

ANNUAL REPORT

The Board of Directors have pleasure in presenting the 28th Annual Report, audited Balance Sheet, Profit & Loss Account for the year ended 31st March, 2011 and the Auditors' Report.

1. ESTABLISHMENT & OBJECTIVES

Nainital Almora Kshetriya Gramin Bank Sponsored by Bank of Baroda was established on 26th March, 1983. The area of operation of the Bank is Nainital, Almora, Bageshwar and Udham Singh Nagar districts. The main objective behind establishment of the Bank was to provide banking facilities in rural area and provide financial assistance particularly to small, marginal farmers, landless laborers and other weaker sections. Now for diversification and emerging needs of the area we are providing financial assistance to SME and services sector also.

Nainital Almora Kshetriya Gramin Bank comes under scheduled Bank included in 2nd schedule of Reserve Bank of India Act, 1934 and is authorised to do banking business defined in Section 5(b) in Banking Regulation Act. Like other banks customers' deposits are insured as per rules by Deposit Insurance & Credit Guarantee Corporation.

2. BRANCH NETWORK

Bank is functioning with its 61 branches and two extension counters. District wise branch position is as under: -

District	Rural	Semi Urban	Urban	Total Branches
Nainital	16	3	1	20
Almora	17	4	-	21
Bageshwar	11	1	-	12
Udham Singh Nagar	03	5	-	08
Total:	47	13	1	61

Our Regional Office is functioning at Almora for control and supervision of branches. We opened 3 branches during this year. We have authorization to open 4 branches and have a plan to open these branches during 2nd quarter of 2011.

3. SHARE CAPITAL & RESERVES

The Bank's authorised capital is Rs. 5 Crores and the paid up capital is Rs. 1 crore contributed by Govt. of India, Bank of Baroda and Govt. of Uttarakhand. Our Bank received an equity support of Rs.10,12,92,800/- from Govt. of India, Bank of Baroda and Govt. of Uttarakhand in the proportion of 50:35:15 respectively. Our reserves have increased to Rs. 49.16 crores as at the end of the year.

4. DEPOSITS

During the year Bank remained active in developing savings tendency and banking habits among the rural community of its area of operation. During the year 2010-11 Bank showed growth rate of 18.46% by registering net growth of Rs.101.24 crores in deposits. Bank's total deposits touched the level of Rs.649.75 crores as on 31/03/2011 from Rs. 548.52 crores as on 31/03/2010. In the same way Bank strengthened the clientele by opening maximum deposit accounts however total number of accounts decreased due to closer of dormant, inoperative zero balance accounts by running of data checker for proper implementation of CBS at our all branches. Branches have opened 19405 savings bank accounts during the year.

a) Bank's deposit growth during the last five years remained as under –

(Amount in lacs of Rs.)

Year	Deposit		Net growth		% Growth	
	Account	Amount	Account	Amount	Account	Amount
2006-07	187387	35473	26028	6444	16.13	22.20
2007-08	241583	41370	54196	5897	28.92	16.62
2008-09	276520	46685	34937	5315	14.46	12.85
2009-10	316105	54852	39585	8167	14.32	17.49
2010-11	284808	64975	-	10124	-	18.46

b) Details of classification of deposits, average deposit cost, per branch, per staff deposit for the last three years are as under –

(Amount in lacs of Rs.)

Category of deposit	31.03.2009		31.03.2010		31.03.2011	
	Amount	%Growth	Amount	%Growth	Amount	%Growth
Current Account	2022.01	-8.19	1767.89	-12.56	2101.45	18.86
% Share	4.33	--	3.22	--	3.23	--
Savings Account	23895.34	10.42	29665.55	24.14	34647.66	16.79
% Share	51.18	--	54.08	--	53.33	--
Fixed deposit	20767.44	18.49	23418.28	12.76	2822635	20.53
% Share	44.49	--	42.70	--	43.44	--
Total	46684.79	12.85	54851.72	17.49	64975.46	18.46
Average Deposit Cost Per Hundred Per Branch Deposit Per Staff Deposit	5.39	--	5.31	--	5.03	--
	804.91	12.85	945.71	17.49	1065.17	12.63
	199.50	15.73	239.52	20.06	247.05	3.14

Bank recorded growth of Rs.101.24 crores and deposits increased from Rs.548.52 crores as at March 2010 to Rs.649.75 crores as at March 2011.

As part of our Silver Jubilee year celebrations, we introduced personal accidental insurance scheme w.e.f. 27th March, 2008 to cover accidental death risk of our all existing and future Savings Bank account holders for Rs.50,000/- per customer. This has been widely acclaimed by our account holders and the community at large. During the year 15 claims for Rs.7,50,000=00 were settled by the Insurance Company under this scheme. The scheme is extended for the year 20011-12 also.

