

## SCHEDULE "R"

### NOTES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 AND BALANCE SHEET AS ON EVEN DATE.

#### I.

##### 1. OVERVIEW

The Cosmos Co-operative Bank Ltd. ("the bank") was established on 18<sup>th</sup> January 1906. The bank is a multi-state scheduled co-operative bank having 140 branches in 7 states as on 31<sup>st</sup> March, 2019. The Bank is licensed by the Reserve Bank of India (RBI) as 'Authorized Dealers' in Foreign Exchange transactions under category-1.

##### 2. BASIS OF PREPARATION

The financial statements have been prepared and presented under the historical cost convention on accrual basis of accounting, unless otherwise stated, and comply with generally accepted accounting principles in India, statutory requirements prescribed under the Banking Regulation Act 1949, and the Multi State Co-operative Societies Act 2002, and rules made there under, circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time, the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and current practices prevailing within the banking industry in India.

##### 3. USE OF ESTIMATES

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revision to the accounting estimates is recognized prospectively.

#### II. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Accounting Convention -

The financial statements are drawn up in accordance with historical cost convention and ongoing concern basis.

##### 2. Revenue Recognition

Items of income are accounted on accrual basis except for the following: -

- i. Interest and other income on Advances classified as 'Non-performing assets' is recognized to the extent realized, as per the directive issued by the RBI. Unrealized interest on non-performing advances is shown under 'Overdue Interest Reserve' and as 'Interest Receivable' on liability side and asset side respectively.
- ii. Commission and Exchange are fully recognized as income on realization.
- iii. Locker Rent is recognized on receipt basis, to the extent of income accrued and due.

- iv. Dividend is recognized as income when right to receive payment is established by the date of Balance Sheet.
- v. Interest on Government Securities, debentures and other fixed income securities is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

### **3. Investments**

- a. The Bank has classified the investments in accordance with the RBI guidelines applicable to Urban Co-Operative Banks. Accordingly, classification of investments for the purpose of valuation is done under the following categories:
  - i) Held to Maturity (HTM)
  - ii) Available for Sale (AFS)
  - iii) Held for Trading ( HFT)
- b. Investments are classified under following seven heads for disclosure in Balance Sheet as per RBI guidelines –
  - i. Central & State Government Securities
  - ii. Other Approved Securities
  - iii. Shares of Co-op. Banks
  - iv. Shares in Subsidiary Company and other shares in Corporates
  - v. PSU Bonds
  - vi. Bonds in other Institutions
  - vii. Security Receipts
- c. Investments purchased under HTM category are accounted at cost. Premium, if any, on investments under HTM category is amortized over the residual life of the investment.
- d. Investments under “HFT” and “AFS” categories are marked to market on the basis of guidelines issued by the RBI. While net depreciation, if any, under each of the categories has been provided for, and net appreciation, if any, has been ignored.
- e. For the purpose of valuation, market value in the case of Central and State Government securities, PSU bonds & Other bonds is determined as per RBI guidelines on the basis of the “Yield to Maturity” indicated by Primary Dealers Association of India (PDAI)/ Fixed Income and Money Market Derivatives Association of India (FIMMDA), jointly with Financial Benchmark India Pvt. Ltd (FBIL).
- f. Shares of co-operative Banks & subsidiary company are valued at cost. Full provision is made for investment in shares of co-operative societies, in case dividend is not declared or financial position is not available or which have gone into liquidation.
- g. Investments in quoted mutual funds are valued as per stock exchange quotations. Investments in non-quoted mutual funds are valued in line with RBI guidelines on

the basis of latest repurchase price declared by mutual funds or Net Asset Value (NAV).

- h. Security receipts are recognized at the lower of the redemption value of the security receipts and the NBV of the financial asset. The same are valued on the basis of the Net Asset Value (NAV), obtained from SC / RC from time to time.
- i. The transfer of investments from one category to another is done at lower of the acquisition cost/book value/market value on the date of transfer and the depreciation, if any, fully provided for.
- j. Treasury Bills under all the classifications are shown at carrying cost.
- k. Broken period interest on debt instruments is treated as revenue item. Brokerage, Commission etc. pertaining to investments paid at the time of acquisition is charged to revenue.
- l. The investments are accounted for on the settlement date.
- m. Overdue Interest if any in respect of non performing investments is provided under 'Overdue Interest Reserve' on investments.
- n. **Transactions under Repo / Reverse Repo, Liquidity Adjustment Facility and CBLO/Tri-Party Repo(TREPS)**

Balance under Repo account, CBLO, TREPS and LAF is reported under Borrowings. Lending under Reverse Repo, LAF & TREPS is shown under Money at call and short notice. Accounting of the abovementioned transactions is done as per RBI monetary policy.

#### **4. Advances & Provision for Advances**

- a. Advances are disclosed net of write off & further disclosed into short term, medium term & long term.
- b. Advances are classified into Standard, Sub-Standard, Doubtful and Loss Assets in accordance with the guidelines issued by the Reserve Bank of India from time to time.
- c. Provision on Advances categorized under Sub-Standard, Doubtful and Loss Assets is made in accordance with the guidelines issued by the Reserve Bank of India. In addition, a general provision is made on following categories of standard assets as per RBI guidelines, as under:

<b>Category</b>	<b>Provision (%)</b>
Direct advances to Agricultural and SME Sectors	0.25
Commercial Real estate loans	1.00
CRE – RH	0.75
Other advances	0.40

- d. Provision is made for restructured accounts in accordance with RBI guidelines which require diminution in the fair value of assets to be provided for at the time of restructuring.

