | |
| | | 316,48,03 | | 175,76,00 |
| III. Share Premium | | | | |
| Balance as per last Balance Sheet | 736,00,00 | | — | |
| Additions/ Adjustments during the year | | | 736,00,00 | |
| | | 736,00,00 | | 736,00,00 |
| IV. Revenue and Other Reserves | | | | |
| i) Revenue Reserves | | | | |
| Balance as per last Balance Sheet | 984,84,13 | | 1372,42,88 | |
| Less: Transitional Liability for employee benefit | | | (875,00,00) | |
| | 984,84,13 | | 497,42,88 | |
| Less: Deductions during the year | 3,44 | | | |
| Add: Deferred Tax on above | | | 297,41,25 | |
| | 984,80,69 | | 794,84,13 | |
| Additions during the year | 98,00,00 | | 190,00,00 | |
| | | 1082,80,69 | | 984,84,13 |
| V. Balance in Profit and Loss Account | | | | |
| | 1,12,82 | | 58,33 | |
| | | 1,12,82 | | 58,33 |
| TOTAL | | 5090,91,00 | | 4738,61,92 |

Schedules Forming Part of The Balance Sheet as on March 31, 2009

(000's omitted)

| | Rs. | As on 31.03.2009 Rs. | Rs. | As on 31.03.2008 Rs. |
|---|-------------|----------------------------|-------------|----------------------------|
| SCHEDULE 3 : DEPOSITS | | | | |
| A.I. Demand Deposits | | | | |
| i) From Banks | 484,89,55 | | 396,73,45 | |
| ii) From Others | 9627,39,52 | | 9604,10,88 | |
| | | 10112,29,07 | | 10000,84,33 |
| II. Savings Bank Deposits | | | | |
| III. Term Deposits | | | | |
| i) From Banks | 4713,89,87 | | 2327,71,12 | |
| ii) From Others | 82765,57,98 | | 68125,27,47 | |
| | | 87479,47,85 | | 70452,98,59 |
| TOTAL | | | | |
| | | 131271,84,88 | | 110319,66,60 |
| B. i) Deposits of Branches in India | | | | |
| ii) Deposits of Branches outside India | | 131271,84,88 | | 110319,66,60 |
| | | — | | — |
| SCHEDULE 4 : BORROWINGS | | | | |
| I. Borrowings in India | | | | |
| i) Reserve Bank of India | 17,25,46 | | 386,36,02 | |
| ii) Other Banks | 55,10,91 | | 20,58,49 | |
| iii) Other Institutions & Agencies | 731,88,73 | | 42,15,74 | |
| | | 804,25,10 | | 449,10,25 |
| II. Borrowings outside India | | | | |
| TOTAL | | | | |
| | | 804,25,10 | | 449,10,25 |
| Secured Borrowings included in I & II above | | — | | — |
| SCHEDULE 5 : OTHER LIABILITIES AND PROVISIONS | | | | |
| I. Bills Payable | | 614,26,30 | | 595,86,48 |
| II. Inter Office Adjustments (Net) | | — | | — |
| III. Interest Accrued | | 338,66,15 | | 288,56,35 |
| IV. Deferred Tax Liability | | 24,03,00 | | 24,16,75 |
| V. Unsecured Redeemable Bonds (Subordinated Debt for Tier-II Capital) | | 3271,30,00 | | 2432,30,00 |
| VI. Others(including provisions) | | 4918,81,79* | | 3903,36,65 |
| *Includes Rs.583 crore of Innovative Perpetual Debt Instrument | | | | |
| TOTAL | | | | |
| | | 9167,07,24 | | 7244,26,23 |
| SCHEDULE 6 : CASH AND BALANCES WITH RESERVE BANK OF INDIA | | | | |
| I. Cash in Hand (including foreign currency notes) | | | | |
| | | 797,37,69 | | 926,91,22 |
| II. Balances with Reserve Bank of India | | | | |
| In Current Accounts | 10139,52,87 | | 10510,27,42 | |
| In Other Accounts | 100,00,00 | | 100,00,00 | |
| | | 10239,52,87 | | 10610,27,42 |
| TOTAL | | | | |
| | | 11036,90,56 | | 11537,18,64 |