5. BORROWINGS

During the reporting year, we repaid Rs.2553.84 lacs refinance availed during earlier years. To increase our resources and improving ALM mismatch the Bank availed refinance during the year from NABARD and sponsor bank as given in the following table.

(Amount in lacs of Rs.)

Institution	Balance o/s as on 31.03.2010	Sanctioned	Drawal	Repayment	Balance o/s as on 31.03.2011
NABARD					
MT (Schematic)	1073.98	498.53	498.53	337.02	1235.49
ST (SAO)	2198.00	3400.00	2770.00	2198.00	2770.00
Venture Capital Fund	82.31	10.61	10.61	18.82	74.10
BANK OF BARODA					
ST(SAO)					
Total	3354.29	3909.14	3279.14	2553.84	4079.59
Average cost of refinance	5.72%				5.52%

The Bank repaid all the due instalments of refinance in time.

6. CASH & BALANCES WITH BANKS

We have made our vigilant efforts to keep the cash balance at its minimum. Position of cash in hand and balance with banks for three years is given as under: -

(Amount in lacs of Rs.)

Particulars	2008-09	2009-10	2010-11
Cash in hand	546.93	632.25	780.93
Average cash in hand	482.89	535.63	625.48
% to total deposit(average cash to average deposit)	1.15	1.10	1.09
Balance with Reserve Bank of India	2443.98	3093.98	3753.98
% to total deposit	5.23	5.64	5.77
Balance with sponsor bank	1073.96	1590.90	971.80
Balance with other banks	603.93	483.20	1434.87
Interest earned on Current Account Balances	1.42	9.73	6.40

The position was being reviewed on daily basis and resulted in cost effectiveness of the Bank.

7. INVESTMENTS

In view of the directives of the Reserve Bank of India, Bank invested its surplus fund in Govt. securities despite financing to priority and Non – priority sectors. During the year under review, we made fresh investment of Rs.25.00 crore in Govt. Securities for SLR and Rs.2.40 crore under Non-SLR category. Out of investment made in earlier years, we got redemption of securities of Rs.6.10 crore on maturity and Govt. Securities for Rs.5.00 crore is sold during the year in profit.

As per Reserve Bank of India directives we have classified our Non-SLR investments in Mark-to-market category and accordingly we had provision of Rs.1,42,64,650=00 for depreciation in the value of our Non-SLR investments made upto earlier years. On review of the requirement, out of the provisions made upto earlier years Rs.45,00,150=00 is reversed back during this year.

We have received interest for our all other investments as per schedule. During the year average yield on investments was 7.65%. Maintaining adequate cash requirements keeping in view the cash credit facility to its customers, Bank have also been vigilant in maintaining minimum cash balance at the branches.

We have converted our entire SLR portfolio in Govt. securities and SLR requirement is met with as per Reserve Bank of India directives.

8. LOANS AND ADVANCES OUTSTANDING

During the year Bank disbursed Rs.19045.35 lacs to 8858 beneficiaries. The outstanding amount towards 37880 borrowers as on 31.03.2011 was Rs.35678.73 lacs. Year wise amount of outstanding as well as outstanding under various categories as at the close of business on 31st March is as under.

(Amount in lacs of Rs.)

Particulars	2008-09	2009-10	2010-11
Gross loans & advances outstanding	25822	29362	35679
Growth %	11.20	13.71	21.51
Out of which			
Loans to Priority Sector	22267	23448	*28042
Loans to SC/ST	2416	2491	3567
Loans to SF/MF/AL	8156	9086	12404
Loans to Minorities	1676	2977	4103

*An amount of Rs.3000 lacs of Priority Sector advances was interchanged with NPS advances of Bank of Baroda under IBPC as permitted by Reserve Bank of India.

9. IRAC NORMS

(a) Asset Classification

As per the instructions of Reserve Bank of India assets were classified and provision was made for non-performing assets accordingly.

Category wise analysis of assets and provision made is as under –

(Amount in lacs of Rs.)

S.N.	Category	Advances outstanding		Provision as on 31.03.2011
		As on 31.03.2010	As on 31.03.2011	
1.	Standard asset	28062	34335	109.57
	% Share	(95.57)	(96.23)	-
2.	Sub Standard asset	601	396	39.32
	% Share	(2.05)	(1.11)	-
3.	Doubtful asset	608	846	853.84
	%Share	(2.07)	(2.37)	-
4.	Loss asset	91	102	101.04
	% Share	(0.31)	(0.29)	-
	Total	29362	35679	1103.77

b) Interest De – recognized

Income recognition process was done after classification of assets as per the instructions received from Reserve Bank of India regarding prudential norms. Position of reversal of interest for two years is given as under: –

(Amount in lacs of Rs.)

