MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Macro –Economic Scenario

1.1 Gross Domestic Product

The growth of real gross domestic product (GDP) in 2007-08 was placed at 8.7%. The agriculture Sector accounted for 2.6%, industry 8.6% and Services sector by 10.6%. The Food grains production was expected to increase to an all time high of 227.3 million tones in 2007-08

1.2 Industrial Sector

Real GDP in industry originating in industry rose by 8.6% in 2007-08 .The Index of industrial production (IIP) recorded an increase of 8.7% during April-February2007-08 vis-à-vis 11.2% a year ago. In manufacturing, which contributed 89 % of the increase in industrial production, the growth of output was lower at 9.1% than 12.2% a year ago. Growth in mining at 5.1% was comparable with 5.0% a year ago while growth in electricity generation moderated to 6.6% as compared with 7.2%.The industry groups that registered deceleration of growth include textiles, paper and paper products, non- metallic products and transport equipments and parts. On the other hand, the production of metal products and parts except machinery and equipments recorded a decline. However, the production of capital goods continued to expand at a sustained pace increasing by 17.5% during April-February 2007-08, over and above the increase of 18.3% a year ago. The basic, intermediate and consumer non-durable goods segments recorded lower growth of 7.4%, 9.2% and 8.9% respectively, as compared with 10.1%, 11.7%and 9.5% a year ago. Production of consumer durables declined by 1.0% as against an increase of 9.7% a year ago. The output of key infrastructure industries also registered a lower growth.

1.3 Agriculture

According to RBI real GDP originating in agriculture and allied activities is estimated to have risen by 2.6% in 2007-08. The total food grains production is expected to increase to an all time high of 227.3 million tones in 2007-08 from 217.3 million tones in 2006-07. Kharif food grains production is expected to have risen by 8.6%, where as rabbi foodgrains is expected to increase by 0.5%.Output is estimated to have risen in the case of rice (2.5%), wheat(1.3%), coarse cereals (17%) and pulses(7%). Among the commercial crops, production is estimated to have increased under cotton (2.5%), oilseeds (16.1%) and jute (2.3%) whereas production of sugarcane declined by 3.2%.

1.4 Services Sector

The real GDP originating in the Services Sector rose by 10.6% during 2007-08 as compared with 11.2% a year ago. Activity in construction and financing, insurance, real estate and business services sector expanded by 9.6% and 11.7%, respectively, as compared with 12% and 13.9% in 2006-07. The growth of trade, hotels and restaurants, transport, storage and communication was 12.1% in 2007-08, marginally higher than11.8% in 2006-07. Growth in community, social and personal services at 7% was comparable to 6.9% in the previous year.

1.5 Foreign Trade

In US dollar terms, merchandise exports increased by 24.6% during April-December2007 and the export growth was driven by petroleum products, engineering goods and gems and jewellery. During the first nine months of 2007-08, merchandise import growth accelerated to 27.9% from 27.7% a year ago, mainly due to an increase of 29.9% in non-oil imports from 22.7% a year ago. The growth in non-oil imports was mainly due to capital goods, pearls and precious stones, chemicals, gold and silver. Oil imports increased by 24% as against 39.4% during April-December 2007. On payment basis, the merchandise trade deficit increased to US $ 66.5 billion during April-December2007 from US $ 50.3 billion in the corresponding period of 2006-07.

1.6 Forex Reserves

Net portfolio flows on account of investments by FIIs surged to US $ 20.3 billion in 2007-08 from US $ 3.2 billion in the previous year. Net inflows in the form of FDI rose to US $ 25.5 billion in April-February 2007-08 from US $ 19.6 billion a year ago. Net inflows under ADRs/GDRs increased to US $ 8.7 billion from US$ 3.8 billion. On the other hand, net accretions to NRI deposits amounted to US$ 0.1 billion as against US$ 3.9 billion. During 2007-08, the foreign exchange reserves increased by US$ 110.5 billion to US$ 309.7 billion by end-March 2008 and stood at US$ 313.5 billion as on April 18,2008.

