

Bank's performance 2006-07



CONTENTS

Performance Highlights

Business performance

Working Results

Common Man's Bank

Shareholding pattern

Major Business initiatives

PERFORMANCE HIGHLIGHTS - 2006-07

- Recorded all round improved performance
 - Net Profit up by 50.60% to Rs.7598 mn.
 - Operating profit up by 52.03% and crosses Rs.10 bn. mark to Rs.13.5 bn.
 - Total income crosses Rs.50 bn mark
 - Return on Assets higher at 1.46%
 - Net Interest Margin improved to 3.60%
 - Cost Income Ratio fell to 47.85%
 - Net NPA lower at 0.35%
 - Net worth jumped by 60%
 - CRAR higher at 14.14% - Of which Tier I is 12.28%
-
- Business crossed Rs.750 bn. mark to Rs.761.49 bn. (20.32%)
 - Deposits grew by 15.40% and stood at Rs. 471 bn.
 - Net Credit grew by 29.23% to Rs. 290.58 bn.
 - Priority Sector credit 49.37 % Bank credit
 - Agri. credit up by 37.38% to Rs.57 bn - 21.11% of NBC
 - Retail loan growth contained

KEY FINANCIAL RATIOS

Ratios (%)	FY 03	FY 04	FY 05	FY 06	FY 07
1. Return on Average Assets	0.65	1.21	1.08	1.16	1.46
2. Return on Average Networth	31.30	39.46	18.86	23.52	27.70
3. Earning per Share (Rs.)	—	13.71	9.27	14.24	20.46
4. Book Value per Share (Rs.)	14.59	31.59	41.87	54.32	74.95
5. Capital Adequacy	10.85	12.82	14.14	13.19	14.14
Tier I	7.51	7.66	7.60	10.29	12.28
Tier II	3.34	5.16	6.54	2.90	1.86
6. Net Interest Margin	2.69	3.32	3.33	3.48	3.60
7. Cost income Ratio	56.13	56.96	56.17 (48.83)*	54.72	47.85
8. Gross NPA (%)	12.39	7.98	3.96	2.91	1.85
9. Net NPA (%)	6.14	2.71	1.35	0.79	0.35

* After reducing the actual Expenditure incurred towards arrears of wages paid to staff in 2004-05

CONTENTS

Performance Highlights

Business performance

Working Results

Common Man's Bank

Shareholding pattern

Major Business initiatives

ABOUT THE BANK

DISTRIBUTION CHANNELS

	31.03.06	31.03.07
1.Total Domestic Brs.	1400	1441
Rural	467	469
S.Urban	356	364
Urban	335	351
Metro	242	257
2.Overseas Branches (Singapore & Colombo)	2	2
3. Extension Counters	108	94
4. Satellite Offices	37	37
5. ATMs	303	426
6. With CBS	506	1029
7.Networked brs.	680	1152
6. Manpower	21394	20892

	Mar.06	Mar.07
No. of Deposit A/Cs	14.77	16.13
No. of Borrowal A/Cs	2.41	2.75
Total No. of Customer A/Cs	17.18	18.88

(In Mn.)

CUSTOMER ACCOUNTS

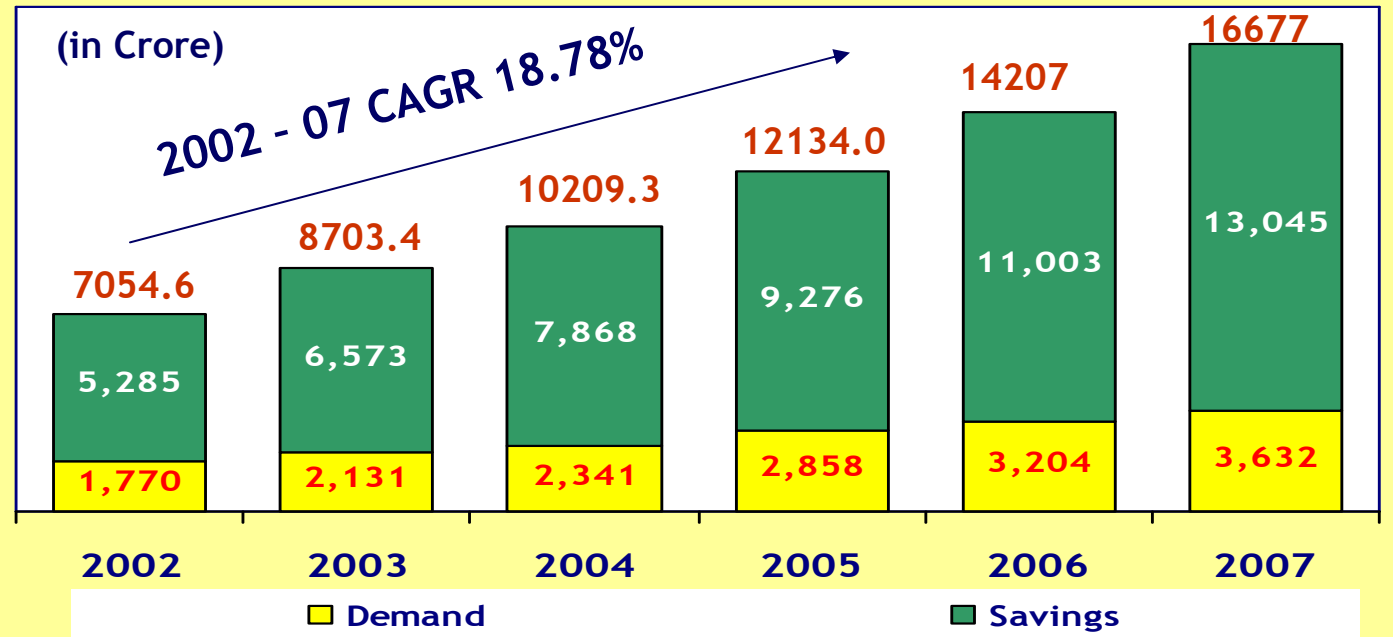
LIABILITIES

(Rs. in Crore)