Category	Current Year	Previous Year
Derecognised Income at the beginning of the year	0.58	0.63
Recovery during the year	0.58	0.05
Additions during the year	NIL	NIL
Derecognised Income at the end of the year	NIL	0.58

c) Provisions

Keeping in view the provisioning norms we have made adequate provisions against NPAs. To reduce the net NPA to zero level in due course, we have made an additional provision of Rs.1,50,00,000=00 as on the end of the current financial year. Our cumulative provisions for Bad & Doubtful debts as on 31.03.2011 are Rs. 11,03,77,236=93 (previous year Rs.9,56,44,337=93). This includes provision Rs. 1,09,57,800=00 on all the standard advances. Provisioning position for three years is given below: -

(Amount in lacs of Rs.)

Year	NPAs	Provision made during the year	Cumulative Provision
2008-09	1168.55	100.00	809.18
2009-10	1299.83	150.00	956.44
2010-11	1343.83	150.00	1103.77

d) NPA Management

As per the instructions of Reserve Bank of India we have classified our advances in Standard, Sub-standard, Doubtful and Loss category. During this year, advances of Rs.1343.83 lacs (Previous year Rs. 1299.83 lacs) are categorized as NPA. Following is the position of NPA Management as on 31.03.2011.

(Amount in lacs of Rs.)

Category	Current year	Previous year
NPA at the beginning of the year	1299.83	1168.55
Recovery against NPAs During the year	912.13	700.17
Additions to NPA during the year	956.13	831.45
NPA at the end of the year	1343.83	1299.83
% of NPA to total advances	3.76	4.43
% of net NPA to total advances	0.67	1.17
% of net NPA to net advances	0.69	1.21

Our NPA free branches as of March, 2011 have increased to -12- from -9- of previous year.

10. LOANS DISBURSED DURING THE YEAR

During the year under review financial assistance was provided by the Bank to 8858 beneficiaries aggregating Rs.19045.35 lacs for various agricultural and non-farm sector activities under Annual Action Plan 2010-11. Scheme wise & sector wise details are as under: -

(Amount in lacs of Rs.)

Particulars	Total loan disbursement during 2010-11		Balance as on 31.03.2010		Balance as on 31.03.2011	
	A/c	Amt.	A/c	Amt.	A/c	Amt.
(A)SCHEME WISE						
SGSY	581	459.95	2250	1089.80	1986	1342.42
SCP	45	12.04	541	92.50	361	92.83
PMEGP	96	271.14	560	646.34	96	269.66
				(kvic/kvib)		

Particulars	Total Loan Disbursement during 2010-11		Balance as on 31.03.2010		Balance as on 31.03.2011	
	A/c	Amt.	A/c	Amt.	A/c	Amt.
(B) PURPOSE WISE						
1. Agri. & allied Activities	5227	11217.72	14883	11082.91	20597	12850.42*
2. Industries	238	625.16	1161	1796.77	1363	2690.17
3. Services & Business	1812	4677.20	10785	10568.69	11030	12502.25
4. Other (including Non Priority Sectors)	1581	2525.27	4957	5913.15	4890	7635.89*
Total	8858	19045.35	31786	29361.52	37880	35678.73
From above- Priority Sector advance	7277	16520.08	26829	23448.87	32990	28042.84*
% share to Total	82.15	86.74	84.40	79.86	87.09	78.60
Non-Priority Sector advance	1581	2525.27	4957	5913.15	4890	7635.89*
% share to total	17.85	13.26	15.60	20.14	12.91	21.40
Average advance	-	-	-	27101.05	-	31716.76
Interest received on advances	-	-	-	2769.83	-	3270.44
Average yield on advances	-	-	-	10.12	-	10.31
Credit Deposit Ratio	-	-	-	53.53	-	54.91

* Priority Sector advances (standard agriculture) of Rs.30 crore interchanged with Non Priority Sector Advances of Bank of Baroda of same amount under IBPC, as permitted by Reserve Bank of India.

Main features of advances portfolio are as under: -

(1) During Current financial year Bank disbursed Rs.16520.08 lacs under Priority Sectors, which is 86.74% of total loan disbursement.

(2) Our interest on advances ranged from 7.00% P.A. to 14.75% P.A. with PLR of 13.75% P.A., according to nature of scheme, amount of loan, securities offered and borrowers' stake in the Project / business.

