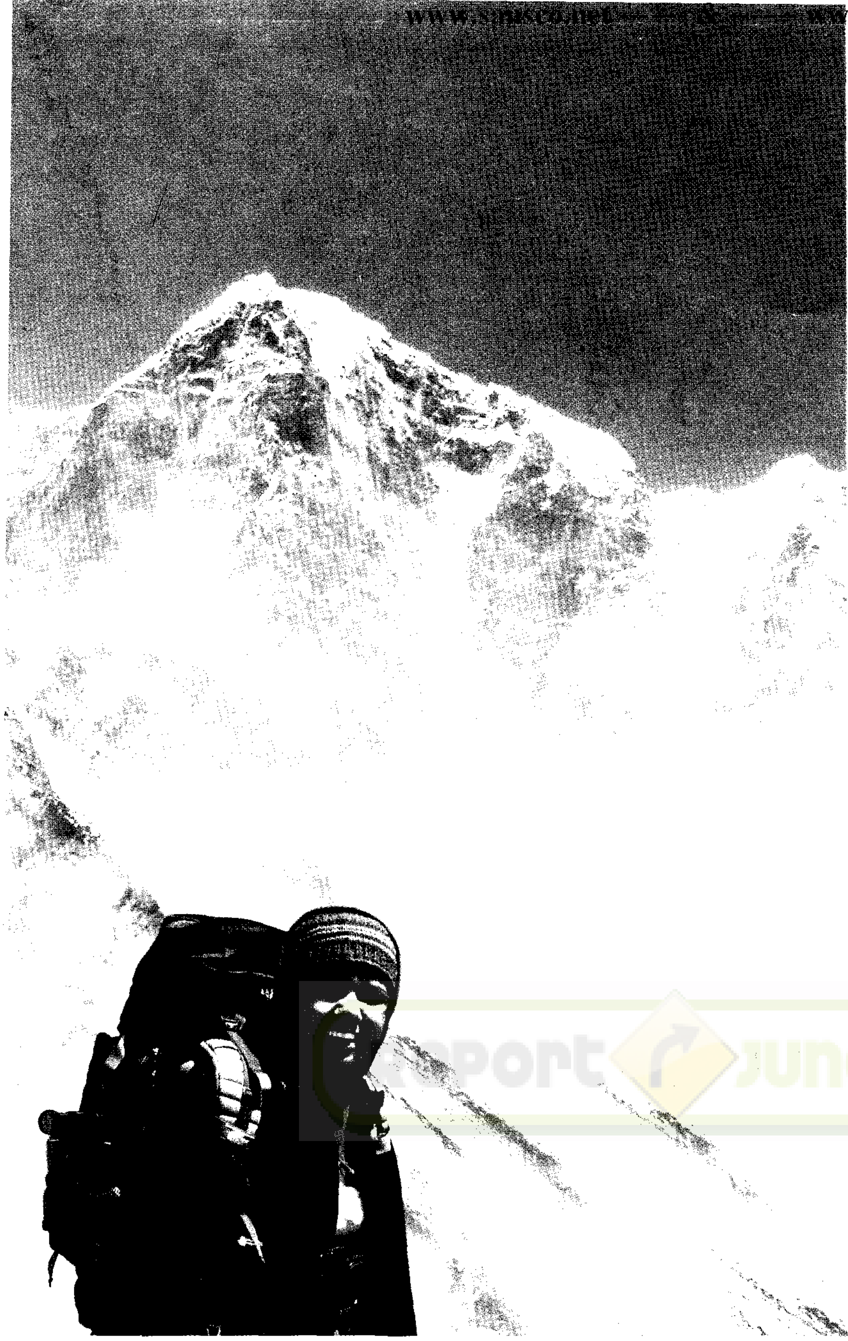


Now, our Customers also conquer
Mount Everest !