Schedules Forming Part of The Balance Sheet as on March 31, 2009

(000's omitted)

| | Rs. | As on 31.03.2009 Rs. | Rs. | As on 31.03.2008 Rs. |
|--|-------------|----------------------------|-------------|----------------------------|
| SCHEDULE 7 : BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE | | | | |
| I. In India | | | | |
| i) Balances with Banks | | — | | |
| a) In Current Accounts | 708,25,22 | | 1068,14,77 | |
| b) In Other Deposit Accounts | 161,88 | | 175,00,00 | |
| ii) Money at Call and Short Notice | | — | | |
| a) With Banks | | | | — |
| b) With Other Institutions | | | | — |
| | | 709,87,10 | | 1243,14,77 |
| II. Outside India | | | | |
| a) In Current Accounts | 431,38,95 | | 50,84,85 | |
| b) In Other Deposit Accounts | 73,07,57 | | 8,05,69 | |
| c) Money at Call & Short Notice | — | | — | |
| | | 504,46,52 | | 58,90,54 |
| TOTAL | | 1214,33,62 | | 1302,05,31 |
| SCHEDULE 8 : INVESTMENTS | | | | |
| I. Investments in India in:* | | | | |
| i) Government Securities | 37878,42,11 | | 26008,37,52 | |
| ii) Other approved Securities | 405,38,89 | | 585,04,44 | |
| iii) Shares | 502,81,74 | | 538,71,06 | |
| iv) Debentures and Bonds | 3073,20,42 | | 3133,42,08 | |
| v) Subsidiaries and Sponsored Institutions | 242,26,62 | | 242,26,62 | |
| vi) Others (UTI Shares & Commercial Papers, Mutual Fund Units etc.) | 957,95,94 | | 946,71,08 | |
| | | 43060,05,72 | | 31454,52,80 |
| II. Investments outside India in** | | | | |
| Subsidiaries and / or Associates abroad | | 65,94 | | 65,94 |
| TOTAL | | 43060,71,66 | | 31455,18,74 |
| * Investments in India | | | | |
| Gross Value | 44444,98,70 | | 32795,72,37 | |
| Less: Provision for Depreciation | 1384,92,98 | | 1341,19,57 | |
| Net Value | | 43060,05,72 | | 31454,52,80 |
| ** Investments outside India | | | | |
| Gross Value | 65,94 | | 65,94 | |
| Less: Provision for Depreciation | — | | — | |
| Net Value | | 65,94 | | 65,94 |

Schedules Forming Part of The Balance Sheet as on March 31, 2009

(000's omitted)

| | Rs. | As on 31.03.2009 Rs. | Rs. | As on 31.03.2008 Rs. |
|---|-------------|----------------------------|-------------|----------------------------|
| SCHEDULE 9 : ADVANCES | | | | |
| A. | | | | |
| i) Bills Purchased and Discounted | 886,54,29 | | 1035,55,37 | |
| ii) Cash Credits, Overdrafts & Loans repayable on demand | 24026,18,25 | | 23715,68,16 | |
| iii) Term Loans | 60570,47,02 | | 48246,19,34 | |
| | | 85483,19,56 | | 72997,42,87 |
| B. Particulars of Advances : | | | | |
| i) Secured by Tangible Assets (including advances against Book Debts) | 63217,60,21 | | 49890,49,73 | |
| ii) Covered by Bank / Government Guarantees | 3071,46,28 | | 2660,47,44 | |
| iii) Unsecured | 19194,13,07 | | 20446,45,70 | |
| TOTAL | | 85483,19,56 | | 72997,42,87 |
| C. Sectoral Classification of Advances | | | | |
| (I) Advances in India | | | | |
| i) Priority Sectors | 26830,20,77 | | 23998,50,87 | |
| ii) Public Sector | 10125,20,13 | | 12668,98,22 | |
| iii) Banks | 687,73,63 | | 1725,05,17 | |
| iv) Others | 47840,05,03 | | 34604,88,61 | |
| TOTAL | | 85483,19,56 | | 72997,42,87 |
| (II) Advances outside India | | | | |
| SCHEDULE 10 : FIXED ASSETS | | | | |
| I. Premises | | | | |
| (At cost / revalued cost) | | | | |
| Balance as at 31st March of the preceding year | 2366,37,57 | | 800,28,38 | |
| Additions during the year | 0 | | 11,71 | |
| Addition on account of Revaluation during the year | 0 | | 1565,97,48 | |
| TOTAL | 2366,37,57 | | 2366,37,57 | |
| Deduction / Adjustments during the year | 0 | | 0 | |
| TOTAL | 2366,37,57 | | 2366,37,57 | |
| Depreciation to date | 315,11,33 | | 281,86,81 | |
| TOTAL | | 2051,26,24 | | 2084,50,76 |
| II. Other Fixed Assets (Including furniture and fixtures) | | | | |
| At cost as on 31st March of the preceding year | 753,42,84 | | 682,75,41 | |
| Additions / Adjustments during the year | 81,91,49 | | 88,87,14 | |
| TOTAL | 835,34,33 | | 771,62,55 | |
| Deductions / Adjustments during the year | 20,03,14 | | 18,19,71 | |
| TOTAL | 815,31,19 | | 753,42,84 | |
| Depreciation to date | 588,58,72 | | 517,64,47 | |
| TOTAL | | 226,72,47 | | 235,78,37 |
| TOTAL (I & II) | | 2277,98,71 | | 2320,29,13 |

