



Sheth Shri Shantaram Mangesh Kulkarni
(Founder Chairman)

NKGSB CO-OP. BANK LTD.

(Multi-State Scheduled Bank)

BOARD OF DIRECTORS

Chairman

KISHORE KULKARNI, B.Com. (Hons.), LL.B, ACMA

Vice-Chairman

GANPATI NADKARNI, B.Com. FCA, FCS, AICS (U.K.)

Directors

RAJAN BHAT, M.Com.

NAGESH FOVKAR, Civil Engineer

SUNIL GAITONDE, B.Com., LL.B., FCA

SHREEDHAR KAMAT, B.A. (Hons.), LL.B.

VASUDEV MASUREKAR, B.Sc., LL.B, D.T.M.

KAUSHAL MUZUMDAR, B.Com., FCA, PGDM, (IIMB).

ANIL NADKARNI, B.Sc., PGDCM

NAGESH PINGE, B.Com. (Hons), LL.B. (Gen), ACA

LAXMIKANT PRABHU, B.E. (Civil), PG-HRM

SUJATA RANGNEKAR, B.Com., LL.B, ACA

Managing Director

CHINTAMANI NADKARNI, B.Com., ACA

Statutory Auditors

M/S. A. P. SANZGIRI & CO., Chartered Accountants

COMMITTEES

Advances & Recovery

Rajan Bhat
Sunil Gaitonde
Shreedhar Kamat
Kaushal Muzumdar
Nagesh Pinge
Sujata Rangnekar

Audit

Nagesh Fovkar
Sunil Gaitonde
Laxmikant Prabhu
Nagesh Pinge
Sujata Rangnekar

Development & Staff

Nagesh Fovkar
Vasudev Masurekar
Kaushal Muzumdar
Anil Nadkarni
Laxmikant Prabhu

Investment

Rajan Bhat
Sunil Gaitonde
Shreedhar Kamat
Nagesh Pinge
Sujata Rangnekar

Chairman and Vice-Chairman are members of all the Committees.



NOTICE

Notice is hereby given that the **Ninety-Seventh Annual General Meeting** of the Members of NKGSB Co-operative Bank Ltd., Mumbai, will be held on **SATURDAY, JUNE 21, 2014 AT 4.30 P.M. AT INDIAN EDUCATION SOCIETY'S PRACHARYA B. N. VAIDYA SABHAGRAHA, HINDU COLONY, DADAR (E), MUMBAI- 400 014** to transact the following business :

1. To receive and adopt the Statutory Auditors' Report, the Directors' Report and Audited Profit and Loss Account for the year ended March 31, 2014 and Audited Balance Sheet as on that date.
2. To approve appropriations of Profit and to declare dividend for the year ended March 31, 2014.
3. To appoint Statutory Auditors up to the date of 98th Annual General Meeting.
4. Any other business that may be brought forward with the permission of the Chair.

May 23, 2014

By order of the Board

Regd. Office : Laxmi Sadan,
361, V.P. Road,
Girgaum,
Mumbai 400 004

CHINTAMANI NADKARNI
Managing Director

- NOTE: *
- * If there is no quorum at the appointed time, the meeting shall stand adjourned to 5 p.m. on the same day at the same venue, at which time the members present shall constitute the quorum in terms of Bye-Law No. 32 (iii) and the agenda of the meeting shall then be transacted.
 - * As per Rule No. 18 of the Multi-State Co-op. Societies Rules, 2002, the Minutes of the 96th Annual General Meeting held on June 15, 2013 were duly approved by the Board of directors in its meeting held on July 13, 2013 and copies thereof were made available at the branches and the Registered Office of the Bank.
 - * Copies of the Annual Report are made available at the Registered Office as well as all branches of the Bank.

APPEAL TO MEMBERS

1. If any member desires to have any information in connection with the accounts, he is requested to intimate to the Managing Director at the Registered Office of the Bank, AT LEAST SIX DAYS in advance of the Annual General Meeting so that the necessary explanation or information can be easily made available.
2. In case of those members who have Bank accounts in NKGSB Co-operative Bank Ltd., the dividend amount will be credited to their accounts, if written instructions are given to us to that effect. Where the dividend warrant stands in the joint names, such instructions are required to be signed by all the joint holders. Please inform us your account number and the branch where it is operated and mail the form to our Share Department. Members are also requested to intimate change of address to Share Department.
3. Many members have not collected their past dividend amounts for the year 2010-11 and onwards, in spite of repeated notices given in Annual Reports. They are requested to collect the same before June 30, 2014. Otherwise unclaimed dividend for a period exceeding 3 years is liable to be forfeited and credited to Reserve Fund.
4. Members are requested to avail nomination facility by submitting Nomination form duly completed to the Share Department.



CHAIRMAN'S STATEMENT

To Esteemed Shareholders,

The Indian banking sector has shown strong progress over the last decade and has supported the country's economic growth. However, it has seen challenging times over the last three years driven by an uncertainty in the external environment including macroeconomic situation, shifts in customer behaviour, regulatory changes and technological disruptions. The Indian economy has been facing a period of increased uncertainty owing to the trinity of slowing GDP growth, rising inflation and a depreciating rupee. The Banking sector in India is mirroring these economic challenges with slowing growth, increased stress on assets and pressures on profitability and capital adequacy. However, now the Stable Government at the centre will give a positive touch 'Silver Lining' to otherwise black clouds in the economy especially in last three years. The Economic situation may revive in near future.

FINANCIAL HIGHLIGHTS OF 2013-14

The Financial Highlights of the Bank for 2013-14 are as under :-

- i. The total Business Mix increased to ₹ 7,105 Cr as against ₹ 6,071 Cr for the previous year, thus crossing total Business mark of ₹ 7,000 Cr.
Deposits have increased to ₹ 4,293 Cr as against ₹ 3,666 Cr for the previous year i.e. an increase of 17%. Advances have increased to ₹ 2,812 Cr as against ₹ 2,405 Cr for the previous year i.e. an increase of 17%.
- ii. Operating Profit for 2013-14 has increased to ₹ 78 Cr against ₹ 64 Cr, an increase of 22%.
- iii. However Net Profit declined to ₹ 40 Cr against ₹ 43 Cr, due to higher provision of ₹ 10 Cr towards Non Performing Assets and higher provision of ₹ 6 Cr towards Income Tax due to increase in taxable income and increase in average rate of income tax from 30.90% to 33.99% as per the Income Tax Act.



ASSET QUALITY

Non Performing Assets (NPA) continued to be a matter of concern for the Bank during the current year. As I stated earlier, due to uncertainty and slowdown of the economy, there has been stress on the Assets leading to increase in Non Performing Assets. Your Bank, with consistent and concerted efforts has contained Gross NPA at 4% and Net NPA at 2%, more or less at the same level of last year in terms of percentage.

FOREIGN EXCHANGE BUSINESS - Category I Authorized Dealer (AD I) License

Our goal of being a Category I Authorized Dealer (AD I) is now fulfilled, having received the necessary license from Reserve Bank of India (RBI). The Bank so far had an AD-II license.

With this, the Bank will be able to offer beneficial exchange rates to the customers and effective pricing for buyers' credit. The Non Resident Indians will now be able to place FCNR, NRO and RFC Deposit accounts with the Bank. This will enable the Bank to augment more deposits. Shifting from correspondent relationships to direct relationships will ensure smoother work-flow, reduced turn-around-time (TAT) and improved margins. The Bank will surely benefit from the wider acceptability in banking fraternity.

The Bank is geared up to address new challenges being Authorised Dealer viz. consistent maintaining of CRAR over 12% as against the present requirement of 9%, establishing of new set-up for trade finance and treasury and creating a team of trained manpower.

BRANCH EXPANSION

During the year, 11 new branches were opened, taking the Bank's network of branches to 80. We have received approval from RBI for 15 more branches for the year 2014-15. The Bank will expand its network in Mumbai, Pune, Aurangabad and Karnataka, taking the total network of Branches to 95. With this, we will be close to crossing 100 branches in the year 2015-16, ahead of centenary year 2016-17.

BUSINESS DEVELOPMENT AND MARKETING

With the Branch Network expansion and commencement of International Banking, 'Business Development and Marketing' has become key to the progress of the Bank. With this view in mind, this department was established containing marketing staff, headed by Senior Executives reporting to the Chief General Manager. This department has been further strengthened during the year.

Brand Building and Marketing efforts through Television commercials and other 'Out Of Home' (OOH) media continued during the year. Students' meet, Doctors' meet, Celebration of Branch Anniversary days, Mahila Din function to address women customers, were also carried out during the year, with a view to approach community at large to attract more business.

ORGANISATIONAL RESTRUCTURE AND ZONAL SET UP

With all the above initiatives stated earlier, there was need to develop Human Resources and strengthening and restructuring of the Organization. The Organizational Restructuring Plan has been drawn, clearly defining the role of Heads of the Department and functions of the Department. This will also require induction of executives and staff at all levels. We are in process of implementing the same. We have already appointed a Senior Executive at the level of Chief General Manager since July 1, 2013.

We have set up six Zones for promoting and managing business and other activities at regional levels. The role of these Zones have been re-defined to cover Advances, Deposits and other business activities. The Zonal organization is also being restructured and strengthened.

