

THE SARASWAT CO-OPERATIVE BANK LTD.

(A Scheduled Bank)



PROPOSED CORPORATE OFFICE BUILDING OF OUR BANK

**Reaching the top is not an end,
but a new beginning !**

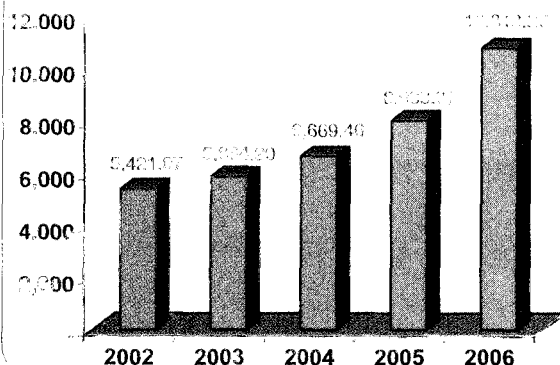


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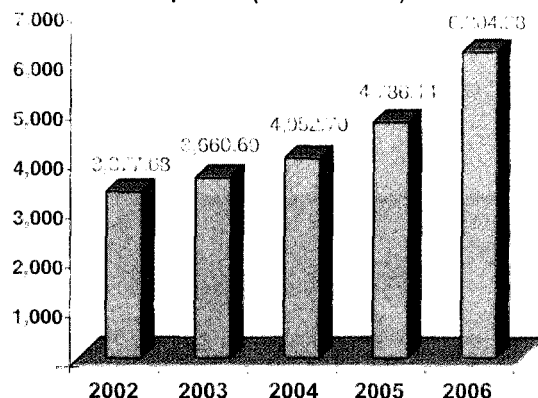
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(शेड्युल्ड बँक)

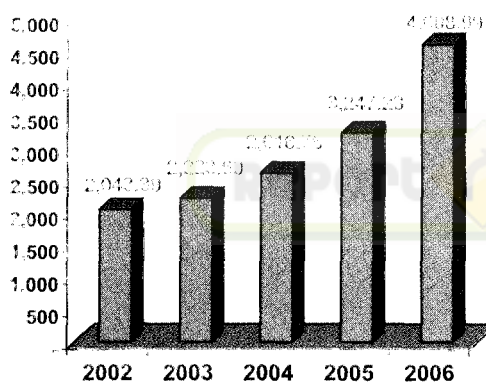
Total Business (Rs. in Crore)



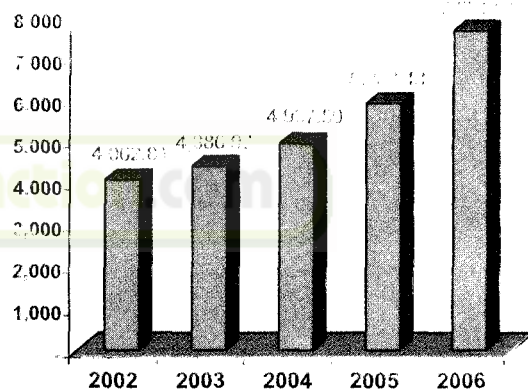
Deposits (Rs. in Crore)



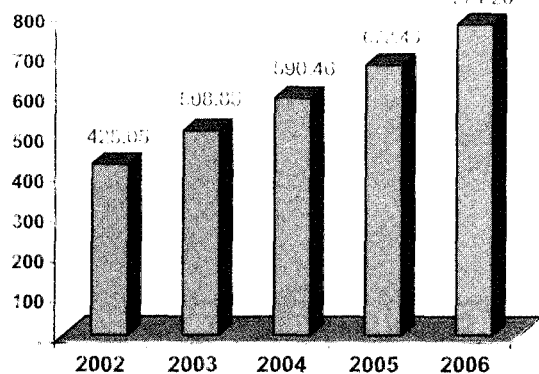
Advances (Rs. in Crore)