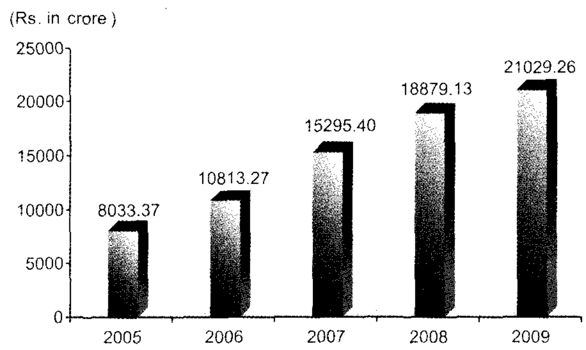
91st ANNUAL REPORT 2008-2009

Saraswat Bank

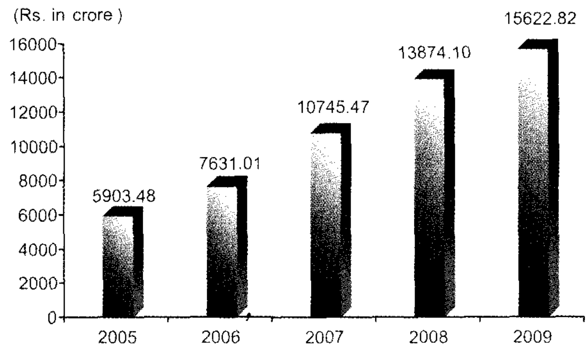
The Saraswat Co-operative Bank Ltd.
(A Scheduled Bank)

*Total Business = Deposits + Advances

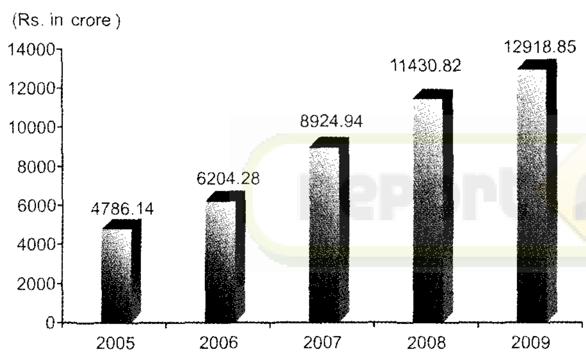
Total Business



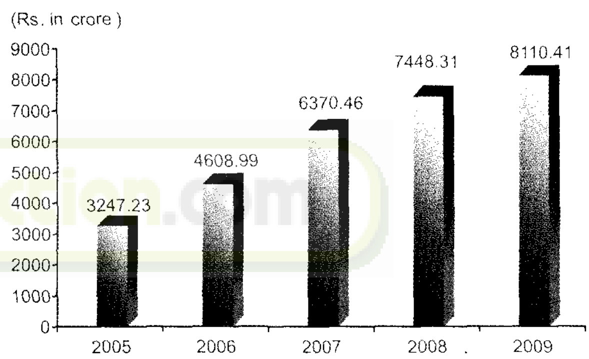
Working Funds



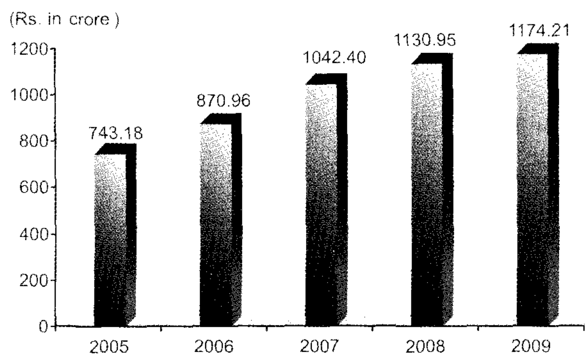
Deposits



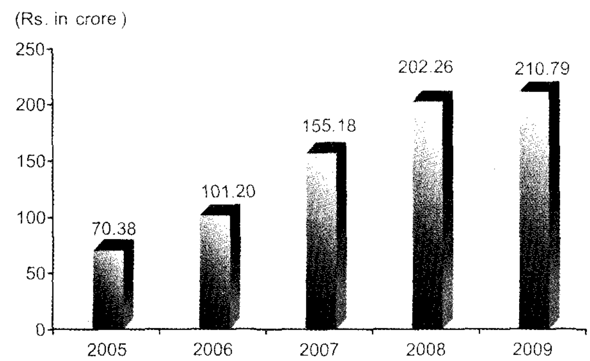
Advances



Own Funds



Net Profit



THE SARASWAT CO-OPERATIVE BANK LIMITED

(A SCHEDULED BANK)