OTHER HIGHLIGHTS

CRISIL Risk Solution

NKGSB Bank and CRISIL have joined hands to implement Credit Risk Solutions and Business Process Restructuring to enable optimization of Bank's resources and standardize systems of loan processing etc.

CRISIL Risk Solutions will provide and develop a credit risk framework, and also implement its proprietary risk solutions.

This Risk Solution will help the Bank in strengthening its "Credit Evaluation" ability substantially in Retail as well as in Corporate Segments.

International VISA Debit Card

In order to facilitate accessing the bank accounts securely to make purchases, pay bills or get cash, anywhere in the world, Bank has launched International VISA Debit Card.

Mobile Banking

After launching Net Banking – QuickNet, Bank had announced its initiative to launch Mobile Banking facility as well. Bank has now launched the Mobile Banking facility 'QuickMobil' providing the customers a very effective and convenient tool to bank with, using Android/Blackberry/JAVA based mobiles

Process Improvements Initiatives

During the year Bank implemented following processes:

- **Document Management System** introduced enables tracking of accounts opened & rechecking/auditing KYC ensuring strict compliance of regulatory norms.
- **Cheque Truncation System** made operational within stipulated timelines in Western Grid as well as Southern Grid.
- **24 X 7 Customer Care Centre** commissioned. This will take care of customer enquiries and reporting of events like theft of card etc.

FUTURE PLANS & INITIATIVES

i. RuPay Debit card

To provide more choices to the customers, Bank has decided to launch RuPay Debit Card as well.

ii. Centralised Credit Cell

In order to reduce the turn-around time in loan sanctioning and disbursement as well as for better monitoring to make the overall credit portfolio healthier, it is decided to start Centralized Credit Cell which will take care of end-to-end process from appraisal to disbursement.

iii. Launch of online payment through Internet Banking and Mobile Banking

By tying up with the leading utility bill aggregators, your Bank will soon enable payment of utility bills, online travel booking payments, net banking transactions etc. through QuickNet – Internet Banking and QuickMobil – Mobile Banking

iv. Migration to new Core Banking Solution (CBS)

With growing geographical network, while implementing new age products and technologies, it was found necessary to upgrade our Core Banking System. The upgraded version also has not yet stabilized, inspite of several efforts. This created lot of issues raising questions about our hardware and software resources. In order to identify and plug the lacunae, an extensive study was conducted appointing an expert by our I.T. Committee of Directors. The study revealed various lacunae and to overcome the same, the I.T. Committee in consultation with experts has identified globally accepted solution, serving seven of the top ten Banks in India. Twelve PSU Banks, twelve Private Sector Banks and eight Foreign Banks are powered by this solution. Five Co-operative Banks (including 3 in implementation mode) have opted for this solution. Subject to price negotiation and implementation schedule, this solution is expected to be operative early next financial year.

v. Corporate Office Building

With the increase in Banking activities due to branch expansion and other business activities, there is scarcity/shortage of office space at Laxmi Sadan, Girgaum. At present different Central Office departments are scattered at various locations. The Board therefore felt to have independent Corporate Office for centralized functioning. The Board is making all out efforts to locate such premises on the lines of other Urban Co-operative Banks (UCB), to have 'NKGSB Bhavan' before the centenary year.

The new premises along with Laxmi Sadan will be able to accommodate all the Central Office departments under one roof considering Bank's future requirements for about next 10 years.

ISSUE OF LONG TERM SUBORDINATED DEPOSITS (LTD)

The Bank has received the permission from RBI to issue Long Term Subordinated Deposits (LTD) to the extent of Rs. 50 Cr, subject to fulfillment of RBI guidelines and approval of Central Registrar of Co-operative Societies (CRCS).

This will enable the Bank to improve its Capital Funds and to maintain CRAR consistently above 12%, which is a pre condition for Foreign Exchange Business under AD-I category.

The application for LTD was necessitated by the constraints faced by co-operative banks in shoring up its capital.

DIVIDEND

The Bank has received AD-I license from RBI for Foreign Exchange Business requiring the Bank to maintain CRAR constantly at 12% as against the present benchmark at 9%. Besides, the Bank has to maintain robust Net Worth considering the Bank's growth plan and higher competitive environment bringing pressure on profitability. This all necessitates retaining more profit for future. In view of this Bank's Board has recommended Dividend at 12% for the current year in line with other peer Co-operative Banks. I am sure you will understand the conditions under which this decision has been taken.

I am grateful for the active and continuous support of all you members as well as customers, employees, regulators and other associate partners. I am also grateful to my colleagues on the Board of the Bank for their time, contribution and support extended to me, during this challenging yet eventful year.

I now request you all to approve the Directors' Report, Audited Profit and Loss account and Balance Sheet which are placed before you.

Mumbai
May 23, 2014

Kishore Kulkarni
Chairman

DIRECTORS' REPORT

Your Directors have great pleasure in presenting the Ninety-Seventh Annual Report together with the audited accounts for the financial year ended March 31, 2014.

MACROECONOMIC LANDSCAPE

Global activity strengthened during the second half of 2013 with an expectation of further improvement largely on account of recovery in the advanced economies. The advanced economies expanded broadly as expected. In Emerging Market Economies, an export rebound was the main driver behind better activity, while domestic demand generally remained subdued except in China. For a number of emerging markets, further tightening of external financing conditions and renewed volatility of capital flows are the biggest risks to their outlook. Going forward, with the receding risks, global growth is likely to strengthen in the coming years.

In the recent past, the Indian economy has had to overcome varied challenges in its resolve to sustain its economic success. The major challenges included unsupportive external environment, domestic structural constraints, growth slow-down and inflationary pressures. The slow-down manifested in the decline in the growth of gross domestic product from 8.9% in 2010-11 to 6.7% in 2011-12 and 4.5% in 2012-13, with the economy projected to have registered a growth rate of 4.9% in 2013-14. However there has been a significant improvement in the external situation. With acceleration in the growth of exports and decline in imports, the trade deficit for 2013-14 has narrowed considerably. Besides, the revival of agriculture on the back of a steady monsoon & robust growth in financial and business services laid to a modest uptick in growth in 2013-14.

BANKING SCENARIO

At the beginning of the year, Reserve Bank of India (RBI) continued with its easing stance with a reduction in the policy Repo rates by further 25 bps to support growth in the face of gradual moderation of headline inflation. However it indicated that there was little scope for further policy easing. In its mid quarter review of June, RBI paused its policy easing, increasing the policy repo rate under Liquidity Adjustment Facility (LAF) by 25 basis points from 7.5% to 7.75% and further to 8% in the third quarter.

In the policy statement, RBI also set out new developmental measures over next few quarters such as

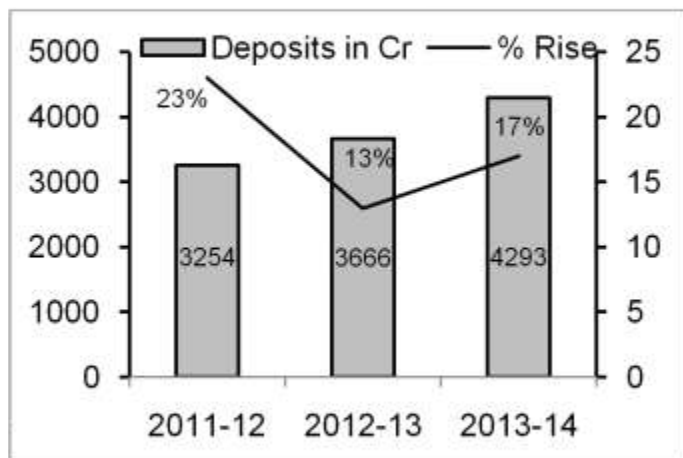
- 1) Strengthening the banking structure through new entry, branch expansion, encouraging new varieties of banks and moving foreign banks into regulated organizational forms.
- 2) Broadening and deepening financial markets and increasing their liquidity and resilience so that they can help absorb the risks entailed in financing India's growth.
- 3) Expanding access to finance to Small and Medium enterprises, the unorganized sector, the poor, and remote and underserved areas of the country through measures to foster financial inclusion.

KEY PERFORMANCE HIGHLIGHTS OF F.Y. 2013-14

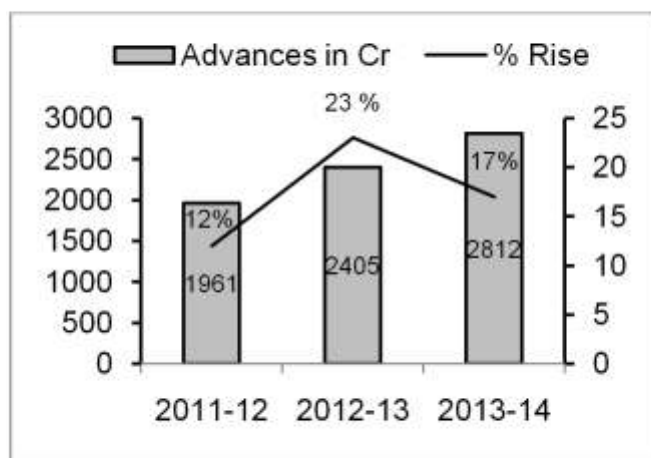
The performance of the Bank at a glance is as follows:

(₹ in Cr.)