1.7 Price Trend

On year –on year basis, inflation based on the wholesale price index (WPI) stood at 7.4% at end March,2008 as compared with 5.9% a year ago.. During 2007-08, headline inflation declined from 6.4% at the beginning of the financial year to a low of 3.1 % in mid-October before firming up from mid-February 2008 onwards. On an annual average basis, inflation at 4.7% during 2007-08 was lower than 5.4%in the previous year. As on April, 2008 the headline inflation stood at 7.3% as against 6.3% a year ago.

2. Monetary and Banking Trends

2.1 Money Supply

Money Supply (M3) increased by 20.7 percent (Rs.6,86,096 crore) in 2007-08 as compared with 21.5 percent (Rs.5,86,548 crore) in 2006-07. Bank credit to the commercial sector increased by 20.3 percent (Rs.4, 32,574 crore) in 2007-08 as compared with increased of 25.8 percent (Rs.4, 37,074 crore) a year ago. Net bank credit to Government recorded an increase of Rs. 67,363 crore, with increase in bank's investment of Rs.1,83,338 crore in Government securities offset by a decline of Rs.115975 crore (net) in Reserve Banks' credit to Government. The large increase in net foreign exchange assets of the Reserve Bank was reflected in the increase of 38.7 percent (Rs.3, 53,118 crore) in the banking sector's net foreign exchange assets.

2.2 Scheduled Commercial Banks (SCBs Business)

2.2.1 Aggregate Deposits of Scheduled Commercial Banks

Aggregate Deposits of SCBs increased by 22.2 percent (Rs.5, 80,208 crore) during 2007-08 as compared with 23.8 percent (Rs.5, 02,885 crore) in the previous year. Demand deposits growth at 20.2 percent was higher than 17.9 percent in 2006-07 but time deposits growth moderated to 22.6 percent from 25.1 percent in the previous year. In addition to the mobilization of deposits, the banking sector's lendable resources were augmented substantially by capital raised through public issue and innovative capital instruments during 2007-08.

2.2.2 Bank credit of scheduled Commercial banks

Non-food credit extended by the scheduled Commercial banks (SCBs) increased by 22.3 percent (Rs.4, 19,425 crores) as compared with 28.5 percent (Rs.4, 18,282 crores) in the previous year. The incremental non-food credit- deposits ratio for the banking system declined to 72.3 percent during 2007-08 from 83.2 percent in 2006-07. 109.3 percent in 2005-06 and 130.0 percent in 2004-05. Food credit of SCBs declined by Rs. 2,121 crore in 2007-08 as against an increase of Rs. 5,830 crore in the previous year. On the sectoral deployment of bank credit available up to February 2008 indicates gradual deceleration over the year. On year-on-year basis, credit to services sector recorded the highest growth (28.4 percent), followed by industry (25.9 percent) and agriculture sector (16.4 percent. on the other hand, growth in personal loans decelerated to 13.2 percent (30.6 percent). Growth in housing loans and real estate loans decelerated to 12.0 percent (25.8 percent) and 26.7 percent (79.0 percent) respectively. Within the industrial sector, there was a sizeable credit pick-up in respect of infrastructure (42.1 percent as against 28.2 percent a year ago), food processing (32.0 percent as against 27.6 percent) and engineering (26.2 percent as against 18.1percent). There was moderation in credit growth to basic metals and metal products (19.0 percent as against 33.3 percent), textile (23.0 percent as against 35.5 percent), petroleum (23.3 percent as against 64.4 percent) and chemicals (13.9 percent as against 19.2 percent). Credit to industry constituted 45.2 percent of the total expansion in non-food bank credit up to February 2008, followed by services (29.8 percent), personal loans (15.8 percent) and agriculture (9.2 percent). The shares of infrastructure in total credit to industry increased from 20.5 percent to 23.1 percent. On the contrary, the share of credit to metals, textiles, chemicals and petroleum declined from 12.4 percent, 11.3 percent 8.3 percent and 4.9 percent, respectively, to 11.7 percent, 11.1 percent, 7.5 percent and 4.8 percent. Priority sector advances grew by 16.9 percent with a moderation in their share in outstanding gross bank credit to 33.3 percent in February 2008 from 34.7 percent a year ago.