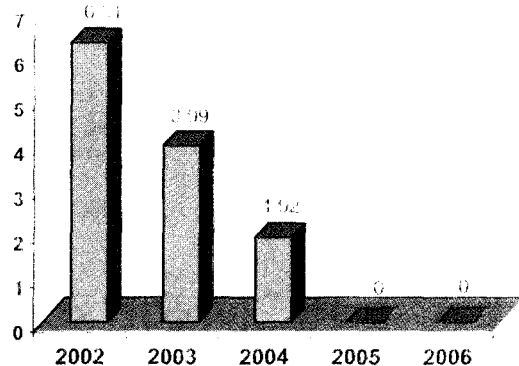
Working Funds (Rs. in Crore)



Owned funds (Rs. in Crore)



Net NPA to Total Advances (%)





THE SARASWAT CO-OPERATIVE BANK LIMITED

(A SCHEDULED BANK)



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- **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
E-mail : corporateoffice@saraswatbank.com
- **DATE OF REGISTRATION** : September 14, 1918.
- **NO. AND DATE OF RBI LICENCE** : ACD-MH-220-P-Dated-27.08.1980.
- **AREA OF OPERATION** : Entire Union of India
- **AUDIT CLASSIFICATION** : 'A' (Since 1933).

Report Junction.com

C O N T E N T S

1. Notice	2
2. Board of Directors, Auditors, Legal Advisors and Bankers	3
3. Performance Highlights	4
4. Report of the Board of Directors	5 – 14
5. Statutory Auditors' Report	15
6. Concise Report of the Board of Directors in Marathi	16 – 17
7. Balance Sheet as at March 31, 2006	18 – 25
8. Profit and Loss Account for the year ended March 31, 2006	26 – 27
9. Notes on Accounts for the year ended March 31, 2006	28 – 32
10. Cash Flow Statement	33
11. Progress at a Glance	34 – 35
12. Industry-wise Deployment of Credit	36
13. Involvement of Small Man	37
●● Attendance Slip	


THE SARASWAT CO-OPERATIVE BANK LIMITED
NOTICE

The Eighty-eighth Annual General Meeting of the Members of The Saraswat Co-operative Bank Ltd., will be held on Thursday, July 13, 2006 at 4.00 p.m. at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020 to transact the following business concerning the Bank:-

1. To consider and approve the Annual Accounts, which consist of the Profit and Loss Account, the Balance Sheet, the Report of the Board of Directors and the Report of the Statutory Auditors, for the year ended March 31, 2006.
2. To appropriate net profit and declare dividend as recommended by the Board of Directors for the year ended March 31, 2006.
3. To appoint Statutory Auditors for the year 2006-07 and to authorise the Board of Directors to fix their remuneration. The Board of Directors

recommends M/s. Kulkarni and Khanolkar, Chartered Accountants to be appointed as Statutory Auditors.

4. To grant Leave of Absence to the members of the Bank other than to those whose names appear in the Attendance Register of this 88th Annual General Meeting.
5. To elect Board of Directors for the term 2006-2011: Returning Officer will preside over the General Body for the declaration of the election results.

By Order of the Board of Directors

S.K.Banerji
Managing Director

Mumbai : June 13, 2006

NOTE : Copy of the printed Annual Report consisting of Profit and Loss Account, Balance Sheet, the Reports of the Board of Directors and Statutory Auditors for the year ended March 31, 2006 of the Bank are sent with this notice.

If there is no quorum at the appointed time, the Meeting shall stand adjourned to 4.30 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, in terms of Bye-Law No. 48.

Dividend, when declared, will be paid on or after July 14, 2006, to those shareholders whose shares are fully paid as on March 31, 2006 and whose names are on the record of the Bank as on June 10, 2006.