(3) Kisan Credit Cards (KCC)

Our Bank had disbursed fresh Rs.7171.35 lacs to 2241 borrowers during 2010-11. Presently 11319 farmers are benefited under KCC having outstanding amount of Rs.11302.05 lacs. The Bank have implemented Personal Accident Insurance Scheme for KCC holders from 2002-03 as per NABARD guidelines.

(4) Initiatives were taken by some of the branches etc. for formation of Farmers Clubs. Our branches have formed 39 farmers clubs during the year and total number of farmer clubs is 173. We have constituted minimum one farmer club at each of our branch except Urban branch Haldwani.

(5) Uttarakhand State offers tremendous scope for Tourism. As such, in tune with Government of Uttarakhand's Tourism Policy, the Bank has very actively participated in Special Tourism Scheme called Veer Chandra Singh Garhwali Scheme where 28 beneficiaries have been extended financial assistance for Rs.178.60 lacs for Tourist Taxis, Motels, Low Cost Restaurants etc. for giving special thrust to Tourism sector. Total outstanding beneficiaries under this scheme are 153 with outstanding amount Rs.648.23 lacs.

(6) Under PMEGP our Bank provided Rs.271.14 lacs to 96 beneficiaries to promote self employment.

(7) We have entered into Inter Bank Participation Certificate (IBPC) agreement with Bank of Baroda. We have interchanged out standard priority sector advances (agriculture) of Rs. 30 crore with Non priority sector advances of Rs. 30 crores of Bank of Baroda for 180 days with a receiving difference in rate of interest of 1.50%.

(8) We have financed units of manufacturing nature which have been covered under guarantee of CGTMSE. Total guarantee cover available is Rs.26.10 lacs.

11. RECOVERY OF LOANS

Bank made Recovery Policy during the year 2004-05 and according to policy special efforts were made during harvesting and marketing of chief crops for improvement in recovery performance. Recovery efforts were made in the defaulting villages with the co-operation of Revenue authorities / employees. Our recovery percentage was 80.81% in June 2010. This year witnessed unprecedented destruction of properties due to heavy rains and land slides which occurred in whole of the state during July – September, 2010. All economic activities of the area were worstly affected and it is possible that the recovery position of all banks may suffer. State Govt. has also realized the intensity of the natural calamity and has passed an order on dated 31.03.2011 that recovery of the dues of the Banks owned by farmers/entrepreneurs should be shifted to next and succeeding years. Recovery position as on 30th June 2010 is as under: -

(Amount in lacs of Rs.)

Particulars	Demand	Recovery		Over-dues	Period wise overdues			
		Amount	%		1 year	1-3 year	3-5 year	5 year or more
Agri. Sector	7807.90	6222.68	79.69	1585.22	1009.39	509.16	57.27	9.40
Non Agri. Sector	4297.87	3560.05	82.83	737.82	511.29	187.85	27.52	11.16
Total Advance	12105.77	9782.73	80.81	2323.04	1520.68	697.01	84.79	20.56

12. RISK FUND

Bank opted out from credit guarantee scheme of Deposit Insurance and Credit Guarantee Corporation w.e.f. 01.04.1995. Bank has not created any risk fund but has made adequate provision for non-performing assets.

13. RASHTRIYA KRISHI BIMA YOJNA (RKBY)

The scheme is implemented in our Bank since Rabi-2002 season as per State Government directives in this regard. We have made efforts to cover maximum farmers under Rashtriya Krishi Bima Yojna. We remitted insurance premium for Kharif 2010 for Rs.36,74,469=00 covering 3531 farmers and for Rabi 2011 for Rs.3,68,222=00 for 649 farmers. We have received agricultural insurance claim for Kharif 2009 for Rs.25,16,002=92 during this year and for Rabi 2010 for Rs.10,28,569=29 for wheat crop.

14. WRITE – OFF OF LOANS

Bank initiated the process of writing-off Bad & Doubtful debts from the year 1997-98. Details of written off advances for two years are as under: -

(Amount in lacs of Rs.)

Particulars	2009-10	2010-11
No. of A/cs	51	37
Amount written off	2.73	2.67
Provision adjusted	2.73	2.67
Net effect to Profit & Loss a/c	Nil	Nil

15. AGRICULTURE DEBT WAIVER & DEBT RELIEF SCHEME, 2008

Under Agriculture Debt Waiver & Debt Relief Scheme, 2008, loan waiver is provided to 3124 farmers amounting Rs.6,48,26,363.00 and Debt Relief to 734 farmers amounting Rs.1,03,65,226.00. Under the scheme we have so far received reimbursement of full amount against loan waiver. As against Debt relief we have received claimed amount Rs.91,81,487=00 alongwith interest Rs.9,98,927=00 as full and final reimbursement of the claim under the scheme.

