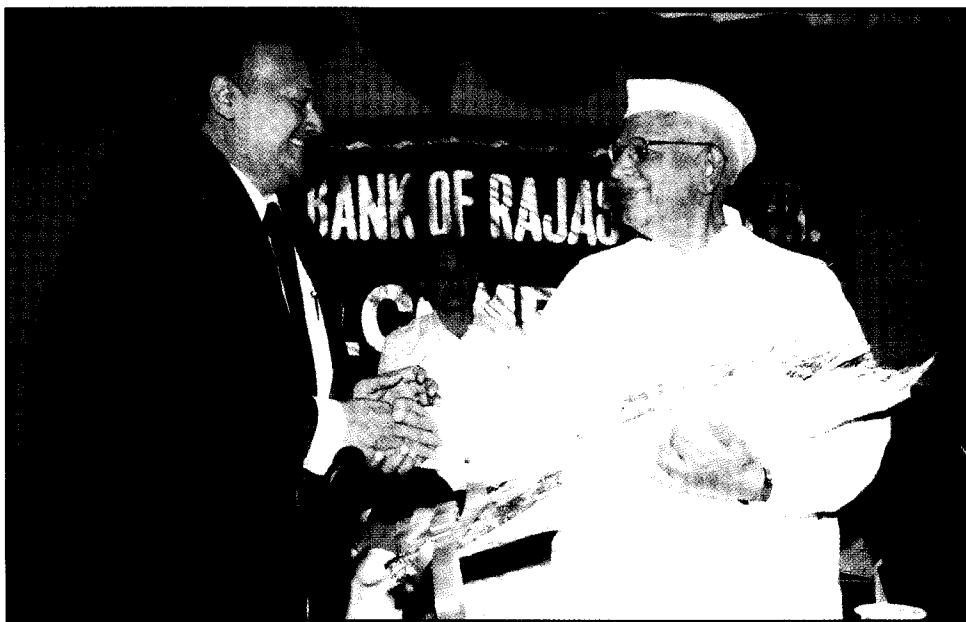




THE BANK OF RAJASTHAN LTD.



63rd Annual Report 2005 - 2006



Dr. P. K. Tayal welcomes Shri. N. D. Tiwari, Chief Minister of Uttaranchal Pradesh at the opening ceremony of Dehradun Branch

Report Junction.com



Chief Justice of Maharashtra & Goa Shri. K. R. Vyas awards doctorate degree to our promoter director Dr. P. K. Tayal



THE BANK OF RAJASTHAN LTD.

BOARD OF DIRECTORS

Chairman of the Board Meeting

Dr. Pravin Kumar Tayal

Managing Director & CEO

Shri B.M. Sharma

Directors

Shri B.R. Gupta
 Shri P.P. Kapoor
 Shri A.N. Chakrabarti
 Shri Anil Anand Rao
 Shri Niraj Tayal
 Shri P.N. Bhandari
 Shri K.N. Bhandari
 Shri Magh Raj Calla

RBI Observer

Shri P.K.K. Krishnan

Dy. Managing Director

Shri Vinod Juneja

Executive Director

Shri Deepak Saruparia

Company Secretary

Shri D.K. Jain

Solicitors, Advocates & Legal Advisors

M/s Paras Kuhad & Associates

Statutory Auditors

M/S Chokshi & Chokshi
 Chartered Accountants, Mumbai

Registered Office:

Clock Tower, Udaipur-313 001

Central Office:

C-3, Sardar Patel Marg, C-Scheme, Jaipur-302001

Corporate Office:

11/12, Raghuvanshi Mills Compound,
 Senapati Bapat Marg, Lower Parel (West),
 Mumbai-400 013

CONTENTS

Notice	2
Report of the Board of Directors	6
Report on Corporate Governance	14
Balance Sheet	30
Profit & Loss Account	31
Schedules	32
Auditor's Report	52
Cash Flow Statement	53



THE BANK OF RAJASTHAN LTD.