Schedules Forming Part of The Balance Sheet as on March 31, 2009

(000's omitted)

| | Rs. | As on 31.03.2009 Rs. | Rs. | As on 31.03.2008 Rs. |
|--|------------|----------------------------|------------|----------------------------|
| SCHEDULE 11 : OTHER ASSETS | | | | |
| I. Interest accrued | 780,08,78 | | 687,73,52 | |
| II. Tax paid in advance / Tax deducted at source (Net of Provisions) | 1827,39,04 | | 1509,37,08 | |
| III. Stationery and Stamps | 11,33,59 | | 11,73,66 | |
| IV. Non-banking assets acquired in satisfaction of claims | — | | — | |
| V. Inter Office Adjustments | 643,07,63 | | 543,02,91 | |
| VI. Others | 1320,19,22 | | 1591,77,29 | |
| TOTAL | | 4582,08,26 | | 4343,64,46 |
| SCHEDULE 12 : CONTINGENT LIABILITIES | | | | |
| I. Claims against the Bank not acknowledged as debts | | 164,00,65 | | 223,94,36 |
| II. Liability for partly paid Investments | | 27,34,33 | | 47,67,50 |
| III. Liability on account of outstanding forward exchange contracts | | 16474,39,54 | | 14455,18,59 |
| IV. Guarantees given on behalf of constituents | | — | | — |
| a) In India | 3946,75,37 | | 2890,48,23 | |
| b) Outside India | 277,18,01 | | 189,23,72 | |
| | | 4223,93,38 | | 3079,71,95 |
| V. Acceptances, Endorsements and Other Obligations | | 2514,51,81 | | 3059,11,98 |
| VI. Other item for which the bank is contingently liable | | — | | — |
| TOTAL | | 23404,19,71 | | 20865,64,38 |

Schedules Forming Part of the Profit & Loss Account for the Year Ended March 31, 2009

(000's omitted)