## **5. Property Plant & Equipment (PPE) & depreciation:**

- a. Property Plant and Equipment other than premises of the bank and merged banks are stated in balance-sheet at historical cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price including non-refundable purchase taxes and any cost attributable for bringing the asset to its working condition for its intended use after deducting trade discount and rebates. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefit/ functioning capability from / of such assets.
- b.
  - i) Premises are carried at revalued amount, being fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses in accordance with AS 10 (Revised) PPE issued by ICAI. Revaluations made with sufficient regularity as decided by the management as per the valuation reports of Registered Government Approved Valuers to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.
  - ii) The surplus arising out of revaluation of premises carried out is credited to the Revaluation Surplus in the Balance Sheet.
  - iii) In respect of premises kept in use by the bank, yearly amortization of revaluation surplus of the premises is debited to Profit and Loss account along with depreciation on original cost of premises and credited to premises account. Correspondingly, yearly amortization of revaluation surplus of the premises is debited to revaluation surplus with identical credit to General Reserve. In case of de-recognition of asset, the revaluation surplus is transferred to respective asset.
- c. Premises of the merged bank are recorded at fair value upon merger and Property plant and equipment other than premises are recorded at book value as on date of merger as per Due Diligence Report.
- d. Premises are depreciated over the residual life of premises not exceeding 60 years. Accordingly, the bank has a policy of assessing the residual life of premises periodically to present the realistic value of premises from time to time.
- e. Subsequent costs are included in carrying amount of asset or recognized as separate asset, as appropriate only when it is probable that future economic benefit associated with the item will flow to the entity and the cost can be measured reliably.
- f. Depreciation:

Depreciation on PPE is recognized based on cost of asset less their residual values over their useful lives, using the Straight Line Method. The useful life of Property, plant and equipment is considered as per the management estimate. The estimated useful lives, residual values and depreciation method are reviewed at the end of the

each accounting period, with the effect of any changes in estimate accounted for on prospective basis. Depreciation on fixed asset is provided on day wise basis.

The estimated useful lives of PPE and depreciation rates considering the useful life of an individual asset as determined by the management is as follows:

Sr. No.	Property, plant and equipment	Useful lives of an individual Asset	Depreciation rate per annum
1	Building	60	-*
2	Furniture & fixtures	10	10%
3	Vehicles	6.7	15%
4	Electrical items	10	10%
5	ATM	5	20%
6	Computer hardware	3	33.33%

(\* In case of Building, the depreciation is calculated on the remaining useful life of respective premises)

- g. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. These estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances.
- h. Whenever there is a revision in the estimated useful life of the asset, the unamortized depreciable amount is charged over the revised remaining useful life of the said asset.
- i. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as difference between the sales proceeds and the carrying amount of the asset and is recognized in profit and loss.
- j. The Cost of assets not put to use before such date are disclosed under "Capital work in progress".
- k. Freehold land is not depreciated.
- l. Leasehold land is amortized over the period of the lease.
- m. Capital expenditure on leasehold land & building is amortized over a period of 10 years.
- n. Stamp duty and registration charges on leasehold premises are amortize over the period of lease.
- o. The items of Property, Plant & Equipment whose written down value has become NIL due to charge of depreciation over the years are stated at nominal value of Re. 1/- to facilitate their identification.

p. Impairment of PPE

- i. The Bank assesses at each Balance sheet date whether there is any such indication that an asset may be impaired. If any such indication exists, the bank estimates the recoverable amount of the asset. An asset's recoverable amount is higher of an asset's net selling price and its value in use. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account.

**6. Foreign Currency Transactions – AS 11**

- a. The bank has no foreign branches. Transactions denominated in foreign currencies are accounted for at the rates prevailing on the date of transaction. Monetary foreign currency assets and liabilities are translated at the Balance Sheet date at rates notified by Foreign Exchange Dealers Association of India (FEDAI). All gains/losses resulting from year-end revaluations are recognized in the Profit and Loss account.
- b. Outstanding forward exchange contracts and spot exchange contracts are revalued at year-end exchange rates notified by FEDAI for specified maturities. The resulting gains/losses on revaluation are included in the Profit and Loss account in accordance with RBI/FEDAI guidelines.
- c. Contingent liabilities in foreign currencies on account of guarantees, acceptances, endorsements and other obligations are recognized at the rate prevailing on the balance sheet date as notified by FEDAI.

**7. Accounting for Amalgamation -AS 14**

Accounting for Amalgamation in case of amalgamated Banks with the Bank is carried out as per the guidelines issued by the RBI, from time to time in consonance with AS14 issued by ICAI as under:

- A. Where no consideration is paid but the book value of the assets is less than the book value of liabilities taken over, the excess of the book value of liabilities over the book value of the assets taken over is considered as goodwill. In accordance with the RBI circular RBI/2005-06/217 UBD.BPD.PCB.Cir.18/09.16.901/2005-06, the goodwill is amortized over a period of five years in equal installments. In case of mergers before that date, the bank followed the policy of making 100% provision against the goodwill over the period of 5 years.
- B. Where no consideration is paid, but the book value of the assets taken over is greater than the book value of the liabilities taken over, the excess of the book value of assets over the book value of the liabilities is considered as Capital Reserves.
- C. Additional expenses incurred on account of recovery in respect of merged banks after the year of merger are debited to Goodwill / Capital Reserve account. The said portion of goodwill is amortized in remaining period out of 5 years from the year of merger.