As per guidelines of Govt. of India 1.5% interest subvention was to be provided to farmers availing agriculture production credit upto Rs. 3 lacs during current financial year. Bank has provided Rs.20.75 lacs to such farmers during the year which shall be reimbursed by Govt. of India.

We have provided 1% interest subvention /incentive to those farmers who availed crop loan during this financial year 2009-10 and repaid the amount within one year. In addition to this we have provided 2% interest subvention/incentive to farmers availing credit during current financial year and repaying the dues within 12 months. Total amount thus provided to farmers is Rs.21.46 lacs which shall be claimed from Govt. of India.

16. INCOME EARNED

The total earning of the Bank recorded at Rs.5969.65 lacs during 2010-11. Details of income under various heads are as under: -

(Amount in lacs of Rs.)			
Particulars	2008-09	2009-10	2010-11
Income on advances	2541.77	2742.46	3270.44
Income on investments	1822.28	2299.59	2421.64
Income on Non-fund business	155.84	197.44	277.57

All our branches are authorised to issue Demand Drafts on all Branches. Bank has provided locker facility at 3 branches. In addition to this we have made arrangements since 2004-05 for issuance of cheques on all ICICI branches.

16. EXPENDITURE INCURRED

The total expenditure of Bank during 2010-11 was Rs.5137.57 lacs. Out of total expenditure, we have expended Rs. 3075.41 lacs as interest on deposits, borrowings etc. as per details given below: -

(Amount in lacs of Rs.)			
Particulars	2008-09	2009-10	2010-11
Interest of Deposits	2267.68	2582.44	2880.51
Interest on Borrowings	143.54	151.11	189.22
Interest on Overdrafts	57.64	36.28	5.68

17. FINANCIAL RATIOS

Different parameters indicating Bank's performance for two years are as under: -

(Amount in lacs of Rs.)		
Particulars	Current year	Previous year
Average working fund	70528.96	59596.24
i) Financial return	8.07	8.46
ii) Financial cost	4.36	4.65
iii) Financial Margin (i-ii)	3.71	3.81
iv) Operating cost	2.91	1.93
v) Miscellaneous Income	0.39	0.33
vi) Operating Profit (iii+v)-iv)	1.19	2.21
vii) Risk cost	0.21	0.49
viii) Net Margin (vi-vii)	(+)0.98	(+)1.72

18. TRANSFER PRICE MECHANISM

Transfer value system has been adopted for borrowing from / to branches and rate of interest earned / paid on this system is as under: -

Particulars	2009-10	2010-11
Funds lent to branches	9.50%	9.50%
Funds borrowed from branches	8.50%	8.50%

19. ACHIEVEMENT UNDER DAP/MOU

Annual memorandum of understanding between Bank and sponsor bank was executed for the year 2010-11. Bank's performance under various commercial parameters against committed targets is as under: -

(Amount in lacs of Rs.)

S.N.	Particulars	Target 2010-11	Achievements 2010-11	Achievements Percentage
1.	Share capital	100.00	100.00	100.00
2.	Share Capital deposit account	1013.00	1013.00	100.00
3.	Deposits	66900.00	64975.46	97.12
4.	Low cost deposits	38000.00	36749.11	96.71
5.	Refinance	2600.00	4079.59	156.91
6.	Advances	35800.00	35678.73	99.69
7.	Loan disbursement	19000.00	19045.35	100.24
8.	Investment	20500.00	18852.54	91.96
	- S. L. R.	18500.00	16899.64	91.35
	- Non-S. L. R.	2000.00	1952.90	97.65
9.	Per Branch Business	1580.00	1650.07	104.43
10.	Per Staff Business	448.47	382.72	85.34
11.	Profit & Loss	815.00	471.35	57.83