Liabilities	Mar.03	Mar.04	Mar.05	Mar. 06	Mar. 07
1. Capital	4574	4574	4574	744	830
Equity	4574	4574	4574	744	430
Preference	0	0	0	0	400
2. Reserves	556	964	1362	1748	3011
Growth % (YoY)	45.91	73.30	41.34	28.27	72.29
3. Deposits	27016	30444	34808	40806	47091
Growth % (YoY)	12.38	12.69	14.33	17.23	15.40
4. Borrowings	449	299	725	1887	1937
Growth % (YoY)	20.72	-33.46	142.42	160.46	2.61
5. Other Liabilities	2780	2873	2391	2451	3281
Growth % (YoY)	66.78	3.35	-16.76	2.50	33.86
Total Liabilities	35375	39154	43861	47635	56149
Growth % (YoY)	16.89	10.68	12.02	8.61	17.87

LOW COST DEPOSITS

Focus on low cost Savings and Demand Deposits



(in Crore)

- Low cost deposits grew by 17.39% and constituted 35.41% of total deposits.
- High Cost PDs reduced to 9.48% of total deposits from 12.47%

	Mar 06	Mar 07	Growth %
Current	3204	3632	13.37
Savings	11003	13045	18.56
Total Low Cost Dep.	14207	16677	17.39
Share- Low cost Dep.%	34.82	35.41	
Term	26599	30414	14.34
Total Deposits (1+2)	40806	47091	15.40
1. Whole sale	9620	10504	9.19
% to Total	23.58	22.31	
2. Retail	31186	36587	17.32
% to Total	76.42	77.69	

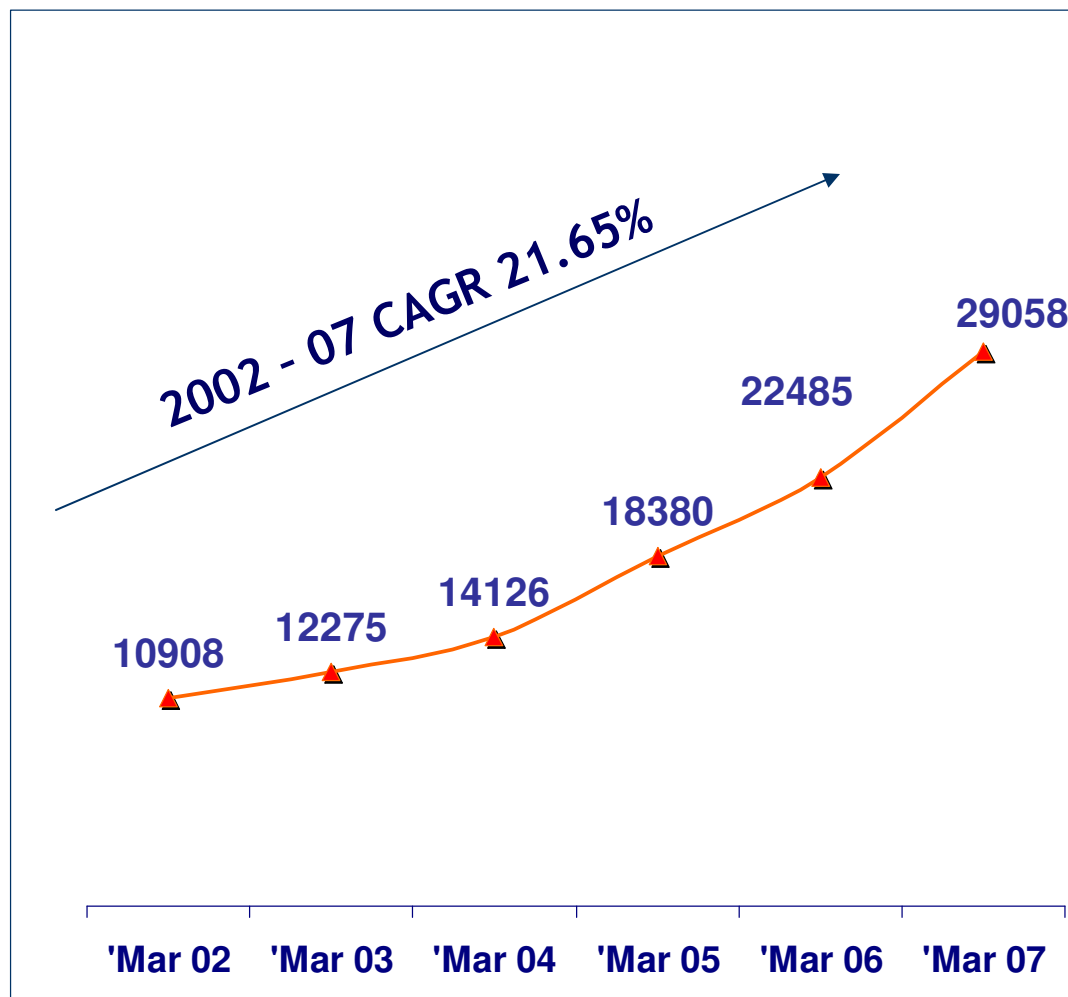
ASSETS

(Rs. In Crore)