Regd. Office : Clock Tower, Udaipur (Rajasthan)

NOTICE

Notice is hereby given that the Sixty Third Annual General Meeting of the members of The Bank of Rajasthan Ltd. will be held at Hotel India International, 63, Sardarpura, Udaipur on Friday the **8th September, 2006** at Udaipur at 10.00 AM to transact the following business:

(A) ORDINARY BUSINESS:

1. To receive, consider and adopt the Report of the Board of Directors and audited Balance Sheet as of 31st March 2006 and the Profit and Loss Account for the period ended on that date.
2. To declare dividend.
3. To appoint a Director in place of Dr. Pravin Kumar Tayal, who retires by rotation under Article 119 of the Articles of Association of the Bank and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Anil Anand Rao, who retires by rotation under Article 119 of the Articles of Association of the Bank and, being eligible, offers himself for reappointment.
5. To appoint Auditors and fix their remuneration.

(B) SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution :-

RESOLVED THAT the Company hereby confirms and ratifies the action of the Board of Directors in revising remuneration of Shri B.M. Sharma, Managing Director & Chief Executive Officer of the Bank, as approved by the RBI vide its letter DBOD No.657/08.31.001/2005-06 dt. 05.04.2006 as under:

1. Salary revision from Rs. 12.00 lacs p.a. to Rs. 17.00 lacs p.a. w.e.f. 01.04.06.
2. Payment of incentive - Rs. 4.25 lacs (i.e. 25% of the basic salary) subject to the conditions of attainment of the business targets prescribed by the Bank's Board.

7. To consider and, if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution :-

RESOLVED THAT Shri P.N. Bhandari who holds office upto the date of this Annual General Meeting as per provisions of Article 103 of the Articles of Association of the Bank, be and is hereby appointed as a Director of the Bank.

8. To consider and, if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution :-

RESOLVED THAT Shri Magh Raj Calla who holds office upto the date of this Annual General Meeting as per provisions of Article 103 of the Articles of Association of the Bank be and is hereby appointed as a Director of the Bank.

9. To consider and if thought fit, to pass with or without modification, the following resolution as a Ordinary Resolution :-

RESOLVED THAT Shri K.N. Bhandari who holds office upto the date of this Annual General Meeting as per provisions of Article 103 of the Articles of Association of the Bank be and is hereby appointed as a Director of the Bank.

10. To consider and if thought fit, to pass with or without modification, the following resolution as a Ordinary Resolution :-

RESOLVED THAT the existing Clause 5 of the Memorandum of Association of the Company be and is hereby substituted by following:

"5- The Capital of the Company is Rs.400,00,00,000/- (Rupees four hundred crores only) divided into 40,00,00,000 ordinary shares of Rs. 10/- each with power to the Company to increase / decrease / or consolidate the said capital and to divide it in accordance with the Company's regulations and legislative provisions for the time being in force in that behalf."

11. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :-

RESOLVED THAT the existing Clause 3(a) of the Articles of Association of the Company be and is hereby substituted by the following :-

“The Authorised Capital of the Company is Rs.400,00,00,000/- (Rupees four hundred crores only) divided into 40,00,00,000 ordinary shares of Rs. 10/- each.”

12. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :-

RESOLVED THAT all the Equity Shares of the Company be delisted from Jaipur Stock Exchange Ltd., Jaipur w.e.f. 01.04.2007, in accordance with the relevant laws, rules, regulations and guidelines (including any statutory modification(s) or re-enactments thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions as may be necessary and in compliance with such conditions and modifications as may be prescribed for this purpose.

RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred by the Board) be and is hereby authorised to seek voluntary delisting, to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in regard to delisting of the Equity Shares and to execute all such deeds, documents, writings as may be necessary, desirable or expedient as may be deemed fit and for this purpose, to delegate the authority duly vested in it by virtue hereof to the Managing Director or the Company Secretary or any other person whom the Board may consider suitable to do the various acts, deeds and things as required to be done in this behalf.

By Order of the Board of Directors

D.K. JAIN

Company Secretary

Place : Mumbai

Date : 22.07.06

EXPLANATORY STATEMENT (Pursuant to Section 173 of the Companies Act, 1956)

ITEM 6

In terms of provisions of the Articles of Association of the Bank, the Board of Directors in its meeting held on 25.02.06 approved revision in remuneration of Shri B.M. Sharma as Managing Director & CEO of the Bank as per detail mentioned in the resolution, subject to approval of the Reserve Bank of India. The Reserve Bank of India vide its letter DBOD No.657/08.31.001/2005-06 dt. 05.04.2006 approved revision in the remuneration of Shri B.M. Sharma, Managing Director & CEO. A disclosure u/s 302 of the Companies Act, 1956 has already been sent to the shareholders on 22.04.06 in this respect.

