

## DIRECTORS' REPORT

The Board of directors have pleasure in presenting this Annual report together with the Audited Balance Sheet and Profit & Loss Account of the Bank for the Year ended 31st March, 2008.

### 1. BUSINESS OPERATIONS

The Business of the Bank crossed Rs.133000 crore mark and stood at Rs.133184 crore on March,31st 2008.Total deposits of the Bank stood at Rs. 77856.70 crore and have shown an increase of Rs.13860.73 crore depicting a growth of 21.66% .Demand deposits, consisting of saving and current accounts, have risen from Rs.19389.94 crore in March 2007 to Rs. 21723.47 crore in March,2008, thereby recording a growth of 12.03%.In the wake of North-bound movement in rate of interest during the fiscal year 2007-08,cost of deposit increased to 7.08% as against 5.8% during the previous year fiscal .On the other hand ,net advances ,as at end-March2008 stood at Rs 54565.83 crore ,registering a growth of Rs.23.62% During the fiscal 2007-08,yield on advances has improved to 10.25% from the previous year's level of 8.6%. The credit deposit ratio of the Bank ,as at end-March2008,stood at 71.43%,same as in the previous year. The Bank ensured adequate flow of credit to the productive sectors of the economy. The Loans & Advances portfolio of the bank is well diversified and balanced. The Bank has ensured that its exposure to sensitive sectors such as Capital Markets, Real Estate, NBFCs etc. is well within the regulatory & prudential cap.

### 2. CAPITAL & RESERVES

During the year, the bank transferred a sum of Rs.200.36 crore to the reserves (which includes Rs.89.00 crore transferred to Statutory Reserves, Rs 111.36 crore to Revenue and other Reserves) out of the Profit for the year 2007-08.With this, capital & reserves as on March 31, 2008 have gone upto Rs 5775.90 crore as against Rs. 5600.31 crore as at end March 2007, while the ratio of Capital & Reserves to average working funds stood at 6.99% as on 31.03.2008 as against 8.19% as on 31st March,2007.

### 3. CAPITAL ADEQUACY RATIO

As on March 31,2008 the capital Adequacy Ratio of the Bank stood at 12.12% as against 12.51% as at March,2007.This is well above the regulatory minimum requirement of 9.0% .

### 4. FINANCIAL PERFORMANCE

The Bank has posted a total income of Rs.7454.84 crore during the year as against Rs. 5768.16 crore last year thus registering an increase of Rs. 1686.68 crore (a growth of 29.24%) during the fiscal 2007-08 . Gross profit of the Bank went upto Rs. 1219.04 crore in 2007-08 as against Rs. 1296.69 crore last year .The Bank has made a net profit of Rs. 840.94 crore, after making all required provisions, showing an increase of Rs. 14.13 crore (growth of 1.71%) during the fiscal 2007-08.

Appropriation from the Net Profit have been effected as per table given below:-

**Table 1 : Financial Performance (Rupees in crores)**

	31.03.2008	31.03.2007
Deposit & Other borrowings	79696.54	64618.58
Advances (Net)	54565.83	44138.47
Interest Income	6838.18	5164.90
Other Income	616.66	603.26

Total Income	7454.84	5768.16
Interest Paid	5156.17	3473.58
Operating Expenses	1079.63	997.89
Total Expenses	6235.80	4471.47
Gross-Profit	1219.04	1296.69
Provisions & Contingencies	378.10	469.88
<b>Net Profit</b>	<b>840.94</b>	<b>826.81</b>
Add-Profit brought forward	0.42	0.88
Less-Amalgamation adjustment	487.72	246.00
Written -off		
<b>Net Profit available for appropriation</b>	<b>353.64</b>	<b>581.69</b>
<b>APPROPRIATION</b>		
Transfer to Statutory reserve	89.00	146.00
Transfer to Revenue and Other reserve	111.36	284.00
Transfer to investment Fluctuation Reserve	0.00	0.00
Transfer of staff welfare fund	15.00	15.00
Transfer to capital reserve	0.00	0.00
Interim Dividend	0.00	50.10
Proposed Dividend	117.75	67.65
Tax on Dividend	20.01	18.52
Balance carried over to Balance Sheet.	0.51	0.42

## 5. DIVIDEND

Your Bank's policy of declaring dividend is to reward the share holders as well as to plough back profit for maintaining a healthy capital adequacy ratio & supporting future growth. Accordingly, your Directors are pleased to pay a total dividend of 47% for the year ended 31st March, 2008, which is the same for the preceding year.

