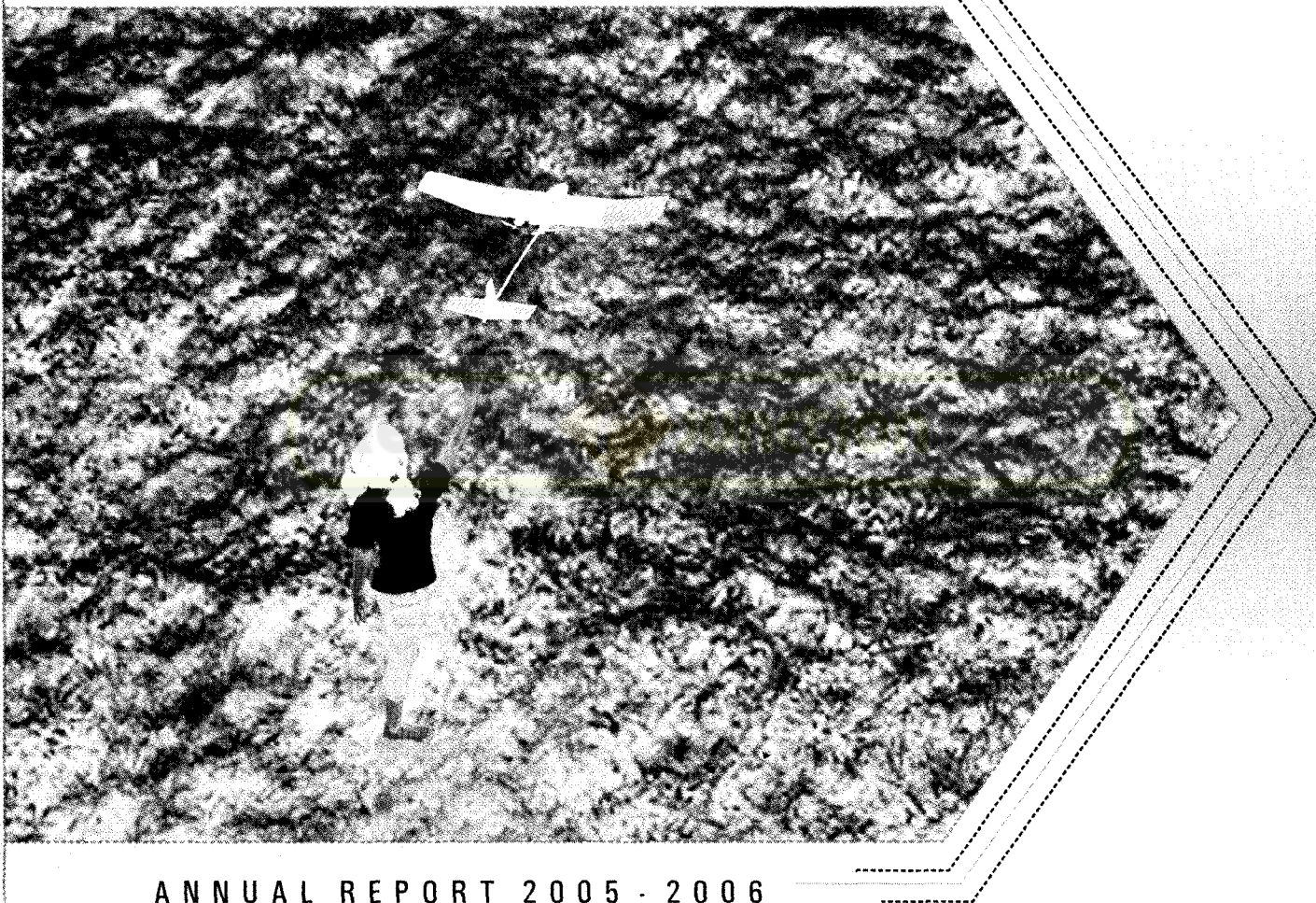


GROWTH BEYOND BOUNDARIES!