None of the Directors, except Shri B.M. Sharma, is interested or concerned in the above resolution.

ITEM 7 to 9

Shri P.N. Bhandari, Shri Magh Raj Calla & Shri K.N. Bhandari were appointed as Additional Directors on the Board of the Bank by the Board in its meeting held on 25.02.2006. They shall hold the offices as such upto the date of ensuing annual general meeting pursuant to provisions of section 260 of Companies Act, 1956. Pursuant to provisions of section 257 of Companies Act, 1956, the Bank has received three notices from members signifying their intention to propose above directors as candidates for the offices of Directors of the Bank and the requisite deposit of Rs. 500/- each have also been received with the said notices.

They shall be liable to retire by rotation. The Board of Directors recommends their appointment.

Brief Resume of Shri P.N. Bhandari

Shri Bhandari born on 07.03.41, is B.A. L.L.B. He retired from Indian Administrative Service in 2001. Shri Bhandari has vast experience in the field of Agriculture and Rural economy by virtue of his being the Vice Chancellor of Udaipur Agriculture University from 1981 to 1985 and working as Collector in different rural districts of Rajasthan during 1971 to 1979. Shri Bhandari has special knowledge in the sector of Agriculture and Rural Economy in terms of Section 10A(2) of the Banking Regulation Act, 1949.

He is not having any directorship in any other company. His shareholding in the company is NIL.

Brief Resume of Shri Magh Raj Calla

Shri Magh Raj Calla born on 12.03.41, is M.Sc., L.L.B. Shri Calla has rich experience in legal matters. He was Judge of the High Courts of Gujarat and Rajasthan and retired as the Acting Chief Justice of Rajasthan High Court. He was the

Chairman of the Bar Council of Rajasthan and is, at present, a practicing Senior Advocate, Supreme Court of India. Shri Calla has special knowledge in the sector of Law in terms of Section 10A(2) of the Banking Regulation Act, 1949.

He is not having any directorship in any other company. His shareholding in the company is NIL.

Brief Resume of Shri K.N.Bhandari

Shri K.N. Bhandari born on 01.03.42, is B.A. L.L.B. Shri Bhandari has vast experience of 40 years in financial and insurance matters. He was Chairman-cum-Managing Director of United India Insurance Company Ltd (1998-2000) and New India Assurance Company Ltd (2000 to 2002). Shri Bhandari has special knowledge in the sector of 'Finance & insurance' in terms of section 10A (2) of the Banking Regulation Act, 1949.

He is having directorship in M/s Hindalco Industries Limited, M/s Saurashtra Cement Ltd, M/s Andhra Cements Limited, M/s Agriculture Insurance Co. of India, M/s Su-raj Diamonds & Jewellery Limited and M/s SREI Venture Capital Limited. He is having membership in various Committees of Board in other companies as under:

S.No	Name of the Company	Name of Committee	Office Held
1.	M/s Agriculture Insurance Co. of India	Audit Committee	Chairman
2.	M/S Andhra Cements Ltd.	Audit & Remuneration Committees	Member

He is honorary director in Centre for Insurance Studies and Research, National Law University, Jodhpur and is also a member of various committees of IRDA.

His shareholding in the company is NIL.

Shri P.N. Bhandari, Shri Magh Raj Calla & Shri K.N. Bhandari are interested in their respective resolution. No other director of the Bank is, in any way, concerned or interested in the above resolutions.

ITEM 10

As per RBI guidelines, Banks are required to augment their capital funds to ensure continued compliance with the regulatory minimum CRAR. With the transition to the new capital adequacy framework (Basel II), banks are required to further shore up their capital fund to meet the requirements of additional capital on account of market risk and operational risk as well as to support the expansion of its business activities. CRAR of the Bank as on 31.03.06 is 10.60%. To meet out the continuous increasing requirement of CRAR, the Bank has planned to raise its own funds from existing level of Rs. 316.94 crores as on 31.3.2006 to Rs.1500 crores by 2009 in a phased manner.

The shareholders in the 62nd Annual General Meeting accorded the consent to further issue of capital for an aggregate amount not exceeding Rs. 1000 crores or equivalent thereof. Pursuant to the said consent, the Bank is in the process to raise share capital by way of Rights Issue along with warrants aggregating to about Rs.650 crores including premium. The Rights Issue will open after obtaining statutory approvals.