2.2.3 Investments of Scheduled Commercial Banks

Scheduled Commercial Banks investments in bonds/ debentures/ shares of public sector undertakings and the private corporate sector and commercial paper increased by 14.2 percent (Rs.11,830 crore) during 2007-08 as compared with an increase of 5.1 percent (Rs. 4,081 crore) in the previous year. As a result, the total flow of funds from SCBs to the commercial sector, including non-SLR investment, increased by 21.9 percent (Rs. 4, 31,256 crore) in 2007-08 as against 27.3 percent (Rs. 4, 22,363 crore) in 2006-07. Banks' investment in instruments issued by mutual funds increased by Rs. 6,818 crore in 2007-08 as compared with Rs. 1,315 crore in 2006-07. Commercial banks' investment in Government and other approved securities increased by 22.9 percent (Rs. 1, 81,222 crore) during 2007-08 significantly higher than 10.3 percent (Rs. 74,062 crore) in 2006-07. Accordingly, their stock of statutory liquidity ratio (SLR) eligible securities marginally increased to 27.4 percent of the banking system's net demand and time liabilities (NDTL) in March 2008 from 27.3 percent in March 2007. Banks' holdings of SLR securities in excess of the prescribed ratio of 25 percent amounted to Rs. 1, 02,422 crore although several banks were operating their SLR portfolio close to the prescribed level. Adjusted for collateral securities under the liquidity adjustment facility (LAF) and issuances under the market stabilization scheme (MSS), banks' investment in SLR-eligible securities would amount to 23.7 percent of NDTL.

3. RISK MANAGEMENT

The Bank has put in place requisite Risk Management Systems which are reviewed and revised periodically in the light of guidelines received from Government of India and Reserve Bank of India from time to time. The Supervisory Committee of Directors on Risk Management (Board level Committee) oversees the overall Risk Management functioning in the Bank. Further, Executive level committees such as Asset Liability Management Committee (ALCO) for Market Risk, Credit Risk Management Committee for Credit Risk, and Operational Risk Management Committee for Operational Risk have also been constituted in the Bank, which meet regularly to supervise and monitor the progress on an ongoing basis. The Bank has appointed a Consultant for advising and assisting the Bank in implementing Risk Management Systems and making the bank Basel-II compliant.

The Credit Risk Management Policy and Loan Policy of the Bank articulate policies, processes and prudential limits covering exposure levels for Individual Borrowers/ Group Exposure, Industry-wise Exposure, Limits on exposures to sensitive sectors, Pricing Policies, lending specifications, thrust and restricted areas of lending etc. The Bank has also put in place an Integrated Risk Management Policy. Risk Based Supervision (RBS) has been fine tuned for risk profiling of branches through a scientific Risk Based Internal Audit (RBIA) System. The Loan Review Mechanism functioning independent of the Credit Department and Risk Management Department reviews and monitors the large Credit Exposures of the Bank on periodic basis. Training of the staff in the Risk Management area for upgrading their skills is undertaken both internally as well as through reputed training institutions.

4. RISK BASED INTERNAL AUDIT

The Bank Implemented Risk Based Internal Audit (RBIA) in a phased manner, which was started in March 2004. The Risk Based Internal Audit Policy and the audit format(s) have been revised in sync with the revised guidelines of RBI and experience gained by the Bank in due course. The bank has fully migrated to Risk Based Internal Audit w.e.f 01.10.2006 on the revised policy and format(s). The Bank is in the process of further fine-tuning the policy/format(s) of RBIA, to be in line with the latest in the banking industry. Risk Based Internal Audit (RBIA) of 1289 branches was conducted during the year 2007-08.