ANNUAL REPORT 2005 - 2006



**Centurion**  
Bank of Punjab

# Centurion Bank of Punjab Ltd.

## Branch Network

### PUNJAB - (69)

Abdhar  
Amritsar - (6)  
• Court Road - (2)  
• Fatehgarh Churian Road  
• Guru Nanak Dev University  
• Golden Temple, Shopping Complex  
• Ranjit Avenue  
Baghapurana  
Banga  
Barnala  
Batala  
Bhatinda  
Faridkot  
Fazilka  
Ferozepur  
Garhshankar  
Goraya  
Gurdaspur  
Hoshiarpur  
Jagraon  
Jalandhar - (8)  
• Civil Lines - (2)  
• Deaf and Dumb School,  
G.T. Road  
• Kapurthala Chowk  
• Mahavir Marg  
• Model Town  
• PAP Complex,  
G.T. Road  
• Urban Estate, Phase I  
Kapurthala  
Khanna  
Kotkapura  
Kurali  
Ludhiana - (9)  
• Bhai Randhir Singh Nagar  
• Chaura Bazar  
• Civil Lines  
• Feroz Gandhi Market  
• G.T. Road  
• Gill Road - (2)  
• Model Town  
• Pakhowal Road  
Mahilpur  
Malout  
Mandigobindgarh  
Manimajra  
Mansa  
Moga  
Mohali - (3)  
• Phase-3-B2  
• Phase VII  
• Phase XI  
Morinda  
Muktsar  
Nabha  
Nakodar  
Nawanshahr  
Pathankot  
Patiala - (4)  
• Chhoti Baradari - (2)  
• Dharampura Bazar  
• Leela Bhawan Market  
Phagwara  
Phillaur  
Rajpura  
Ropar  
Samana  
Samrala  
Sangrur  
Tanda  
Tarn Taran

### HARYANA - (18)

Ambala - (2)  
• Bal Bhawan  
• Nicholson Road  
Gurgaon - (5)  
• DLF Galleria, Phase IV  
• Khandas Road - (2)  
• Old Railway Road  
• Sector 14  
Hissar  
Karnal - (2)  
• Huda Market, Sector 8  
• Kunjpur Road  
Panchkula - (4)  
• Sector 7  
• Sector 10  
• Sector 11  
• Sector 16  
Panipat - (2)  
• G.T. Road  
• Model Town  
Sirsa  
Yamunanagar

### JAMMU & KASHMIR - (1)

Jammu

### CHANDIGARH - (8)

Sector 9 D - (2)  
• SCO 52-53  
• SCO 59-63  
Sector 17  
Sector 28  
Sector 32 D  
Sector 35 C  
Sector 38 A - (2)

### HIMACHAL PRADESH - (1)

Solan

### UTTARANCHAL - (1)

Dehradun

### UTTAR PRADESH - (5)

Lucknow  
Noida - (3)  
• Sector 16  
• Sector 19  
• Sector 37  
Sahibabad

### DELHI - (27)

Alaknanda  
Ashok Vihar  
Bengali Market  
Chandni Chowk  
Connaught Circus - (3)  
• L-40  
• M-39  
• N-47  
East Patel Nagar  
Friends Colony  
Greater Kailash II  
Green Park  
Gurjanwala Town  
Janakpuri  
Jangpura  
Kalkaji  
Kamalanagar  
Karol Bagh - (2)  
Khan Market  
Malviya Nagar  
Nehru Place  
Preet Vihar  
Punjabi Bagh  
Rajouri Garden  
Rohini  
Roshanara Road  
Vikasपुर

### JHARKHAND - (1)

Jamshedpur

### WEST BENGAL - (9)

Durgapur  
Kolkata - (7)  
• Chowringhee Road  
• Chowringhee Square  
• Jadavpur  
• Kankurgachi  
• Old Court House Corner  
• Sarat Bose Road  
• Shah House  
Siliguri

### ORISSA - (1)

Bhubaneswar

### CHATTISGARH (1)

Raipur

### MADHYA PRADESH - (5)

Bhopal  
Dhar  
Indore - (2)  
• A.B. Road  
• Race Course Road  
Jabalpur

### ANDHRA PRADESH - (4)

Hyderabad  
Secundrabad - (2)  
• S.D. Road  
• St. Mary's School  
Vishakhapatnam

### PONDICHERY (1)

Chennai

### KARNATAKA - (11)

Bangalore - (7)  
• Binnamangala Indira Nagar  
• Cunningham Road  
• Frazer Town  
• Infantry Road  
• Jayanagar  
• Poenya  
• Ulsoor  
Dharwad  
Hubli  
Mangalore  
Mysore

### KERALA - (14)

Calicut  
Guruvayoor  
Idukki  
Kochi - (6)  
• Kolanchery, Ernakulam  
• M.G. Road, Ernakulam  
• Manorama Junction,  
Ernakulam South  
• Thoppumpady  
• Tripunithura  
• Willingdon Island  
Kottayam  
Kunnankulam  
Thiruvananthapuram  
Thrissur - (2)  
• Irinjakkuda  
• Shomur Road