In view of above, it has become necessary to increase the capital of the Bank. It has, therefore, been proposed by the Board of Directors that the Authorized Capital of the Bank be raised from Rs. 250 crores to Rs. 400 crores divided into 40 crores ordinary shares of Rs. 10/- each by substituting Clause 5 of the Memorandum of Association.

None of the Directors of the Company is, in any way, concerned or interested in the above resolution.

ITEM 11

The Resolution seeks to amend Article 3(a) of Articles of Association of the Bank for raising the Authorized Capital of the Company from Rs. 250 crores to Rs. 400 crores in conformity with Clause 5 of the Memorandum of Association as mentioned in Item-10 above.

None of the Directors of the Company is, in any way, concerned or interested in the above resolution.

ITEM 12

Presently, the Company's securities are listed on the following three Stock Exchanges in India :

1. Jaipur Stock Exchange Ltd., Jaipur (JSE - Regional Stock Exchange).
2. Bombay Stock Exchange Ltd., Mumbai.(BSE)
3. The National Stock Exchange of India Ltd., Mumbai (NSE).

Except BSE & NSE, trading of the Company's shares at Jaipur Stock Exchange Ltd., is negligible. With the extensive networking of the BSE & NSE and their terminals to other cities as well, investors have access to online dealings in the Company's securities across the country.

The Company's equity shares are being traded only in dematerialised form. In view of the extremely low trading volumes, the benefits accruing to the investors by keeping the shares of the company listed on Jaipur Stock Exchange Ltd., are not commensurate with the costs incurred by the Company for continued listing on Jaipur Stock Exchange Ltd.

The Securities and Exchange Board of India (SEBI) has issued the SEBI (Delisting of Securities) Guidelines, 2003. Under

these Guidelines, voluntarily delisting of shares from one or more stock exchanges have been permitted including regional stock exchange without buy-back of shares provided the securities of the Company have been listed for a minimum period of three years on any stock exchange and a public announcement in prescribed manner is published in newspaper.

The members' approval is being sought by way of a Special Resolution for delisting of Company's equity shares from Jaipur Stock Exchange Ltd. w.e.f. 1.4.2007.

Your Directors recommend the Special Resolution for approval by the Members.

None of the Directors of the Company is, in any way, concerned or interested in the above resolution.

By Order of the Board of Directors

D.K. JAIN
Company Secretary

Place : Mumbai
Date : 22.07.06

Notes :

1. A member entitled to attend and vote is also entitled to appoint a proxy to attend and on a poll to vote, instead of himself and the proxy need not be a member of the Company. Proxies, in order to be effective must be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting. A proxy so appointed shall not have any right to speak at the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 2nd September 2006 to Friday, the 8th September 2006 (both days inclusive).
3. The dividend, as recommended by the Board of Directors, if declared at this Annual General Meeting for the year 2005-06 will be paid on or after 11th September 2006 to those members whose names appear in the Register of Members of the company/statements of beneficial ownership furnished by the Depositories, as on close of business hours on 01.09.2006.
4. All documents referred to in the Notice and Explanatory statement are open for inspection at the Registered Office of the Bank during the office hours on all working days, except public holidays, between 11.00 AM and 1.00 PM upto the date of the Annual General Meeting.
5. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
6. To provide prompt services to our esteemed shareholders, we are using the scheme of Electronic Clearing Service – Credit Clearing (ECS Scheme) of the Reserve Bank of India for payment of dividend. If you are holding shares in physical form and reside at specified centres, you are requested to send your consent on the enclosed ECS mandate form. If you do not wish to opt for ECS facility, please provide details of your bank name, type of account and account number for printing the same on dividend warrant. If you are holding shares in demat form the Bank will use the bank account particulars furnished by you to your depository participant upto 01.09.2006.
7. Under Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in prescribed form (which will be made available on request) to the Bank
8. Shareholders/Proxy-holders desiring to attend the meeting are requested to kindly bring their copies of Annual Reports for reference at the meeting.
9. Members, who hold shares in the DEMATERIALISED FORM, are requested to bring their depository account number for identification and statement of their shareholding from DP as on a latest date.
10. Since the Company's shares are in compulsory demat trading, to ensure better service and elimination of risk of holding shares in physical form, we request shareholders holding shares in physical form to dematerialise their shares at the earliest.
11. As required under Clause 49 of the Listing Agreement, the bio-data of Directors who are retiring by rotation and are eligible for reappointment, have been furnished in the report on corporate governance in this annual report.
12. Members are requested to promptly notify any change in their addresses to the Depositories in case shares are held in Demat form and to the Bank in case shares are held in physical form.