If any member desires to have information in connection with the Accounts, he / she is requested to address a letter to the Managing Director, to reach his office at Mittal Court, 'A' Wing, First Floor, Vidhan Bhavan Marg, Nariman Point, Mumbai, 400 021, not later than July 5, 2006, 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. The change in address, if any, may kindly be intimated to the Share Department for updating Bank's records.
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 Dividends

Notice is hereby given that dividend for the year ended March 31, 2003 (82nd Dividend) if not drawn on or before July 31, 2006, will be forfeited by the Bank and credited to Reserve Fund in terms of Bye-Law No. 68A.



BOARD OF DIRECTORS

Shri R. K. Patkar, *B.A.(Hons.), B.Com.*
Chairman

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

DIRECTORS

Late Dr. P.W. Rege
(upto December 12, 2005)

Shri N. R. Warekar, *B.Com., C.A.I.I.B.*

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

Shri M. K. (alias Baba) Parulekar, *B.A.*
(w.e.f. January 7, 2006)

Shri M. P. Barde, *B.E.(Civil), M.Tech., M.I.E.*

Shri R. W. Gharse, *B.Tech. (Chem. Engg.), M.M.S.*

Prof. J. S. Walawalkar, *B.Com (Hons.), LL.B., F.C.A., A.C.S.*

Shri R. V. (alias Kaka) Kalghatgi

Shri V. K. Gaikwad

Shri S. D. Welling, *M.Com., F.C.A.*

Shri G. H. Sinari
(upto January 7, 2006)

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

SHARE DEPARTMENT :

'Madhushree', Fourth Floor,
Plot No.85, District Business Centre, Sector 17, Vashi,
Navi Mumbai - 400 703.
Tel.No.: 2789 2920 / 49 / 50

STATUTORY AUDITORS :

M/s. Kulkarni and Khanolkar
Chartered Accountants

LEGAL ADVISORS :

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

M/s. Little and Company
Shri G.G. Desai, *B.A., LL.M.*

CONSULTANTS

Shri Yusuf Lanewala (*Information Technology*)
(upto Nov. 3, 2005)

BANKERS :

State Bank of India
Bank of India
HDFC Bank Ltd.
ICICI Bank Ltd.

Wachovia Bank, N.A
American Express Bank Ltd.
Standard Chartered Bank Ltd.
Maharashtra State Co-operative Bank Ltd.



PERFORMANCE HIGHLIGHTS

(Rs. in crore)

FOR THE YEAR	31-MAR-2005	31-MAR-2006 (Pre-merger)	31-MAR-2006 (Post-merger)	% Change (Post-merger)
Total Income	504.59	595.36	595.61	18.04
Total Expenditure	388.14	468.18	469.31	20.91
Gross Profit	116.45	127.18	126.30	8.46
Less : Provisions/Transfers	46.07	23.43	25.10	-45.52
Operating Profit	70.38	103.75	101.20	43.79
Less : Deductions	0.00	0.00	0.00	
Net Profit	70.38	103.75	101.20	43.79
Foreign Exchange Business	21,681.06	29,950.00	29,950.00	38.14
AT YEAR END				
Own Funds	672.45	802.32	774.26	15.14
Share Capital	41.56	48.97	48.97	17.83
Reserves	630.89	753.35	725.29	14.96
Deposits	4,786.14	6,020.40	6,204.28	29.63
Current	374.45	568.47	573.87	53.26
Savings	1,148.71	1,427.86	1,495.22	30.17
Term	3,262.98	4,024.07	4,135.19	26.73
Advances	3,247.23	4,498.38	4,608.99	41.94
Secured	3,133.25	4,358.61	4,438.11	41.65
Unsecured	113.98	139.77	170.88	49.92
Priority Sector	2,000.40	2,748.09	2,840.63	42.00
Small Scale Industries	1,124.10	1,722.57	1,740.62	54.85
Small Businessmen and Traders.	197.40	192.21	198.20	0.41
Other Priority Sectors	678.90	833.31	901.81	32.83
Working Capital	5,903.48	7,490.65	7,631.01	29.26
Investments	2,052.89	1,908.24	1,989.78	-3.07
Borrowings and Refinance	171.92	299.11	299.11	73.98
Net NPAs (%)	0.00	0.00	0.00	
Capital Adequacy (%)	15.21	13.23	12.11	
Members : (No.)				
Regular *	1,00,581	1,06,264	1,06,264	
Nominal	3,41,473	3,76,581	3,76,581	
Branches (No.)	75	75	86**	
Employees (No.)	1,778	1,801	2,031	