### TAMIL NADU - (18)

Chennai - (9)  
• Ambattur  
• Annanagar (W)  
• Besant Nagar  
• Mount Road  
• Nandanam  
• Nungambakkam High Road  
• Parrys  
• Ponamallee  
• Thiruvottiyur  
Coimbatore  
Erode  
Madurai  
Melvisharam  
Salem  
Sriperampudur  
Trichy  
Vellore - (2)  
• Gandhi Nagar  
• Officers Line

### MAHARASHTRA - (20)

Kolhapur  
Mumbai - (13)  
• Andheri (East)  
• Shree Swami Samarth Nagar,  
Andheri (West)  
• Lokhandwala,  
Andheri (West)  
• Waterfield Road,  
Bandra (West)  
• Borivali (West)  
• Chowpaty  
• Juhu Gulmohar Road  
• Kandivali (East)  
• Bandukwala Building,  
Fort  
• Nagindas Master Road,  
Fort  
• Maker Chambers III,  
Nariman Point  
• Mittal Court, 17th Floor,  
Nariman Point  
• Vashi  
Nagpur  
Nashik  
Pune - (2)  
• Pimpri  
• Ramabai Ambedkar Marg  
Shirpur  
Thane

### GUJARAT - (11)

Ahmedabad - (4)  
• Astron Tech Park  
• Chaitanya Seth,  
C.G. Road  
• Silver Brook 'A',  
C.G. Road  
• Sola Main Road  
Baroda  
Gandhidham  
Jamnagar  
Rajkot  
Surat - (2)  
• Annapurna Textile Market,  
Ring Road  
• 21st Century Business Centre,  
Ring Road  
Vapi

### GOA (6)

Calangute  
Mapusa  
Margao  
Panjim  
Ponda  
Vasco

243 Branches across 123 Locations in 21 States

Overseas Rep. Office in Mississauga, Toronto, Canada

\* Kamala Nagar, Delhi & Solan (H.P.) Branches were opened after March 31, 2006



# Our Values

## Excellence



## Integrity



## Teamwork



## Customer Centricity



## Passionate Ownership



### BOARD OF DIRECTORS

As on May 18, 2006

Rana Talwar (Chairman)  
 Shailendra Bhandari (Managing Director & CEO)  
 Tejbir Singh (Executive Director)  
 S. Venkiteswaran (Director)  
 Kamlesh Vikamsey (Director)  
 S. K. Jain (Director)  
 Rajiv Maliwal (Director)  
 J. S. George (Director)  
 K. K. Abdul Razak (Director)  
 Y K. Modi (Director)  
 Chee Jin Kiong  
 S. K. Soni  
 Mr. Ahmed Mohamed Al Abri (Alternate Director to Mr. J. S. George)  
 Mr. Abdul Razak Ali Issa (Alternate Director to Mr. K. K. Abdul Razak)

### REGISTERED OFFICE

Shanta Durga Niwas  
 Mahatma Gandhi Road  
 Panaji - 403 001, Goa

### CORPORATE OFFICE

Modern Centre, Ground Floor, 'C' Wing  
 Sane Guruji Marg, Mahalaxmi  
 Mumbai 400 011

### COMPANY SECRETARY

N. E. Venkitakrishnan

### AUDITORS

M/s. V. Sankar Aiyar & Co.  
 Chartered Accountants

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## Chairman's Letter

May 18, 2006



*Dear Shareholder,*

*The past year has been a year of transformation for your Bank. The amalgamation between Centurion Bank and Bank of Punjab has been an unqualified success; the merger and the realization of the synergies between both the banks has led to the transformation of your Bank into one of the fastest growing private sector Banks in the country with a nationwide presence, strong business lines, a large diversified customer base and a robust platform for prospective growth.*

*This year your Bank strengthened its retail banking business by expanding its distribution network, building strengths in retail credit and collections and completed its retail product offering with the launch of e-broking and the 'Miracle' credit card. Your Bank also made significant inroads in establishing the base for its SME business. The financial performance in the past year has quantifiably demonstrated this transformation with the vibrant growth rates and improvement across all parameters signifying sustainable profitability.*

*The evolution of the Indian financial services sector has reflected the growth in the country's economy and will continue to fuel its growth. We believe that there exists a tremendous opportunity for growth in the Banking sector, and we are well placed to tap this opportunity with well established foundations and a growing energetic organization.*

*Throughout this report we have detailed the five core values of Integrity, Teamwork, Customer Centricity, Passionate Ownership and Excellence that are the fundamental principles that drive your Bank and will help achieve its vision of becoming 'India's most respected and admired financial services brand'.*

*I would like to thank you for your continued support, encouragement and confidence that has helped make this a year of commendable performance for the Bank and look forward to your continuous support in the future.*

*With best wishes,*

*Yours truly,*

**Rana Talwar**

## TEAMWORK



The effect of 'I' becoming 'We'  
is exponential, the outcome being  
the many milestones we achieved this year.