5. ASSET LIABILITY MANAGEMENT

The Asset Liability Management Policy sets out parameters for Market Risk and Liquidity Risk Management. This policy is reviewed annually in line with the latest market conditions and is duly approved by the Board of Directors. The Committee on Asset Liability Management of the Bank (ALCO) manages and supervises the Market Risk by setting and reviewing liquidity and interest risk limits, reviewing the profitability and CRAR (Capital to Risk weighted Assets Ratio) position, reviewing of the rates of interest on deposits / advances, adherence to various risks limits fixed and impact of external factors on the Bank's Balance Sheet, and determining business strategy in the light of prevailing liquidity position in the market with a view to optimizing profits.

6. CREDIT RISK MANAGEMENT

The Credit Risk Management Process forms an integral part of the overall Risk Management of the Bank, monitors the credit risk on a continuous basis. The concentration of risks is regulated through fixing, monitoring and reviewing of the credit exposure limits in terms of single borrower exposure, Group exposure, exposure to sensitive sectors (including Real estate and Capital Market), laying down thrust, restricted and prohibited areas of lending, Industry exposure, Substantial exposure and Inter-Bank exposure. Industry studies are conducted on an ongoing basis. The Bank has in place Credit Risk Rating models for rating of credit borrowers belonging to Large Corporates, Small and Medium Enterprises (SME), Retail Lending Schemes, Inter-Bank Exposure and Non-SLR Instruments.

7. OPERATIONAL RISK MANAGEMENT

The Bank has formulated Operational Risk Management Policy during the year. The policy outlines the structure and framework for measuring, monitoring and controlling operational risk in the Bank. The data / information relating to loss events and key risk indicators are being compiled for assessing the risk areas. The Bank lays due emphasis on identifying risk-prone areas and taking suitable remedial steps through streamlining / reviewing systems and procedures, imparting training so as to guard against such incidents. In this respect, guidelines received from Government of India and Reserve Bank of India are also kept in view while making any change in the policy/manual.

8. INDUSTRIAL RELATIONS

Industrial Relations in the Bank continued to remain cordial and harmonious throughout the year. As per past practice, the Bank continued to follow the principle of Participative Management. The Workmen Union, Officers Association and the Management have been working together for the all-round prosperity and growth of the organization. Thanks to the cordial and harmonious industrial relations, the Bank has been able to show improved performance year after year. The grievance redressal mechanism in the Bank is quite effective. The grievances of the employees, if any, are promptly resolved through mutual and bilateral discussions in the regularly held industrial relations meetings.

9. INTERNAL CONTROL SYSTEM

The bank has set up 12 Regional Inspectorates at different locations to oversee the working of branches and to ensure that the internal control systems are strengthened to bring the desired improvement and give timely feedback to the top management to take immediate corrective steps. Regular inspection of branches is conducted every year by internal inspectors and w.e.f. 01.10.2006 the Bank has fully migrated to Risk Based Internal Audit (RBIA). The Income Expenditure Audit of all the branches was also got conducted from well established Chartered Accountants during 2007-08, In conformity with RBI directives, Concurrent Audit of the branches is also being conducted by reputed Chartered accountants covering more than 58% of the Deposit and 74% of advances of bank as on 31.12.2007. A total of 262 branches including specialized branches, Service Branches and certain select Departments of Head Office are under Concurrent Audit.

9.1 Loan Review Mechanism

Loan Review Mechanism (LRM), which was started in our bank in the year 2004, has proved to be an effective tool for constantly evaluating the quality of loan book and to bring about qualitative improvement in credit administration. The findings of the review are discussed by the Loan Review team with the Branch Managers and corrective action for all deficiencies is initiated immediately to rectify them within the stipulated time period. During the Financial Year 2007-08, the LRM teams conducted review of 234 Large Borrowal accounts with a total exposure amounting to Rs. 14162.31 Crores covering 24 Branches.

10. VIGILANCE MACHINERY

The Vigilance set up of the Bank is under the overall supervision of the Chief Vigilance Officer of the rank of General Manager and comprises full-fledged department at Head Office and 16 Vigilance Officers posted in the field (at selected Regional Headquarters) functioning directly under the control of the Chief Vigilance Officer.