## **8. Employee Benefits – AS 15**

a) **Provident Fund:**

It is a defined contribution scheme. The eligible employees of the bank are entitled to receive benefits under the Provident Fund, where, both the employee and the bank contribute monthly at a stipulated rate to the government provident fund. The bank has no liability for future provident fund benefits other than its annual contribution and recognizes such contributions as an expense to Profit and Loss account in the period in which employee renders the related service.

b) **Gratuity:**

The bank provides for the gratuity, a defined benefit retirement plan, covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated years mentioned under 'The Payment of Gratuity Act, 1972'. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation at each Balance Sheet date using the Projected Unit Credit Method.

The bank funds for the plan asset in the form of qualifying insurance policy. The fair value of plan asset is reduced from the gross obligation under the defined benefits plans to recognize the net obligation of the gratuity plan in the Balance Sheet as liability, in accordance with AS-15 'Employee Benefits'. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the Statement of Profit and Loss in the period in which they arise.

c) **Leave Encashment:**

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The bank measures the cost of such absences at the amount it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The accumulated leave expected to be carried forward beyond twelve months is Other Long-term Employee Benefit. The same is provided for based on the actuarial valuation using the Projected Unit Credit Method at the reporting date. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred.

## **9. Segment Reporting – AS 17 :**

In accordance with the guidelines issued by RBI, Segment Reporting is made as under:

- i) Treasury includes all investment portfolio, profit/loss on sale of investments, profit/loss on foreign exchange transactions, equities and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation/amortization of premium on Held to Maturity category investments.
- ii) Other Banking Operations include all other operations not covered under Treasury operations.  
Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the bank as a whole.

## **10. Operating Lease – AS 19 :**

Lease payments for assets taken on operating lease are recognized in the Profit and Loss Account over the lease term in accordance with the AS-19 – Leases, issued by the Institute of Chartered Accountants of India.

## **11. Earning Per Share - AS 20:**

Basic earnings per share is calculated by dividing the net profit or loss for the period by the weighted average number of shares outstanding during the year. The weighted average number of shares is calculated on monthly basis.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

## **12. Taxation – AS - 22**

- i. Tax expense comprises both deferred and current taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred Income Tax reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.
- ii. Deferred Tax is recognized, subject to consideration of prudence, on timing differences between taxable income & accounting income that originate in one period and is capable of reversal in subsequent period. DTA is recognized only to the extent that there is reasonable certainty that asset can be realized in future. Income of unabsorbed depreciation, carried forward losses under tax laws, deferred tax asset is recognized only to the extent that there is virtual certainty supporting by convincing evidences. These are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realized.
- iii. Current tax is debited to the Profit and Loss account. The impact of changes in DTA and DTL is recognized in the Profit and Loss account.
- iv. DTAs are reassessed at each reporting date, based upon management's judgment as to whether the realization is reasonably certain.

## **13. Intangible Assets: AS 26**

An intangible asset is recognized if and only if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible asset is measured initially at cost and stated in balance-sheet at historical cost less accumulated amortization.

Amortization

Amortization of intangible assets is provided on Straight Lime Method (SLM) @ 33.33% in line with the RBI circular RBI/2005-06/286 UBD.BPD.PCB Cir. No. 28/12.05.001/2005-06.

#### **14. Provisions, Contingent liabilities and Contingent Asset- AS 29**

A provision is recognized when Bank has a present obligation as a result of past event where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value except in case of decommissioning, restoration and similar liabilities that are recognized as cost of Property, Plant and Equipment and are determined based on best estimate of the expenditure required to settle the present obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a) A possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- b) A present obligation arising from a past event which is not recognized, as it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible or a present obligation in respect of which the likelihood of outflow of resources embodying economic benefits is remote, no provision or disclosure is made.

### **III. NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019**

#### **1. Long Term Subordinated (Tier-II) Deposits:**

In accordance with the approval granted by RBI vide its letter no. DCBS.MRO.BSS II/4145/12.07.047/2018-19 dated 1st March 2019 and Joint Secretary and Central Registrar of Co-operative Societies vide its letter ref. no. R-11017/44/2012- L & M (vol. III) dated 25th March 2019, the bank has raised Rs. 12.99 crores by way of Long Term Subordinated (Tier-II) Deposits during the year. Further, the Bank has serviced Rs.58.20 crores as total interest on LTDs raised till date.

#### **2. Incidence of Cyber attack and consequential withdrawal from Reserve for Unforeseen Losses**

During the current FY 2018-19, Cyber attack took place on payment gateway of the ATM and SWIFT system of the bank. Total amount involved in the said attack is of Rs.100.22 Crores including exchange loss on payment settlement.

The bank has promptly reported about this fraud to Reserve Bank of India and simultaneously filed FIR with Police.

Considering the magnitude of fraud in terms of value as well as Geographical spread in 28 countries Special Investigation Team was formed under the supervision of IG Maharashtra State to take the investigation on fast track with the help of DCP, Cyber Crime Cell, Pune. The bank has also taken necessary corrective measures to strengthen the overall IT security framework.

Reserve Bank of India on the request of the bank accorded permission to provide 50% of the amount of loss by 31.03.2019. Accordingly, the bank has debited Rs.50.20 crores to Profit & Loss A/c. representing provision towards 50% of loss. The situation being unprecedented and unforeseen, the bank withdrawn Rs.23.71 Crores from 'Reserve for Unforeseen Losses' and the same has been credited to the Profit & Loss Account, 'below the line' to replenish the same.