Assets	Mar 03	Mar 04	Mar 05	Mar 06	Mar 07
1. Cash and Balance with RBI	1904	2844	1962	2303	3730
2. Balance with Banks and Money at Call & Short notice	944	301	610	2504	1088
3. Investments	14839	16692	17921	19017	20878
Growth % (YoY)	19.59	12.49	7.36	6.12	9.78
4. Advances (Net)	12275	14126	18380	22485	29058
Growth % (YoY)	12.53	15.08	30.11	22.33	29.24
Food	1647	1324	1450	1344	1121
Non Food	10628	12802	16930	21141	27937
5. Fixed Assets	424	434	449	519	551
6. Other Assets	4989	4753	4538	808	844
Total Assets	35375	39154	43861	47635	56149
Growth % (YoY)	16.89	10.68	12.02	8.61	17.87

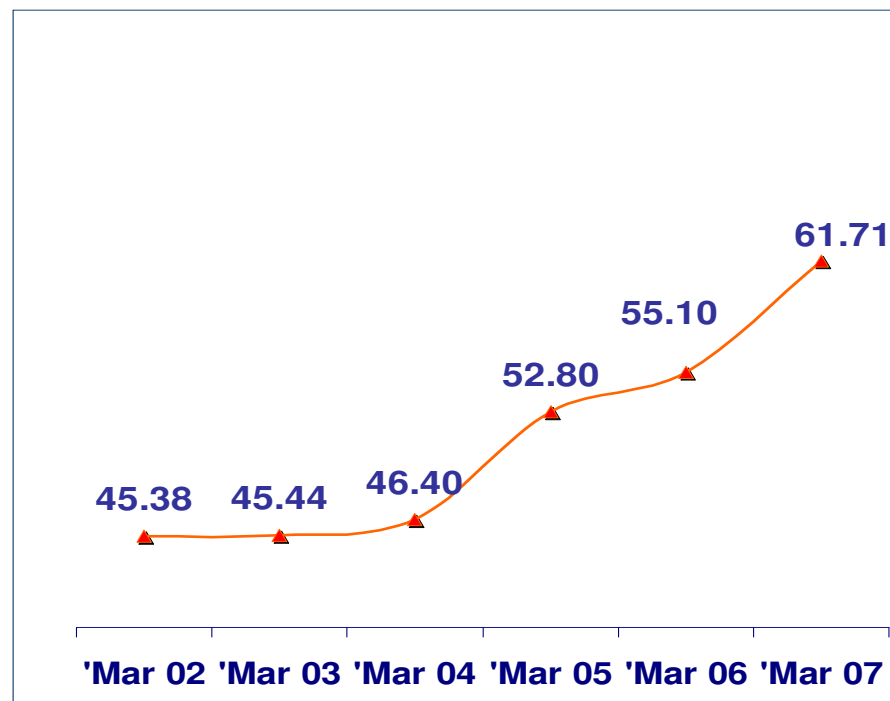
GROWTH IN CREDIT

Total advances (Global) (Rs Crore)



CD Ratio (Global)

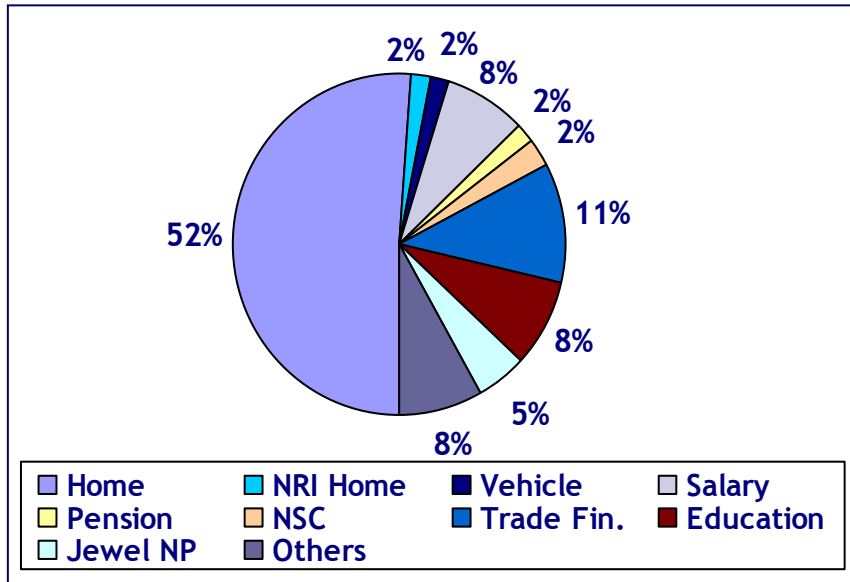
The Bank had sufficient liquidity throughout the year and therefore did not go for high cost deposits facilitating improvement in NIM



SEGMENT-WISE CREDIT

(Rs. In Crore)