## 6. SECTORAL DEPLOYMENT OF CREDIT TO PRIORITY SECTOR

Bank's advances to priority sector increased by Rs. 2804.63 crore from Rs. 15955.20 crore in March 2007 to Rs. 18759.83 crore in March 2008 registering a growth of 17.58%. The Priority Sector Advances constituted 42.50% of bank's Adjusted Net Bank Credit (ANBC) against the stipulation of 40%. The comparative position of advances under various segments of Priority Sector, as at the end of March 2007 and March 2008, is as follows:

(Amount Rs. in crore)

S. No.	Sectors	March 2007	March 2008
1.	Priority sector credit	15955.20	18759.83
2.	Agriculture	5732.28	6930.05
	Direct Agriculture	2867.06	3463.91
	Indirect Agriculture	2865.22	3466.14
3.	SSI / SE	3364.09	5015.05
4.	Educational Loan	398.21	568.75
5.	Housing Loan	5039.99	5244.87

6. Other P.S. 1420.63 1001.11

## **6.1 AGRICULTURE ADVANCES**

Bank's advances to agriculture increased by Rs.1197.77 crore from Rs.5732.28 crore in March 2007 to Rs.6930.05 crore in March 2008, registering a growth of 20.90%. The advances to direct agriculture segment increased by Rs.596.85 crore from Rs.2867.06 crore as on 31.3.2007 to Rs. 3463.91 crore as on 31.3.2008, constituting a growth of 20.82%. The Indirect agriculture advances increased by Rs.600.92 crore from Rs. 2865.22 crore as on 31.3.2007 to Rs. 3466.14 crore as on 31.3.2008 showing an increase of 20.97%.

### **6.1.1 Flow of credit to Agriculture sector (Fresh disbursement)**

During the financial year 2007-08, flow of credit to agriculture sector amounted to Rs. 1794.94 crore. During the year, a total of 66,255 new agriculture loan accounts were added by 316 semi-urban and 273 rural branches. There was an average addition of 113 new agriculture loan accounts per rural and semi-urban branch.

### **6.1.2 Oriental Green Card (Kisan Credit Card)**

During the year, Bank issued 54,634 cards to farmers with a view to provide loan for crop production, working capital for allied activities and consumption needs. The aggregate credit disbursed through these cards during the year was Rs.662.99 crore. With this, the cumulative number of cards issued rose to 4,95,275 in March 2008.

### **6.1.3 Oriental Kisan Gold Card (OKGC)**

In order to meet comprehensively the requirement of working capital and investment credit of farmer, bank issues OKGCs. During 2007-08, Bank issued 1157 OKGC to farmers in rural areas. The aggregate credit disbursed during the year amounted to Rs. 28.20 crore, taking the cumulative number of OKGCs issued to 4771.

### **6.1.4 Hi-tech Dairy**

The bank has launched Hi-tech commercial dairy scheme on pilot basis which besides providing self employment opportunities to rural youth in the State of Punjab promotes diversification of productive activities in rural areas. This scheme has been launched in association with Punjab State Dairy Development Board, Punjab Milkfed and Milk Time. As on 31.3.2008, an amount of Rs.37.56 crore was sanctioned in 349 units.

### **6.1.5 Agrilclinic and Agribusiness Centres**

Bank is providing credit assistance to agriculture graduates for setting up agrilclinic and agribusiness centers. As on March 2008, 54 Agrilclinic and Agribusiness centers were financed amounting to Rs. 673.14 lakh.