As per guidelines of Central Vigilance Commission, the Bank is taking measures for substantial improvement in all areas of vigilance i.e. preventive, detective and punitive. As a preventive vigilance measure, the Vigilance Officers conduct Surprise Inspection of branches mainly directed towards adherence to Systems & Procedure with special focus on fraud prone areas. The deviations observed are brought to the notice of the concerned authorities for taking corrective measures in time. During the year 2007-08, surprise Inspection of 974 branches and extension counters was conducted.

In order to make the staff more vigilant and to ensure their participation in the vigilance functions, Vigilance Committees have been formed at branches having more than 15 employees and at specialised branches. Similarly, Regional Vigilance Committees have been constituted at Regional Offices to deliberate on the observations of branch level Vigilance Committee meetings and review their functioning. The Vigilance Department at Head Office oversees the functioning of these committees through feedback received from the Regional Heads and the Vigilance Officers posted in the field.

As per the directions of Central Vigilance Commission, ‘Vigilance Awareness Week’ was observed at all the offices of the Bank with special focus on customer oriented programmes to make the customers and the members of public aware of their rights as also the products launched by the Bank. Copies of ‘Citizen Charter’ and the code of ‘Bank’s Commitment to Customers’ were also made available to them.

With a view to improve the investigating skills of the Vigilance officers, they were exposed to various training programmes organised by reputed institutions. An in-house training programme was also organised in co-ordination with HRD Department and Department of Information Technology to update the knowledge of the Vigilance functionaries in the CBS environment. The Vigilance Department maintains liaison with Central Vigilance Commission and Central Bureau of Investigation and also co-ordinates with various departments within the Bank to ensure efficacy of vigilance administration.

11. SYSTEMS & PROCEDURES

The review of existing systems & procedures is an integral part of Bank's functioning. Fast changing banking scene and partial shift of banking from brick & mortar model to click banking has necessitated many changes in the way we work. More over, with the 100% migration to Core Banking Solution platform the existing systems & procedures need constant review. The Book of Instructions written several years ago in the era of manual banking operations has also become due for revision. The Bank has activated its O&M cell in the wake of these challenges and the cell is now engaged in the task of re-drafting the Book of Instructions and the same is likely to be ready shortly. The O&M cell has since designed various job cards for routine banking operations together with a check list of various documents required for availing credit facility under retail credit schemes of the Bank and the same have been hosted on the internal web-site of the Bank for guidance of the staff. While drafting various operational guidelines and developing systems, all the guidelines issued by RBI/IBA/BCSBI are kept in view. The cell is also monitoring the Query & Suggestions received from the constituents on the web-Site of the Bank. The cell gives prompt response to the queries so received and ensures providing of instant solutions to the problems faced by the customers of the Bank. The basic idea is to ensure that the systems & procedures of the Bank keep pace with the growth of the Bank in the light of ever changing banking scenario and the customers feel delighted while dealing with the Bank.

12. INFORMATION TECHNOLOGY

12.1 Core Banking Initiatives

During the year 2007-2008, 262 additional Branches and Extension Counters were brought under CBS environment bringing all the Branches and Extension Counters, Service Branches, Regional Offices and Head Office Departments under CBS, thus achieving 100% CBS status for the Bank. This feat was formally announced in a special function held on 31st March 2008 at New Delhi,inaugurated by the Hon'ble Finance Minister,Government of India.

The Bank has thus been brought on contemporary technology platform with all of its Branches under Core Banking Solution mode covering 100% of its Business through 1402 Customer Service locations (1323 Branches and 79 Extension Counters) located in almost all cities/ Towns on Core Banking Solution platform enabling RTGS,NEFT, Tele Banking and Internet Banking services. More than 10 million customers of the Bank are enjoying the array of IT enabled products like Anywhere Anytime Banking, Flexi Deposits, and Cash

Management Services etc. All the CBS branches are also offering secure NEFT remittance facilities using SFMS platform of IDRBT.