Retail Loans



Total retail loans - Rs.6251 Crore

Agriculture And Priority Sector

	March 06		March 07	
	Amount	Growth %	Amount	Growth %
AGRI.	4151	34.16	5704	37.41
% to NBC	20.23		21.11	
Total Priority	10423	27.60	13105	25.73
% to NBC	50.83		49.37	

CONTENTS

Performance Highlights

Business performance

Working Results

Common Man's Bank

Shareholding pattern

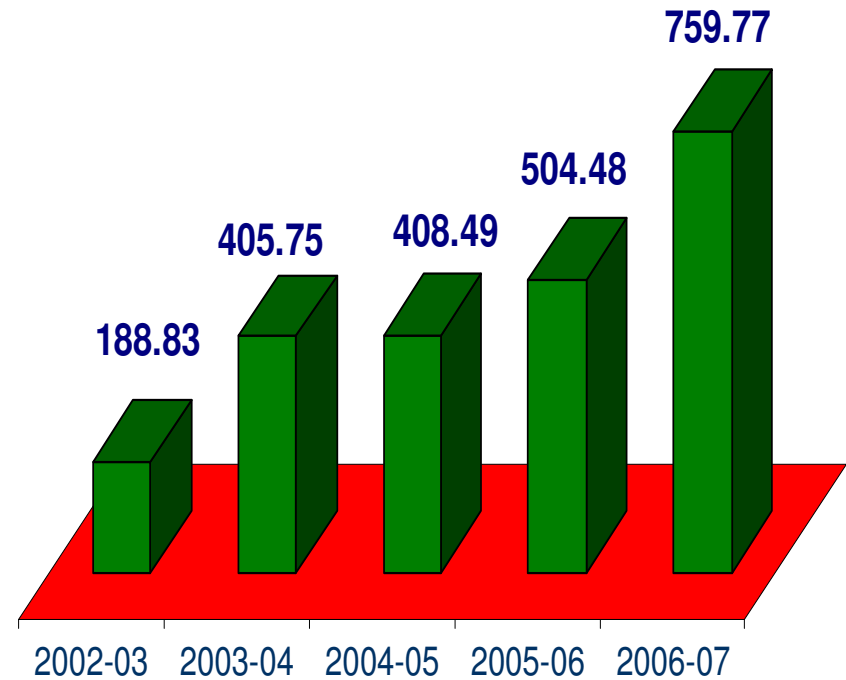
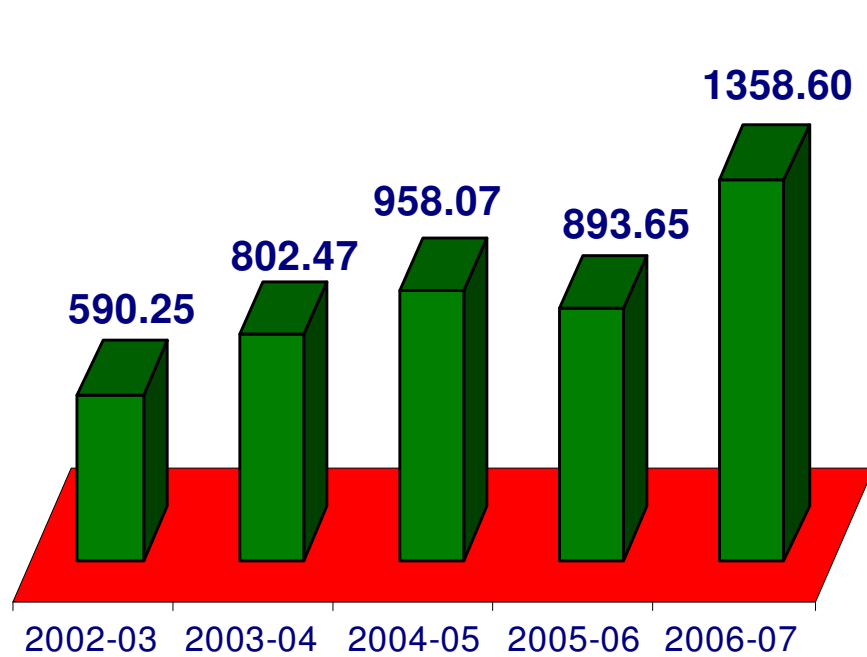
Major Business initiatives