# Financial Highlights

(Rs. Crores except %)

	Year Ended Mar-06	Year Ended Mar-05	Growth over Previous Year	Quarter Ended Mar-06	Growth over previous quarter	Quarter Ended Dec-05	Growth over previous quarter	Quarter Ended Sep-05	Growth over previous quarter	Quarter Ended Jun-05	Growth over previous quarter
Net Profit	87.8	25.1	249.7%	26.0	12%	23.3	11%	20.9	88%	11.1	16%
Operating Profit	147.9	30.9	378.9%	56.5	62%	34.9	29%	27.1	66%	16.3	14%
Net Interest Margin (%)	4.6	5.1	–	4.8	–	4.8	–	4.6	–	5.3	–
Net Advances	6,533.4	2,193.9	197.8%	6,533.4	15%	5,694.8	11%	5,113.4	109%	2,448.5	12%
Net Advances (Retail)	4,678.3	1,763.9	165.2%	4,678.3	15%	4,058.2	15%	3,531.4	81%	1,955.6	11%
Deposits	9,399.6	3,530.4	166.2%	9,399.6	9%	8,588.5	6%	8,071.3	126%	3,564.1	1%
Low Cost Deposits (CASA) (%)	38.7	29.0	–	38.7	–	37.8	–	38.1	–	26.3	–
Net Non-Performing Assets (%)	1.1	2.5	–	1.1	–	2.6	–	2.6	–	2.4	–
Capital Adequacy Ratio (%)	12.5	21.4	–	12.5	–	10.2	–	10.9	–	20.6	–
Cost-Income Ratio (%)	77.2	87.6	–	72.6	–	78.7	–	81.4	–	78.0	–



# Directors' Report

To:

The Shareholders

**Centurion Bank of Punjab Limited**

Your Directors have pleasure in presenting the Twelfth Annual Report together with the Audited Balance Sheet as at March 31, 2006 and the Profit & Loss Account for the year ended on that day. The Scheme of Amalgamation of Bank of Punjab Limited with your Bank (Scheme), which was earlier approved by the shareholders of both the Banks, was approved by the Reserve Bank of India with effect from October 1, 2005. The name of your Bank was changed from Centurion Bank Limited to Centurion Bank of Punjab Limited with effect from October 17, 2005 on receipt of the requisite approvals. As per the Scheme, the appointed date of the merger was April 1, 2005. Accordingly, the results for the year ended March 31, 2006 represent the results from operations of your Bank as the merged entity, whereas the results for the year ended March 31, 2005 represented the results for your Bank on a standalone basis.

The summarised financial performance of the Bank was as under:

(Rs. in Crores)

Particulars	For the year ended March 31, 2006	For the year ended March 31, 2005*
Gross Income (Interest Income plus Other Income)	1,052.06	418.28
Gross Expenditure	904.09	387.39
Operating Profit	147.97	30.90
Amount realised under Financial Support Agreement	62.51	–
Provisions & Contingencies	122.68	5.79
Net Profit/ (Loss) after tax	87.80	25.11
Appropriations and Adjustments		
Transfer to Statutory Reserve	21.95	6.28
Transfer to Investment Fluctuation Reserve	–	8.83
Balance in Profit & Loss Account brought forward from previous year	(121.39)	(131.39)
Adjustment of balance in Profit & Loss Account against Securities Premium Account	82.90	–
Transfer from Investment Fluctuation Reserve	45.36	–
Transfer from Debenture Redemption Reserve	1.00	–
Balance carried over to Balance Sheet	73.72	(121.39)
Deposits and borrowings as on March 31	9,451.21	3,574.13
Advances as on March 31	6,533.44	2,193.95

\* Previous year's figures re-grouped/re-classified, wherever necessary.