The bank has designed and implemented the Centralized Core Banking Solution which is Relational Data Based Management System conforming to Industry accepted Global Standards with a three tier solution architecture and web based technology. The complete technical migration from different legacies to CBS environment has been done by Bank's highly skilled and dedicated in house team thereby resulting in savings in cost and time in completing this exercise. This has been achieved in a short time and cost effective manner. It would be pertinent to mention that during this process the technological platform which was existing in erstwhile Global Trust Bank was also successfully and seamlessly integrated with It infrastructure of our Bank. This process of IT integration involved major challenges such as merging of heterogeneous Wide Area Network, mapping of business and technical parameters, version of Core Banking Solution, integration of Data Centres and ATM Networks etc. The model adopted by the Bank is safe, secure and robust ensuring zero data loss by setting up of Near Line Site apart from Disaster recovery Setup.

12.2 DR Setup

The Bank's CBS set up enjoys the facility of unique state of art 3-way Disaster Recovery Set up so as to ensure continuity of operations in case of any eventuality leading to partial or complete break-down of systems at Primary Data Centre at ID-II, Vashi, Mumbai. The Near Line Site (NLS) for synchronous replication of data has been set up in a different seismic Zone at VSNL site, Greater Kailash, New Delhi.

12.3 ATMs

Bank's ATM facility is being provided through 741 on-site and off-site ATMs , installed at various locations across the country and network is being expanded to other areas to facilitate anytime anywhere banking for the customers. Further, inter-connectivity of ATMs has been established with the MITR network, National Financial Switch (NFS) and VISA International network which enable customers to use ATMs of more than 20 Banks with countrywide presence thereby increase their reach to vast number of ATMs spread across the country and abroad.

12.4 Online Products

The Bank has offered several online products with a view to empower its clientele with capability of undertaking most of the Banking activities online from the comfort of their home or offices at any time convenient to them.

During 2007-2008, the Bank has taken various initiatives and implemented following Online products under the umbrella name **"OBC eZ Banking":-**

- **OBC e-Taxes :** Online payment of Tax facility by which Customers can deposit their Direct Taxes online through Internet Banking Application.

- **OBC Direct Trading :** Customers can avail the Online Share Trading facility. To avail this, the customer needs to have a Demat and an operative bank account with the Bank.

- **OBC e-Shoppe:** Online Shopping and Payment of utility services bills through various sub-merchants' websites and paying online through OBC Net Banking.

- **Online edu loan** : Students can apply for the loan online at the Bank's Website named https://www.obcindia.co.in through few simple user friendly steps.

12.5 IT Security

Appreciating the need for Security of the transactions being undertaken by its customers through Web enabled services like e-remit, e-payment of Taxes etc., the bank has put in place latest security infrastructure for its IT set up. Bank's information Website https://www.obcindia.co.in as well as Internet Banking Website https://www.obconline.co.in have been secured using internationally accepted Veri sign SSL certification, thereby bringing in security relief for the users of the Bank's Websites and various valued added facilities built around them.The Bank has also procured appropriate solution from its Website host for securing its website in compliance with the Cert(Computer Emergency Response Team) guidelines of the Ministry of IT, Government of India.

12.6 Back Office implementation

In order to harness the benefits of CBS, the Bank has set up Centralised Back Offices at 38 locations covering 568 Branches, shifting routine functions of Inward & Outward Clearing besides IBC and OBC to the city level Back offices, thus relieving the branches from the drudgery of these operations and allowing them more time for interaction with customers to improve service and cross-selling of various other products like Bancassurance, Mutual-Funds etc.

The Bank already has a National Back Office at Secunderabad under the name of Country Operational Excellence Centre(COPEC) catering to the needs of branches for ATM Cards printing, PIN printing, round the clock ATM Card Operations support on 24*7 basis, Internet Banking operations support, cheque books printing and Centralised printing and dispatch of customer statements for premium customers. The set up of 9(Nine) Operational Excellence Centres(OPECs) at Hyderabad, Chennai, Bangalore, Coimbatore Delhi, Mumbai, Kolkata, Pune and Goa is also catering to Back Office needs at these centres for replenishment of cash at ATMs, and Demat operations in addition to the Inward and Outward clearing etc.