- * Bank achieved 18.46% growth in deposits, 16.91% in low cost deposits and showed a net growth of Rs.101.24 crores in deposits during the year under review.
- * Bank earned a Profit of Rs.682.09 lacs. Our profit during this year was under stress of additional expenses around Rs.6.50 crore for various liabilities such as arrear payment due w.e.f. 1st Nov. 2007, increased salary burden for existing as well as newly recruited staff, increase in provision of liability for leave encashment due to salary revision, increase of gratuity liability due to amendment in gratuity limit from Rs. 3.50 lacs to Rs. 10.00 lacs and expenses of CBS roll out. The profit is transferred to Profit & Loss a/c in Balance Sheet.
- * Bank availed total refinance of Rs.3279.14 lacs to increase its resources for lending and improve Asset Liability mismatch.
- * The Capital and Reserves of the Bank increased from Rs. 5557.51 lacs as on 31/03/2010 to Rs.6028.86 lacs as on 31/03/2011 reflecting an increase of Rs.471.35 lacs i.e 8.48% during the financial year 2010-11. We have transferred Rs.210.73 lacs from current year profit for Income tax liability as per amended provisions of Income tax rules from A.Y. 2007-08.
- * The capital adequacy of the Bank as at 31/03/2011 is 15.41% as against RBI norm of 9% for PSU Banks.

20. SELF HELP GROUP

In accordance with the guidelines received from National Bank for Agriculture and Rural Development our branches have actively come out for formation of Self Help Groups. We formed 272 and credit linked 130 SHGs during the year. The total outstanding SHGs formed by our Bank are 3075 and out of which total credit linked SHGs are 937 upto 31.03.2011.

21. SWAROJGAR CREDIT CARD (SCC)

The Bank is actively participating in the recently announced innovative scheme of Swarojgar Credit card of Government of India being implemented through NABARD. The Bank had provided financial help to 231 borrowers for Rs.137.03 lacs under this scheme during the year 2010-11. Total Credit Cards at the close of business are 1653 and amount outstanding in these cards is Rs.535.04 lacs.

22. JOINT LIABILITY GROUPS

There is considerable part of rural population who do not have title over the agriculture land but they are engaged in agriculture works for their sustenance and livelihood. Owing to non availability of title on the land, they are deprived of institutional agricultural credit. Since they work on the field as share croppers, tenant farmers or oral lessee, our Bank decided to provide credit to this un-reached population with the mechanism of JLG as designed by NABARD.

We initiated this channel of credit in last quarter of the year and we have financed 31 JLGs with total credit limit of Rs.56.40 lacs. Thus, assisting 128 members of JLGs which were deprived of institutional credit till now.

23. SILVER MAHILA CREDIT CARD

There are peculiarities in rural economy of Uttarakhand. One of them is large number migration of male population to urban areas outside the state. The farming is done by women who do not own title of the land. As a result bank credit was not made available to them. We have formulated a scheme named Mahila Credit Card for lending to women cultivators for production purpose. We have provided 51 Mahila Credit Cards for Rs.12.73 lacs to women beneficiaries during this financial year.

24. INTEREST RATE

As per the liberalized policy of Reserve Bank of India we fixed interest rates for deposits and advances at our end. The rates of interest on deposits and advances prevailing at the end of the year are as under: -

Particulars	Intt. Rate % p.a.
Deposits-	
Savings Bank	3.50%
Term. Deposit	
15 days and above upto 45 days	5.00%
46 days and above upto 90 days	5.50%
91 days & above upto 180 days	6.50%
181 days & above upto 270 days	8.00%
271 days & above but < 1 year	8.25%
1 year & above upto <2 years	9.00%
2 years & above upto 3 years	9.60%
Above 3 years & upto <5 years	9.00%
5 years & above upto 8 years	9.50%
8 years & above upto 10 years	9.00%
Tax Savings Scheme	8.50%
Advances - PLR 13.75%	
Crop loans upto Rs.3 lacs	7.00%
Agriculture investment credit :	
Upto Rs. 2 lacs	2.25% below PLR
Above Rs.2 lacs	1.50% below PLR
Other agriculture loans upto Rs.2 lacs	0.75% below PLR
Other agriculture(allied activity) above Rs. 2 lacs	1.25% below PLR
Other Priority Sector upto Rs.2 lacs	Equal to PLR
Above Rs. 2 lacs under Priority Sector	0.50% below PLR to 1% over PLR
Under Non Priority Sector	0.50% below PLR to 1% over PLR

For senior citizens, 0.50% additional interest is being provided for deposits of one year and above.

Special interest rates of 7.00% upto Rs.3,00,000/- for crop production, 12.25% to Medical Practitioners, 10% to SHGs, 11.25% to Swarojgar Credit Card/Mahila Credit Card and General Credit Card, 12.25% for transport sector and Personal Car/Two Wheeler at 1% below PLR were also quoted. We have also quoted 5% p.a. interest rate for installation of solar home lighting systems under Capital Subsidy Scheme of Govt. of India.

We have fixed lower rates of interest on KCC as per Govt. of India directives. We propose for further revision of interest rates on deposits and advances as per market scenario, cost of funds and required margin.