The year 2005-06 has been a year of growth and consolidation. Your Bank has made a significant leap in its size and scale of operations with the amalgamation of Bank of Punjab Limited and the integration process was successfully completed in record time. The seamless integration of all business lines has made your Bank one of the stronger private sector banks in the country having a nationwide presence of 243 branches in 123 locations across the country. Your Bank is now well capitalised and driven by an experienced management team. It is uniquely positioned to achieve considerable revenue and cost synergies thus attaining sustainable levels of growth and profitability. Your Bank has a significant presence in the retail, Small and Medium Enterprises (SME) and agricultural sectors and is now poised to attain leadership status in the markets that it operates in.

Your Bank has entered into an enterprise partnership with Indecomm Global Services, a widely recognised international business process services firm in order to form 'Centillion Solutions and Services'. Centillion will focus on operations and services for banking and related financial services. The Retail Asset servicing

operations of your Bank are being transitioned to Centillion in a well structured manner, commencing with the Centralised Operations (COPS) functions performed out of Bangalore. This partnership will enable your Bank to strengthen its back office processing and make operations a key competitive advantage over time.

Your Bank has entered into a co-sourcing agreement for its SME business with First India Enterprises Private Limited, a wholly owned subsidiary of Asia Financial Holdings, Singapore. This arrangement will help your Bank better service its current SME clients and incrementally expand its operations in this business segment in the future.

The Bank issued 23,62,50,000 equity shares to the shareholders of the erstwhile Bank of Punjab Limited in the ratio of 9 equity shares of Re.1/- each for every 4 shares of Rs.10/- each held by them in the Transferor Bank as per the Scheme of Amalgamation. During the quarter ended March 31, 2006, the Bank raised Rs.245.67 Crores of Tier I capital through a preferential allotment of 12,76,23,376 equity shares of Re.1/- each for cash at a premium



of Rs.18.25 per share to leading private equity investors. The Capital Adequacy Ratio (CAR) as at March 31, 2006 stood at 12.52% as compared to 21.42% as on March 31, 2005, which is well above the regulatory minimum of 9% stipulated by the Reserve Bank of India. Of this, Tier I CAR stood at 10.84% and Tier II CAR stood at 1.68% as at March 31, 2006.

The Integration of the Human Resources as a part of the process of consummation of the merger was smoothly and efficiently managed. Stock Options were awarded to employees at all levels under the General Employee Stock Option Plans to motivate them and encourage talent to flourish in a healthy working environment.

#### RATINGS AND RECOGNITION

The Bank has its deposit program rated by Fitch Ratings India Private Limited. In November 2005, Fitch upgraded the Bank's subordinated debt rating to 'A+(ind)' from 'A(ind)'. The Bank's certificates of deposits program had also been upgraded to 'F1+(ind)' signifying the highest level of safety for such a deposit program.

Your Bank has been included in a list of the top 20 companies to watch in 2006 by a leading business magazine, besides being rated as one of the fastest growing private sector banks in the country.

#### CAPITAL AND RESERVES

The shareholders at an Extraordinary General Meeting held on December 24, 2005 approved an increase in the Authorised Capital from Rs.150 Crores comprising of 150 crores equity shares of Re.1/- each to Rs.250 crores comprising of 250 crores equity shares of Re.1/- each.

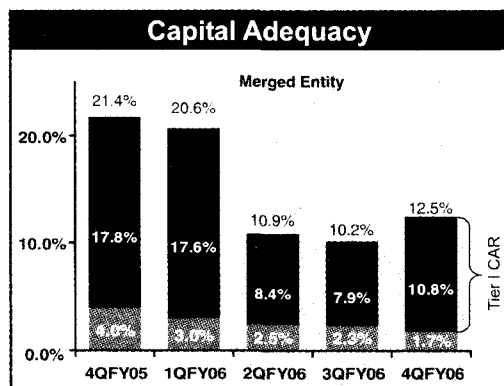
The Bank's Capital and Reserves as on March 31, 2006 stood at Rs.917.76 crores. This is well above the minimum capital requirement of Rs.300 crores stipulated by the Reserve Bank of India in the guidelines on ownership of private sector banks issued in February 2005.

Subordinated Bonds of a value of Rs. 50 crores carrying a coupon rate of 12% were redeemed in April 2006 on the date of maturity.

The above figure of Capital and Reserves is arrived at after adjusting a sum of Rs.141.78 crores representing debit balances in the Profit & Loss Account and Goodwill arising on amalgamation against the Securities Premium Account.

During the year, the Bank granted 4,45,00,000 stock options to employees under the General Employees Stock Option Plan (General ESOP-2004) covering all permanent employees of the Bank.

The statutory disclosures as required by the revised SEBI guidelines on ESOPs are given in the annexure to this report.