12.7 New Projects

The Bank has already taken up implementation of Integrated Treasury Solution linking Domestic and International treasury and also the Anti Money Laundering/KYC project. The Bank has already started participating in the Cheque Truncation System Project of RBI at NCR. The Project of SMS Banking has been kicked off and is expected to go live in the First quarter of 2008-2009, adding another value added service for the customers of the Bank. The Bank is also going for the Data Ware Housing and Human Resource Management systems packages for leveraging the technology for meeting the competition from peer group Bank and others. Further, the penetration of technology in far remote areas through mobile technology is also high on its Agenda to achieve Financial Inclusion of the masses across the country.

13. Threats

In view of rising inflationary tendencies in the economy, there is a possibility of slow down in the credit off take and reduced growth rate. Combined with tight money policy, the challenge would lie in mobilizing resources as well as exploring newer avenues for credit expansion. More over, the implementation of Basel II w.e.f. 31.3.2009 would require the Bank to look for top grade borrowers and rated clients for ensuring efficient use of capital. The empirical studies indicate that the best borrowers ask for the best rates on advances leading to a thin margin. The Net Interest Income of the Bank being under pressure due to a variety of constraints including comparatively low level of current and saving accounts balances, it would be a little challenging to find a fine balance between the risk and return and the compliance with the strictest Risk Management Practices may further require the Bank to maintain the asset quality at a fairly high level. In the light of intense competition between the different market players, the Bank shall have to devise innovative strategies to overcome the challenges ahead.

14. Opportunities

The Bank is poised for a big leap forward and the profitability is set to soar to newer heights. Notwithstanding the threats the Bank is likely to face, the Bank has designed a strategy for planned growth of CASA deposits to corner maximum low cost deposits. The Bank is likely open its offices at 65 new locations during the current year and a Representative office in Dubai subject to various clearances. The Bank has already established 741 ATMs and more are likely to be installed soon. The Total Business of the Bank has crossed Rs.1, 33,000 cr and the next year the bank hopes to do well. The Bank has absorbed the entire loss of erstwhile Global Trust Bank and the Balance Sheet of the Bank is now clean with no trace of any remnants of the past merger. The Bank has written off the loss in four years instead of permissible five years period. In the next year, there would be no burden of past legacy and therefore a higher profit level can be envisaged. The Bank has unleashed an innovative plan for a shift to click banking faster and steps have been taken to popularize use of ATMs/ Electronic Funds Transfer and increase the card base. The Bank has also introduced CASHMATE card for exclusive use of student community. This would reduce the transaction cost of the Bank and a higher net interest margin. The proposed joint venture between Canara Bank & HSBC Insurance (Asia-Pacific) Holdings Ltd. is likely to take off this year after all the approvals are in place. It would afford ample opportunities to the Bank not only for shoring up its non- interest income but also help in increasing its customer base. Thus immense business opportunities are likely to emerge in the current and the Bank is fully equipped to meet all the challenges and to move ahead.

15. Outlook

The IMF has predicted that the global growth will slow down to 3.7% in 2008 well below the 4.9% growth seen in 2007. The outlook for the global financial system is overcast by the rising incidences of losses and write offs in the banking system in the US and Europe amidst dislocations in the securitized credit market. Global financial markets have exhibited heightened uncertainties surrounding the viability of financial guarantors and doubts about their business models. The fall out of slower growth in the US is likely to impact all emerging economies sooner than later. It is in this context that that the GDP growth in the current year is likely to be a little less than before and may hover in the range of 8.0-8.5%. The inflation is likely to be brought down to 4.0-4.5% and Money Supply in the range of 16.5-17% in the current year. Therefore in the current fiscal the Deposit Growth is placed around17% and the advances growth at about 20%.