THE BANK OF RAJASTHAN LTD.

REPORT OF THE BOARD OF DIRECTORS

Esteemed Shareholders,

Your Directors have great pleasure in presenting to you the 63rd Annual Report of the Bank together with the Audited accounts for the year ended 31st March 2006.

PERFORMANCE HIGHLIGHTS

The performance highlights for the financial year 2005-06 as reflected in key financial indicators are as under: -

	(Rs. in crores)		
	FY 2005 -06	FY 2004 -05	Increase %
Deposits	8891.28	8120.31	9.49
Advances	4064.97	2896.17	40.36
Investments	2566.54	3514.67	(26.98)
Total Income	601.02	586.12	2.54
Total Expenditure	585.77	551.10	6.29
Operating Profit	28.90	82.45	(64.95)
Net Profit after tax	15.25	35.01	(56.44)
Transfer from Investment			
Fluctuation Reserve	56.80	-	
Profit /(Loss) brought forward	3.17	1.22	
Appropriations			
Transfer to statutory reserve	3.82	8.76	
Transfer to investment			
fluctuation reserve	-	8.90	
Transfer to Capital Reserve			
for investment	0.12	1.02	
Transfer to general reserve	0.38	0.90	
Proposed Dividend	2.69	11.83	
Dividend Tax	0.37	1.66	
Balance Carried over to			
Balance Sheet	67.84*	3.16	
Business Ratios(%)			
Return on Assets (ROA)	0.19	0.38	
CRAR	10.60	12.75	
Net NPA	0.99	2.50	

* It includes Rs.56.80 crores transferred from IFR in terms of RBI circular (See note 2.4 of schedule – 18).

NET PROFIT & DIVIDEND

The net profit for the year after provisions and taxes amounts to Rs.15.25 crores.

Keeping in view overall performance of the Bank and the parameters indicated by RBI, your Directors are pleased to recommend a dividend of 2.50% for the year ended on 31.03.2006, which is in conformity with the current RBI guidelines.

CAPITAL, RESERVES AND CAPITAL ADEQUACY RATIO

The Bank has not issued equity shares during the year. With the transfer of profit to reserves the Bank's Capital adequacy ratio as on 31st March 2006 stands at 10.60%.

LISTING AGREEMENT WITH STOCK EXCHANGES

Pursuant to requirement of Listing Agreement, the Bank declares that its shares are listed on Stock Exchanges at Bombay (BSE), Jaipur and National Stock Exchange. The Bank confirms that it has paid annual listing fees due to stock exchanges up to year 2006-07. Tier II bonds (Series III & IV) are also listed at Bombay Stock Exchange.

The Calcutta Stock Exchange Association Ltd., vide their letter dt. 05.12.05 approved delisting of the Bank's shares w.e.f. 30.03.2005.

TREASURY & INVESTMENT MANAGEMENT

The Bank is a member of Negotiated Dealing System (NDS)/Clearing Corporation of India Ltd. (CCIL) and transactions in Government Securities are carried out through scripless electronic media with online settlement.

The Bank has joined Real Time Gross Settlement (RTGS) system of Reserve Bank of India in June, 2004, which has eliminated settlement risks and has reduced transaction cost and facilitated better funds management by the Bank.

The Bank reduced its investments in SLR and Non-SLR securities from Rs.3514.67 crores as on 31.03.2005 to Rs.2566.54 crores as on 31.03.2006 keeping in view the increasing interest rate scenario during the year. The level of SLR and Non-SLR Investments amounted to Rs.1995.43 crores and Rs.571.11 crores respectively as on 31.03.2006. A prudent management of the Investment portfolio enabled your Bank to achieve a yield of 7.27 % on its Investments.

The Bank has so far transferred a sum of Rs.56.80 crores to Investment Fluctuation Reserve Account, which is equivalent to 6.70 % of the Investment Portfolio in Held For Trading (HFT) and Available For Sale (AFS) categories. In accordance with RBI circular DBOD NO.BP/BC.38/21.04.141/2005-06 dated 10.10.2005 the Investment Fluctuation Reserve is treated as Tier I capital and for this purpose the balance therein has been transferred " below the line" to the Profit & Loss account as on 31.03.2006.