- **REGISTERED OFFICE** : 'Madhukosh', S.V. Sovani Path, Girgaum, Mumbai-400 004.
- **CORPORATE OFFICE** : Mittal Court, 'A' Wing, First Floor, Vidhan Bhavan Marg, Nariman Point, Mumbai - 400 021 Website: www.saraswatbank.com
- **DATE OF ESTABLISHMENT** : September 14, 1918.
- **NO. AND DATE OF RBI LICENCE** : ACD-MH-220-P, dated 27.08.1980.
- **AUDIT CLASSIFICATION** : 'A' (Since 1933, i.e. the year in which we were registered as a Bank).

CONTENTS :

NOTICE

The Ninety-first Annual General Meeting of the Members of The Saraswat Co-operative Bank Ltd., will be held on Saturday, 25th July, 2009 at 4.00 p.m. at Yogi Sabhagruha, Near Dadar Central Railway Station, Behind Swami Narayan Mandir, Dadar (East), Mumbai - 400014, to transact the following business concerning the Bank:

1. To consider and approve the Annual Accounts, which consist of the Report of the Board of Directors, the Report of the Statutory Auditors, the Balance Sheet and the Profit and Loss Account, for the year ended 31st March, 2009.
2. To appropriate net profit and declare dividend as recommended by the Board of Directors for the year ended 31st March, 2009.
3. To appoint Statutory Auditors for the financial year 2009-10 and to authorise the Board of Directors to fix their remuneration. The Board of Directors recommends M/s M.P. Chitale & Co., Hamam House, 1st Floor, Ambalal Doshi Marg, Fort, Mumbai - 400 001, for appointment as Statutory Auditors.
4. To approve amendments to the following bye–laws of the Bank :

   i) To amend Bye-law No.34 to provide for sanction of loans along with members to societies and others.

   ii) To amend Bye-law No. 36C to extend the maximum repayment period of loans and advances from seven years to twelve years.
5. To place for consideration and adoption, the Annual Report and Audited Accounts of Saraswat Infotech Ltd., (Bank's wholly-owned subsidiary company, registered under Companies Act, 1956), which consist of the Report of the Board of Directors, the Report of the Statutory Auditors, the Balance Sheet and the Profit and Loss Account for the year ended 31st March, 2009.
6. To grant Leave of Absence to the members of the Bank other than to those whose names appear in the Attendance Register of this 91st Annual General Meeting.

By Order of the Board of Directors

Sd/-

S. K. Banerji

Managing Director

Mumbai : 27th June, 2009

NOTE : The printed Annual Report of the Bank consisting of the Report of the Board of Directors, the Report of the Statutory Auditors, the Balance Sheet and the Profit and Loss Account for the year ended 31st March, 2009 is enclosed to this notice.

The printed Annual Report consisting of the Report of the Board of Directors, the Report of the Statutory Auditors, the Balance Sheet and the Profit and Loss Account for the year ended 31st March, 2009 of Saraswat Infotech Ltd., Bank's wholly - owned subsidiary, is enclosed to this notice.

If there is no quorum for the Meeting at the appointed time, in terms of Bye-law No.48 the Meeting shall stand adjourned to 5.00 p.m., on the same day and the Agenda of the Meeting shall be transacted at the same venue irrespective of the Rule of Quorum.

Dividend, when declared, will be paid on or after 1st August, 2009, to those shareholders whose shares are fully paid as on 31st March, 2009 and whose names are on the record of the Bank as on 11th July, 2009.

If any member desires to have information in connection with the Accounts, he/she is requested to address a letter to the Managing Director of the Bank, to reach his office at The Saraswat Co-operative Bank Ltd., Mittal Court, 'A' Wing, First Floor, Vidhan Bhavan Marg, Nariman Point, Mumbai 400 021, not later than 20th July, 2009, so that the required information may be made available at the Annual General Meeting.