#### DIVIDEND

Though the Bank declared a profit for the year ended March 31, 2006, the Directors have decided not to recommend any dividend for the year keeping in mind the strong growth of the Bank and the need to conserve capital resources for investment in growth opportunities.

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Macro Economic Environment

The domestic economy continued to perform well this year, sustaining the high growth rates witnessed in the previous year. Interest rates were nudged upwards by the RBI, seeking to cool overheated asset markets and prevent a possible bubble. Despite hardening rates, corporate and retail credit off-take remained robust. With an increase in bank credit by Rs.3,42,162 Crores, your Bank was able to increase its share of business substantially.

Interest rate moves in India mirror those in the global markets and Indian equity remained the favoured destination for FII investments. Healthy growth in corporate earnings, improved liquidity and reinforced confidence in the India story helped equities post a rise of 74%. Despite a steep rise in commodity prices, domestic inflation remained tame, essentially due to only a partial pass through of high oil prices.

The Rupee had a roller coaster year, depreciating sharply in December on the back of the redemption of the Millennium Bonds. However, robust inflows thereafter saw it strengthening again. The country's Foreign Exchange reserves soared to USD 148 billion.

#### OPERATING AND FINANCIAL PERFORMANCE

##### SUMMARY

The operating profit of the Bank has increased by 378.87% to Rs.147.97 crores during current year as compared to Rs.30.90 crores earned in the previous year. The Bank has further earned Rs.62.51 crores under the Financial Support Agreement. The Bank's profit after tax rose by 249.66% to Rs.87.80 crores during the current year as compared to Rs.25.11 crores during the previous year. As on March 31, 2006, the Bank's ratio of gross non-performing assets (NPAs) to total customer assets was 4.63% as against 6.76% as on March 31, 2005. During the year, the Bank has, on a prudential basis, created provisions towards NPAs which are in specific and floating provisions in addition to the RBI provisioning norms. The Bank has also created a standard provision of Rs.5.50 crores on the outstanding balances as at March 31, 2006 towards personal loans, advances qualifying as capital market exposures, residential housing loans individually beyond Rs.20 Lacs and commercial real estate loans, which are required to be provided under the RBI guidelines in the financial year 2006-07. The net NPA to customer assets ratio has improved to 1.13% as of March 31, 2006 as against 2.49% as of March 31, 2005. The total assets of the Bank increased to Rs.11,330.19 crores as on March 31, 2006 from Rs.4,490.29 crores in the previous year. The customer assets constituted Rs.6,556.26 crores as on March 31, 2006 as against Rs.2,213.18 crores as on March 31, 2005. The total deposits have grown to Rs.9,399.64 crores as on March 31, 2006 as against Rs.3,530.38 crores in the previous year.

##### Gross Interest Income

The Bank's total interest income has increased by 132.08%, gross interest being Rs.803.20 crores for the year ended on March 31, 2006 as against Rs.346.09 crores for the year ended March 31,



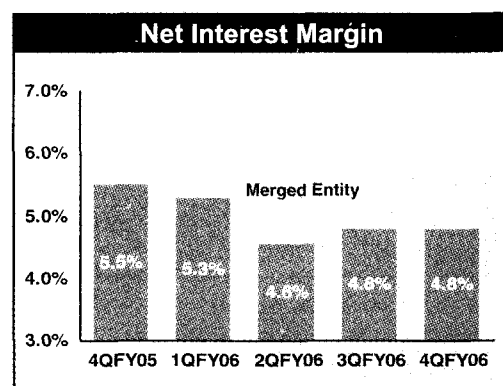
2005. Of this, the interest income on advances amounted to Rs.579.48 crores, an increase of 116.10%, compared to the previous year income of Rs.268.15 crores. The advances increased to Rs.6,533.44 crores as at March 31, 2006 from Rs.2,193.95 crores at March, 2005, a growth of 197.79%. The share of interest income on investments was Rs.179.90 crores during the year ended March 31, 2006 as against Rs.54.12 crores during the previous year, reflecting a growth of 232.41%. The investments increased to Rs.2,922.83 as on March 31, 2006 from Rs.1,479.64 crores as on March 31, 2005, registering a growth of 97.54%. The interest on balances with RBI and other banks was Rs.39.54 crores for the period ended on March 31, 2006 as against Rs.10.70 crores for the previous year ended on March 31, 2005.

### Interest Expended

The Bank's total interest expenses have increased by 140.43% to Rs.404.43 crores for the year ended March 31, 2006 as compared to Rs.168.21 crores in the previous year. Of these, the interest cost on deposits rose by 157.18% to Rs.375.81 crores for the current year as compared to Rs.146.13 crores during the previous year. The average deposit cost for the year has dropped to 4.60% as compared to 5.30% in the previous year.