3. The bank has written off an amount of Rs.15455.30 Lakhs (Rs. 20975.35 Lakhs for F.Y.2017-18) towards Bad debts, which is approved by the Board of Directors. The said non-performing assets had been classified as Doubtful/ Loss Assets and had been fully provided for.
4. Suppliers/Service providers covered under Micro, Small, Medium Enterprises Development Act, 2006, have not furnished the information regarding filing of necessary memorandum with the appropriate authority. As such, information relating to cases of delays in payments to such enterprises or of interest payments due to delays in such payments, cannot be given.
5. The income for Bank assurance business for the period April 2018 to March 2019 is as follows -

(Rs. in Lakhs)

Sr. No.	Nature of Income	2018-19	2017-18
1.	From selling Life Insurance Policies	95.04	53.58
2.	From selling Non-Life Insurance Policies	36.89	55.03
3.	From selling Mutual Fund Products	57.96	53.13
	<b>Total</b>	<b>189.89</b>	161.74

6. **Restructured Loans:**

Details of loans subjected to restructuring as on 31 March 2019 are given below:

(Rs. In Lakhs)

Sr. No.	Particulars		CDR Mechanism	Housing Loans	SME Debt Restructuring	Others
1.	Standard advances restructured	No. of Borrowers	-----	----- (1)	8 (6)	----
		Amount outstanding	-----	0.00 (16.09)	16183.37 (10288.75)	----
		Diminution in the fair value	-----	-----	-----	-----
2.	Sub-standard advances restructured	No. of Borrowers	-----	-----	1 (4)	-----
		Amount outstanding	-----	-----	1677.97 (4431.44)	-----
		Diminution in the fair value	-----	-----	-----	-----
3.	Doubtful advances restructured	No. of Borrowers	-----	-----	4 (5)	-----
		Amount outstanding	-----	-----	11599.99 (10523.84)	-----

		Diminution in the fair value	----	----	309.77 (379.16)	----
	<b>Total</b>	<b>No. of Borrowers</b>	-----	-----	<b>13</b> <b>(15)</b>	-----
		<b>Amount outstanding</b>	-----	-----	<b>29461.33</b> <b>(25,244.03)</b>	-----
		<b>Diminution in the fair value</b>	-----	<b>0.00</b>	<b>309.77</b> <b>(379.16)</b>	-----

(Figures in bracket are of previous year)

These restructured loans constitute about 2.54% (2.34%) of the total advances as at 31-03-2019.

Amount and number of accounts in respect of which applications received and under process, but the restructuring packages have not yet been approved NIL (NIL) as on 31-03-2019

The bank has not sanctioned any restructuring proposals to MSME as per RBI Circular Ref No. DBR.No.BP.VC.18/21.04.048/2018-19 dated 01.01.2019. Hence, separate disclosure prescribed by the said circular is not given.

7. The Bank has neither sold any assets to ARCs and nor purchased any Non-Banking Assets during the current year as well as previous year.

8. **Prior Period Items - AS 5**

There are no items of material significance in the prior period account requiring disclosure.

9. **Gain(Loss) on Foreign Exchange Transactions – AS 11 :**

The bank has revalued all the outstanding Open Foreign Currency Positions and all the outstanding Forward as well as Spot Exchange Contracts, as per FEDAI rates as on the date of Balance Sheet and net exchange profit of Rs. 910.10 Lakhs (Rs.478.07Lakhs) representing net effect of realized and revalued exchange earnings is credited to Profit & Loss account in accordance with AS-11 issued by ICAI.”

10. **Accounting for Amalgamation.( AS 14 ) :**

**Merger of Co-operative Bank of Ahmedabad Ltd.:**

As per the merger scheme, there is no period limit for recovery of loss on merger in case of Co-op Bank of Ahmedabad Ltd (CBA). During the year, on comparison of losses provided up to financial year 2017-18 with credits received on account of recovery, the excess provision of Rs. 10.31 Lakhs (Rs. 96.52 for FY 2017-18) on account of amortization of losses is written back to profit and loss account, the details of which are as under.

(Rs. in Lakhs)

Bank Name	Accumulated losses on merger	Net credit to losses on A/C of Recovery etc.	Losses C/F to be provided.	Loss Provided upto 2017-18	Excess Provided w/back during the year 2018-19	Accumulated loss pending to be Provided over the next year
Co-Op. Bank of Ahmedabad Ltd.	2207.38 (2207.38)	1830.09 (1819.78)	377.29 (387.60)	387.60 (484.12)	(10.31) (96.52)	---
<b>Total</b>	<b>2207.38</b>	<b>1830.09</b>	<b>377.29</b>	<b>387.60</b>	<b>(10.31)</b>	<b>---</b>

(Figures in bracket are of previous year)

The balance loss of Rs. 377.29 lakhs in respect of CBA will be adjusted against the further recovery received as there is no time limit prescribed for such recovery of loss in merger scheme of CBA.

#### 11. Employee Benefits – (AS - 15)

The bank has defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for a gratuity on separation at 15 days basic salary (last drawn salary) for each completed year of service. The bank funds for the plan asset in the form of qualifying insurance policy.

The liability towards leave encashment and Gratuity is assessed on the basis of actuarial valuation report of Actuary.