### **Oriental Saur Urja Dohan Scheme**

The fossil fuel resources are limited in quantity and are fast depleting. The poor use Kerosene as common fuel for lighting. The rural people face problem of home lighting due to non-availability of grid electric power supply. Even if there is power supply, frequent load shedding and low voltage is a regular phenomenon in rural areas. To overcome these problems the Bank is implementing a scheme for financing solar water heating and lighting system, for creating a viable alternate to conventional source of energy. The scheme is open to individual, institutional, commercial and industrial users. Bank has tied up with Bhartiya Vikas Trust (BVT), a NGO, for imparting training to Branch Managers on solar finance, to users and entrepreneurs for capacity building and also for demonstration / awareness camps to encourage rural population to adopt solar energy for home lighting.

Under Solar Lighting System, bank has financed 153 units amounting to Rs.16.15 lakh in the states of Uttar Pradesh & Rajasthan during the year. The bank finance for Solar Heating System amounted to Rs.99.25 lakh under MNRE tie up arrangement and bank claimed subsidy of Rs.13.10 lakh during the year.

#### **6.1.6 Small and Medium Enterprises (SMEs)**

Bank's exposure to Small Enterprises sector stood at Rs. 5015.05 crore at the end of March 2008 and has shown an increase of Rs. 1650.96 crore, recording an impressive growth rate of 49%. Further, SME advances increased by Rs. 1181.08 crore to Rs. 6228.17, registering a growth of 23.40% against the Year on Year growth stipulation of 20%. The Tiny / Micro sector advances increased by Rs. 321.07 crore to Rs. 1328.30 crore posting a growth of 31.88%.

Bank has entered into a MOU with SIDBI for co-financing of the SME sector in the clusters of Punjab and Delhi and with NSIC for outsourcing credit proposals for lending. The Bank has entered into a tie-up arrangement with SME Rating Agency of India Ltd. (SMERA) for providing comprehensive rating services to SMEs borrowers of the Bank at subsidized rates.

#### **6.1.7 Oriental Bank Grameen Project (OBGP)**

Presently, as many as 356 villages are covered under the project. The bank has formed 3864 SHGs consisting of 19223 members. The cumulative amount advanced to these groups as at the end of March 2008 was Rs. 26.67 crore. Savings to the tune of Rs. 6.00 crore have been mobilized by the Self Help Groups so far.

#### **6.1.8 Advances to weaker sections**

Advances to weaker sections, consisting of beneficiaries belonging to scheduled castes/scheduled tribes, small and marginal farmers, landless labourers, Rural Artisans, beneficiaries under Govt. Sponsored Schemes (except PMRY) were of the order of Rs. 2337 crore as at the end of March 2008 as against Rs. 1965 crore as at the end of March 2007.

#### **6.1.9 Credit under Differential Rate of Interest Scheme**

Credit flow at concessional rate of interest of 4% p.a. to the low-income group of the society both in rural having annual family income upto Rs. 6500/- and urban having annual family income upto Rs. 7200/- (since revised to Rs.18000 and Rs.24000 respectively w.e.f. April 2008) centers was Rs. 123.24 crore as at the end of March 2008.

#### **6.1.10 Loans to SCs/STs**

Bank continued its thrust in providing financial assistance to SCs/STs beneficiaries. The advances to these beneficiaries improved to Rs. 452.40 crore in March 2008 against Rs. 437.62 crore as at the end of March 2007. Recovery position of loan to SC/ST borrowers under Priority Sector as at the end of March 2008 was 69% to demand.

#### **6.1.11 Prime Minister Rozgar Yojana (PMRY)**

With a view to providing self-employment opportunities to educated unemployed youth in the unorganized sector, Bank, ever since the introduction of the scheme has been extending financial assistance to the beneficiaries under the scheme. It provided credit assistance to 6859 youths to the tune of Rs.59.01 crore during 2007-08.

#### **6.1.12 Swarn Jyanti Shahri Rojgar Yojana (SJSRY)**

For providing gainful employment to urban poor (living below the urban poverty line) through setting up self employment ventures, bank is providing financial assistance under the scheme since its inception. The bank financed to 2192 beneficiaries to the tune of Rs.7.60 crore during 2007-08.