DEPOSITS & ADVANCES

Total deposits of your Bank increased from Rs. 8120.31 crores to Rs.8891.28 crores while the core deposits (excluding Interbank deposits) increased from Rs.6508.08 crores to Rs.7466.41 crores showing a growth of 14.73 % over the previous year.



THE BANK OF RAJASTHAN LTD.

Total advances of the Bank increased from Rs.2896.17 crores to Rs.4064.97 crores registering a growth of 40.36% during the year under review.

The Bank also reviewed its Benchmark Prime Lending Rate (BPLR) and revised the same from 11% to 12% w.e.f. 1.2.2006.

During the year under report the Bank also strengthened its credit approval and monitoring process which enabled the Bank to keep under check the incidence of slippage of borrowal accounts into NPA category. Fresh NPAs during the year constitute only 0.37% of total advances.



Performing the resolution of "Hum Honge Kamyab" at Business Performance Review Meeting of Select Regional Heads and Branch Managers held on 3/4 Dec, 2005 at Udaipur

PRIORITY SECTOR & RETAIL BANKING

The Bank's advances to priority sector (including eligible investments) as a proportion of adjusted net bank credit stood at 30.3% as on the last reporting Friday of March 2006 as against stipulated 40%. These advances registered a growth of 19.88% from Rs.1047.79 crores in FY 2004-05 to Rs.1256.11 crores in FY 2005-06. The Bank is giving importance to lending under agriculture sector in consonance with the guidelines of the Government of India and Reserve Bank of India. The sectorwise break up of total priority sector advances outstanding as on last reporting Friday of the Financial Year 2005-06 is as under :-

(Rs. in crores)		
Sector	FY 2005-06	FY 2004-05
Agriculture	566.54	343.54
Small Scale Industries	211.27	222.60
Other Priority Sectors	478.30	481.65
Total	1256.11	1047.79

Responding to the call for doubling the flow of credit to farm sector in three years period, the Bank launched a farmer friendly scheme "Raj Bank Kisan Green Card" (RBKGC) scheme with the objective to provide easy accessibility of institutional credit with hassle free procedure.

The main attraction of the new scheme is a "Whole Farm" approach under which every credit need of the farmer is taken care of. Valuation of agriculture land or annual income of the farmer is the basis for arriving at the extent of line of credit to the prospective beneficiary. The scheme provides flexibility for taking financial decisions and managing them as per the requirements of the farmer.

The Bank's premier product Raj Bank Kisan Credit Card (RBKCC) Scheme has gained popularity amongst farmers' community with its unique tailor-features made suit farmers' requirements. The Bank issued 5268 cards with credit limit of Rs.24.92 crores up to 31.03.06 to farmers for fulfillment of their various credit needs including personal expenses.



Opening of Rajasthan Swarojgar Vikas Sanssthan at Udaipur- sponsored by the Bank

In order to promote rural development and self employment particularly in rural areas the Bank set up a training institute named as "RAJASTHAN SWAROJGAR VIKAS SANSTHAN (RSVS) at Udaipur. The Institute will provide training to rural unemployed youth and hold their hand for self employment. The Mission of the Institute will be "channelising youth power in wealth creation through Entrepreneurship Development and empowering rural population to share the economic progress equitably."

In its endeavour to serve weaker sections of the society, the Bank is actively participating in various Government sponsored poverty alleviation programmes. With the twin objective of eradicating menace of poverty and generating employment to rural and urban population through Govt. sponsored programmes like PMRY, SGSY, SJSRY and different SCDC schemes, the Bank is sharing its responsibility in socio economic development.

"Apna Ghar" home loan scheme, the main constituent of retail advances, has proved to be a strong brand of the Bank's different credit products. Keeping pace with the changing market conditions, the Apna Ghar housing scheme has been revamped on regular basis to maintain an edge over other market players. Implementation of "Hub and Spoke" module has facilitated faster processing of loan applications



THE BANK OF RAJASTHAN LTD.

which coupled with competitive interest rates has given a healthy growth in home loan portfolio of the Bank. The Bank disbursed a sum of Rs. 106.11 crores under housing sector during the year 2005-06 and total advances to housing sector increased to Rs. 353.24 crores at the end of the year including investments to HUDCO, NHB, NIWAS Trust, etc., reckoned as Priority sector.

Keeping pace with the changing financial scenario, fresh disbursement of Rs.188.73 crores were made to Retail Sector and consequently the total advances to Retail Sector increased by Rs.66.78 crores to touch Rs.457.78 crores by the year end.