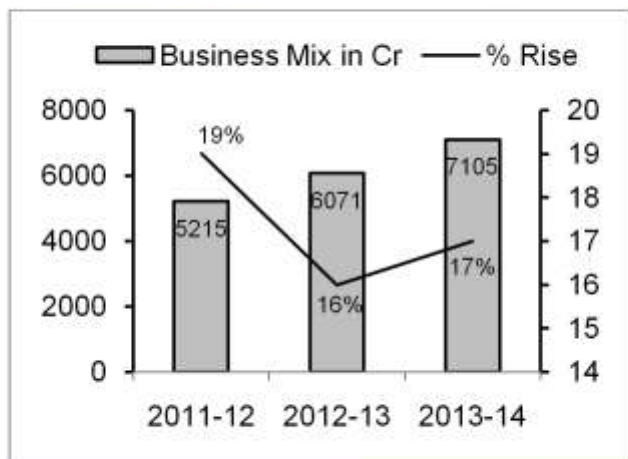
Particulars	2013-14	2012-13	2011-12
Deposits	4,293	3,666	3,254
% growth	17	13	23
Advances	2,812	2,405	1,961
% growth	17	23	12
Business-mix	7,105	6,071	5,215
% growth	17	16	19
Operating Profit	77.59	63.53	63.57
Net Profit	40.32	43.46	36.01
Gross NPA	113.34	94.48	47.28
% of Advances	4.03	3.93	2.41
Net NPA	61.06	52.56	-
% of Net Advances	2.21	2.22	-



Deposits witnessed a growth of 17% i.e. ₹ 627 Cr as against 13% i.e. ₹ 412 Cr in the previous year

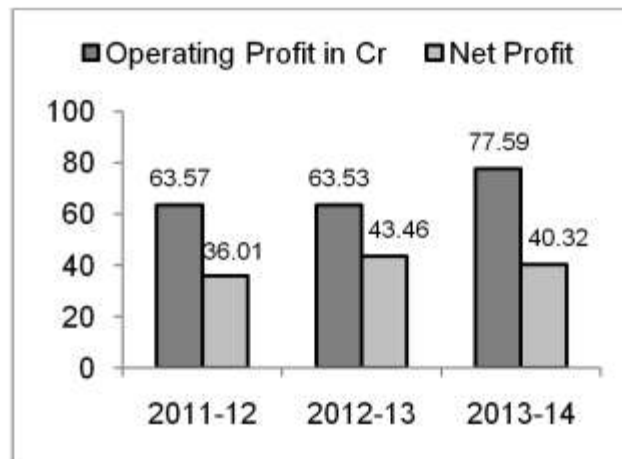


Advances increased by 17% i.e. ₹ 407 Cr, as against 23% i.e. ₹ 444 Cr in the previous year. CD ratio was maintained at 66%.



The business mix has grown by 17% i.e. ₹ 1,034 Cr in 2013-14 as against 16% i.e. ₹ 856 Cr in 2012-13. The Bank crossed a milestone of ₹ 7,000 Cr in Business Mix.

Business per employee has gone up from ₹ 7 Cr to ₹ 7.9 Cr.



Operating Profit has increased from ₹ 63.53 Cr to ₹ 77.59 Cr registering 22% growth. Net Profit after tax and provisions reduced from ₹ 43.46 Cr to ₹ 40.32 Cr.

Profit per employee is reduced from ₹ 5.02 Lac to ₹ 4.48 Lac

- Gross Non Performing Assets (NPAs) increased from ₹ 94.48 Cr to ₹ 113.34 Cr.
- With conscious pricing decisions and effective fund management, Bank could maintain the Net Interest Margin at 3.3%
- Owned funds crossed a mark of ₹ 500 Cr from ₹ 451.27 Cr to ₹ 506.60 Cr.
- One of the prerequisites for Foreign Exchange Authorized Dealer Category I license is to maintain Capital to Risk Asset Ratio (CRAR) at minimum 12%. The Bank's CRAR stands at 13.1% which is well above the minimum required benchmark.

APPROPRIATIONS

The following appropriations are recommended for the financial year 2013-14 for your approval under item No. 2 of the Notice:
(₹ in Lacs)

	Particulars	2013-2014	2012-2013
A)	Statutory Appropriations :-		
1	Statutory Reserve Fund	1,009	1,087
2	Contingency Reserve Fund	404	435
3	Education Fund	41	44
B)	Other Appropriations :-		
1	Building Fund	540	1,050
2	Reserve for Donation	2	4
3	Investment Fluctuation Reserve	403	105
4	Dividend @ 12% p.a. (pro-rata)	881	865
5	Ex-Gratia to Staff	460	525
6	Staff Loan Fund	22	21
7	Staff Welfare Fund	40	21
8	Members' Welfare Fund	15	15
9	Centenary Fund	10	10
10	Special Reserve u/s 36 (1) (viii) of I.T. Act 1961	245	167
		4,072	4,349
	NET PROFIT CARRIED TO BALANCE SHEET	1	1
	TOTAL	4,073	4,350

CAPITAL TO RISK ASSET RATIO (CRAR)

On receiving AD I license, the Bank is now required to maintain consistent CRAR at 12% as against earlier requirement of 9% applicable to other cooperative banks. As against the same, your Bank's Capital adequacy ratio stood at a level of 13.1%. The Bank's Risk Weighted Assets at the end of March 2014 amounted to ₹ 2,765.99 Cr against which Capital Funds stood at ₹ 362.16 Cr.

As one of the measures for consistently maintaining CRAR over 12% with sufficient buffer, option to raise Tier II capital through Long Term Subordinated Deposits (LTD) was explored. Bank has received approval from RBI for issuing LTD to the extent of ₹ 50 Cr. Approval from Central Registrar of Cooperative Societies (CRCS) is awaited.

DIVIDEND

Past few years have been very challenging for the Banking environment. The adversities in banking sector have impacted the profit margins. The Bank is already in an expansion mode targeting to expand branch network to 100 branches. Besides investing in setting up of the infrastructure, the Bank has to invest in technological enhancements to ensure offering of modern banking products. Moreover, with AD I foreign exchange license, Bank is now required to maintain CRAR well above 12% on continuous basis. All this calls for augmenting the net worth. This can be achieved by retaining more profits. With this alertness, the Board of Directors, after concerted deliberations, has decided to recommend a dividend of 12% for the year ended March 31, 2014.

SHARE CAPITAL

The paid up capital of your Bank as on March 31, 2014 was ₹ 83.34 Cr, subscribed by 45,152 members, with addition of 3,508 members and cessation of 701 members during the year.

RESOURCE MOBILISATION

The Bank's deposits stood at ₹ 4,293 Cr as on March 31, 2014 registering a growth of 17% with an accretion of ₹ 627 Cr over previous year.

The deposit mix is as under:

(₹ in Cr)

Type	March 31, 2014	%	March 31, 2013	%
Savings	853	19.9	757	20.6
Current	220	5.1	182	5.0
Fixed	3,220	75.0	2,727	74.4
Total	4,293	100.0	3,666	100.0

With contributions from new branches opened in the recent past and concerted efforts in reaching to the masses through various promotional initiatives has enabled garnering of good deposits without affecting the average cost of deposits. In spite of large number of new branches where the composition of deposit is generally skewed towards term deposit, the CASA composition has remained broadly the same at 25%. Renewed thrust is now given to increase CASA base to help improve profitability. Deposits grew by 17.1% as against 14.8% deposit growth in banking industry.

RESOURCE DEPLOYMENT

The shift from manufacturing sector to Retail and Service sector was necessitated by the sluggish industrial growth. The pressures of economic scenario were felt on most of the industries, especially on the SME segment which used to be our focus area of lending for the past few years. The credit off-take picked up only in the second half resulting in comparatively lesser volume growth of ₹ 407 Cr. It may be noted that in spite of this the bank achieved 17% growth in credit deployment which is above the industry growth of 13.8%.

The composition of Credit portfolio is as under:

(₹ in Cr)

Sector	March 31, 2014	%	March 31, 2013	%
Personal / Retail	819	29.1	711	29.6
Trade / Services	1,352	48.1	1,086	45.2
Manufacturing	641	22.8	608	25.2
Total	2,812	100.0	2,405	100.0

ASSET QUALITY

The position of NPA is as under:

(₹ in Cr)

	March 31, 2014	%	March 31, 2013	%
Gross NPAs	113.34	4.03	94.48	3.93
Net NPAs	61.06	2.21	52.56	2.22

Maintaining asset quality has been a challenge to the banking industry for the last couple of years. The rising costs on account of rising inflation are building stress on the credit portfolio of the banking sector. However, Banking sector needs to support the growth momentum in the economy while giving due attention to the asset quality and prudent provisioning to balance emerging returns and risks. The Bank is conscious about accretion in NPA which is a critical indicator of efficiency in credit risk management. With special efforts by Recovery Department, conscientious lending by Credit Department and better control mechanism by Credit Monitoring Department, Bank could contain the Gross NPAs at 4% of advances.