#### **6.1.13 Swarn Jyanti Gram Swrojgar Yojana (SGSY)**

The scheme is operative in rural areas of the country and covers the aspects of self employment such as organization of rural poor into Self Help Groups (SHGs) training, credit, technology, infrastructure and marketing. The bank is participating in the scheme. During 2007-08, bank provided financial assistance to 1511 individuals swarojgaris to the tune of Rs.5.55 crore and 351 SHGs to the tune of Rs.5.84 crore.

#### **6.1.14 Credit Flow to Women Beneficiaries**

Bank has implemented 14-points action plan for strengthening of credit flow to women as advised by the Government of India. Bank has designated 9 branches as specialized branches for women entrepreneurs. It has put in place a number of credit schemes, such as Oriental Mahila Vikas Yojana, Financing for Beauty Parlours, Boutiques, Tailoring shops, Saloons, Professional & Self Employed Women, Scheme for financing working women, Oriental Swaran Yojana. Besides, a special project called **Oriental Bank Grameen Project (OBGP)** provides all types of banking assistance to the rural poor women. On account of a number of schemes catering to the needs of Women entrepreneurs, the Bank's advance to women increased by Rs.428.47 crore from Rs.2118.96 crore as on March 2007 to Rs.2547.43 crore as on March 2008 registering a growth of 20.22%. Bank's advances to women beneficiaries as on March 2008 was 5.77% of ANBC against the stipulation of 5%.

#### **6.1.15 Financial Inclusion**

With a view to provide banking facilities to the sections of society so far deprived from the formal financial sector, bank implemented financial inclusion policy. Bank adopted three pronged strategies for financial inclusion. First, rural branches of the bank adopted villages for financial inclusion. Second, both Lead Districts of the bank volunteered for 100% financial inclusion. Third, bank's branches participated in districts identified by the respective SLBCs.

Under village adoption scheme, bank covered 884 villages with 2,96,359 households. 73422 deposit a/cs were opened and 25,024 loans/GCCs were issued. In Bank's Lead districts of **Ferozepur** completed 100% financial inclusion in all 997 villages and 156 wards having 2,89,896 households and opened 45,292 "No Frill" Accounts. In **Sriganganagar District, Bank** completed 100% financial inclusion in 3031 villages and 231 wards having 3,22,270 households and opened 69,316 new accounts.

#### **6.1.16 OBC Rural Development Trust**

Bank set up a Special Purpose Vehicle, OBC Rural Development Trust, with a view to institute Rural Development Training & Resource Centres at different locations. The main objective of the Trust is to provide training on latest techniques of agriculture & animal husbandry, maintenance of farm machinery, skill upgradation of rural youth for self employment, capacity building of the rural poor, specially the Self Help Groups, training to educated unemployed youth and village adoption for all round development. Four such centers have become operational at Sriganganagar, Jaipur (Rajasthan), Ferozepur (Punjab) and Rudrapur (Uttarakhand).

In all 77 training programmes were organized in which 3598 people were imparted training. The training programmes were conducted on latest agronomic practices, rearing of animals, local crafts like Phulkari in Punjab, tailoring, cottage & agro processing and computer related trainings to the unemployment youth. Special training programmes were organised exclusively for the members of SCs/STs and Minority communities. A total of 2824 trained persons were credit linked for pursuing/setting up of economic activities.

#### **6.1.17 Urban Micro Finance**

The Institute of Social Service (ISS) is a registered society working for Empowerment of women and children from weaker sections to create self-sustainable community of their own. The institute is also conducting vocational training to make women and youth economically self-reliant. Bank is supporting the "Empowerment of Women & Children" Project run by ISS, thus helps in capacity building among women and children residing in the urban slums of Delhi. The women have been organized in SHGs for urban micro finance.

## **6.2. Retail Credit**

Retail Credit segment continues to be the thrust area of lending. The Bank is having 12 retail credit schemes including Home Loans to meet the requirements of various sections of the Society. The Bank has been formulating customized schemes and is also having tie-ups with various institutions to boost its retail segment.

## **6.3 Education Loan**

Bank continued its efforts for extending Education Loans to the needy and deserving students. During the admission session, education loan camps were organized in the campus of educational institutions. The education loan portfolio of the Bank showed healthy growth of over 43% during the current year and the same stood at Rs.583.49 crore as on 31.03.2008.