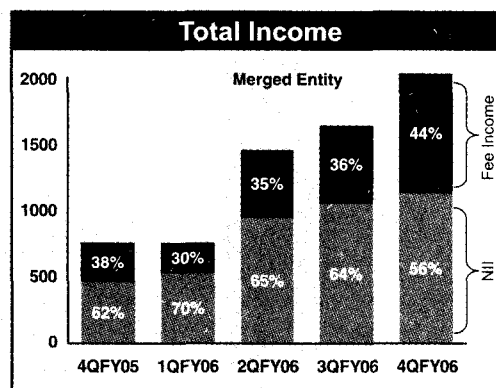
### Net Interest Income

The net interest income for the year ended March 31, 2006 witnessed an increase of 124.18% to Rs. 398.77 crores from Rs. 177.88 crores in the previous year. This increase was primarily due to the growth in the asset book. Retail assets which constitute 71% of the total assets, yield a higher interest as compared to corporate loans. The net interest margin for the year ended March 31, 2006 was 4.6% as compared to 5.1% for the year ended March 31, 2005.



### Other Income (non interest income)

The Bank's Non Interest Income witnessed a significant increase of 244.68% to Rs.248.86 crores during the year ended March 31, 2006 as compared to Rs. 72.20 crores in the previous year. The retail loan service income grew robustly during the year to Rs.50.03 crores from Rs. 23.60 crores in the previous year resulting in an increase in disbursements to Rs.3,561 crores from Rs.1,829 crores in the previous year. An increase in third party product sales such as Insurance (both general and life) and mutual funds contributed significantly to the fee based income. The forex income was Rs.31.30 crores during the year ended March 31, 2006 as compared to Rs.4.46 crores during the previous year ended March 31, 2005, reflecting a growth of 601.79%.

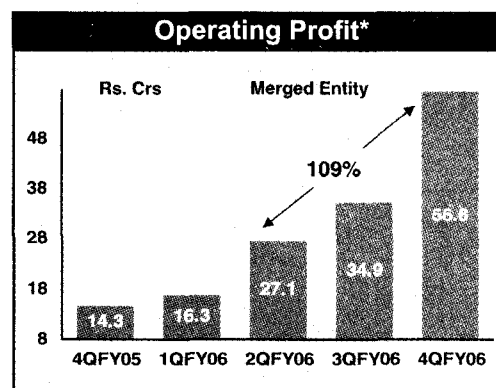


### Operating Expenses

The Bank's operating expenses excluding interest expenses have increased by 127.97% to Rs.499.66 crores during the year ended March 31, 2006 from Rs.219.18 crores in the previous year. Consequent to the merger, the staff strength has increased to 4,471 from 1,374 as on March 31, 2005 and accordingly the staff costs have increased to Rs.139.27 crores from Rs.42.70 crores in the previous year. Expenses on advertisement and publicity have risen to Rs.12.90 crores (previous year Rs. 7.72 crores) in tandem with the high growth in retail loans disbursed during the year. Expenses incurred on infrastructure, establishment of additional distribution channels and expenses pertaining to marketing of retail loans have also contributed to the increase in operating expenses during the year.

### Operating Profit

The Bank has earned an operating profit of Rs. 147.97 crores for the year ended March 31, 2006 as against Rs.30.90 crores earned during the previous year.



\* Operating profit for 4QFY06 does not include Rs.62.5 crores being the surplus on sale of shares held in Trust under the Financial Support Agreement.

### Provisions and Contingencies

The Bank has made adequate provisions for non-performing assets and for diminution in the value of investments. In respect of retail loans (excluding mortgages) and certain other classes of loans the Bank follows an accelerated provisioning method whereby 100% of the value of the asset is provided by the time the account has remained delinquent for a period of nine months.



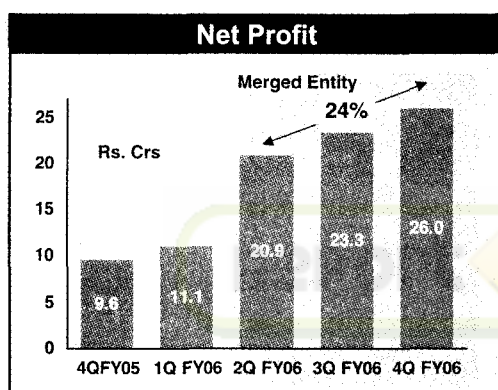
Provisions towards NPAs include prudential provision over and above RBI norms. The provisions towards standard assets include an accelerated provision of Rs. 5.50 crores as per the changes in the RBI monetary policy dated April 18, 2006.