* Shareholders holding 50 shares and above.

** Includes 11 branches of MNCB.



REPORT OF THE BOARD OF DIRECTORS

Dear Members,

Your Directors have great pleasure to present the Eighty-eighth Annual Report on the business and operations of the Bank together with the Audited Accounts for the year ended March 31, 2006.

ECONOMIC ENVIRONMENT:

The Indian economy exhibited a strong and stellar performance during 2005-06 continuing its robustness and buoyancy of last three years. This growth was possible because of improved contribution of industry, services and agriculture. The GDP accelerated from 7.5% in 2004-05 to 8.4% in 2005-06. Leading from the front, the services sector recorded a double-digit growth at 10.10% for the second successive year. Industrial production registered strong growth on the back of broad-based manufacturing activity. The manufacturing sector achieved a growth of 9% in 2005-06, while the agriculture sector grew by 3.9%. In the ensuing year growth of real GDP originating from agriculture and allied activities is expected to pick up modestly, in view of projected favourable monsoon and higher kharif production.

International financial market conditions during 2005-06 continued to remain favourable, notwithstanding sharp rise in international crude oil prices and growing global financial imbalances. Liquidity conditions turned tight from mid-December '05 due to IMD redemption and sustained credit growth. Mirroring the rising interest rates, yields on the G-Sec hardened during 2005-06. In a number of economies during 2005-06 short-term interest rate rise was witnessed as many Central banks including Reserve Bank of India (RBI) raised the benchmark 'Reverse Repo rate' by 75 basis points, in phases, to contain inflationary pressures.

During 2005-06, India's exports continued to maintain the momentum for the fourth year in succession. It registered a growth of 24.7% and was broad-based across major commodity sectors and destinations. Imports maintained the tempo of high growth of 35.5% led by both oil and non-oil imports. Reflecting higher imports, trade deficit at US\$ 39.6 billion was higher by 52.7%. The current account deficit followed suit and widened to US\$ 13.5 billion. These deficits were in consonance with India's growth story. However current account deficit was more than offset by surplus in capital account resulting in addition in foreign exchange reserves which stood at US\$ 151.6 billion by March '06 - the sixth largest reserves in the world. India remained the largest recipient of remittances in the world from its expatriates.

In the foreign exchange market, the Indian Rupee exhibited two-way volatility within Rs. 43.30 to Rs.46.33 per US Dollar. This wild swing in exchange rate was attributable to global and national factors such as inflationary pressures emanating from higher oil prices, revaluation of Chinese Yuan, weakening of US\$ in international markets, RBI's open market purchases, higher trade deficit and FII inflows. The Rupee weakened by 1.94% y-o-y and was at Rs.44.61 on March 31, 2006 against US\$.

The stock indices reached record high, driven by the Indian success story underpinned by strong business confidence, macroeconomic fundamentals and congenial investment climate.

Compression in respect of interest payments, subsidies, grants to the States and defence expenditure enabled containment of the fiscal deficit despite the pressure on the national exchequer due to implementation of Twelfth Finance Commission recommendations. The gross fiscal deficit to GDP ratio was at 4.1% while revenue deficit was at 2.6%.

Fiscal and monetary measures undertaken helped to stabilize inflationary expectations and maintain desired price stability. Headline inflation thus was 4% as at end March '06 as compared to 5.1% a year ago.