With a view to enabling the students aspiring to avail education loan from our Bank, the facility of "Online Education Loan Application" has been launched on 31.03.2008 and the applicants can apply online by visiting the bank's website <http://www.obcindia.co.in>.

## **7. TREASURY OPERATIONS**

The Secondary Market operations in Government Securities and equity remained volatile during the 1<sup>st</sup> half of the financial year 2007-08 but remained bullish in the 2<sup>nd</sup> half, giving opportunity to the Bank to increase its turnover as well as profit. The Bank had shifted securities for Book Value of Rs.2047.93 crore from 'available for sale' (AFS) category to 'held to maturity' (HTM) category and booked depreciation of Rs.210.00 crore. The turnover in the secondary market has increased from Rs.11230.03 crore in the year 2006-07 to Rs.18726.78 crore in the year 2007-08. The net profit from secondary market operation has increased from Rs.112 crore to Rs.153 crore during the year 2007-08 after accounting for brokerage paid etc. The aggregate investment of the Bank increased to Rs.24009.27 crore as the end of 2007-08 as against Rs.20013.45 crore as end of the financial year 2006-07. The yield on investment has increased to 8.01% from 7.89% as compared to last year due to maturing of high coupon securities and holding of Treasury Bills in the Investment Portfolio.

## **8. MERCHANT BANKING ACTIVITIES:**

Bank has been registered as Depository Participant with both NSDL & CDSL. Nearly 1,00,000 customers are availing the demat services from the Bank. Bank has rolled out online trading services in collaboration with IDBI Capital Market Services to its customers. During 2008-09, the Bank is planning to add more branches that will offer depository services to its customers.

## **9. FOREIGN EXCHANGE BUSINESS**

During the fiscal 2007-2008, Forex Merchant Turnover achieved at Rs.37106.97 crore as on 31.3.2008, as against Rs.30008 crore as on 31.3.2007. Export Credit at the end of March 2008 stood at Rs.4156.11 crore as against Rs.3404.00 crore at the end of March 2007, thereby recording a growth of 22.09%. Foreign Currency Loans are being offered at competitive rate and requirement of the clients were met efficiently by the Bank. The Foreign Currency portfolio has grown up to USD354.50 million as on 31.3.2008 as against USD192.37 million as on 31.3.2007. Necessary support to the clientele is also extended in arranging Buyer's Credit and External Commercial Borrowings through strong network of correspondence banks across the world. The Bank has established NRI Cell at Corporate level for management of NRI Inward Remittances and speedy credit of remittances directly to the accounts of NRI customers. Bank has participated in various Conferences/ exhibitions for promoting NRI activities in order to bring more visibility amongst NRIs and attracting their business. The Bank has received the permission from Central Bank of the UAE to open Representative office in Dubai and same shall be operationalised shortly. This platform will further give boost in our endeavor to attract more NRI business. The Fee based products like Western Union Money Transfer and Exchange House business have shown substantial growth during the financial year. The Bank has also tied up with correspondent banks for trade finance arrangements to speed up transactions and also to rationalise the charges.

## **10. NEW INITIATIVES**

With a view to shore up Non-Interest income to boost the bottom line of the Bank and also make inroads into newer areas, an separate Department has been set up at Head Office. The Department has made foray into marketing of various Non-Interest income products and services this year. It is our endeavour to sensitise every Regional Office to become market savvy by identifying officers/workmen who have the willingness and aptitude for marketing and then utilizing their services at identified centers (with potential of growth) on full time basis. As Banks are becoming Financial Super Markets, cross selling of products will be the order of the day. Greater emphasis is also laid on customer acquisition especially new generation customers, who are presently not aware of the dynamism prevailing in public sector Banks.

### **10.1 LIFE INSURANCE BUSINESS:**

During April-March 2007-2008, the Bank has sold 11230 life insurance policies with first premium collection of Rs. 46.00 Crore as on March 31, 2008. Bank is also putting in marketing efforts to acquire banking business of LIC of India branches at various locations. For the FY 2008 – 09, the Bank has projected Rs. 65.00 Crore (25% increase) as first premium collection.