**Disclosures required by AS-15 are given as under:**

(Rs. in Lakhs)

Sr. No.	Particulars	Gratuity		Leave Encashment	
		31.03.19	31.03.18	31.03.19	31.03.18
	<b>Principal assumptions used in determining gratuity obligations</b>				
I	Discount Rate	<b>7.76%</b>	7.78%	<b>7.76%</b>	7.78%
II	Expected return on plan assets	<b>7.76%</b>	7.78%	<b>0.00%</b>	0.00%
III	Salary Escalation rate	<b>4%</b>	4%	<b>4%</b>	4%
IV	<b>Reconciliation of opening and closing balance of the present value of the defined benefit obligation:</b>				
	Opening Present value of obligation	<b>5010.88</b>	4521.29	<b>1413.86</b>	1421.22
	Interest cost	<b>389.85</b>	328.69	<b>109.99</b>	103.32
	Current service cost	<b>282.23</b>	254.28	<b>212.18</b>	214.57
	Past service cost	-----	346.22	-----	-----
	Liability transfer in	-----	-----	<b>7.79</b>	-----
	Benefits paid	<b>-581.55</b>	-402.77	<b>-629.50</b>	-558.76
	Actuarial (gain)/ loss on obligations	<b>395.48</b>	36.83	<b>422.93</b>	233.51
	Closing Present value of obligation	<b>5496.89</b>	5010.88	<b>1537.25</b>	1413.86

(Rs. in Lakhs)					
V	<b>Reconciliation of opening and closing balance of the fair value of the plan assets:</b>				
	Opening Fair value of plan assets	<b>4730.83</b>	3746.85	-----	-----
	Expected return on plan assets	<b>368.06</b>	272.40	-----	-----
	Contributions	<b>294.41</b>	1080.06	-----	-----
	Transfer from other entity	-----	-----	-----	-----
	Benefits paid	<b>-581.55</b>	-402.77	-----	-----
	Actuarial gain / (loss) on plan assets	<b>-19.40</b>	34.28	-----	-----
	Closing Fair value of plan assets	<b>4792.35</b>	4730.82	-----	-----
VI	<b>Amount recognized in balance sheet:</b>				
	Present value of obligation as at	<b>5496.89</b>	5010.88	<b>1537.25</b>	1413.86
	Fair value of plan assets as at	<b>-4792.35</b>	<b>-4730.82</b>	-----	-----
	(Assets) / liability as at	<b>704.54</b>	280.06	<b>1537.92</b>	1413.86
VII	<b>Expenses recognized in profit and loss account:</b>				
	Current service cost	<b>282.23</b>	254.28	<b>212.18</b>	214.57
	Past service cost		346.22	-----	-----
	Interest cost	<b>389.85</b>	328.70	<b>109.99</b>	103.32
	Expected Return of Plan Assets	<b>-368.06</b>	-272.40	-----	-----
	Net actuarial (gain) / loss	<b>414.88</b>	-71.11	<b>422.93</b>	233.51
	Expenses recognized in P & L account included in Salaries, Allowances, PF contribution and Gratuity etc.	<b>718.90</b>	585.69	<b>745.11</b>	551.40
VIII	Category of fair value of Plan Assets: - Insured managed funds	<b>100%</b>	100%	-----	-----

12. **Primary Segment Reporting (By Business Segments)– (AS- 17)**

(Rs. in Lakhs)			
Particulars	Treasury	Other Banking Operations	Total
Revenue (before Exceptional items)	<b>42889.32</b> (52085.96)	<b>139173.88</b> (135788.25)	<b>182063.20</b> (187874.21)
Cost	<b>42116.62</b> (56532.65)	<b>120284.47</b> (108689.20)	<b>162401.09</b> (165221.85)
Result	<b>772.70</b> (-4446.69)	<b>18889.41</b> (27099.05)	<b>19662.11</b> (22652.36)
Unallocated Expenses	---	---	<b>16007.40</b> (32393.67)
Operating Profit (PBT)	---	---	<b>3654.71</b> (-9741.31)
Income Taxes including Deferred Tax	---	---	<b>1471.68</b> (3168.27)
Reversal of Excess IFR	---	---	----

Previous year's BDDR	---	---	----
	---	---	----
Net Profit / Loss (-)	---	---	<b>2183.03</b>
	---	---	(-6573.03)
<b>OTHER INFORMATION</b>			
Segment Assets	<b>476656.22</b>	<b>1439266.67</b>	<b>1915922.89</b>
	(503821.28)	(1314653.97)	(1818475.25)
Unallocated Assets	---	---	<b>49175.40</b>
	---	---	(50701.25)
Total Assets	---	---	<b>1965098.29</b>
	---	---	(1869176.50)
Segment Liabilities	<b>23494.75</b>	1726179.27	<b>1749674.02</b>
	(38414.57)	(1620131.00)	(1658545.57)
Unallocated Liabilities	---	---	<b>215424.27</b>
	---	---	(210630.93)
Total Liabilities	---	---	<b>1965098.29</b>
	---	---	(1869176.50)

(Figures in the bracket are of previous year i.e. 2017-18)

These segments have been reported considering the nature of products or services, the class of customers for the products or services, different risks and returns attributable to them, organizational structure and internal management information system.

**Types of products and services in each business segment:-**

- Treasury: Dealing Operations in Forex/ Money Market Instruments.
- Other Banking Operations: Foreign and Local Finance/ Services

Secondary Segment Information: Bank operates only in one geographical area, hence separate information regarding secondary segment i.e. geographical segment is not given.