25. NON FUND BUSINESS

Bank has provided, at present, locker facility in its 3 branches. All our Bank's branches are authorised to issue Demand Drafts on all our branches whereas Bank Guarantee facility is made available to all our valued customers at all our Branches.

With a view to retain existing customers and get new customers, we made arrangements for issuance of cheques on all branches of ICICI Bank Ltd. as otherwise those customers were not maintaining accounts with us due to non issuance of Demand Drafts on outstation branches in India. This also helped us to earn commission.

Bank has agreement with National Insurance Co. for General insurance on referral basis. Bank earned commission of Rs.7.51 lacs during the year which added to our income.

Bank entered into agreement with Life Insurance Corporation of India during earlier year for sale of Life Insurance Policies on referral basis which is terminated during this year according to IRDA norms. Our agreement with Bajaj Allianz Ltd. for a special scheme named Tatkal Bima Yojna is continued during this year. An amount of Rs. 56.68 lacs was collected as premium under this scheme and earned commission for Rs. 7.56 lacs during this year.

Total income other than interest earned during the year was Rs.277.57 lacs as against Rs.197.44 lacs during 2009-10. We are endeavoring to augment Non – Interest earnings through fee based and third party product business.

26. AUDIT & INSPECTION

During the year, internal inspection cell inspected the 58 branches. Good progress was also made in the rectification of irregularities pointed out in the inspection reports. Other than regular inspection Revenue Audit and System Audit have also carried out. After CBS roll out, migration audit has been started and will be completed in the current quarter.

Our sponsor Bank Bank of Baroda conducted Management Audit of the Bank during the year and compliance report was sent to sponsor bank within prescribed time limit.

The accounts of the Bank are audited by Chartered Accountants M/s Batra R. & Associates, Rudrapur(Udham Singhy Nagar), M/s Kapil Goel & Associates, Ramnagar(Nainital), M/s S C Agrawal & Associates, Kashipur(Udham Singh Nagar) and M/s Vimal & Associates, Kashipur. Out of total 61 branches, the statutory central auditors audited Head Office and 15 branches and statutory branch auditors audited 43 branches of the Bank. The auditors' report is enclosed.

27. HUMAN RESOURCES AND TRAINING

The Chairman, General Manager and Vigilance Officer are on deputation from the sponsor bank. The details of other officers / employees as on 31.03.2011 is given here under:-

Designation	31.03.2009	31.03.2010	31.03.2011
Officers-			
MMG/S-III	08	12	11
MMG / S-II	56	52	51
JMG / S –I	56	59	62
Clerks / Cashiers / Typists	53	48	79
Messengers	59	56	58
Drivers	02	02	02
Total	234	229	263

(a) During the year 1 messenger was promoted to clerical cadre. Promotion exercise for promotions to officer JMG/S-I, MMG/S-II and MMG/S-III is under process.

(b) We completed recruitment exercise for Officers, Clerk-cum-cashiers and Messengers during the year and appointed 4 officers, 40 clerk-cum-cashiers and 8 messengers to fill up the shortfall of manpower in the Bank.

(c) During the year 118 officers and 81 clerk-cum-cashiers were deputed for training establishments like Bankers Institute for Rural Development, Lucknow, Bank of Baroda Staff College, Ahmedabad, BoB Training Centres at Lucknow & New Delhi and Reserve Bank of India, Lucknow. In addition to this in house training programme for officers was conducted in which 37 officers were trained.

(e) During the year 01 officer and 01 messenger retired, 01 officer, 10 Clerk-cum-cashiers and 01 messenger resigned from Bank's service. One officer and two messengers passed away and one messenger terminated from Bank's service during this year.

28. MIGRATION TO CBS

The Bank have completed the process of CBS implementation in all existing 58 branches. We have also opened three new branches in the last week of March, 2011 with CBS platform.

We are in process of implementation of IT enabled services e.g. RTGS/NEFT, issuance of Debit Cards, Internet Banking, Mobile Banking and SMS alerts to facilitate our customers and to reap the benefits of IT based technology during current year.

29. FINANCIAL INCLUSION PLAN FOR PROVIDING BANKING SERVICES TO THE VILLAGES HAVING POPULATION OVER 2000

Our Bank has been allotted 9 villages having population over 2000 for providing banking services under Financial Inclusion Plan of Govt. of India. All these 9 villages are situated in Udham Singh Nagar district of our operational area.

Out of these 9 villages, 2 villages do not need any further mode as our branches are already operating in these villages. One village has been identified by our Bank for opening of a branch. Remaining 6 villages are proposed to be provided services through ICT enabled mobile van.