MAJOR DEVELOPMENTS IN THE BANKING INDUSTRY:

The significant buoyancy in the Indian economy has spurred the demand for credit across major sectors. Agriculture, industry and retail sector (housing, credit cards and education) continued to augment their recourse to bank credit. Though the banking industry growth in deposits has edged up to 16.9% as against 14.8% in the previous year, it was outpaced by the credit demand. To bridge this gap, the banks liquidated their excess SLR securities bringing down their G-Sec holdings from around 38% a year ago to 32%.

The positive business confidence and expectations suggest that the recent momentum in Indian economy is slated to be sustained during 2006-07.

Following are the important developments concerning the banks :

- In the Union Budget for the F.Y. 2006-07, a landmark amendment was passed by both the Houses of Parliament, whereby the profits of the Co-operative Banks are brought under the purview of the Income Tax Act from the F. Y. 2006-07. This amendment will adversely impact the



ESTD. 1918

profitability of the Urban Co-operative Banks (UCBs), including your Bank.

- In the Mid-term Review of the Annual Policy Statement for the year 2005-06, the RBI has decided to extend the currency chest facility to Scheduled Primary Urban Co-operative Banks in States, where the State Govt. concerned has signed the MoU with the RBI.
- In the subsequent Annual Policy Statement announced in April 2006, the RBI has permitted well managed Scheduled and Non-Scheduled UCBs to set up select off-site / on-site ATMs based on the recommendations of the concerned Task Force on Co-operative Urban Banks (TAFUCB).

It needs to be mentioned here that till such time the Maharashtra State Govt. signs the MoU with the RBI, the UCBs in the State may not be able to avail the above mentioned benefits.

- In one of the most significant developments this year, the Parliament framed the Rules under the Prevention of Money Laundering Act, 2002. Under the said Act, the banks in India are required to submit information about cash transactions of material nature as also of suspicious nature. This would require banks to put in place a monitoring mechanism to guard against laundering of money by illegal means.

THE CO-OPERATIVE SECTOR:

In the year under review, Urban Co-operative Banks' performance was a mixed bag. One set of banks continued their struggle to maintain financial health, while others enhanced their performance. Only one Urban Co-operative Bank i.e. your Bank not only outperformed each and every bank in the urban banking sector but also displayed an exemplary stellar performance and made its presence conspicuous in the entire banking sector.

MAJOR ACHIEVEMENTS DURING F.Y. 2005-06:

1. Total business of your Bank surged to reach a land mark i.e. Rs. 10,813 crore - First Urban Co-operative Bank in India to accomplish the feat. Excluding the business of the Maratha Mandir Co-operative Bank Ltd. (MMCB), the total business stood at Rs. 10,518 crore as on March 31, 2006.
2. The Bank more than doubled its Balance Sheet size just in five years i.e. from 2001 to 2006 - a rare achievement considering a) the higher base numbers, b) non-issuance of new branch licences and c) intense competitive environment.