**13. Related Party Disclosures (AS-18)**

- Related Party disclosures:

**(Rs. in Lakhs)**

Items / Related Party		Cosmos E Solutions & Services Pvt. Ltd. (Subsidiary Company)	
		31.03.2019	31.03.2018
<b>Transactions-</b>			
1	Availment of services/Capital Purchases		
	Towards Services	<b>861.23</b>	1233.43
	Towards Capital Purchases	<b>16.70</b>	0.00
2	Interest paid & accrued by bank on Fixed Deposit during the year	<b>7.69</b>	0.00
3	Dividend received	<b>0.00</b>	25.00
4	Sale of Fixed Assets	<b>0.00</b>	0.00
<b>Balances-</b>			
1	Current account with Bank	<b>180.86</b>	77.67
	Maximum Balance maintained in Current account with Bank	<b>247.53</b>	242.82
2	Investment in Subsidiary	<b>25.00</b>	25.00

- b. The Bank is a Co-operative Society under the Multi-State Co-operative Societies Act, 2002 and there are no related parties requiring a disclosure under Accounting Standard 18 (AS-18) issued by The Institute of Chartered Accountants of India, other than Key Management Personnel, Mr. Suhas Gokhale, Managing Director from 01.04.2018 to 31.03.2019. However, in terms of RBI circular dated 29<sup>th</sup> March, 2003, he being a single party under the category, no further details thereon need to be disclosed.

**14. Operating lease comprises leasing of office premises, ATM and data center site storage equipment (AS-19)**

<b>Particulars</b>	<b>(Rs.in Lakhs)</b>	
	<b>31.03.2019</b>	<b>31.03.2018</b>
Minimum lease payments payable at the end of the year:		
- Not later than one year	3430.34	3650.50
- Later than one year and not later than five years	11808.04	13797.19
- Later than five years	17189.24	21576.48
Total minimum lease payments recognized in the profit and loss account for the year.	3695.20	3493.94
Total of minimum sub-lease payment expected to be received under non-cancelable sub-lease	N.A.	N.A.
Sub-lease payments recognized in the profit and loss account for the year.	N.A.	N.A.

**15. Earnings Per share (AS – 20):**

<b>Sr. No.</b>	<b>Particulars</b>	<b>2018-19</b>	<b>2017-18</b>
<b>A</b>	Profit/Loss for the year attributable to shareholders (Rs.)-	<b>21,83,03,164.23</b>	(-) 657302775.00
<b>B</b>	Total number of Equity shares at the end of year	<b>34447486.00</b>	37163802.00
<b>C</b>	Weighted avg. number of shares of Rs. 100/- each for the purpose of computing Basic Earnings per share	<b>35277954.17</b>	37567649.75
<b>D</b>	Basic Earnings per share (A / C) (Rs.)	<b>6.19</b>	(-) 17.50
<b>E</b>	Weighted avg. number of shares of Rs. 100/- each for the purpose of computing diluted Earnings per share	<b>35277954.17</b>	37567649.75
<b>F</b>	Diluted Earnings per share	<b>6.19</b>	(-) 17.50

**16. Consolidated Financial Statements (AS 21)**

Although Bank has wholly owned subsidiary company, the compliance of Accounting Standard 21 (AS 21) regarding Consolidated Financial Statements is not applicable to the bank, since the Statute- Multistate Co-operative Societies Act, 2002 does not specifically require such disclosure mandatorily, as per AS 21 issued by ICAI.

17. **Deferred Tax (AS – 22)**

The major components of Deferred Tax for the year are as under:

	(Rs. in Lakhs)	
	31.03.2019	31.03.2018
<b>Deferred Tax Assets</b>		
1. Provision for BDDR	<b>24870.47</b>	25642.61
2. Leave encashment Provision	<b>1537.25</b>	1413.86
3. Carry Forward Losses under Tax Laws	<b>1721.86</b>	262.36
4. Expenses disallowed U/s 40(a)(ia)	<b>144.98</b>	94.05
5. Provision for Re-structured Assets	<b>688.92</b>	-----
6. Amortization of premium	<b>283.72</b>	-----
<b>Sub Total (A)</b>	<b>29247.20</b>	27412.88
<b>Deferred Tax Liability</b>		
1. Difference in W.D.V.	<b>4488.60</b>	4184.31
2. Depreciation on HTM securities	<b>8693.51</b>	9654.13
3. Provision for Cyber Loss	<b>5011.14</b>	-----
<b>Sub Total (B)</b>	<b>18193.25</b>	13838.44
<b>Total (A-B)</b>	<b>11053.95</b>	13574.44
<b>Deferred Tax Asset</b>	<b>3862.69</b>	4697.84

The application of Deferred Tax has resulted in a net debit of Rs.1294.66 Lakhs to the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2019. The closing Deferred Tax Asset (net) of Rs. 3,862.69 Lakhs shown separately in the Balance Sheet is inclusive of DTA of Rs. 459.51 lakhs pertaining to additional NPA as instructed by RBI.

The Bank has profit as per books of accounts but loss as per income tax, hence the Bank has recognized Deferred Tax Asset pertaining to carry forward of business losses of Rs. 1721.86 lakhs under the Income Tax Act, 1961. The losses pertain only to current financial year and the bank does not have history of such losses. The business plan of the Bank clearly establish the virtual certainty that sufficient taxable income would be generated for absorption of carried forward losses under Tax laws and thus for reversal of the Deferred Tax Asset so recognized.

18. **Details of computer software other than internally generated- (AS– 26):**

The details of computer software included in the Fixed Assets block of “Computer & Hardware” are as follows:

	(Rs. in lakhs)	
	31.03.2019	31.03.2018
<b>Particulars</b>		
Opening Balance of Software (Intangible assets)	<b>967.20</b>	787.16
Add: Additions during the year	<b>271.10</b>	816.46
Less: Amortization during the year	<b>595.81</b>	636.42
Closing Balance of Software (Intangible assets)	<b>642.49</b>	967.20

19. **Impairment of Assets - AS 28:**

The Bank has ascertained that there is no material impairment of any of its assets and as such no provision under Accounting Standard 28 issued by the ICAI is required.