TO SERVE YOU BETTER:

1. Shareholders are hereby requested to kindly verify their name and address on the Annual Report sent to them. Change in address, if any, may kindly be intimated by post or by e-mail to Share Department of the Bank for updating Bank's records. E-mail address of the Share Department is incharge_sharedepartment@saraswatbank.com.
2. Shareholders are requested to avail of nomination facility by submitting prescribed Nomination Form, as required under Section 36 of the Multi-State Co-operative Societies Act, 2002 and Bye-law No.19.
3. Shareholders having Current / Savings Bank / Cash Credit accounts with the Bank and desirous of crediting their dividends to their accounts are once again requested to record their standing instructions with the Share Department.

Unclaimed Dividend

Notice is hereby given that dividend for the year ended March 31, 2006 (85th Dividend) if not drawn on or before August 31, 2009, will be forfeited by the Bank and credited to Reserve Fund in terms of Bye-law No. 68A.

BOARD OF DIRECTORS

Shri E. K. Thakur, *B. A. (Hons.), C.A.I.I.B.*
Chairman

Shri K. V. Rangnekar, *M.A.*
Vice-Chairman

DIRECTORS

Shri R. K. Patkar, *B.A. (Hons.), B.Com.*
Shri S. V. Deshpande, *B.Com., LL.B.*
Shri S. S. Shirodkar, *Dip.(Indl. Electronics), PGD in Management*
Shri H. M. Rathi, *B. Com.*

Shri S. D. Panse, *B.Com., F.C.A.* *(w.e.f. 26.07.2008)*
Shri M. V. Desai, *B.Com.* *(w.e.f. 30.08.2008)*
Dr. Subhash V. Bhende, *M.A., Ph.D.* *(w.e.f. 21.02.2009)*

Shri A. V. Dubhashi, *B.Com., A.C.A.*
Shri S. S. Sanzgiri, *B.A.*
Shri A. A. Pandit, *B.Com., F.C.A., D.B.F.*

Shri S. V. Saudagar, *B.Com., F.C.A.,* D.I.S.A. *(w.e.f. 28.06.2008)*
Dr. (Mrs.) Anuradha P. Samant, *M.B.B.S.* *(w.e.f. 30.08.2008)*
Shri M. K. Mantri, *M.A.* *(w.e.f. 11.10.2008)*

Shri S. K. Banerji, *B.Sc.(Hons.), D.B.M.,LL.M., FIIBF.*
Managing Director

Shri S. K. Sakhalkar, *M.Com., PGD (IR), PGD (C.Sc.)*
Jt. Managing Director *(w.e.f. 20.08.2008)*

ADVISOR TO THE BOARD

Shri N. R. Warerkar, *B.com.,C.A.I.I.B.*

STATUTORY AUDITORS

M/s. M. P. Chitale & Co., Chartered Accountants

LEGAL ADVISORS

Dr. B. R. Naik, *LL.M., Ph.D.*
Shri A. V. Sabnis, *LL.B.*
Shri K. M. Naik, *B.A., LL.B.*

M/s. Little and Company
Govind Desai Associates

ADVISORS

Shri S.N. Sawaikar
Principal Advisor (BPR)

Shri B. L. Patwardhan
Advisor (BPR)

BANKERS

State Bank of India,
Bank of India,
HDFC Bank Ltd.,
Maharashtra State Co-operative Bank Ltd.

Wachovia Bank, N.A,
Standard Chartered Bank Ltd.,
ICICI Bank Ltd.

— WHOLLY OWNED SUBSIDIARY —

SARASWAT INFOTECH LIMITED

Shri A. V. Dubhashi, *B.Com., A.C.A.*
Chairman

Shri M.P. Kunkalienkar, *B.Tech.(Elec. Engg.), M.Tech (Computer Science) IIT, Mumbai*
Managing Director & Chief Executive Officer

Shri P. S. Rangnekar, *B.Tech.(Elec. Engg.), IIT, Mumbai*
Chief Operating Officer *(w.e.f. 14.11.2008)*