Bank has entered into Joint Venture for Life Insurance Business with Canara Bank and HSBC Insurance (Asia Pacific). On 5<sup>th</sup> March 2007, a non binding MOU has been signed between OBC, Canara Bank and HSBC Insurance for establishing a Life Insurance Company in India. Under the proposed agreement, Canara Bank will hold 51% stake in the new Company, HSBC will hold 26% share in equity and OBC will hold the remaining 23% shareholding. The new Company is expected to start business by June, 2008.

### **10.2 GENERAL INSURANCE BUSINESS:**

Under general insurance business the Bank has been registering a steady growth and has procured 76981 policies with premium collection of Rs. 35.18 Crore upto March 31, 2008 (against Rs. 25.02 Crore last year). i.e. 25% growth. This section of Bank assurance business is stated to consolidated further by making use of cash mangement services at various locations. This business is also expected to improve fee based income of the bank.

For FY 2008-2009, the premiaum collection figure is expected to be Rs. 40.50 Crore (25% increase).

### **10.3 MUTUAL FUND BUSINESS:**

Bank had entered into an agreement with M/s Franklin Templeton Asset Management (India) Pvt. Ltd. for selling of their Mutual Fund products through the banks branches. In the fist phase, the sales of these products will be limited to select branches and gradually, on successful implementation, all other branches will be allowed to sell the Mutual Fund Products. The Bank has mobilized investment of Rs. 30.00 Crore during the period registering 60% growth in the current financial year. We have identified 100 Branches to start with and are hopeful of taking this portfolio to greater heights.

With a view to providing various investment opportunitites to clients, our bank has approved the distribution of various schemes of five more Mutual Fund Houses as under:

1. M/s Reliance Mutual Fund.
2. M/s DSP Merrill Lynch.
3. M/s Kotak Mahindra Mutual Fund.
4. M/s SBI Mutual Fund.
5. M/s Canara Robeco.

Out of five Mutual Fund Houses, we have already launched distribution of products of first three Mutual fund Houses. We have moblised AUM of Rs. 30.00 crores as on March 31, 2008.

## **11. BRANCH EXPANSION**

During 2007-08, the Bank has opened 36 new branches besides upgradation of 14 Extension Counters. As on 31/03/2008, the total number of branches stood at 1323 as against 1273 as on 31/03/2007. The population group-wise classification of branches as at end- March, 2008 is as under :

Sr. No.	Classification	As on 31.03.2007	As on 31.03.2008
1.	Rural	264	273
2.	Semi-urban	342	316
3.	Urban	407	408
4.	Metropolitan	260	326
	<b>Total</b>	<b>1273</b>	<b>1323</b>

## 12. CUSTOMER SERVICE

In its continued endeavor to provide fair, transparent and quality services to all the customers, the bank is a member of the Banking Codes & Standards Board of India (BCSBI) and has adopted and implemented voluntary Code of BCSBI for individual customers and the same has been put on Bank's website. The code booklet, was got printed in Hindi & English and circulated to all the customers & staff.

The Bank has revised & formulated Cheque Collection Policy, Compensation Policy, Security Repossession Policy and Policy for Grievance Redressal Mechanism in line with best practices and all the above policies have been put on Bank's dynamic & interactive website for general information of public.

The bank has also launched Web-based Customer Grievance Redressal System during the year under reference for prompt redresal of customers' grievances. Apart from above various posters/pamphlets/handouts/circulars containing banks schemes /products etc., are provided at the branches for further improving service.

Besides teams have been constituted at branch level for interaction with the customers and make them aware of banks various products/scheme.

## 13. KNOW YOUR CUSTOMER (KYC) NORMS & ANTIMONEY LAUNDERING (AML) MEASURES

To comply with the various laws and regulations, national as well as international, Govt. of India and Reserve Bank of India directives / instructions & guidelines, primarily to prevent the bank from being used, intentionally or unintentionally, by criminal elements for money laundering activities, 'KYC' Policy has been formulated. The Policy combines four key elements viz. "Customer Acceptance Policy", "Customer Identification Procedures", "Monitoring of Transactions" and "Risk Management". This will enable the bank to know / understand the customers and their financial dealings better and shall further help in managing risks more prudently. The detailed guidelines and subsequent instructions are being reiterated from time to time for strict compliance by the field functionaries. The bank is already complying with the requirement of submission of statutory returns to the FIU-IND as a sequel to the new legislation on Prevention of Money Laundering Act-2002. The Bank has already procured a computer Software solution for complying with KYC/AML norms and generation of alerts for suspicious nature transactions, which is under testing and at the final stage of implementation.