20. **Contingent Liabilities AS -29:**

a) Contingent liabilities in respect of Bank guarantees, Letters of credit, Forward contracts etc.

(Rs. in Lakhs)

	<b>31.03.2019</b>	31.03.2018
Bank Guarantees	<b>81635.11</b>	67175.72
Letters of Credit ( LC + Buyer's Credit)	<b>25399.61</b>	43601.95
Forward Exchange contracts Purchase / Sale	<b>13038.43</b>	23694.96
Others – Depositors' Education Awareness Fund	<b>3371.26</b>	2932.97
<b>Total</b>	<b>123444.41</b>	137405.60

b) Claims not acknowledged as debts:

(Rs. in Lakhs)

	<b>31.03.2019</b>	31.03.2018
On account of Income tax Demand (Gross)	<b>9373.68</b>	9629.19
On account of Service Tax	<b>730.77</b>	730.77

- The Bank has paid Rs.6916.25 lakhs (Rs.6517.28 lakh) against the above income tax demands raised by the income tax department for various assessment years. The Bank has contested this demands at various appellate levels and bank is hopeful of getting substantial relief in respect thereto.
- The bank has paid Rs.54.81 lakhs during the FY 2018-19 against the Service Tax demands for FY 2017-18.

**c) Contingent Liabilities – Others**

In terms of DBOD Circular No. DEAF Cell.BC.114/30.01.002/2013-14 dated May 27, 2014, the Bank has transferred all credit balances amounting to Rs. 500.06 lakhs (as mentioned in sub-clause i) to viii) in Clause 3 of DEAF Scheme 2014) maintained with the Bank which have not been in operation for 10 years or more. The required disclosure as per the said circular is as under:

(Rs. in lakhs)

<b>Particulars</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
<b>Opening balance of amounts transferred to DEAF</b>	2932.97	2649.92
Add: Amounts transferred to DEAF during the year	500.06	373.96
Less: Amounts reimbursed by DEAF towards claims	72.06	90.92
Closing balance of amounts transferred to DEAF	3360.97	2932.97

The Bank has paid **Rs.72.06 lakhs** to customers / depositors towards the said deposits which have remained unclaimed for 10 years or more and also claimed refund of the said amount from RBI in terms of the said scheme.

21. **Capital charge on market risk:**

**Market Risk in Trading Book-Standardized Modified Duration Approach.**

**Qualitative Disclosures:**

Strategies and Processes:-

- ❖ Investment Policy which includes Market Risk Management is in line with the RBI regulations vide circular UBD.BPD. (PCB).Cir. No. 42 /09.11.600/2009-10 dated February 8, 2010 and business requirements.
- ❖ The overall objective of market risk management is to enhance profitability by improving the bank's competitive advantage and reducing loss from all types of market risk loss events.

Scope and Nature of Risk Reporting /Measurement Systems:-

- ❖ The Bank has regulatory/internal limits for various Instruments in place.
- ❖ Various exposure limits for market risk management such as Overnight limit, VaR limit, Daylight limit, Aggregate Gap limit, Investment limit etc. are in place.
- ❖ The portfolio covered by Standardized Modified Duration Approach for computation of Capital Charge for Market Risk includes investment portfolio held under HFT and AFS and Forex Open positions.

**Quantitative Disclosures:**

Particulars	(Rs. in Lakhs)
	Amount of Capital required
Interest Rate Risk	2320.98
Equity Position Risk	0.00
Foreign Exchange Risk	40.50

22. Previous year's figures have been re-grouped / re-arranged wherever necessary to conform to the presentation of the accounts of the current year.

**IV. Disclosure Requirements as Per RBI Guidelines -**

**Disclosure as per RBI Circular No. UBD.CO.BPD. (PCB) CIR. NO. 52/12.05.001/2013-14 DATED 25.03.2014:**

Sr. No.	Particulars	(Rs. in lakhs)	
		31.03.2019	31.03.2018
1.	Capital to Risk Asset Ratio (CRAR)	12.89%	13.95%
2.	Movement of CRAR	-1.06%	-1.43%
	Risk Weighted assets	1220119.41	1203366.61
3. A	Values of Investments are as under:		
	Total Face Value (of investments)	440455.46	451481.19
	Total Book Value (of investments)	453845.98	477338.34
	Total Market Value (of investments)	448596.56	456209.70

**3. B. Composition of Non-SLR Investments\*as on 31.03.2019:**

**(Rs. in Crores)**

Sr. No.	Issuer	Amount	Extent of 'below Investment grade' Securities	Extent of 'unrated securities'	Extent of 'unlisted' securities
1.	PSUs	0.00 (0.00)	Nil	Nil	Nil
2.	FIs	62.23 (52.41)	Nil	Nil	Nil
3.	Public & Private Banks	20.00 (20.00)	Nil	Nil	Nil
4.	Mutual Fund	0.00 (0.00)	Nil	Nil	Nil
5.	Others-(Security Receipts under ARC Rs 282.21 Crores and Shares Rs 1.56 Crores)	283.77 (332.86)	Nil	Nil	1.56 (1.56)
	Total	366.00 (405.27)	Nil	Nil	1.56 (1.56)
6.	#Provision held towards depreciation	46.71 (129.48)	---	---	---