Details of provisions made for major items are as follows:

- Provision for NPAs at Rs.78.05 crores (previous year Rs 7.63 crores)
- Provision for standard assets at Rs.17.53 crores (previous year Nil)
- Reversal of provisions for depreciation on investments - Rs.8.87 crores (previous year reversal of Rs.1.07 crores)
- Amortisation of loss on investment - Rs.34.68 crores (previous year Rs.7.44 crores)

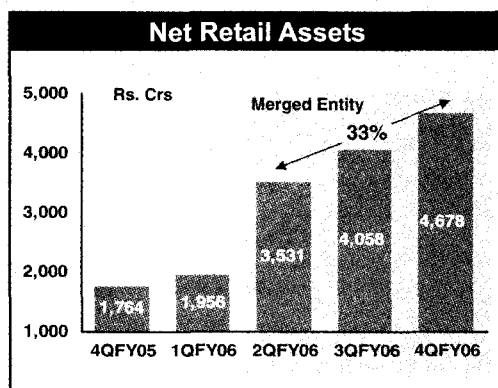
#### Net profit

- The Bank has declared a Net profit of Rs. 87.80 crores for the year ended March 31, 2006 as against a profit of Rs.25.11 crores in the previous year. The Bank has appropriated Rs.21.95 crores to the Statutory Reserve.



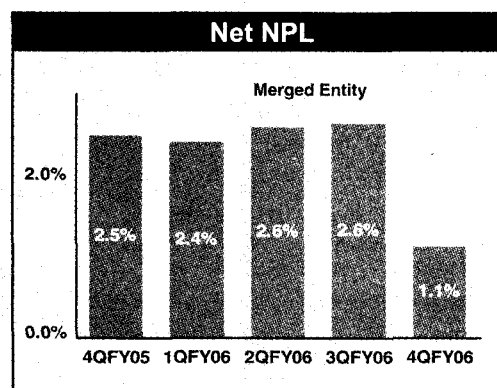
#### Assets

The total assets of the Bank increased to Rs.11,330.19 crores as on March 31, 2006 from Rs.4,490.29 crores in the previous year. The Customer assets (loans, leases) amounted to Rs.6,556.26 crores as on March 31, 2006 (previous year Rs.2,213.18 crores).



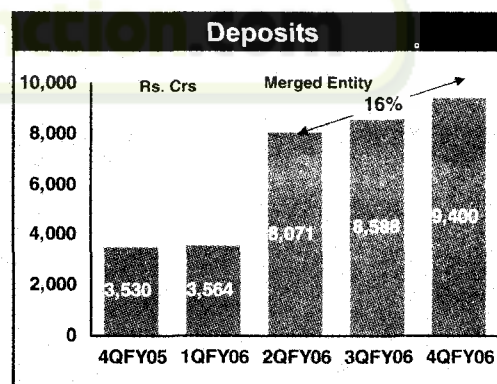
The gross NPAs, provisions and net NPAs as on March 31, 2006 were Rs.314.95 crores (previous year Rs.156.41 crores), Rs.241 crores (previous year Rs.101.36 crores) and Rs.73.95 crores

(previous year Rs.55.05 crores) respectively. The net NPAs reduced to 1.13% of net advances as on March 31, 2006 from 2.49% in the previous year.



#### Liabilities

Total deposits of the Bank grew to Rs.9,399.64 crores as on March 31, 2006 from Rs.3,530.38 crores in the previous year. Current Accounts and Savings Accounts (CASA) deposits constituted 38.73% of the Total Deposits for the year ended March 31, 2006 (previous year 29.00%).



#### TREASURY OPERATIONS

The Bank's Treasury had a good year, with both volume and revenue growth in the foreign exchange side of its business. The Foreign Exchange team was augmented by the addition of management trainees from reputed business schools. To service our customers in the North, the Bank set up a Treasury sales desk in Delhi, staffed with experienced senior dealers from the erstwhile Bank of Punjab.

The Treasury was well prepared for the money market tightness that affected the entire banking system from the end of December, 2005 and in fact your Bank had surplus liquidity, which it was able to deploy profitably.

In a year when bond yields hardened and prices fell almost through the year, the Treasury was able to insulate the Bank's SLR portfolio from adverse market movements and find alternate avenues to generate revenues.