## 14. IMPLEMENTATION OF OFFICIAL LANGUAGE

During the year under review, Bank continued its concerted efforts to further accelerate use of Hindi in its working and to implement the guidelines/directives received from Govt. of India and Reserve Bank of India. Concrete and effective steps were taken to achieve the region wise targets set by the Department of Official Language, Ministry of Home Affairs, Govt. of India in the Annual Programme- 2007-08. To assess

the progress made in the field of usage of Hindi, the Third Sub-Committee of the Committee of Parliament on Official Language visited Head Office and the Sub Committee of Draft and Evidence Committee inspected Regional Offices Chandigarh, Mumbai(South) & branch office Sayaji Ganj, Baroda during the year. The honourable Members of Committee appreciated the progress made by the Bank and extended their valuable guidance. For the year 2006-07 the Bank was awarded Second Prize & in-House Magazine "AADHAAR" was awarded Third prize under Inter Bank Rajbhasha Shield Pratiyogita and Inter Bank House Journal Pratiyogita respectively by the Banks Town Official Language Implementation Committee, Delhi. In compliance with the Official Language Policy of Govt. of India, 209 branches/offices were got notified under rule 10(4) of Official Languages Rules, 1976. To propagate use of Hindi on computers the necessary training was imparted to the staff by conducting Hindi workshops as well as in other programmes at regular intervals so as to facilitate to do their work on computers in Hindi. To provide banking facilities to customers in Hindi by the CBS branches, the bilingual software prepared by M/s. Image Point, Pune has been installed on pilot basis in some of the branches as an alternate arrangement, till the new version of bilingual data processing software FINACLE is provided by M/s. INFOSYS.

The "e-circulars" on newly introduced OBC web portal is made available in bilingual form during the year under review so that all staff members of the Bank are able to see circulars/messages in Hindi on the portal. Bank's new interactive dynamic website was made bilingual. Also Bank's ATM-cum-Debit card "PROTON" has been made bilingual. The option of Hindi is made available on ATMs and Tele-banking. In compliance with the guidelines received from the Department of Official Language, Ministry of Home Affairs, Govt. of India, Hindi day/ Hindi fortnight / Hindi month were celebrated in different Offices/Branches of the Bank in the month of September, 2007. During the year under review, Hindi books on Literature and Banking were made available for the Hindi libraries set up at Head Office, Regional Offices and selected branches. All the issues of Bank's quarterly in-House Magazine "AADHAAR" were published regularly in bilingual form.

## **15. RECOVERY**

During the fiscal 2007-08, concerted efforts were continued at all levels and the Bank has been able to recover Rs. 883.86 crore in NPA accounts (including write off), which includes cash recovery amounting to Rs. 512.67 crore. Out of above total recovery, a sum of Rs. 753.70 crore tantamount to reduction in NPAs and remaining amount of Rs. 130.16 crore has attributed towards revenue of the Bank. The Bank has effectively utilized the mechanism of Recovery Camps, One Time Settlement (OTS) scheme for Distressed Farmers, OTS scheme of Housing Loans & Retail Loans, SARFAESI Act, Lok Adalat, Sale of Financial Assets to ARCIL as well as General Settlement Policy of the Bank. Due to improved recovery performance, %age of Gross NPAs to Gross Advances has come down from 3.20% as on 31.03.2007 to 2.31% as on 31.03.2008. Many hard core NPAs of the Bank have been resolved during this period. Out of total 1323 branches of the Bank, there are 209 NPA free branches as on 31.03.2008.