OPERATING / NET PROFIT

Operating Profit

Net Profit

Rs. in Crore



Operating profit grew by 52.03 %

Net profit grew by 50.60 %

CONSISTENT FINANCIAL PERFORMANCE

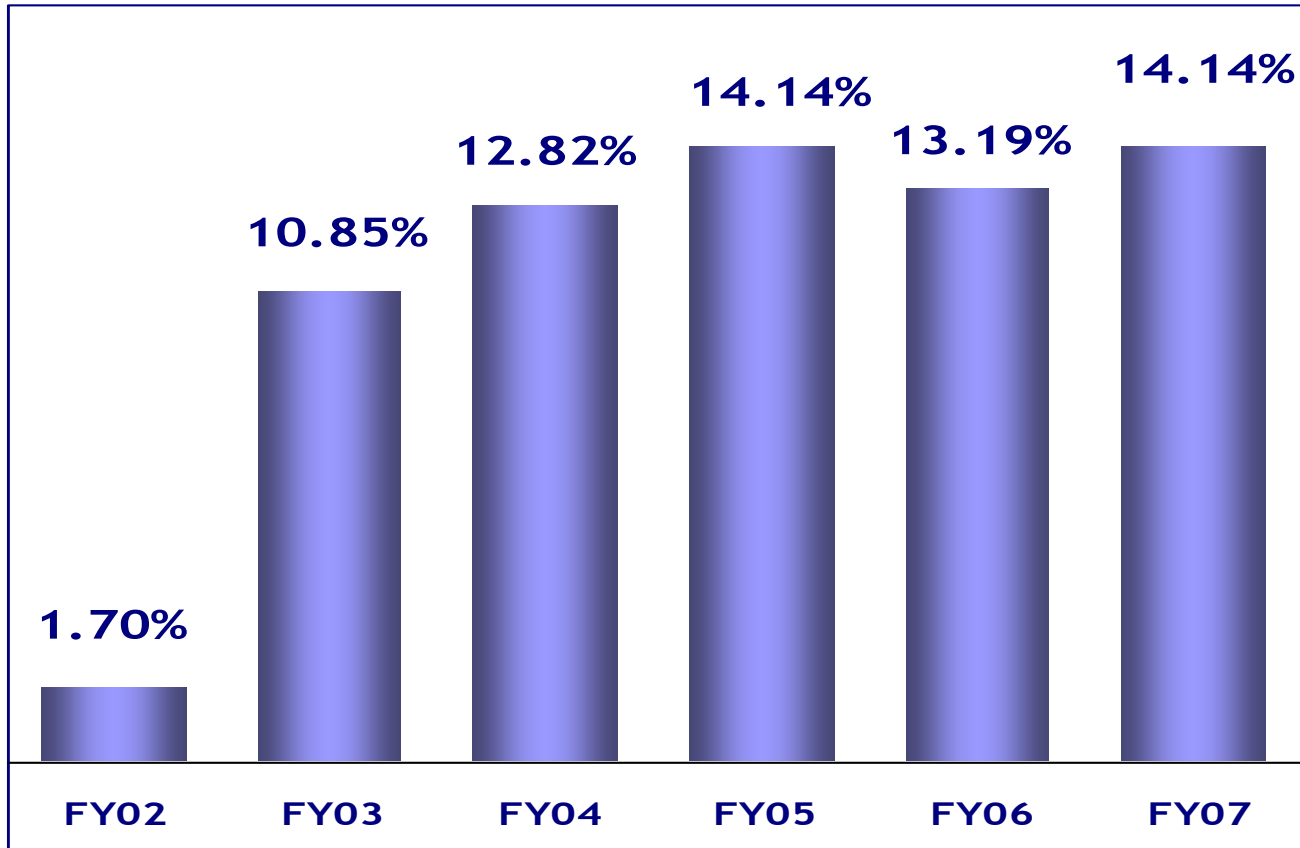
Rs. In crore

Income/Exp. Heads	FY06	FY07	YoY Growth %	Q406	Q407	YoY Growth (%)
I. Interest Income	3364.52	4284.65	27.35	955.48	1219.64	27.65
2. Interest Expenses	1854.38	2412.62	30.10	514.66	646.59	25.63
3. Net Interest Income	1510.14	1872.03	23.96	440.82	573.05	30.00
4. Non Interest Income	463.23	733.21	58.28	136.52	343.97	137.02
Other income as % to Total Income	12.10	14.61		12.50	22.00	
5. Net Total Income	1973.37	2605.24	32.02	577.34	917.02	58.84
6. Operating Expenses	1079.76	1246.65	15.46	244.34	375.41	53.64
7. Operating Profit	893.65	1358.59	52.03	333.00	541.60	62.64
8. Net Profit	504.48	759.77	50.60	139.16	235.31	69.09
A. Total Income	3827.75	5017.86	31.09	1092.00	1563.60	43.19
B. Total Expenditure	2934.10	3659.27	24.72	759.00	1022.01	34.65

IMPORTANT RATIOS

	FY 03	FY 04	FY 05	FY 06	FY 07
1. Cost of Deposits	6.42	5.41	4.73	4.76	5.15
2. Return on Advances	9.09	8.83	8.33	8.66	9.60
3. Yield on Investments	9.82	9.21	8.64	8.29	8.21
4. Return on Interest earning Assets	9.11	8.72	7.97	8.08	8.58
5. Cost on Interest bearing Liabilities	6.52	5.42	4.79	4.09	5.26
6. Interest Spread	2.59	3.30	3.18	3.29	3.32
7. Cost Income Ratio	56.13	56.96	56.17	54.72	47.85
Staff	42.82	46.27	41.38	39.20	33.73
Others	13.31	10.69	14.79	15.52	14.12