INVESTMENTS

The bond market responded favorably in the first quarter to cut in policy rates. With coherent strategies along with increased volumes, the Bank recorded its highest trading profit thus far of ₹ 8.05 Cr as against ₹ 3.05 Cr in previous year. Profit on sale of Held-to-Maturity (HTM) securities increased to ₹ 4.03 Cr as against previous year profit of ₹ 2.03 Cr. The aggregate investment of the Bank as at March 31, 2014 stood at ₹ 1,474.86 Cr.

The Bank's Treasury department is primarily responsible for complying with reserves requirement, management of liquidity and interest rate risk of investment portfolio. The Bank has an investment policy in place which is reviewed every year. Your Bank has always been regular in all statutory and regulatory compliances.

FORMATION OF BUSINESS DEVELOPMENT DEPARTMENT

In order to achieve a focused and consistent growth, Bank has set up a Business Development Department. The primary focus of this department is on ensuring consistency in achievement of targets through regular monitoring and mentoring the front desk. With close liaisoning with branches which are the primary source of link with the customers, this department will also introduce products in line with the market needs.

Business development initiatives taken by the Bank are given below:

1. **Launch of International VISA Debit Card:** By introducing International VISA Debit Card, Bank has offered an opportunity to the customers for securely accessing their accounts not only for withdrawals but also for making purchases internationally and to pay the utility bills.
2. **Mobile Banking:** As announced in the last year, after launching of 'QuickNet', a net banking facility, Bank has successfully launched 'QuickMobil', the mobile banking facility enabling not just viewing of the accounts but also fund transfers within as well as outside the bank.
3. **Customer Service Centre:** A 24 x 7 Customer Service Centre was established by the Bank, for offering basic information service and to ensure quick response to any issues faced by the customers. Bank has plans to bring under this centre, all the conventional as well as technology-based products and services and to make a single-point contact for every need of the customers and the prospects.
4. **Foreign Exchange Business:** Bank has been providing foreign exchange business facility to the clients as category II Authorized Dealer. Bank had to provide many of the facilities / services through correspondent relationships / tie-ups. We are glad to inform the members that the Bank has now received AD I License. Full-fledged foreign exchange department

is now being set-up, to offer a complete gamut of forex services.

5. **New Product Launches:** To keep pace with the specific offerings in the market, the Bank has launched different variants of the Savings and Current Deposits.
 - I) To create a strong client base for the future, Bank has launched few attractive saving schemes for the kids and the youth
 - a. Kids Savings: for Kids up to 10 years of age to inculcate habit of savings
 - b. Student Power Savings: For Kids of 10 years & above up to 18 years of age to enable them get a good feel of banking with an ease of latest technology that this generation is well versed with.
 - c. Yuva Savings: For youth offering them the avenues of raising funds for their educational needs.
 - II) To cater to the various needs of different segments of the society, Bank has designed suitable saving account variants
 - a. Super Savings Account
 - b. Super Elite Savings Account
 - c. Exclusive Savings Account
 - III) In order to give thrust to 'Financial Inclusion', Bank has modified its No Frill Savings account into SB Basic Account so that none of the customers are deprived of basic banking facilities like cheque book, ATM card etc.
 - IV) To tap a source of regular flow of funds over continuous period of time and to broaden the customer base, Bank has introduced corporate salary account product offering several related benefits.
 - V) Bank has improvised on the benefits to the existing Gold Plus and Platinum Plus Current Deposit Accounts and has also introduced another category of current account viz. Silver Plus Current Deposit Account.

CORPORATE GOVERNANCE

The Board of Directors is committed to values and the ethical business conduct in the management of the Bank. As a part of Corporate Governance, the Board has upgraded the code of conduct for the Directors and the Executives that promotes ethical and responsible decision making.

Every stakeholder or well-wisher of the Bank can now make a protected disclosure to the management of any actual or possible violation or an event they become aware of that could materially / adversely affect the business, reputation of the Bank, financial irregularities, organizational inter-personal relationship and immoral behaviour under 'Whistle Blower Policy' adopted by the Bank.

The Bank has adopted 'The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 as 'Prevention of Sexual Harassment Policy.' The policy provides protection against sexual harassment of women at workplace and for the prevention and redressal of complaints and for matters connected therewith or incidental thereto.

Details of various meetings of Board and Committees, held during the year are given below:

	No. of Meetings	No. Of Directors in the committee	Average Attendance
Board	20	12	8
Advances & Recovery Committee	52	8	5
Development & Staff Committee	27	7	5
Audit Committee	11	7	4
Investment Committee	11	7	4



AUDIT & INSPECTION

During the year, RBI carried out its customary on-sight inspection of the Bank with respect to financial position as on March 31, 2013. The report has expressed satisfaction on liquidity, capital adequacy, adherence to the RBI guidelines and policies and various compliances.

The Bank has system in place for internal / concurrent audit. Twenty five branches are put under the system of concurrent audit and the remaining branches are put under internal audit system. During the year, the Bank carried out 'System Audit' to identify the gaps and to take corrective steps. The Audit Committee of the Board gives direction, oversees the total audit function of the Bank and follows-up on the statutory / concurrent audit of the Bank. The committee is headed by the Chairman of the Bank and comprises of Directors with Banking, Audit and Accounting Experience.

REAPPOINTMENT OF STATUTORY AUDITORS

In the 96th Annual General Meeting held on June 15, 2013, M/s. A. P. Sanzgiri & Co., Chartered Accountants were appointed as statutory auditors. Being eligible, Board of directors recommends their reappointment up to the date of next Annual General Meeting. They have signified their willingness to be reappointed.

EXPANSION

Beginning the year with a network of 69 branches, your Bank has opened 11 more branches this year. With approval for 15 branches in hand under Annual Business Plan (ABP) 2013-14 the branch network will reach 95 branches by March 31, 2015. Bank is also awaiting approval for further branches under ABP 2014-15.

HUMAN RESOURCE

The Bank aims in creating and developing human capital to realize its vision of nurturing a mutually beneficial relationship with its employees. HR Department has been proactively initiating rewards in various forms including career growth. Bank this year initiated promotions of employees to various cadres. Considering the expansion and increasing business, the bank is undertaking a major organizational restructuring exercise.

During the year Mr. P. G. Kamath has joined the Bank as Chief General Manager. Mr. Kamath has over 32 years of rich experience in cooperative banking sector having worked with a large, leading co-operative bank.

As on the date, Bank has close to 1,000 employees. Bank has always valued the need to hone the skills of the human resource. Bank has recently initiated training through e-channel. Besides, the bank carried out various conventional training programs through internal faculties as well as renowned training institutes. Bank appreciates efforts of employees volunteering to strengthen their knowledge through higher education. Twenty seven employees attained their post-graduation / professional qualification and as many as forty three employees completed various courses by Indian Institute of Bankers. Believing that a satisfied employee always produces the desired results, Bank has decided to formulate well-drawn Awards and Incentives scheme. Bank has entered into the Memorandum of Settlement with employees' union this year. Your directors would like to place on record their appreciation for the commitment of the Bank's employees.

TECHNOLOGY

Bank's Information Technology Department has been constantly endeavoring keeping pace with the demands of the time. Various initiatives / support from this department has lead to new developments as well as performance improvements. To name a few:

- Cheque Truncation System that was on cards to be introduced was smoothly launched well within the timelines set by the regulators.

- For tracking the accounts being opened adhering to the set turn-around-time (TAT) while ensuring compliance of the KYC guidelines, Bank introduced a Document Management System (DMS) which has not only smoothened the work-flow but has also improved the KYC compliance.
- To meet the objectives of Anti Money Laundering & Combating of Financial Terrorism (AML & CFT), your bank has not only set-up a separate department but has also strengthened the department with efficient AML software. Extensive and Intensive training has been imparted to all employees in the subject.
- Ever challenging financial environment exposes the banks to credit risk. Bank has introduced a comprehensive credit risk management framework of CRISIL with a proprietary software solution – Credit Processing and Internal Rating system
- With a clear view that the technology is supposed to play a role of an enabler rather than becoming a stumbling block, Bank has initiated an ambitious project of adopting one of the best Core Banking Solutions in India. This was necessitated not only because of the geographical growth but also to keep pace with the ever increasing and changing expectations of the customers
- Bank has passed through all the rigorous performance and security testing while launching International VISA Debit Card and is undergoing similar tests before launching RuPay Debit Card soon, approval for which has already been received from RBI.

BRAND BUILDING

Bank continued with its brand building activities using various media of mass communications to reach out to maximum numbers of target audience. Promotion through Television commercials was extensively used. Other Out of Home media viz. Bus back panels, hoardings, gantry on Mumbai-Pune express way were also effectively used.

To directly connect with our target audience, various ground activities were taken up. Specific target groups were reached through some exclusive campaigns viz. Meet a Doctor, Women's Day celebration, Housing Society meets etc. Branches also connected with people by participating in local events by putting up stalls for direct marketing. A drawing competition 'Back-to-school' on a large scale was organized to connect with the school children. The competition was organized in around 120 schools across the states of Maharashtra, Karnataka, Goa & Gujarat. Over 42000 children participated in the drawing competition. All these students were given a specially designed booklet which, in addition to the photographs of the event contained brief about Bank, articles on habits of savings, various savings schemes offered by our bank etc.