## **16. HUMAN RESOURCE DEVELOPMENT & TRAINING**

Banking in recent years has undergone tremendous transformation. This change has come about in the wake of opening up of the financial sector, sweeping changes in IT/communication and growing customers' expectations.

The above changes have necessitated amongst others a need to change the skill upgradation curriculum. From purely up gradation of core skills, the need for imbibing new skills especially in marketing, understanding customer expectations and development of products has arisen. To achieve these objectives the Bank had drawn up a comprehensive detailed training programme for the year 2007-08. Our focus in Training during the year 2007-08 has been on the following streams:-

Recovery Management, Effective Branch Management, Programmes for Hall Incharge, Risk Management, Lending strategies to SMEs, Corporate finance and Retail finance, Marketing of Bank's products, Forex Management, General Banking in CBS environment with use of IT.

In 340 programmes 7436 employees were imparted training in the above streams and other areas of Banking. Further, another 1015 Officers were nominated in Advanced Training Programmes in key operational and behavioural streams in pioneer training institutions like; Reserve Bank of India, College of Agricultural Banking, Pune, NIBM, Pune, JNIDB, Hyderabad, IIMs, NIBSCOM, Noida, State Bank Academy, Hyderabad, IMAGE, Chennai, IDRBT, Hyderabad, FEDAI, CRISIL, IBA, Indian Institute of Banking Finance, ICFAI, Hyderabad and MDI, Gurgaon etc. to quote a few. Senior/top management functionaries were deputed for overseas exposure so as to have a feel of best international practices and their impact on Indian banking.

During the year 2007-08, 201 Specialist Officers and 343 Clerks were recruited through test/interviews in different grades under various streams such as Financial Analysis, Forex, SSI, Law, Agriculture, IT, HRD and Hindi etc. and were deputed for General Banking/specialized training in their respective streams so as to provide them with adequate exposure in order to conduct themselves comfortably in their new assignments. Further, the Bank has also identified 200 vacancies of Probationary Officers and the process for filling up these vacancies shall be completed shortly. This will help in further improving age profile of employees as well as increasing the productivity / profitability of the Bank by ensuring optimum utilization of Human Resources. As at the end of March 2008, the Bank had 6825 Officers, 5216 Non - Subordinate and 2763 Subordinate Staff, i.e. a total of 14804 employees.

The Bank has complied with all Government guidelines in respect of reservation for employees belonging to SC/ST/OBC/PWD/EXSM besides providing laid down concessions/relaxations to them. The grievances of SC/ST/OBC employees, if any, were resolved through SC/ST Cell working at all Regional Offices and at Head Office under the charge of Liaison Officer/ Chief Liaison Officer.

## **BOARD OF DIRECTORS**

During 2007-2008, 14 meetings of Board of Directors, 17 meetings of Management Committee of Board, 6 meetings of Audit Committee of Board, were held.

During the year Sh. Alok K Misra, Chairman and Managing Director, took charge of the Bank on 04.06.2007. Two new Directors namely Sh. Vijay Jagirdar & Dr. R S Maharshi, Directors under Sec 9 (3) (h) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 were nominated by the Central Government on 13.11.2007.

The Report on Corporate Governance may be read for other details relating to the Directors of the Bank.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm that, in the preparation of the Annual Accounts for the year ended 31<sup>st</sup> March 2008,

- (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 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 on 31<sup>st</sup> March 2008,
- (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 the accounts have been prepared on a going concern basis.

## **ACKNOWLEDGEMENTS**

The Board of Directors thank Government of India, Ministry of Finance, Department of Economic Affairs and Reserve Bank of India and other Government & Regulatory Agencies for their valuable guidance and continued support provided to the Bank throughout the year. The Board of Directors are also grateful to the valued customers, esteemed shareholders, stakeholders and public at large for their patronage and confidence reposed in the Bank.

The Board of directors place on record their great appreciation of the commitment, sense of involvement and dedication exhibited by each staff member in the overall development, growth and prosperity of the Bank and look forward to their continued support and whole-hearted co-operation for realization of the goals in the year ahead.

For and on behalf of the Board

23<sup>rd</sup> April 2008      New Delhi      (ALOK K MISRA)  
CHAIRMAN & MANAGING DIRECTOR