CAPITAL ADEQUACY

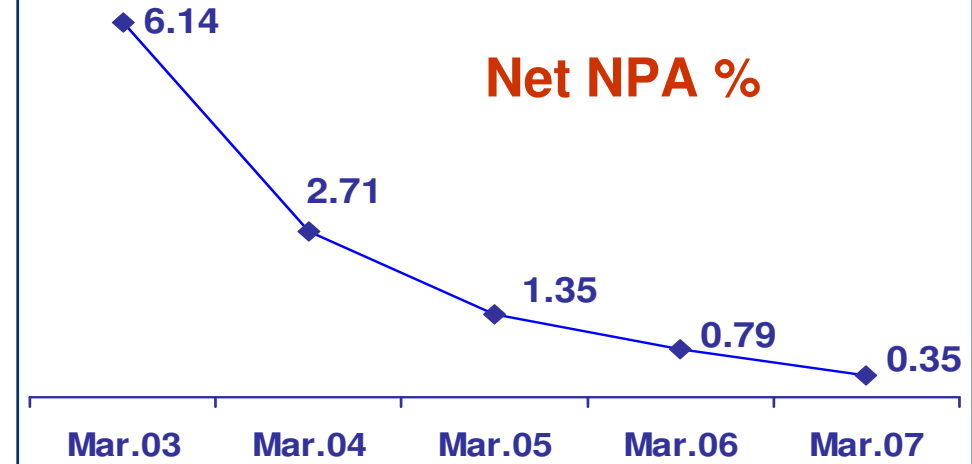
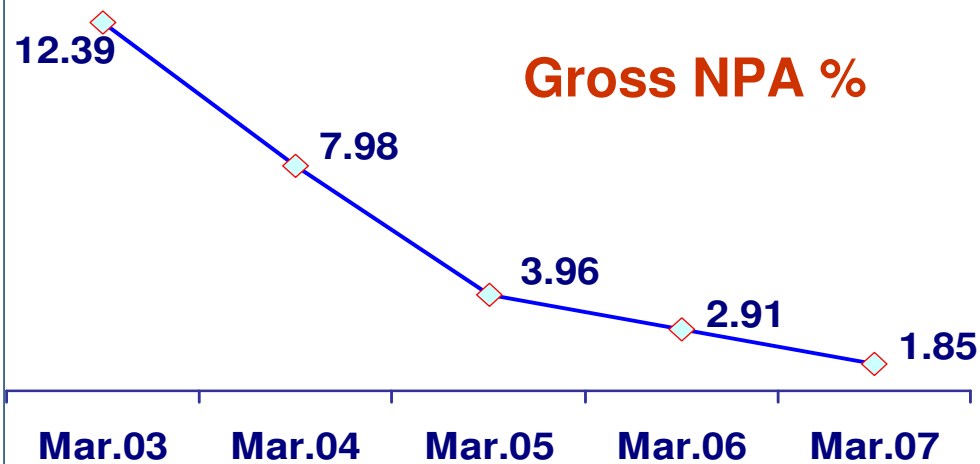


	2004-05	2005-06	2006-07
1.Capital Adequacy	14.14	13.19	14.14
Tier I	7.60	10.29	12.28
Tier II	6.54	2.90	1.86

NPA MANAGEMENT

(Rs. In Crore)

	Mar.03	Mar.04	Mar.05	Mar.06	Mar.07
Gross NPA (O/S)	1630	1192	748	669	546
Net NPA (O/S)	754	383	247	177	102
NPA Recovery	284	318	312	418	654
Gross NPA (%)	12.39	7.98	3.96	2.91	1.85
Net NPA (%)	6.14	2.71	1.35	0.79	0.35
Fresh Slippage	245	222	228	192	172
Fresh slippage as % of Performing advances at the beginning of the year	2.45	1.93	1.66	1.06	0.77



CONTENTS

Performance Highlights

Business performance

Working Results

Common Man's Bank

Shareholding pattern

Major Business initiatives

PIONEER IN SHG MOVEMENT

Rs in Crore

Period	No. of SHGs financed during the year	Amount of credit disbursed	Outstanding	% growth	Number of new SHGs linked
March'03	14750	71	75	86.29	9654
March'04	18203	103	137	83.51	14320
March'05	35355	201	199	45.22	18616
March'06	53285	393	350	75.96	35168
March'07	61469	503	575	64.38	36163

EDUCATIONAL LOANS - A SOCIAL RESPONSIBILITY

Rs in Crore.

Period	No.of students financed during the year	Amount of credit disbursed	Amount Outstanding	% Growth
March'03	2307	33.35	60.41	34.24
March'04	2881	38.72	83.39	38.04
March'05	9552	119.25	161.66	93.86
March'06	24809	260.14	375.86	132.50
March'07	31141	352.25	692.36	84.21

FOCUS ON SME SECTOR

Rs. in Crore

	Mar. 06	Mar.07 @	Growth %
Total Outstanding	4358	5356	22.88
Of which :			
SSI	1521	1982	30.35
Other SME	2837	3374	18.91

@After factoring Rs.150 Crore of PCs issued by the Bank

- An exclusive Department headed by a GM at HO has been created for Promoting and overseeing SME Sector
- Lending to SMEs increased sizeably by Rs.997 Crore to Rs.5356 Crore as on 31.03.2007 registering YoY growth of 22.88%

COMMON MAN'S BANK - FINANCIAL INCLUSION INITIATIVES BY THE BANK

- Spearheaded the project and involved all the 114 bank branches of 37 banks operating in UT of Puducherry
- Replicated in 877 villages in Cuddalore District of Tamil Nadu
- Extended the project in all other Lead Districts of the Bank
- 3,20,847 persons brought into Banking fold so far
- 40133 beneficiaries provided with OD/General Credit Card facility for Rs. 4.96 Crore for consumption needs.
- Issued 1,53,392 Janashree Bima Yojana policies – 15,220 Universal Health care (Medicclaim for BPL)