DEPOSIT INSURANCE

The Bank's deposits are covered by Deposit Insurance and Credit Guarantee Corporation (DICGC). The Bank has been regular in paying premium to DICGC.

SHRI SHETH SHANTARAM MANGESH KULKARNI MEMORIAL LECTURE

On October 05, 2013, a talk on 'Chanakya on Finance & Management' was delivered by eminent management consultant Mr. Radhakrishnan Pillai. He has extensively studied the ancient text - the Arthashastra at Chinmaya International Foundation. The audience appreciated the simplicity with which Mr. Pillai narrated this complex subject. The event was organized as a part of Shri Sheth Shantaram Mangesh Kulkarni Memorial Lecture Series.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

- Your bank has been felicitating the meritorious wards of the members encouraging them by recognizing their achievements in academics & sports. This year 69 students were felicitated rewarding them ₹ 1.01 lac through members welfare fund in a function held on January 18, 2014.
- Bank has been contributing to the welfare funds of various charitable trusts working in the field of health, education, art

and culture and various other social needs of the downtrodden strata of the society.

- This year, in all 32 members have availed the benefits of the scheme for reimbursement of hospitalization expenses, resulting in disbursing an amount of ₹ 3.54 Lac. During the year, 58 members also availed the facility for reimbursement of medical check-up amounting to ₹ 0.83 Lac.

OBITUARY

The Board of Directors and the Management express their profound grief at the sad demise of the staff Shri Ajit Divekar.

ACKNOWLEDGEMENT

The bank expresses deep gratitude to our members, customers, staff members, well wishers, patrons and various institutions, officials and dignitaries for their co-operation, guidance and advice from time to time. To mention specially,

- Chief General Managers, General Managers and other Officials of Reserve Bank of India
- Central Registrar of Co-operative Societies, New Delhi
- Commissioner of Co-operation of Maharashtra State, Divisional Jt. Registrar & other officials of Co-op. Department at Pune & Mumbai
- President of Co-op Bank's Employees Union
- M/s. A. P. Sanzgiri, Chartered Accountants, Statutory Auditors
- Internal Auditors, Concurrent Auditors and Stock Auditors
- College of Agricultural Banking, Pune
- National Institute of Bank Management, Pune
- Indian Banks' Association, Mumbai
- National Federation of Urban Banks & Credit Societies Ltd., New Delhi
- Maharashtra State Co-op. Banks' Federation
- Maharashtra State Co-op. Banks' Association, Mumbai
- Brihan Mumbai Co-op. Banks' Association, Mumbai
- Legal Advisors, Consulting Architects, Engineers and Contractors
- Press, T.V. and other Media, Artists and Printers
- All those inadvertently missed, who helped us directly or indirectly

For and on behalf of the Board,

PLACE: MUMBAI
DATE: May 23, 2014

KISHORE KULKARNI
CHAIRMAN

INDEPENDENT AUDITOR'S REPORT

To,
The Shareholders of **NKGSB Co-Op. Bank Ltd.**

Report on the Financial Statements as required under section 30 of Banking Regulation Act, 1949 & section 73 (4) of Multi State Co-operatives Societies Act, 2002 and Rule 27 of Multi State Co-operative Societies Rule 2002.

1. We have audited the accompanying financial statements of the **NKGSB Co.Op.Bank Limited**, which comprise the Balance Sheet as at 31st March, 2014 and the Profit and Loss Account and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with Banking Regulation Act, 1949 and Multi State Co-operative Societies Act, 2002. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as Multi State Co-operative Societies Act, 2002 and rules made there under, in the manner so required, for the urban co-operative bank and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2014;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of cash flows for the year ended on that date.

Report on Other Legal and Regulatory Matters

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and the Multi State Co-operative Societies Act, 2002 and rules made there under:



8. We report that:

- (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
- (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.

9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards prescribed by the Institute of Chartered Accountants of India, to the extent applicable.

10. We further report that:

- (i) the Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account.
- (ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.

For and on behalf of
A.P. Sanzgiri & Co.
Chartered Accountants
Firm Regn. No.:116293W

Satish Kumar Gupta
Partner
Membership Number: 101134

Place: Mumbai

Date: 23rd May, 2014



Balance Sheet

(₹ in Lacs)

CAPITAL AND LIABILITIES	Schedule	As at 31-Mar-14	As at 31-Mar-13
SHARE CAPITAL	1	8,334	6,376
RESERVE FUND , OTHER FUNDS & RESERVES	2	42,325	38,750
PROFIT & LOSS ACCOUNT		1	1
DEPOSITS	3	4,29,306	3,66,572
BORROWINGS		-	1,399
PROVISION FOR INTEREST CAPITALISED ON NPA		169	124
OVERDUE INTEREST RESERVE ON LOANS AND ADVANCES		5,618	4,092
BILLS FOR COLLECTION BEING BILLS RECEIVABLE (As per Contra)		36	17
INTEREST ACCRUED		557	480
OTHER LIABILITIES	4	5,877	5,898
SETTLEMENT CREDIT ACCOUNT (As per contra) (Refer Schedule 13, Note no. 3)		114	162
GRAND TOTAL		4,92,337	4,23,871
CONTINGENT LIABILITIES	11	12,689	12,422
Significant Accounting Policies	12		
Notes to Accounts	13		

Schedules referred to above form an integral part of Balance Sheet

As per our report of even date attached
For and on behalf of
A. P. SANZGIRI & CO.
Chartered Accountants,
SATISH KUMAR GUPTA
PARTNER (MEMBERSHIP NO: 101134)
Mumbai, 23rd May, 2014



as at 31st March, 2014

(₹ in Lacs)

PROPERTY AND ASSETS	Schedule	As at 31-Mar-14	As at 31-Mar-13
CASH AND BANK BALANCES	5	61,307	54,720
MONEY AT CALL & SHORT NOTICE		2,497	-
INVESTMENTS	6	1,11,020	97,771
ADVANCES	7	2,81,201	2,40,453
INTEREST RECEIVABLE			
a) on Investments and Staff loans	8	4,144	4,219
b) on Non-Performing Advances		5,618	4,092
BILLS RECEIVABLE		36	17
BEING BILLS FOR COLLECTION			
(As per Contra)			
FIXED ASSETS	9	21,169	18,721
OTHER ASSETS	10	4,281	3,061
DEFERRED TAX ASSET (NET)		950	655
(Refer Schedule 13, Note 14)			
SETTLEMENT DEBIT ACCOUNT (As per contra)		114	162
(Refer Schedule 13, Note no. 3)			
GRAND TOTAL		4,92,337	4,23,871

KISHORE KULKARNI
Chairman
GANPATI NADKARNI
Vice-Chairman
CHINTAMANI NADKARNI
Managing Director
SAMIR REGE
Chief Manager (Finance)

NAGESH FOVKAR
SUNIL GAITONDE
KAUSHAL MUZUMDAR
ANIL NADKARNI
NAGESH PINGE
LAXMIKANT PRABHU
Directors



Profit and Loss Account

(₹ in Lacs)

EXPENDITURE	Year Ended 31-Mar-14	Year Ended 31-Mar-13
Interest on Deposits	30,185	27,604
Interest on Borrowings	8	17
Staff Salaries, Allowances and Benefits	4,523	4,128
Rent, Rates, Taxes, Service Charges, Insurance and Lighting	1,535	1,196
Legal and Professional Charges	27	7
Postage, Telegram and Telephone Charges	205	138
Travelling, Lodging and Conveyance	55	46
Audit Fees	81	63
Repairs and Maintenance	277	196
Depreciation on Fixed Assets	1,060	965
Depreciation on Shifting of Securities	-	34
Premium on Securities amortised	228	136
Printing and Stationery	108	79
Advertisement	242	237
Sundry Expenses	1,171	875
Bad Debts Written Off	212	428
Loss on Sale of Fixed Assets	-	3
Operating Profit before provisions & contingencies c/f	7,759	6,353
	47,676	42,505
Provisions and Contingencies:		
A) Bad and Doubtful Debts Reserve	1,836	754
B) Contingent Reserve against Standard Assets	112	180
C) Contingent Prov against Depreciation in Investment	58	-
D) Interest Transferred to Leave Encashment Fund	64	51
E) Provision for Restructured Advances	37	11
F) Transfer to Investment Fluctuation Reserve	-	9
Profit Before Tax c/f	5,687	5,348
	7,794	6,353
Provision for Taxes:		
Income Tax	1,950	1,320
Deferred Tax	(295)	(318)
(Schedule 13, Note No. 14)		
Net Profit for the year	4,032	4,346
TOTAL	5,687	5,348

As per our report of even date attached

For and on behalf of

A. P. SANZGIRI & CO.

Chartered Accountants,

SATISH KUMAR GUPTA

PARTNER (MEMBERSHIP NO: 101134)

Mumbai, 23rd May, 2014



for the year ended 31st March, 2014

(₹ in Lacs)