\*- Mutual funds under the Composition of Non-SLR Investments as on 31.03.2019 - NIL (NIL)

**Figures in bracket are of previous year**

**3. C. Non performing Non-SLR Investments**

**(Rs. in Crores)**

Particulars	31.03.2019	31.03.2018
Opening Balance	0.01	0.01
Additions during the year	0.10	0.00
Reductions during the above period	0.00	0.00
Closing Balance	0.11	0.01
Total provisions held	0.11	0.01

**3. D. Statement of Securities sold / purchased under REPO Transactions during the year 2018-19.**

**(Rs. In Crores)**

Particulars	Minimum Outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on 31.03.2019
<b>Securities sold under REPO (CROMS+RBI)</b>				
i. Govt. Securities	0.00 (0.00)	1579.98 (1969.78)	1221.18 (1213.54)	500.00 (0.00)

ii. Corporate Debt Securities	Nil	Nil	Nil	Nil
iii. Any Other Securities	Nil	Nil	Nil	Nil
<b>Securities purchased under Reverse REPO</b>				
i. Govt. Securities	0.00 (0.00)	600.00 (200.00)	33.57 (5.56)	324.85 (200.00)
ii. Corporate Debt Securities	Nil	Nil	Nil	Nil
iii. Any Other Securities	Nil	Nil	Nil	Nil

**Figures in bracket are of previous year**

4. Advances of **Rs.11,59,915.42** lakhs ( Rs.10,77,093.18 lakhs) shown in the Balance Sheet include:

Particulars	(Rs. in lakhs)	
	31.03.2019	31.03.2018
Advance to Directors, their relatives and Companies/Firms in which they are interested		
Fund Based	<b>138.01</b>	13.51
Non-Fund Based	--	--

Sr. No.	Particulars	(Rs. in lakhs)	
		31.03.2019	31.03.2018
<b>5.</b>	<b>Advances against Real Estate, Construction Business, Housing, Shares and Debentures</b>		
	Real Estate	<b>29788.88</b>	38660.42
	Construction business	<b>1596.34</b>	2849.75
	Housing	<b>86475.86</b>	85423.05
	Shares and Debentures	<b>44.79</b>	40.49

( Rs. in Lakhs)			
Sr. No.	Particulars	31.03.2019	31.03.2018
6.	Average cost of deposits	6.34%	6.48%
7.	NPAs		
	a) Gross NPAs	98952.30	101776.55
	b) % of Gross NPA to Loans	8.53%	9.45%
	c) Net NPAs	71367.92	76133.95
8.	Movement in Gross NPAs		
	Opening Balance	101776.55	88546.18
	Add: Additions during the year	30600.29	41880.81
	Less: Reductions during the year	33424.54	28650.44
	Closing Balance	98952.30	101776.55
9.	Disclosure of Net NPAs		
	Gross NPAs	98952.30	101776.55
	Less: Provisions	24870.47	25642.60
	Less: Provisions for FITL	2713.91	----
	Net NPAs	71367.92	76133.95
10.	Profitability		
	a) Interest income as a percentage of working funds	7.92%	8.05%
	b) Non-interest income as a percentage of working funds	1.10%	1.14%
	c) Operating profit as a percentage of working funds	1.06%	1.28%
	d) Return on Assets (Net Profit/ Average of working funds)		
	e) Business (Deposits + Advances) per employee (In Lakhs)	951.00	1038.96
	f) Profit per employee (In Lakhs)	0.77	(2.35)
11.	Provisions made in the year towards		
	NPA	13355.42	22998.98
	Depreciation on Investments	2108.14	9015.53
	Standard Assets	224.08	----
12.	a) Provisions on NPAs required to be made	14683.17	25125.84
	b) Provisions on NPAs actually made	14683.17	25125.84
13.	Movement in provisions		
	A. Towards NPAs		
	Opening Balance	25642.60	21492.11
	Add: Additions during the year	14683.17	25125.84
	Less: Closed/ Recovered/ Written Off	15455.30	20975.35
	Closing Balance	24870.47	25642.60

**Rs. In Lakhs)**

<b>13.</b>	B. Towards Standard Assets		
	Opening Balance	<b>3719.67</b>	3903.83
	Add: Additions during the year	<b>224.08</b>	0.00
	Less: Reduction during the year	<b>0.00</b>	184.16
	Closing Balance	<b>3943.75</b>	3719.67
	C. Towards Depreciation on Investments		
	Opening Balance	<b>12947.54</b>	3932.01
	Add: Additions during the year	<b>2108.14</b>	9015.53
	Less: Reduction during the year	<b>10384.72</b>	0.00
	Closing balance	<b>4670.96</b>	12947.54
<b>14.</b>	Foreign Currency Assets	<b>13196.89</b>	16850.13
	Foreign Currency Liabilities	<b>13196.89</b>	16850.13
<b>15</b>	DICGC Premium paid up to date (no arrears thereof)	<b>1702.47</b>	1768.85

SUHAS S. GOKHALE  
MANAGING DIRECTOR

(SUDHAN YARDI)  
PARTNER M.NO.22887  
(STATUTORY AUDITOR)  
FOR M/s. YARDI PRABHU & ASSOCIATES LLP  
CHARTERED ACCOUNTANTS  
F.R.NO.111727 W

(NACHIKET DEO)  
PARTNER M. NO.117695  
(STATUTORY AUDITOR)  
FOR M/s. P.G. BHAGWAT  
CHARTERED ACCOUNTANTS  
F.R.NO.101118W