FINANCIAL INCLUSION IN DHARAVI (slum)

- The FI project implemented in Dharavi (slum area) in Mumbai city providing Banking facility to migrant workers
- 7490 No frills account opened so far.
- 880 OD/GCC accounts opened
- A branch at Dharavi was opened on 19.02.07

MASS BANKING INITIATIVES

MOBILE BANKING THROUGH SMART CARDS

- **The Bank had entered into an arrangement with FINO (Financial Information Network and Operations Pvt. Ltd., Mumbai) for Mobile Banking through Smart Cards.**
- **The Bank has also taken 7.5% stake in the Company.**
- **Smart card is a wallet sized card which is embedded with a chip (microprocessor) acts as "customer identity token" (using the fingerprint of the client as Bio-password) and an electronic passbook (e-pass book), storing the transaction data. Deposits/Loan accounts have been taken up for the pilot project. The cards will enable transactions at their doorsteps.**
- **Piloted initially in 3 branches and smart cards will be issued to 1000 new customers in each location.**

AGRI.COMMODITY PRICE TICKERS

- **Agriculture Commodity Price tickers have been provided at 2 branches on pilot basis in coordination with National Stock Commodity Exchange**

FINANCIAL INCLUSION

Rs in Crore

	Puducherry		Cuddalore		Lead Dist		All India	
	No	Amt	No	Amt	No	Amt	No	Amt
Villages covered	46		347		240		770	
No-frill SB a/c	52576	0.88	58974	0.10	89744	1.25	320847	4.10
OD	22016	1.10	7261	0.37	2790	0.17	36304	2.15
GCC	1448	0.93	205	0.14	890	0.44	3829	2.82
JBY (Life cover)	27895	0.28	20794	0.21	72063	0.72	153392	1.53
UHCP (Health cover)	3150	0.05	141	0.002	10774	0.18	15220	0.25

IMPACT OF MASS BANKING INITIATIVES

(Rs. In crore)

DOMESTIC DEPOSITS					
Population group	March 03	March 04	March 05	March 06	March 07
1.Rural	2555	2824	3157	3536	4347
Growth %	10.75	10.53	11.79	12.01	22.94
2.Semi-urban	5292	5803	6298	7047	8280
Growth %	12.68	9.66	8.53	11.89	17.50
3.Urban	7117	7973	8860	9732	11442
Growth %	11.77	12.03	11.13	9.84	17.57
4.Metropolitan	11349	13033	15766	19626	21884
Growth %	17.52	14.84	20.97	24.48	11.51
Total	26313	29633	34081	39941	45953
Growth %	14.26	12.62	15.01	17.19	15.05

DOMESTIC ADVANCES					
1.Rural	1127	1337	1773	2270	2984
Growth %	17.26	18.63	32.61	28.03	31.45
2.Semi-urban	1635	1953	2526	3115	3974
Growth %	21.18	19.45	29.34	23.32	27.58
3.Urban	2387	2954	3747	4804	6538
Growth %	20.92	23.75	26.84	28.21	36.09
4.Metropolitan	5790	6797	9327	11156	14235
Growth %	12.59	17.39	37.22	19.61	27.60
Total	10939	13041	17373	21345	27731
Growth %	16.04	19.22	33.22	22.86	29.92

CONTENTS

Performance Highlights

Business performance

Working Results

Common Man's Bank

Share Holding Pattern

Major Business initiatives

SUCCESS STORY OF BANK'S INITIAL PUBLIC OFFER

- To improve CRAR to meet the expansion in assets and to conform to Basel II norms the Bank tapped the capital market
- The Bank came out with IPO offering of 8,59,50,000 Shares of Rs.10 each with premium of Rs.81.
- The issue had a overwhelming response with a subscription of **32.10 times (as set out below)** reflecting the confidence of investors on Bank.
- The Government's holding decreased from 100% to 80%.
- Though price band was between Rs.77 and Rs.91, 97.40% of the subscribers bid were at the upper band of Rs.91 and **issue price was fixed at Rs.91 per share.**

Category-wise
subscription

Category	No. of applications	No. of shares (in mn.)	No. of times subscribed
QIBs	301	2618.0	56.40
Non institutional bidders	1919	65.3	8.44
Retail investors	183547	67.6	2.91
Employees	8901	8.5	0.99
Total	194668	2759.4	32.10

PATTERN OF SHAREHOLDING (%)

Investor Category	23.2.07		31.3.07	
	No of share holders	% Holdings	No of share holders	% Holdings
1.Resident	147117	7.51	119702	5.68
2.Financial Institutions	7	0.35	7	0.35
3.Foreign Institutional Investors	97	6.83	58	11.36
4.Non Resident Indians	828	0.05	822	0.08
5.Corporate Body	267	1.87	538	1.10
6.Clearing Member	0	0.00	144	0.09
7.Mutual Funds	153	2.26	34	0.85
8.Trusts	6	0.01	4	0.01
9.Banks	37	1.11	20	0.47
10.Government of India	1	80.00	1	80.00
Total	148514	100.00	121331	100.00

CONTENTS

Performance Highlights

Business performance

Working Results

Common Man's Bank

Shareholding pattern

Major Business initiatives

TECHNOLOGY AN ENABLER FOR MASS BANKING

Core Banking Solution

- Core Banking Solution in full swing.
- As on 31.03.2007, 1029 branches brought under CBS with a business coverage of **92.71%**.