INCOME	Year Ended 31-Mar-14	Year Ended 31-Mar-13
Interest and Discount		
a) Interest on Advances	32,021	27,242
b) Income from Investments	8,698	7,096
c) Interest on Deposits with Banks	2,742	4,802
Commission, Exchange & Brokerage	1,653	1,351
Rent on Safe Deposit Lockers	132	102
Amortisation of Revaluation Reserve	352	352
Bad Debts Provision Reversed	844	982
Other Income		
a) Profit on Sale of Investments (AFS/HFT)	805	305
b) Profit on Sale of HTM Investments	403	203
c) Profit on Sale of Mutual Fund	7	56
d) Miscellaneous Income	18	14
e) Profit on Sale of Fixed Assets	1	-
	47,676	42,505
Operating Profit before provisions & contingencies b/f	7,759	6,353
Provision no longer required written back from :		
Election Fund	35	-
	7,794	6,353
Profit Before Tax b/f	5,687	5,348
TOTAL	5,687	5,348

KISHORE KULKARNI
Chairman
GANPATI NADKARNI
Vice-Chairman
CHINTAMANI NADKARNI
Managing Director
SAMIR REGE
Chief Manager (Finance)

NAGESH FOVKAR
SUNIL GAITONDE
KAUSHAL MUZUMDAR
ANIL NADKARNI
NAGESH PINGE
LAXMIKANT PRABHU
Directors



Profit and Loss Appropriation Account

(₹ in Lacs)

EXPENDITURE	Year Ended 31-Mar-14	Year Ended 31-Mar-13
Appropriations subject to Approval in AGM		
A) Statutory Appropriations :-		
1 Statutory Reserve Fund (25% of Net Profit)	1,009	1,087
2 Contingency Reserve Fund (10% of Net Profit)	404	435
3 Education Fund (1% of Net Profit)	41	44
B) Other Appropriations :-		
1 Building Fund	540	1,050
2 Reserve for Donations	2	4
3 Investment Fluctuation Reserve	403	105
4 Proposed Dividend @ 12% p.a. (pro-rata)	881	865
5 Ex-Gratia to Staff	460	525
6 Staff Loan Fund	22	21
7 Staff Welfare Fund	40	21
8 Members' Welfare Fund	15	15
9 Centenary Fund	10	10
10 Special Reserve u/s 36 (1) (viii) of I.T. Act, 1961	245	167
	4,072	4,349
PROFIT CARRIED TO BALANCE SHEET	1	1
TOTAL	4,073	4,350

As per our report of even date attached

For and on behalf of

A. P. SANZGIRI & CO.

Chartered Accountants,

SATISH KUMAR GUPTA

PARTNER (MEMBERSHIP NO: 101134)

Mumbai, 23rd May, 2014

Estd. 1917

(₹ in Lacs)

KISHORE KULKARNI	NAGESH FOVKAR
Chairman	SUNIL GAITONDE
GANPATI NADKARNI	KAUSHAL MUZUMDAR
Vice-Chairman	ANIL NADKARNI
CHINTAMANI NADKARNI	NAGESH PINGE
Managing Director	LAXMIKANT PRABHU
SAMIR REGE	Directors
Chief Manager (Finance)	

Schedules

(₹ in Lacs)

	As at 31-Mar-14	As at 31-Mar-13
Schedule - 1		
Share Capital		
Authorised Share Capital	20,000	20,000
20,00,00,000 shares of ₹ 10/- each		
Issued Subscribed and Paid up Capital	8,334	6,376
8,33,38,290 shares of ₹ 10/- each		
(Previous Year 6,37,64,538 shares)		
Schedule - 2		
Reserve Fund , Other Funds & Reserves		
I Reserves as per Multi-State Co.Op.Soc.Act		
(i) Statutory Reserve Fund (25% of Net Profit)	8,447	7,404
(ii) Contingency Reserve Fund (10% of Net Profit)	2,864	2,460
(iii) Building Fund	7,907	7,367
(iv) Reserve for Donation	15	14
II Reserves as per RBI guidelines		
(i) Investment Fluctuation Reserve	1,505	1,130
(ii) Contingent Reserve against Standard Assets	1,087	975
(iii) Bad and Doubtful Debts Reserve	5,059	4,068
(iv) Provision for Restructured Advances	48	11
III Other Funds as per Bye Laws		
(i) Election Fund	10	45
(ii) Members' Welfare Fund	162	153
(iii) Centenary Fund	172	162
IV Others		
(i) Special Reserve u/s 36(1) (viii) of I.T. Act	992	747
(ii) Capital Reserve	4	4
(iii) Revaluation Reserve	12,673	13,025
(iv) Shares Forfeited	21	21
(v) Deferred Tax Reserve	292	292
V Funds for the benefit of staff		
(i) Staff Welfare Fund	101	110
(ii) Staff Loan Fund	248	226
(iii) Staff Leave Encashment Fund	718	536
TOTAL RESERVES (I+II+III+IV+V)	42,325	38,750



Estd.1917

Schedules

(₹ in Lacs)

	As at 31-Mar-14	As at 31-Mar-13
Schedule -3		
Deposits		
I Current Deposits		
i) Individuals (Other than Societies)	16,328	14,298
ii) Societies	70	55
II Savings Deposits		
i) Individuals (Other than Societies)	81,615	72,415
ii) Societies	3,661	3,224
III Term Deposits		
i) Individuals (Other than Societies)	2,96,210	2,52,112
ii) Societies	25,827	20,581
IV Matured Deposits	5,595	3,887
Total (I+II+III+IV)	4,29,306	3,66,572

Schedule-4		
Other Liabilities		
i) Unclaimed Dividend	47	51
ii) Proposed Dividend	881	865
iii) Pay orders Issued A/c	2,593	2,112
iv) Others	2,356	2,870
Total	5,877	5,898

Schedule -5		
Cash and Bank Balances		
(i) Cash in Hand	2,097	1,999
(ii) Balances with Reserve Bank of India	23,770	16,182
(iii) Balances with State Bank of India & its subsidiary	192	111
(iv) Current Deposits with Banks	1,279	2,188
(v) Reserve Fund Investment	11,171	8,350
(vi) Investment against Earmarked Funds in FDRs	1,300	1,038
(vii) Fixed Deposits with Banks	21,498	24,852
Total	61,307	54,720

Schedules

(₹ in Lacs)

	As at 31-Mar-14	As at 31-Mar-13
Schedule-6		
Investments		
(i) Government Securities	1,10,520	96,946
(ii) Shares in Co-op. Institutions & Co-op. Hsg. Societies	0.40	0.37
(iii) P.S.U. Bonds & Bonds of all India Financial Institutions	500	825
Total	1,11,020	97,771
Schedule-7		
Advances		
I Short Term Loans, Cash Credit, Bills Discounted and Purchased	1,02,173	90,146
Of which secured against:		
(i) Govt. and Other Approved Securities	58	13
(ii) Other Tangible Securities	1,01,967	90,059
(iii) Personal Sureties	148	74
II Medium Term Loans :	29,252	30,520
Of which secured against:		
(i) Govt. and Other Approved Securities	33	19
(ii) Other Tangible Securities	28,588	29,919
(iii) Personal Sureties	631	582
III Long Term Loans :	1,49,776	1,19,787
Of which secured against:		
(i) Govt. and Other Approved Securities	1,431	1,392
(ii) Other Tangible Securities	1,47,495	1,17,433
(iii) Personal Sureties	850	962
Total (I+II+III)	2,81,201	2,40,453
(includes interest capitalised on NPA)	169	124
Schedule-8		
Interest Receivable		
(i) On Investments	3,542	3,716
(ii) On Staff Advances	453	395
(iii) On Investments against Earmarked Funds	149	108
Total	4,144	4,219

Schedules

(₹ in Lacs)

	As at 31-Mar-14	As at 31-Mar-13
Schedule-9		
Fixed Assets		
I Premises (Including Land)		
Opening Balance as on April, 1	18,715	17,244
Add: Additions during the year	2,848	1,495
Less : Sales during the year	(29)	(24)
	21,534	18,715
Less : Depreciation upto last year	1,807	1,312
Depreciation for the current year	563	506
Depreciation on assets sold	(16)	(11)
	2,354	1,807
Sub-Total	19,180	16,908
II Furniture and Fixtures		
Original Cost as on April, 1	1,922	1,436
Add: Additions during the year	354	284
Less : Sales during the year	(31)	(29)
	2,245	1,691
Less : Depreciation upto last year	830	571
Depreciation for the current year	187	156
Depreciation on assets sold	(15)	(22)
	1,002	705
Sub-Total	1,243	986
III Other Fixed Assets		
Original Cost as on April, 1	2,376	2,512
Add: Additions during the year	338	261
Less : Sales during the year	(45)	(166)
	2,669	2,607
Less : Depreciation upto last year	1,655	1,636
Depreciation for the current year	310	303
Depreciation on assets sold	(42)	(159)
	1,923	1,780
Sub-Total	746	827
Total Fixed Assets (I+II+III)	21,169	18,721



Schedules

(₹ in Lacs)

	As at 31-Mar-14	As at 31-Mar-13
Schedule-10		
Other Assets		
(i) Security Deposits	27	23
(ii) Lease Deposits	471	547
(iii) Deferred Revenue Expenditure	31	35
(iv) Intangible Assets (Software)	109	81
(v) Others:	3,643	2,375
Total	4,281	3,061