3. Deposits grew at 29.63% to Rs. 6,204 crore far exceeding the industry growth rate of 16.9%. Without MNCB, the deposit growth was at 25.79%.
4. Advances powered ahead by 41.94% to reach Rs.4,609 crore exceeding industry growth at 29.9%. Retail assets rose by 33.29% to touch Rs. 908 crore.
5. Business per employee continued to soar and was at Rs. 5.32 crore. i.e. a jump of 18%. Without MNCB, this shows a sharp rise of 29.20% at Rs. 5.84 crore.
6. Net NPAs stayed at Zero percentage level for second successive year inspite of acquisition of loss making MNCB.
7. Return on Assets went up to 1.32% from 1.19%.
8. Net profit vaulted to reach Rs.101.20 crore - a rise of 43.79% over the previous year. Thus, net profit quadrupled in last five financial years to cross a century crore mark.
9. Net profit per employee strengthened to Rs. 4.98 lakh from Rs. 3.96 lakh - a spurt of 25.8%. The figure stands at Rs.5.62 lakh excluding MNCB employees from consideration indicating a growth of 41.9%.
10. Business per Branch has shot up to Rs 140.24 crore in 2006 as against Rs. 64.21 crore in 2001- a leap of 118.4% in five years without MNCB business and branches. Business per branch with MNCB branches also shows a resounding level of Rs. 125.72 crore.
11. Net worth of the Bank cantered up to Rs. 774.26 crore as against Rs.672.45 crore even after considering the losses absorbed on account of MNCB.
12. All our branches are profit-making, except the branches of MNCB, which were acquired on March 20, 2006.
13. In the Banking Information Technology sphere, the recognition awards given by Indian Banks' Association (IBA) are considered a prestigious achievement. Your Bank's I.T. Department had received an IBA award for 2004. We are very happy to inform you that for 2005, for our splendid work in banking information technology, we received the number one award in the Co-operative Sector from the IBA. More importantly, this award is co-sponsored by



Infosys Technologies Limited and Trade Fairs & Conferences International.

14. In recognition of the outstanding work in the Co-operative banking sector for more than eight decades, your Bank was felicitated by the Maharashtra Urban Co-operative Banks' Federation with "Life time Achievement Award".

OUR MISSION :

Your Bank's Mission has been "To emerge as one of the premier and most preferred banks in the country by adopting highest standards of professionalism and excellence in all areas of working". We therefore strive sincerely to adopt best practices, offer a wide spectrum of products, maintain highest service levels and comply with all the regulatory requirements.

The financial year 2005-06 can be termed as an epoch-making year for your Bank. Our financial goal of reaching the business level of Rs. 10,000 crore plus presented as 'Dr. Adarkar Mission' and also Net Profit of Rs.100 crore plus were very ambitious. On both these counts, your Bank excelled.

The extra-ordinary success of your Bank during the year beckons us to even greater challenges and newer horizons. The far-reaching strategic decisions taken by your Board during the course of last five years have positioned your Bank very strongly in the Indian banking sector. We are re-engineering, re-defining, re-orienting and re-inventing the Bank and its Mission even further.

The outstanding achievements of the last year and the sustained growth of the Indian economy have helped us define our next mission, which is even more ambitious. The next mission christened as 'Dr. Adarkar Mission II - The Co-operative Conquest' has set a business goal of Rs.25,000 crore plus to be achieved within five years i.e. 2006-2011.

BUSINESS STRATEGY:

Our main focus will be on qualitative change and value addition in all that we undertake to do. Beginning with the stage of customer interface to corporate governance, we will explore new paradigms to make it to the Big League.

The Bank will continue to strive in dovetailing all its actions and strategies to take advantage of the changing and growing banking sector.

Our Specific Business Strategies will be:

- To broad-base the retail customer segment by a minimum of 25% and by building on the

initiative of the last year as the 'Year of Marketing'.

- To introduce a 'Product Owner' concept for each of our banking products to expand our retail footprint. By virtue of this concept, the journey of any retail product from the embryonic stage to its pruning stage will be the responsibility of the 'Product Owner'.
- To leverage the presence of the branches acquired through merger route and bring them in profit.
- To leverage our technology platform and to deliver newer value added products to our customers.
- To undertake a project entitled 'Business Process Re-engineering' (BPR), to streamline functions, processes and procedures; to reduce transaction costs; to lessen turnaround time; to introduce 'speed' as capital and to improve delivery of services.
- To establish a Relationship Banking desk at each branch for high network individuals and corporates.
- To intensively pursue with the RBI for fresh branch licenses in the context of levy of income tax on the profits of UCBs.
- To continue with inorganic growth by carefully choosing banks for acquisition.
- To scale up 'Other Income' by deepening the sale of Third Party Products which now will include our 'VISA Debit Card'.
- To intertwine a network of 'Off-site ATMs' for extending the cash withdrawal facility beyond BANCS network.
- To provide international exposure to select talented officials who have proven and demonstrable potential for future growth, as a continuing programme year after year.