PERFORMANCE HIGHLIGHTS

Table A **(Rs. in Crore)**

	FOR THE YEAR ENDED		
Particulars	**31-Mar-08***	**31-Mar-09**	**% Change**
Total Income	1,177.59	1,499.92	27.37%
Total Expenditure	930.81	1,174.56	26.19%
Gross Profit	246.78	325.36	31.84%
Less: Provisions	6.63	9.75	47.06%
Less: Transfer to Special Reserve	8.31	0.00	-100.00%
Net Profit Before Tax and Exceptional items	231.84	315.61	36.13%
Less: Income Tax	29.58	74.32	151.25%
Net Profit after Tax and before exceptional items	202.26	241.29	19.30%
Less: Exceptional items	0.00	30.50	—
Net Profit	202.26	210.79	4.22%
	AT THE YEAR END		
Own Funds	**1,130.95**	**1,174.21**	**3.83%**
Share Capital	71.21	77.50	8.83%
Reserves and Surplus	1,059.74	1,096.71	3.49%
Deposits	**11,430.82**	**12,918.85**	**13.02%**
Current	881.65	916.22	3.92%
Savings	2,156.78	2,302.13	6.74%
Term	8,392.39	9,700.50	15.59%
Advances	**7,448.31**	**8,110.41**	**8.89%**
Secured	7,174.60	7,995.04	11.44%
Unsecured	273.71	115.37	-57.85%
Priority Sector	**4,557.06**	**4,940.81**	**8.42%**
% to Advances	**61.18%**	**60.92%**	-
Small Scale Industries	1,977.07	2,454.11	24.13%
Small Businessmen and Traders	687.72	556.78	-19.04%
Other Priority Sectors	1,892.27	1,929.92	1.99%
Working Capital	**13,874.10**	**15,622.82**	12.60%
Investments	**4,350.06**	**4,791.51**	10.15%
Borrowings and Refinance	**730.61**	**664.00**	-9.12%
Net NPAs (%)	**0.00**	**0.00**	**0.00**
Capital Adequacy (%)	**10.85**	**10.92**	
Number of Members			
Regular **	1,26,174	1,29,741	
Nominal	4,41,839	4,67,644	
Number of Branches	**153**	**175**	
Number of Employees	**2,834**	**2,904**	

* Figures for the last year have been restated where necessary.

** Shareholders holding fifty shares and above.

REPORT OF THE BOARD OF DIRECTORS

Dear Members,

Your Directors have great pleasure to present the Ninety-first Annual Report on the business and the operations of your Bank together with the Audited Accounts for the year ended March 31, 2009. The year under Report is, in many ways, an unprecedented period, when global economic down-turn cast a heavy shadow on all that we did. It was a nerve-twisting period to say the least and therefore, we propose to begin with recounting the global scenario that prevailed during the period under Report.

1. GLOBAL ECONOMIC CRISIS :

The on-going global financial crisis has its roots in the United States, - the main trigger of this financial disaster being the 'sub-prime loans'. The disaster took toll of and /or impaired some of the world's biggest corporates – the top five investment banks, the biggest insurance company (AIG), the biggest bank (Citibank) and the biggest auto company (General Motors), with severe economic gloom and mortification spreading all over. In short, what started off as a sub-prime crisis in the US housing mortgage sector has turned, after the failure of Lehman Brothers in September 2008, into a full-fledged global banking crisis, global financial crisis and now a global economic crisis.

The global financial crisis and the election of Mr. Barrack Obama as US President have been the greatest stories of the last financial year and have been, therefore, very widely covered by news and electronic media across the world. The global crisis not only challenged capitalism and its off-springs but it also made leaders of the world economy experience a deep dent in their a) power and knowledge to be effective; b) capacity to determine results; c) ability to control and manage change and thus d) the ability to lead. We believe, therefore, that it would suffice to state briefly the reasons that led to the massive financial meltdown, some of which are as follows:

- By the 1980s, the memories of the Great Depression had waned. In the U.S., under Ronald Reagan, thrifts had generally faded, with the economy heading to a zero savings rate. Long periods of loose monetary policies after 1980s in the US in particular played havoc with the US budget deficit. This happened in many other western countries also.
- Very low short term interest rates for long periods led to indiscriminate lending and borrowing, causing asset price bubbles.
- Large and prolonged imbalances in savings and consumption surfaced (household debt in the US which was at 60% of GDP in 1980s (Reagan years) reached a whopping 119% of their GDP by 2008 under George Bush).
- High and sustained US fiscal deficits were financed mainly by trade surpluses of China, Japan and other Asian Countries.
- High cross-border fund flows led to stress on the world financial system.
- Large capital flows in the emerging markets created unmanageable problems for the Regulators.
- Opposite movement of US Fed Fund rate and oil prices distorted prices.
- Mutating financial products in new deceptive forms became ubiquitous (like Credit Default Swaps, which began as insurance products and later became risk transfer tradable instruments).

World Response to the Global Crisis:

The Governments and Central Banks around the world have responded to the crisis in an unprecedented show of policy force. The power and awe of the timeliness and the gargantuan size of interventions by Governments and Central Banks running into trilians of dollars is still with us. The crisis has forced macroeconomic policy around the world into a clearly uncharted territory. The focus was on ensuring an appropriate response of monetary policy to asset prices, managing volatility of capital flows, introducing actively dynamic financial regulation and ensuring that authorities around the world acted in concert and in tandem. Resultantly, free economist Milton

Friedman died for the second time and dirigiste interventionist J. M. Keynes was born again.

Impact on India :

Luckily, India escaped a major and fatal injury to its economy even in the context of a full-blown global economic crisis. This happened mainly owing to (a) our high savings rate at around 34% to 35% of GDP, (b) our negligible direct exposure to complex derivatives, (c) our lesser dependence on the external sector, (d) sustained and strong domestic demand particularly in India's semi-urban and rural sector, (e) strong regulatory oversight and a well-calibrated monetary policy, (f) our sumptuous foreign exchange reserves and (g) a gradual and lower convertibility on capital account. Had these extenuating factors not been present, the Indian Economy would have been blown away like a blade of grass in the financial tsunami that we witnessed over the last financial year.

Despite the strong prevalence of domestic sources of growth, the global financial crisis interrupted the growth momentum in India. There was clear moderation in growth by the third quarter of 2008-09. This is evident from the fact that the second-half GDP growth was only 5.8%, down from 7.8% for the first half of the year and 9.0% for the previous financial year 2007-08. As compared to the agricultural sector, manufacturing and services sectors have been impacted more by the adverse external shocks and cyclical slowdown. The real GDP growth was 6.7% during FY 2008-09 as against 9% for FY 2007-08. This drop occurred as a cumulative effect of deceleration in the agriculture, industry and services sector. Industrial growth fell from 7.9% to 3.9% in FY 2008-09. The manufacturing sector growth declined from 8.9% in FY 2007-08 to 2.4% in FY 2008-09. The agricultural growth in FY 2008-09 fell from 5.5% in FY 2007-08 to 1.9% on account of kharif crop losses due to floods in many eastern and northern States of India. The services sector recorded some moderation in growth by clocking a 9.7% growth rate in FY 2008-09 as compared to 10.5% during FY 2007-08. The slowdown was particularly evident in trade and services. Industries like automobiles, textiles, diamond, IT, hotels, transport and communication were hurt the most.

Fiscal Situation :

On the fiscal side, there was a marked decrease in the revenue estimates, impacted mainly by the economic slowdown and lower tax collections. The spill-over effect of the global financial crisis on the Indian economy necessitated the introduction of fiscal stimulus measures in the form of tax cuts and of additional expenditure with a view to arrest the moderation in growth. Government expenditure went up, on the back of the fiscal incentives announced by the Government of India viz. farm loan waiver; food, fertilizer and oil subsidy; impact of the Sixth Pay Commission and hike in dearness allowance to Government employees. The rise in revenue deficit at 4.4% of GDP as well as the fiscal stimulus packages resulted in the increase of the Gross Fiscal Deficit (GFD) for FY 2008-09 to reach 6%. Consequently, the targets set for deficit at the beginning of the year at 2.5% could not be attained, thereby necessitating deferment of the mandated deficit under the Fiscal Responsibility and Budgetary Management (FRBM) Act, 2003. For FY 2009-10, the fiscal deficit is estimated at 5.5% at the Central level. Considering the possibilities of additional outlays by the new Government, the gross fiscal deficit (States + Centre) is likely to reach 11%. This rise in fiscal deficit for FY 2009-10 will be met by huge Government borrowings.