Consumer Loans rose to Rs.87.10 crores at the end of the year 2005-06.

Operations of Mewar Aanchalik Gramin Bank (MAGB), Udaipur :

The deposits of MAGB increased to Rs.230.76 crores as on 31.03.06 against Rs.201.54 crores as on 31.03.05. The advances registered a growth of 12.85% and reached Rs.69.03 crores as on 31.03.06 against Rs.61.17 crores as on 31.03.05. MAGB has taken up ambitious plan of computerization of its head office & the branches. While the operations at Head Office are fully computerized, 53 out of 58 branches covering more than 95% of its business have also been computerized. MAGB is also participating actively in providing Mewar Bank Kisan Credit Card and Swarojgar Credit Card in the service area of Bank in Udaipur & Rajsamand districts of southern Rajasthan.

ASSET QUALITY MANAGEMENT

The Bank is concentrating on the following areas for management of NPAs in order to keep the quality of its loan assets high :

1. Preventing slippage of standard assets to the category of NPAs by timely identification and taking corrective action by close monitoring of the borrowal account.
2. Restructuring of viable NPAs and impaired standard assets under CDR scheme whichever feasible.
2. Upgradation of assets through constant monitoring and establishing dialogue with the borrower.
3. Effecting recovery through persuasion and / or legal remedy as also mutual settlement.

The Bank issued notices under Securitisation Act to 509 number of defaulters involving dues of Rs. 81.69 crores and settlement / compromise were done in 153 number of cases for Rs.15.41 crores.

Accordingly, your Bank was able to effect recoveries to the tune of Rs.12.32 crores in high value NPAs with outstanding amount of Rs. 50.00 lacs and above during the year. Similarly, substantial recoveries to the tune of Rs. 19.60 Crores were effected in small NPAs having

outstanding amounting up to Rs.50.00 lacs, which amounts to 82.60% of the target set for the year.

All these measures helped in containing the growth of NPAs in spite of considerable growth of advances portfolio and ensured reduction of Rs.23.67 crores in NPAs.

Besides, NPAs amounting to Rs.12.11 crores were upgraded to the category of Performing Assets. Thus, the total recovery / up gradation made during the year 2005-06 works out to Rs.44.03 crores as against Rs.93.16 crores in the previous year.

Your Bank has also exercised its right under the Securitisation Act with vigour and issued 509 notices to the defaulting borrowers/guarantors compelling them to come forward with reasonable settlement proposals for liquidation of the dues of the Bank. Your Bank has accordingly made a good recovery of Rs.31.92 crores in 7109 NPA accounts. Your Bank has also undertaken an extensive drive to execute decrees for enforcing recovery in hard core accounts by resorting to attachment, taking possession and sale of properties. In this way your Bank could recover Rs.10.97 crores in decreed accounts.

Your Bank approved compromises in 3556 accounts, effecting aggregate recovery of Rs. 9.91 crores during the year.

To accelerate the pace of recovery in small value accounts as many as 172 recovery camps were organized by the Regional Offices where an aggregate recovery of Rs. 2.40 crores was effected in 2291 accounts.

Besides this, your Bank effected significant recoveries amounting to Rs. 9.43 crores in 4304 written off accounts, which also added to net profit of the Bank.

The financial health of the Bank has been enhanced as a result of the initiatives taken by the Bank in improving asset quality and recoveries effected as also by making provisions in respect of Gross Non Performing Advances in accordance with the guidelines prescribed by Reserve Bank of India. Net NPAs as at the end of 31.03.2006 have been brought down to Rs.40.18 crores from a level of Rs.72.25 crores as of 31.3.2005. Thus, the proportion of Net NPAs to Net Advances has been reduced from 2.5% in 2004-05 to 0.99% as on 31.3.2006.

INTERNATIONAL BANKING

During the year under report, the total Forex turnover handled by the Bank amounted to Rs. 9281.14 crores, as compared to Rs. 8476.00 crores during 2004-05, registering a growth of 9.5%. Foreign Exchange Business was started at Panipat w.e.f. 24.05.2005 taking the total number of forex branches to 21. A SWIFT upgradation programme has been taken in hand to provide SWIFT connectivity to all forex branches for accurate and speedy transmission of international trade related messages.

The total Export credit as on 31.3.2006 amounted to