Schedule -11

Contingent Liabilities

(i) Guarantees and Acceptance	12,653	12,380
(ii) Income Tax Demand	35	35
(iii) Others	1	7
Total	12,689	12,422



Cash Flow For The Year Ended 31st March, 2014

(₹ in Lacs)

Particular	2013-14	2012-13
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit as per Profit and Loss Account	4,032	4,346
Add: Previous year excess provision written back	40	4
Add: Opening balance as per Profit & Loss Account	1	-
Profit Available for Appropriations	4,073	4,350
Less : Appropriations	4,072	4,349
Net Profit as per Balance sheet	1	1
Add:		
Depreciation On Assets	708	613
Software written-off (including DRE)	109	90
Add:		
Loss (Profit) on Sale of Assets	(1)	3
Adjustments for:		
(Increase)/ Decrease in Investments	(13,249)	(13,293)
(Increase)/ Decrease in Other Investments	(1,578)	5,338
(Increase)/ Decrease in Advances	(40,748)	(44,329)
(Increase)/ Decrease in Interest receivable and OIR	(1,452)	(1,529)
(Increase)/ Decrease in Other Assets	(1,491)	(600)
Increase/(Decrease)in Funds	4,791	3,808
Increase/(Decrease)in Deposits	62,734	41,206
Increase /(Decrease) in Borrowings	(1,399)	1,399
Increase/ (Decrease) in Interest Payable	77	111
Increase /(Decrease) in Other Liabilities	1,538	1,459
Net Cash Generated from Operating Activities (A)	10,041	(5,724)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(3,540)	(2,040)
Payment of DRE	(16)	(34)
Payment For Software	(117)	(28)
Sale Proceeds of Fixed Assets	33	25
Net Cash Generated from Investing Activities (B)	(3,640)	(2,077)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Share Capital	1,957	1,049
Dividend Paid	(853)	(685)
Net Cash generated from Financing Activities (C)	1,104	364
Net increase in cash & cash equivalents (A+B+C)	7,505	(7,437)
Cash & Cash Equivalents at the beginning of the year	28,009	35,446
Cash & Cash Equivalents at the end of the year	35,515	28,009
Cash & Cash equivalents	31.03.2014	31.03.2013
Cash in hand & Balances with Notified Banks	26,059	18,292
Balances with Other Banks	6,959	9,717
Money at Call and Short Notice	2,497	-
	7,505	(7,437)

As per our report of even date attached
For and on behalf of

A. P. SANZGIRI & CO.

Chartered Accountants,

SATISH KUMAR GUPTA

PARTNER (MEMBERSHIP NO: 101134)

Mumbai, 23rd May, 2014

KISHORE KULKARNI

Chairman

GANPATI NADKARNI

Vice-Chairman

CHINTAMANI NADKARNI

Managing Director

SAMIR REGE

Chief Manager (Finance)

NAGESH FOVKAR

SUNIL GAITONDE

KAUSHAL MUZUMDAR

ANIL NADKARNI

NAGESH PINGE

LAXMIKANT PRABHU

Directors

Background

NKSGB Co-op Bank Ltd. was incorporated in 1917. The Bank has 80 branches spread over in the states of Maharashtra, Goa, Karnataka & Gujarat. The Bank provides various banking products which caters to the needs of both corporate and retail customers.

Schedule No. 12

SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

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

2. USE OF ESTIMATES

The presentation of 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 estimated. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

3. INVESTMENTS

For presentation in the Balance sheet, investments are classified under the following heads as required under RBI guidelines – Government securities, Other approved securities, Shares in Co-Operative Institutions/Financial Corporations, Bonds of Public Sector undertaking and other Investments.

3.1 Classification

Investments other than shares in Co-Operative Banks and Societies are classified into three categories viz; 'Held To Maturity' (HTM), 'Available for Sale' (AFS) and 'Held For Trading' (HFT) in accordance with the guidelines issued by the RBI on "Classification and Valuation of Investments by Primary (Urban) Co-operative Banks (Primary UCB's)".

3.2 Valuation and Accounting of Investments

- a) Investments in HTM category are valued at acquisition cost unless it is more than the face value in which case the premium (if any) paid on the investments under this category is shown under "Other Assets" and is amortised over the period remaining to maturity.
- b) Investments under AFS and HFT categories are valued scrip-wise at lower of Book Value and Market Value and depreciation/appreciation is aggregated for each classification. Net depreciation, if any, is provided for while net appreciation, if any, is ignored. Net Depreciation for the year under these categories is charged to the Profit and Loss Account and shown under Other Liabilities as "Contingent Provisions against Depreciation in Investment".
- c) Treasury Bills under all categories/classifications are valued at carrying cost.
- d) Shares of Co-operative Institutions and Financial Corporations are valued at cost unless there is a diminution in the value thereof in which case the diminution is fully provided for.
- e) Market Value of Securities is determined in terms of Yield to Maturity (YTM) method indicated by Fixed Income Money Market & Derivatives Association of India (FIMMDA).

- f) Broken period interest in respect of investments purchased is treated as an item of expenditure under the Profit and Loss account.
- g) Realised gains if any, on investments under HTM category are recognised in the profit and loss account and subsequently appropriated to the Investment Fluctuation Reserve (IFR) in accordance with RBI guidelines. Loss if any, on Sale is recognised in the Profit and Loss Account.

3.3 Transfer between categories

Reclassification of investments from one category to another, is done in accordance with RBI guidelines and any such transfer is accounted for at the acquisition cost/book value/market value, whichever is lower, as at the date of transfer. Depreciation, if any, on such transfer is fully provided for.

4. ADVANCES

- a) The classification of advances into Standard, Sub Standard, Doubtful and Loss assets as well as provisioning on Standard Advances and Non Performing Advances is arrived at in accordance with the Income Recognition, Assets Classification and Provisioning Norms prescribed by the RBI for Primary UCBs. Certain advances have been kept outstanding at nominal amounts to continue the charge on securities in respect of other standard facilities enjoyed by them with the Bank. Accordingly, these advances are classified as Standard Assets.
- b) The Bank has been lending under Collateralised Borrowing and Lending Obligations (CBLO) facility. Any lending under this facility repayable beyond 15 days is classified under Advances (Short Term) Secured against Government and Other Approved Securities. Other lending repayable within 15 days is classified under "Money at Call and Short Notice".
- c) The Bank also makes provision for diminution in fair value of Restructured Advances as per norms issued by RBI.

5. Fixed Assets and Depreciation

- a) Fixed Assets, other than those that have been revalued, are carried at historical cost less depreciation accumulated thereon. Cost includes the incidental stamp duty, registration charges and civil work in case of ownership premises, and in case of other fixed assets, amounts incurred to put the asset in a working condition.
- b) Depreciation is provided on a straight line basis over the estimated useful life of the asset at the rates mentioned below:

Assets	% of Depreciation
Computer	33.33%
Land and Building	2.50%
Furniture and Fixture	10.00%
Office Machinery (including Air-conditioner)	15.00%
Vehicles	20.00%
Leasehold Improvements	Equally over the primary period of the lease

- c) Depreciation on vehicle is charged pro-rata on completed month basis.
- d) Assets disposed off during the year are depreciated up to the quarter before the date of disposal.
- e) Books are capitalised and depreciated to ₹ 1/- per book in the year of its purchase.



- f) Depreciation on the revalued portion of such assets is included in Depreciation expenses and the corresponding amount is reversed from Revaluation Reserve and credited to the Profit & Loss Account.
- g) Fixed Assets which have been fully depreciated but are still in use, are carried in the books at ₹ 1/-

6. RESERVE FUND AND OTHER RESERVES

- a) As per the requirement of Multi-State Co-Op. Soc. Act. 2002, the Statutory Reserve Fund has been bifurcated into 3 Categories viz.
 - Regular Statutory Reserve (Comprising 25% of Net Profit)
 - Contingency Reserve Fund (Comprising 10% of Net Profit)
 - Co-operative Education Fund maintained by National Co-operative Union of India (Comprising 1% of Net Profit).
- b) Membership Entrance Fees and Amounts under Sundry Deposits, Dividend Payable and Pay orders/Demand Drafts remaining unclaimed for over 3 years are taken directly to the Statutory Reserve Fund.
- c) Interest accruing on investments against certain earmarked funds viz. Members Welfare Fund, Staff Loan Fund, Staff Welfare Fund is credited initially to profit and loss account and subsequently transferred to the respective funds through appropriation of profits for the year.
- d) Bank follows a policy of transferring surplus arising on account of revaluing of fixed assets over their book value to Revaluation Reserve.

7. REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Items of income and expenditure are accounted for on accrual basis except the following items:-

- a) Interest income on Non-Performing Advances is recognised on cash basis in accordance with guidelines issued by RBI.
- b) Commission, Exchange, Brokerage and Locker Rent are recognized as income on upfront basis. Commission on Insurance business is recognised on cash basis.
- c) Income from investments is accounted for on accrual basis except dividend on shares of Corporates and Mutual Funds, if any, which is accounted for on cash basis.