| | YEAR ENDED 31-Mar-09 RS. | YEAR ENDED 31-Mar-08 RS. |
|--|-----------------------------------|-----------------------------------|
| SCHEDULE 13 : INTEREST EARNED | | |
| I. Interest / Discount on Advances / Bills | 7753,44,64 | 5296,94,92 |
| II. Income on Investments | 2563,18,31 | 2350,37,59 |
| III. Interest on balances with Reserve Bank of India and other Inter-Bank funds | 131,51,73 | 183,86,53 |
| IV. Others | 7,04,23 | 53,07,30 |
| TOTAL | 10455,18,91 | 7884,26,34 |
| SCHEDULE 14 : OTHER INCOME | | |
| I. Commission, Exchange and Brokerage | 4419506 | 404,45,28 |
| II. Profit on Sale of Investments (Net) | 4097660 | 153,98,95 |
| III. Profit / (Loss) on Revaluation of Investments | | |
| IV. Profit / (Loss) on Sale of Land, Buildings and other Assets (Net) | (3529) | (45,88) |
| V. Profit on Exchange Transactions (Net) | 67,33,40 | 48,42,20 |
| VI. Income earned by way of dividends etc. from Subsidiaries and Associates abroad / in India | 1,43,01 | 1,05,66 |
| VII. Miscellaneous Income | 149,84,28 | 294,88,34 |
| TOTAL | 1069,97,06 | 902,34,55 |
| SCHEDULE 15 : INTEREST EXPENDED | | |
| I. Interest on Deposits | 7913,31,98 | 5579,39,28 |
| II. Interest on Reserve Bank of India / Inter-Bank borrowings | 91,61,85 | 19,62,08 |
| III. Others | 221,77,71 | 173,45,95 |
| TOTAL | 8226,71,54 | 5772,47,31 |
| SCHEDULE 16 : OPERATING EXPENSES | | |
| I. Payments to and Provisions for employees | 1272,58,81 | 1214,33,71 |
| II. Rent, Taxes and Lighting | 142,12,73 | 124,78,69 |
| III. Printing and Stationery | 17,88,08 | 17,21,42 |
| IV. Advertisement and Publicity | 15,33,22 | 6,86,75 |
| V. Depreciation on Bank's property | 83,59,01 | 73,61,11 |
| VI. Directors' Fees, Allowances and Expenses | 1,44,56 | 1,07,99 |
| VII. Auditors' Fees and Expenses (including Branch Auditors) | 20,40,23 | 19,12,19 |
| VIII. Law Charges | 10,78,17 | 10,15,29 |
| IX. Postages, Telegrams, Telephones etc. | 9,71,80 | 11,31,81 |
| X. Repairs and Maintenance | 32,89,21 | 20,66,26 |
| XI. Insurance | 91,41,19 | 75,72,08 |
| XII. Other Expenditure | 163,53,01 | 170,96,01 |
| TOTAL | 1861,70,02 | 1745,83,31 |

SCHEDULE 17 - PRINCIPAL ACCOUNTING POLICIES

1. Accounting Conventions:

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

2. Transactions involving Foreign Exchange:

- 2.1 Monetary Assets and Liabilities in Foreign Currencies are translated at the Exchange Rates prevailing at the year end as notified by FEDAI and the resultant Profit/ Loss is recognised in Profit and Loss Account.
- 2.2 Income and Expenditure items are translated at the exchange rates ruling on the respective date of transactions.
- 2.3 Guarantees, Letters of Credit, Acceptances, Endorsements, and other obligations in Foreign Currencies are translated at year end rates notified by FEDAI.
- 2.4 Outstanding Forward Contracts are translated at the year end rates notified by FEDAI and the resultant profit/loss is recognized in Profit and Loss Account.

3. Investments:

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

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

3.2 Basis of Classification:

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

- i) **Held to Maturity**
These comprise of investments, the bank intends to hold on till maturity.
- ii) **Available for Sale**
Investments that cannot be classified in the above categories.
- iii) **Held for Trading**
Securities which are principally held for resale within 90 days from the date of purchase.

3.3 Transfer of Securities between categories:

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

3.4 Valuation:

a) Held to Maturity:

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

b) Available for sale:

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

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

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

c) Held for Trading:

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

3.5 Determination of Cost:

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

3.6 Income Recognition:

- i) The Profit or loss on sale/ redemption of investments is taken to the Profit and Loss Account. However, in case of profit on sale/ redemption of investments from 'Held to Maturity' category, an equivalent amount is appropriated to the 'Capital Reserve'.
- ii) In respect of securities included in any of the three categories of investments where interest/ principal is in arrears, for more than 90 days, income is not reckoned and appropriate provision for the depreciation in the value of the investments is made, as per prudential norms applicable to non-performing advances. Debentures/ Bonds in the nature of advances are subjected to usual prudential norms applicable to advances.
- iii) State Government guaranteed exposures is classified as Sub Standard/ Doubtful/ Loss, as the case may be if interest and/ or principal or any other amount due to the Bank remains overdue for more than 90 days and necessary provisions are made as per Prudential Norms.
- iv) Brokerage, incentive, front-end fees etc., received on purchase of securities are reduced from the cost of investments.
- v) Expenses such as brokerage, fees, commission or taxes incurred at the time of acquisition of securities is charged to revenue.
- vi) The broken period interest on sale or purchase of securities is treated as revenue item.

4. Derivatives

Derivatives used for hedging are accounted as under :

- i) Marked to market in cases where the underlying Assets/ Liabilities are marked to market. The resultant gain/ loss is recognised in the Profit & Loss Account.
- ii) Interest Rate Swaps which hedges interest bearing assets or liabilities are accounted for on accrual basis in cases where underlying Asset/ Liabilities are not marked to market.
- iii) Gain or losses on the termination of Swaps are recognised over the shorter of the remaining contractual life of the Swap or the remaining life of the assets/ liabilities.