Networking of Branches and ATMs

- Networking of 1152 branches, 85 Extension counters & 10 offsite ATMs
- **426 ATMs** in over 151 cities/towns (incl.96 offsite ATMs)
- More than **14500 ATMs** available to the Bank's customers through sharing arrangement.

Transfer of Technology to Rural Areas

- **CBS in 146** rural branches.
- The Bank has engaged an outside agency for suggesting new business/delivery model in rural areas for mass banking with specific reference to speeding up Financial Inclusion.

TECHNOLOGY BASED BUSINESS PROCESS RE-ENGINEERING (BPR) -

Technology based BPR measures taken up by the Bank to speed up and improved service to customers

- ✓ **Internet Banking**
- ✓ **Introduction of Inter-city transactions**
- ✓ **Special account for payment of at-par cheques**
- ✓ **Revised comprehensive account opening form**
- ✓ **Put up online first Biometric ATM; Centralised ATM Service Centre for control of ATM transactions**
- ✓ **Procedure for collection of BSNL bill amounts**
- ✓ **Introduction of a new intermediary parking account for easing branch operations**
- ✓ **Direct debit of DDs drawn on Service branches by all branches in the clearing zone**
- ✓ **Bilingual software enabled on pilot basis in CBS in 4 Brs**
- ✓ **Issue of local DDs in lieu of BPOs.**
- ✓ **RTGS Transfer of Funds**
- ✓ **E NETS Debit Payment Gateway - facilitating online transfer of funds from Singapore**

OIC ALLIANCE TO FACE CHALLENGES FOR THE FUTURE

Strategic Alliance - First of its kind in Indian Banking

- Oriental Bank of Commerce
- Indian Bank
- Corporation Bank

- A Memorandum of Understanding (MoU) for a Strategic Alliance has been signed among the Banks with a view to face challenges of consolidation, convergence and competition without sacrificing the legal identity of the Banks to harness the economies of scale
- Major areas of coordination have been identified and to implement the Alliance in a systematic manner Advisory Council consisting of Chairmen, Executive Committee comprising of EDs and Working Groups consisting of GMs have been formed.
- In the last week of February 2007 the General Council of the Alliance, consisting of CMDs, EDs and GMs of the Banks met at Bangalore and chalked out further course of action in strengthening the alliance.
- Alliance is making good progress in coordinating the Gold sales, in finalising remittance arrangements, sharing of ATMs, joint participation in Infrastructure financing, conduct of joint training Programmes etc. ATMs of Alliance Banks inter connected for the convenience of customers

PEOPLE INITIATIVES

SKILL ENHANCEMENT INITIATIVE

- 18739 Bank personnel trained at IMAGE and STCs.
- 508 Officers sent to external training institutes
- 16 Computer Labs established to train staff in CBS
- Training imparted to staff on Risk Management, KYC norms and AML

INDUCTION OF NEW SKILLS

- Campus Recruitment of specialist officers in Planning/Risk Management/Treasury / Marketing / IT/ HR / Agriculture.
- Contractual OSDs recruited in areas of Credit Cards, marketing, Risk Management, International Banking.
- Specialist Officers recruited as Economists, Chartered Accountants, Computer Officers etc.

RECOGNISING BEST PERFORMERS

- Overseas training for Best Performers
- Scheme for rewarding Best Performing Branches and staff in these Branches through cash incentives introduced.
- Scheme to reward cash incentives for individuals for best performance is being worked out

PRODUCT / PROCESS INITIATIVES

PRODUCT INITIATIVES

- Debit Card / Global credit card.
- Sale of gold Coins through selected branches
- Social Security Products Janashree Bima Yojana (LIC) and Health Care Policy (UIIC)
- Several technology based products
- New product – Aroghya Raksha Plus scheme
- Launched DP Services and online trading
- Tie-up with M/s PNB Principal Financial Planners P Ltd for marketing Mutual Fund products of all major players in the field.
- Sweep facility made available to customers
- E NETS Debit Payment Gateway – online transfer of funds from Singapore

PROCESS INITIATIVES

- Introduction of one of the International Best Practices in Credit Risk Management viz. Segregation of Credit marketing and approval Process.
- e-credit is being implemented for expeditious disposal of credit proposals.
- Six SIGMA concept introduced in retail credit for improving the Quality and Speed in delivering credit
- Entry level scoring models developed for major retail credit products
- Business Process Reengineering
 - Bank has appointed Ernst and Young for process reengineering
 - Introduction of Single Window at all CBS Branches.
 - Single challan for all Deposit remittances.
 - Auto renewal of domestic deposits.
 - Rationalisation of Circle Offices

PLAN FOR 2007-08

- The Bank is completing 100th year in August 07 and the Bank intends celebrating the conclusion of its Centenary in a fitting manner
- Taking advantage of upgraded technology, Bank to have accelerated growth in business
- 100% CBS of all branches will be achieved. Technology will be used as an enabler to mass Banking
- Financial Inclusion will be given greater thrust by introducing innovative delivery channels
- Focus will be on Low Cost Deposits, Agriculture and SME lending
- Will move towards conforming to Basel II adequacy norms
- Process reengineering to move to mass banking from class banking, change in systems, structure, delivery channels etc.,
- Incentive schemes to staff to compete with enthusiasm in the Bank's growth and in rendering service to customers

Thank You