INITIATIVES TAKEN DURING THE YEAR BY THE BOARD:

1. Saraswat Infotech Limited:

We successfully implemented Core Banking Solution (CBS) in the Bank through in-house expertise and therefore the Bank proposed to share this expertise with the peers in the industry. As elaborated in detail in the last Annual Report, your Bank formed a wholly owned subsidiary - "Saraswat Infotech Ltd" (SIL). The Bank is happy to inform its



shareholders that the subsidiary has become operational from November 4, 2005 and is making a steady progress.

2. Micro-finance Subsidiary:

Micro-finance, which blends social responsibilities with growth opportunities, has been on your Bank's radar. In the last General Body, your Bank has passed a resolution to form a wholly owned subsidiary for the purpose named "Saraswat Micro-finance Ltd". Necessary permissions are being pursued and we hope to establish the subsidiary very soon.

3. Mergers and Acquisitions:

As a leader of the UCBs, your Bank has made the largest acquisition in the co-operative sector this year by acquiring MMCB. After toiling for a year, the necessary permissions from regulatory authorities were procured and MMCB was merged with your Bank on March 20, 2006. Special difficulties were encountered in this merger because of the fact that while the MMCB was registered under the State Act, your Bank is registered under the Multi-State Co-operative Societies Act, 2002 and there was no special provision in either of the Acts to merge banks registered under a State Act and a Multi-State Act. The annexation of MMCB will lend additional momentum to our already chartered growth path. This merger has added eleven branches and an extension counter. The addition to the total business has been Rs. 295 crore, while 230 employees of MMCB have been absorbed in your Bank.

Your Bank will continue to pursue this inorganic route through carefully chosen acquisitions of various other co-operative banks. To give a fillip to this process, a separate "Acquisition Cell" has been carved out. This Cell will be eyeing future acquisitions in the co-operative sector without compromising on the financial strength of your Bank.

4. HRD Initiatives:

a. Competency Mapping, Productivity Study and HRD Audit:

The initiatives enumerated in Annual Report 2004-05 are in various stages of progress and implementation. Final decisions on Competency Mapping, Productivity Study and HRD Audit will be taken during the course of the ensuing

year. The Board has decided to usher in more HRD professionals in the concerned Department to augment the Bank's focus on the HRD function. The human resources are the key resources in the banking industry and leveraging the human capital gives a competitive edge to an organization in the service sector.

b. Industrial Relations:

Your Bank's human resources are organized under two representative bodies viz. The Officers' Association and The Employees' Union. Your Bank, has stressed on the process of consultation whereby these bodies are continuously engaged in dealing with the critical issues facing the Bank.

The challenges facing the Urban Co-operative Banking Sector have put pressure on the spreads during the last couple of years. Your Bank was no exception to this situation and it prompted the Bank to request the representative organizations to forego for three years a fresh revision of the agreement that expired on March 31, 2004. Both the organizations showed commitment and professional attitude in conceding to our request. At the same time they urged upon their members to work very hard and smart to achieve Dr. Adarkar Mission of Rs. 10,000 crore plus. The support and the co-operation of both these representative bodies to the management in - a) understanding the pressures on profit during the last two years and b) encouraging the staff to put in their best efforts, was indeed a special gesture. During the year under report, therefore, when we not only achieved but convincingly surpassed Dr. Adarkar Mission, the Board on its own decided to reciprocate the gesture of these two representative bodies. Having achieved a net profit of Rs. 101.20 crore, the Board agreed to sign a wage revision retrospectively from April 2004 and the new wage agreement was inked with both the organizations on April 26, 2006.

This has helped in creating very wholesome and salubrious working environment in the Bank and in that light, the Board requests and expects this General Body to appreciate its action in signing a wage