The Indian Rupee depreciated sharply during FY 2008-09, on account of pressure on the country's balance of payments and draw-down of foreign exchange reserves. The Indian Rupee, which stood at Rs. 39.99 to a US dollar at March end 2008, fell to Rs. 52.09 during the first week of March 2009 to finally recover to Rs. 50.95 at March end 2009, showing a depreciation of 27.41% on a year on year (y-o-y) basis.

India's Foreign Exchange Reserves were US $ 252.00 billion as at March end 2009, showing a decrease of US $ 57.70 billion from US $ 309.70 billion, a year ago.

On the inflation front, the headline inflation, in the form of Wholesale Price Index (WPI), spiralled upwards to its intra-year peak of 12.91% in August, 2008 and fell to 0.28% in March 2009. The sharp volatility in international commodity prices, particularly in crude oil and metals, contributed significantly to the spiralling inflation in the first half of the year. However, the reversal of oil and metal prices due to the global financial crisis resulted in a lower WPI. Unlike the WPI-based inflation, inflation based on various consumer price indices

(CPI) remained in the 9 to 10% range. This was mainly due to elevated prices of food articles, which form a major component of CPI.

Domestic equity markets weakened sharply owing to recession in the world economy, slowing of industrial growth, lower corporate earnings and huge FII outflows.

Monetary and Liquidity Conditions:

Broad Money (M3) growth, on a y-o-y basis moderated and remained at 18.4% at end-March 2009, which was lower than 21.2% a year ago and also below RBI's projected level of 19% for FY 2008-09. Decline in bank credit to the commercial sector and reduction in net foreign exchange assets of the banking sector resulted in moderation in broad money (M3) growth. Non-food credit growth experienced a downswing to 17.5% at March end 2009 as compared with 23%, a year ago.

Measures taken by RBI:

In order to address the severe liquidity crunch, the Reserve Bank of India introduced a slew of measures since mid-September 2008, viz. reduction in CRR from 9% to 5%, SLR from 25% to 24%, buyback of MSS securities, opening of new refinancing windows, increase in ceilings on non-resident deposits and easing of restrictions on external commercial borrowings and on short-term trade credits. Policy rates were also cut – repo by 400 bps from 9% to 5% and reverse repo by 250 bps from 6% to 3.50%.

The fiscal and monetary stimulus measures initiated during FY 2008-09 coupled with lower crude and metal prices somewhat cushioned the down-turn in growth momentum in FY 2009-10. While the domestic financial situation is improving, external financial environment will remain tight. Therefore, investment demand will be at a lower ebb. On balance, with the assumption of a normal monsoon, the GDP growth for FY 2009-10 is expected to be around 7% to 7.5%, going forward.

Overall Assessment:

Overall, however, in the context of the severity of the crisis in the economies worldwide, the growth outcome in our country reflects the resilience of the Indian economy. As a nation, we are now strategically poised on a growth curve. India is increasingly exhibiting many of the characteristics which Japan, Korea and China showed during their economic take-off and therefore India seems to have embarked on a structural economic take-off stage. In the short run, global developments notwithstanding, India has to strive to retain at least the present sovereign rating and boost the confidence of the private sector to invest more.