30. INDUSTRIAL RELATIONS

The Bank continued to have cordial industrial relations during the year supported by the business results achieved during the year.

31. VIGILANCE

The Bank assigns high priority to vigilance with a view to render faultless customer service to both its depositors and borrowers. The vigilance department at Head Office is under the direct control of the Chairman and being looked after by a Senior Manager on deputation from sponsor bank.

32. RIGHT TO INFORMATION ACT – 2005

Government of India enacted the Right to Information Act 2005 which has come into force on October, 2005. The Act provides for right to every citizen to secure access to information under the control of public authorities, consistent with public interest. It aims to promote openness, transparency and accountability in administration and in relation to matter connected therewith or incidental thereto. General Manager of the Bank is designated as the Public Information Officer with the Chairman as the Appellate Authority under the Act. During the year 2010-11 total 32 applications were received under provisions of this Act and all were disposed off within prescribed time frame. There is only one case of appeal and that is disposed off by the Bank.

Bank had launched its website "nakgb.com" with a view to provide maximum information about the Bank and its services to general public.

33. USE OF HINDI

In accordance with the official language policy of the Govt. of India, the Bank is making maximum use of Hindi in its day to day working and making efforts to do all its work in Hindi.

34. RECONCILIATION

Reconciliation of Banker's Accounts and Head Office Account is completed upto 31.03.2011. The unmatched entries are being vigorously followed up for being squared off.

35. REWARD SCHEME

Reward Scheme has been introduced for better working results and healthy competition among the branches since 1997. The scheme is modified from time to time to include more areas of development to be reviewed for the progress and to review the progress on quarterly basis to have consistence growth.

36. STATUTORY PROVISIONS

Bank maintained the Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) as per prescribed standards of Reserve Bank of India. During the calendar year 2010 six meetings of Board of Directors were held as per Statutory Requirements.

37. BANK MANAGEMENT

During the year Shri S.K.Verma, Shri G. S. Chaudhary and Shri Deepak Rawat replaced Shri Anjani Mishra, Shri V. K. Bist and Dr. Pankaj Kumar Pandey as Directors of the Bank. Shri S. K. Verma is further replaced by Shri Shishir Kumar.

The Bank expresses its gratefulness to the outgoing Directors for their valuable contributions.

38. WORKING RESULTS

The total earning of the Bank recorded at Rs.5969.65 lacs (net of provisions) made during 2010-11. The total expenses are Rs.5137.57 lacs. During the year 2010-11 Bank earned Net profit of Rs.471.35 lacs.

During the year Bank recorded a growth of 19.52% in total business i.e. from Rs. 842.13 crores as on 31/03/2010 to Rs.1006.54 crores as on 31/03/2011 i.e. increase of Rs.164.41 crores. Per branch business increased from Rs. 1451.95 lacs to Rs.1650.07 lacs and per employee business (including sub staff) increased from Rs.367.74 lacs to Rs.382.71 lacs during the year.

Summary of performance is as under:-

(Amount in lacs of Rs.)

Particulars	2008-09	2009-10	2010-11
1. Income before provision	4519.89	5239.49	5969.65
2. Income after provision	4519.89	5239.49	5969.65
3. Income on loans and advances	2541.77	2742.46	3270.44
4. Income on investment	1822.28	2299.59	2421.64
5. Other Income	155.84	197.44	277.57
6. Total expenditure	3544.36	3920.44	5137.57
7. Expenditure on Salaries*	795.16	849.90	1709.33
8. % Expenses on salaries to total expenses	22.43	21.68	33.27
9. % Expenses on salaries to total income	17.59	16.22	28.63
10. Management expenses (Salaries + other operational expenses)	1075.50	1150.61	2062.16
11. % Management expenses to total expenses	30.34	29.34	40.14

39. ACKNOWLEDGEMENT

The Board of Directors express their deep gratitude to the Govt. of India, Govt. of Uttarakhand, Reserve Bank of India, National Bank for Agriculture & Rural Development, Bank of Baroda, District Administration and all other Govt. agencies for their co-operation and valuable guidance.

The Board also thanks all the customers of the Bank for giving it an opportunity to serve them.

The Board also acknowledges the positive participation of the members of staff at all levels who have worked hard to build up the image of the Bank and take it to new heights of achievement, implementation of 100% CBS without which the Bank could not have achieved the present business proposition and technology upgradation.

For and on behalf of the Board of Directors

Place: Haldwani(Nainital)

Date: 23rd April, 2011

(R. K. GUPTA)
CHAIRMAN