5. Advances:

- 5.1 Advances are classified as Standard, Sub-Standard, Doubtful or Loss Assets and Provisions required in respect thereof are made as per the Prudential Norms prescribed by the Reserve Bank of India.
- 5.2 Recoveries against Non-performing Assets (NPA) are first appropriated towards interest. However, recovery in suit filed, decreed accounts and compromise cases, is first appropriated towards principal or as per the terms of decree/ settlement.
- 5.3 Advances are shown net of provisions, Unrealised Interest and amount recovered from borrowers held in Sundries and amount recovered from CGTSI/ ECGC. Provision for Standard Assets is included in Other Liabilities and Provisions-Others)

6. Fixed Assets/Depreciation:

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

| | |
|---|--|
| i) Premises | At varying rates based on estimated life |
| ii) Furniture, Lifts, Safe Vaults | 10% |
| iii) Vehicles | 20% |
| iv) Air conditioners, Coolers, Typewriters etc. | 15% |
| v) Computers including Systems Software | 33.33% |

(Application Software is charged to the Revenue during the year of acquisition.)

- 6.2 In the case of assets, which have been revalued, the depreciation is provided on the revalued amount and the incremental depreciation attributable to the revalued amount is adjusted to the 'Revaluation Reserve'.
- 6.3 Depreciation on additions to assets, made upto 30th September is provided for the full year and on additions made thereafter, is provided for the half year. No depreciation is provided on assets sold before 30th September and depreciation is provided for the half year for assets sold after 30th September.
- 6.4 Cost of leasehold land is amortised over the period of lease. In the case of revaluation, the difference between the original cost and revalued amount is amortised over the remaining period of the lease and is adjusted to the 'Revaluation Reserve'.
- 6.5 Where it is not possible to segregate the cost of Land and Premises, Depreciation is charged on the composite cost.

7. Staff Benefits:

- 7.1 Annual contribution to Gratuity and Pension Funds are determined on the basis of actuarial valuation. The contribution to Pension Fund is made under a defined benefit scheme.
- 7.2 The liability for earned leave is provided for on the basis of actuarial valuation.
- 7.3 In respect of employees who have opted for Provident Fund Scheme, a matching contribution is made.
- 7.4 The Bank recognizes in its Books of Accounts the liability arising out of Employee Benefits as the sum of the present value of obligations as reduced by fair value of Plan Assets on the Balance Sheet.

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

8. Recognition of Income and Expenditure:

- 8.1 Income/ Expenditure is generally accounted for on accrual basis unless otherwise stated.
- 8.2 Income on NPA is accounted for as per the Prudential Norms prescribed by the Reserve Bank of India.
- 8.3 In accordance with the guidelines issued by the Reserve Bank of India, prior period disclosures are made in respect of any item which exceeds one percent of the total income/total expenditure.
- 8.4 Provision for interest payable on overdue deposits is made as per Reserve Bank of India guidelines.
- 8.5 Expenses for Share Issue are amortized over a period of 5 years on quarterly basis.

9. Income Tax:

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

| | | | |
|---|---|--|---|
| S. Sridhar Chairman & Managing Director | Ramnath Pradeep Executive director | Arun kaul Executive Director | P. V. Raveendran General Manager |
| Dr. Shashank saksena Director | M. K. Bhattacharya Director | | C.A. M. S. Johar Director |
| C. M. Puri Director | N. K. Pareek Director | | MS. Indu Singh Pawar Director |
| Brijlal Kshatriya Director | N. Balakrishnan Director | | |
| For M/S. Chhajed & Doshi Chartered Accountants (CA Kiran K. Daftary) Partner | For M/S. Murali Associates. Chartered Accountants (CA J. Sivasankaran) Partner | | For M/S. P. G. Bhagwat Chartered Accountants (CA S. S. Athavale) Partner |
| For M/S. Bhushan Bensal Jain Associates Chartered Accountants (CA Kamal Jain) Partner | For M/S. Joseph & Rajaram Chartered Accountants (CA John Joseph P.) Partner | | For M/S. Ummed Jain & Co. Chartered Accountants (CA S. S. Sharma) Partner |

Place : Mumbai

Date : April 28, 2009