2. MAJOR DEVELOPMENTS IN THE BANKING INDUSTRY IN INDIA :

- The spill-over effects of the global financial crisis evident in the macro-economic performance of the Indian economy impacted Indian Banks only marginally as most of the Indian Banks did not have direct exposure to toxic assets.
- Banking industry continued to grow both in terms of deposits and advances. The growth was sluggish, though it was in keeping with the previous year growth in case of public sector banks. Global financial crisis shook the trust of depositors and borrowers alike in foreign banks and private banks in general and also in co-operative banks (which are also private banks run under the co-operative laws and principles). Following the fall of Lehman Brothers in USA, there was a hectic and dramatic shift in deposits and advances in India from private and co-operative Banks to public sector banks, because public sector banks are seen working as proxy to Government and they also enjoy an implied sovereign guarantee. As far as private and co-operative banks are concerned, this guarantee is limited to the amount guaranteed by the Deposit Insurance and Credit Guarantee Corporation of India Ltd. (DICGC). With such a heavy shift of business to public sector banks, the overall growth of deposits of foreign banks and private sector banks was between 7.8% and 8% and growth in their advances was between 4% and 10.9%, during the FY 2008-09. Your Bank's business growth in particular seems to have followed a similar pattern, though it was somewhat on the higher side.
- An important development during the year was the change in the Governorship of the Reserve Bank of India. Dr. D. Subbarao took over as the new Governor of the Reserve Bank of India on 5th September 2008. The

Governor has received accolades from financial experts for his astute management of the financial crisis. Fresh in the saddle, when the crisis happened, he faced heavy odds. He came into office, when in India and around the world, run-away inflation was the overriding concern. In less than a month, it turned into the biggest global recession of our times with threats of the global economy sliding into depression. The Indian Government and the Governor of RBI, acting in tandem, brought the economy out of the woods, to the relief of everyone.

- The aggregate of export credit refinance facility for scheduled banks was enhanced from 0.15% to 0.50% of the outstanding export credit eligible for refinance.
- The provisioning requirements for all types of standard assets were reduced to a uniform level of 0.40%, except for direct advances to the agricultural and SME sector.
- Banks were allowed to apply special regulatory treatment for accounts, which were standard assets on 1st September, 2008 and were taken up for restructuring upto 31st January, 2009, even if these had turned into non-performing assets around this period. Subsequently, the time schedule for taking up the restructuring exercise was extended upto 31st March, 2009.
- The first Currency Futures Exchange was launched at Mumbai in September 2008, whereby bankers/customers were given an additional platform to transact in foreign currency.
- The scope of the Banking Ombudsman Scheme, 2006 was widened. Under the amended scheme, customers can lodge complaints against banks for non-adherence to the provisions of the fair practices code for lenders or the code of banks' commitment to customers, issued by the Banking Codes and Standards Board of India (BCSBI).
- RBI allowed Scheduled Commercial Banks (SCBs) to set up offsite ATMs, without prior approval.
- For the time-being, Reserve Bank of India has decided to continue with the current policy and procedures governing the presence of foreign banks in India as against the gradual enhancement of presence of foreign banks in a synchronized manner as required under WTO.
- The Reserve Bank of India has rationalized various charges for payment systems, viz. outward RTGS/NEFT transactions. RBI has also prescribed maximum charges for collection of outstation cheques.

3. THE URBAN CO-OPERATIVE BANKING (UCB) SECTOR:

- Over the past three years, after many State Governments signed MOUs with the RBI, the latter through a meticulous and measured regulatory exercise, has been successful in turning around many sick UCBs and introducing increased discipline and consolidation in the sector. This is a huge achievement by any standard. The RBI's unprecedented success in restoring all-round health of the UCBs will be written in golden letters in the annals of Banking Regulation in India. This augurs well for the future of the UCB sector.
- RBI has linked the risk weights on home loans provided by UCBs to the loan to value (LTV) ratio of the advance amount.
- RBI has notified that approvals for branch expansion including off-site ATMs in respect of UCBs will henceforth be considered based on their Annual Business Plans, subject to certain criteria.
- RBI has modified the guidelines on the asset liability management (ALM) system for scheduled UCBs and Tier II UCBs. RBI has also issued guidelines for the liquidity risk management system in Tier I UCBs.
- RBI has decided to dispense with the minimum net worth criteria for UCBs undertaking insurance business as corporate agents, without risk participation.
- RBI has permitted well-managed and financially sound multi-state UCBs to set up onsite ATMs without prior approval of the RBI.
- In view of the limited avenues available to UCBs for raising capital, the UCBs were provided with options such as preference