8. OVERDUE INTEREST RESERVE

- a) Overdue Interest Reserve (OIR) represents unrecovered interest on Non-performing Advances, which is correspondingly shown under Interest Receivable as per RBI directives.
- b) Provision for Interest Capitalised on Non-Performing Assets represents unrecovered interest on Non-performing Advances which was reversed from Profit & Loss Account as per RBI directives.

9. DEFERRED REVENUE EXPENDITURE (DRE)

Stamp Duty & Registration expenses of leased premises are written off equally over the primary period of the lease.

10. CONVERSION OF FOREIGN EXCHANGE

Letters of Credit in foreign currencies are being stated at year-end rates of exchange as notified by Foreign Exchange Dealers Association of India (FEDAI).

11. RETIREMENT BENEFITS

a. Gratuity

Retirement Benefit in the form of Gratuity is a Defined Benefit Plan. The Bank has a Gratuity Trust for its Employee

under the group Gratuity cum Life Assurance Scheme managed by Life Insurance Corporation of India (LIC). Gratuity is provided for on the basis of actuarial valuation done by an independent actuary as at the year end, using the Projected Unit Credit Method in accordance with Accounting Standards (AS)-15 (revised) on Employee Benefit as issued by The Institute of Chartered Accountants of India (ICAI).

b. Compensated Absences (Leave Encashment)

Employee Leave Benefits in the nature of Privilege Leave is a defined benefit plan. Employees are not entitled to encashment of sick leave. Casual leave is en-cashed at the year end and not carried forward. Privilege leave which is en-cashable is provided for on the basis of actuarial valuation done by an independent actuary as at the year end using the Projected Unit Credit Method in accordance with the guidelines on AS-15 (revised) on Employee Benefits as issued by ICAI.

c. Provident Fund contribution

Retirement Benefit in the form of Provident Fund is a Defined Contribution Plan and contributions made to the Commissioner of Provident Fund at rates prescribed in the Employees Provident Fund and Misc. Provisions Act, 1952 are accounted for on accrual basis.

d. Superannuation Contribution

Contribution towards superannuation scheme of LIC is accounted for on accrual basis as a Defined Contribution Plan.

12. SEGMENT REPORTING

The business segment is considered as primary reporting format and Bank does not have any geographical segment. In accordance with the guidelines issued by RBI, Bank has adopted following business Segments:-

- a. Treasury includes all investment portfolio, profit/loss on sale of investments (Bonds and government securities). 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 investments.
- b. Other banking Operations include all other operations not covered under Treasury Operations.

13. OPERATING LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as Operating Leases. Operating Lease payments are recognized as an expense in the Profit and Loss Account during the year as per lease agreement.

14. EARNING PER SHARE (EPS)

Basic Earning 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 are calculated on monthly basis.

15. DEPOSITS FOR SERVICES

Security Deposits for electricity and telephone services are written off equally over a period of 5 financial years.

16. INCOME TAX

- a. Income Tax expense comprises of Current Tax and Deferred Tax. Current Tax is provided for and Deferred Tax is accounted for in accordance with the applicable provisions of the Income Tax Act, 1961 and Rules framed there under.
- b. Provision for Current Tax is made on the basis of estimated taxable income for the year.
- c. Deferred Tax is recognised on account of timing differences between the book profits and the taxable profits. The tax effect of timing differences between the book profits and taxable profits measured using the tax rates and tax laws that have been enacted or substantially enacted at the Balance Sheet date are reflected through Deferred Tax

Asset (DTA)/Deferred Tax Liability (DTL). Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

17. INTANGIBLE ASSETS

Intangible Assets consist of Computer Software Expenses which are amortised equally over a period of 3 financial years. In respect of new branches same are amortised on pro-rated basis for completed months.

18. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Bank makes provisions when it has a present obligation as a result of past event (s), where it is probable that an outflow of resources embodying economic benefit to settle the obligation will be required and a reliable estimate can be made of such an obligation.

Contingent assets are not recognized in the Financial Statements.

Contingent liabilities of the Bank are in respect of guarantees, acceptances, and letters of credit with customers under approved limits and the liability thereon is dependent upon terms of contractual obligations, devolvement and raising of demand by the concerned parties. These amounts are partly collateralised by margins/guarantees/secured charges. A disclosure of Contingent Liability is made when there is a possible obligation, arising from a past event(s), 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 any present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation cannot be made.

19. IMPAIRMENT OF ASSETS

The Bank assesses at each balance sheet date whether there is any indication that an assets may be impaired and provides for impairment loss, if any, in the Profit and Loss Account.

Schedule No. 13

NOTES FORMING PARTS OF THE ACCOUNTS

- Appropriations:-** Previously, the Bank gave effect of appropriation of current year profit in subsequent financial statement after obtaining approval of such appropriation in Annual General Meetings (AGM) for the said year. To provide the shareholder a proper perspective, the Bank has from the last financial year, disclosed appropriation of current year profit in current year Profit and Loss Account.

Proposed Appropriations for F.Y. 2013-14 are as under:

Particulars	Amount (₹ in Lacs)
Net Profit for F.Y. 2013-14	4,032
Op. Balance & Excess Appropriation of previous year w/back	41
Total Profit available for appropriation	4,073
Appropriations :-	
Statutory Reserve Fund	1,009
Contingency Reserve Fund	404
Education Fund	41
Building Fund	540
Reserve for Donations	2

Particulars	Amount (₹ in Lacs)
Investment Fluctuation Reserve	403
Special Reserve u/s 36 (1) (viii) of I. T. Act, 1961	245
Proposed Dividend @ 12% p.a. (pro-rata)	881
Ex-Gratia to Staff	460
Staff Loan Fund	22
Staff Welfare Fund	40
Members' Welfare Fund	15
Centenary Fund	10
Bal c/f	1
TOTAL	4,073

2. During the year, the Bank has credited an amount of ₹ 402.54 Lacs being profit on sale of investment held under HTM category to the Profit and Loss Account, and has appropriated an equivalent amount to IFR.
3. Settlement Credit/Debit Account:-
Settlement Debit and Credit Accounts (Contra) represents mirror impact of the cost of acquisition of Shree Shahu Co-operative Bank Ltd. (SSCBL) and the entries pertaining to the Gains / Losses incurred post merger on assets and liabilities taken over.
4. During the year, the Bank has reversed a net amount of ₹ 28.85 lacs from IFR net of tax benefit and statutory reserve, being utilization of IFR towards depreciation for current year on AFS Security Portfolio of ₹ 58.27 Lacs.
5. During the year, the Bank has written off an amount of ₹ 212.15 lacs (previous year ₹ 428 lacs) towards bad debts which is identified by the Management as irrecoverable, approved by the Board of Directors and certified by the Statutory Auditors. The said amount had been fully provided for in the earlier years and accordingly an equivalent amount has been written back from the Bad and Doubtful Debt Reserve.
6. **Shares Forfeited :-** The existing shares holders who had not complied with the criteria of the minimum share holding of 50 shares as required under Bye-law No. 11 (ii) ceased to be a member after 30th June, 2012. Consequently, Bank has transferred last year, the share money to a separate reserve fund account viz; "Shares Forfeited ". Such members can claim the share money from the said account within a period of three years.
7. **Disclosure under AS - 15 "Employee Benefits" Provident Fund:-**

(₹ in Lacs)

SR. No.	Particulars	Provident Fund	
		31.03.2014	31.03.2013
1	Employment and Retirement Benefits Post Employment Benefits		
	Bank's contribution to Provident Fund debited to Profit and Loss Account	371.18	305.83

8. Disclosure under AS - 15 "Employee Benefits" Gratuity

The following table sets out the status of the Gratuity Plan as required under AS 15. Reconciliation of opening and closing

balances of the present value of the defined benefit obligation:

(Amt. in ₹)

SR. No.	Particulars	Gratuity Funded	
		31.03.2014	31.03.2013
1	Principal actuarial assumptions as at the date of balance date:		
	Discount Rate	9.15%	8.25%
	Salary Escalation	6.00%	6.00%
	Expected Return on Plan Assets	9.30%	9.40%
2	Reconciliation of opening and closing balance of present value of obligation		
	Present value of obligation as at beginning of the year	12,99,72,790	10,26,38,731
	Interest cost	1,04,00,018	86,01,262
	Current service cost	89,51,401	81,41,309
	Benefit Paid	(78,23,920)	(28,94,824)
	Actuarial (Gain)/ Loss on obligations	37,64,855	1,34,86,312
	Present value of obligation as at end of the year	14,52,65,144	12,99,72,790
3	Reconciliation of opening and closing balance of present value of plan assets		
	Fair value of plan assets at beginning of year	11,37,33,734	9,61,32,178
	Adjustment to Opening Fund		
	Expected return on plan assets	1,08,19,869	98,68,751
	Contributions	2,10,41,806	1,06,27,629
	Benefits paid	(78,23,920)	(28,94,824)
	Actuarial Gain/ (Loss) on plan assets	(15,685)	-
	Fair value of plan assets at end of the year	13,77,55,804	11,37,33,734
4	Amount recognised in the balance sheet		
	Present value of obligation as at the end of the year	14,52,65,144	12,99,72,790
	Present value of plan assets as at the end of the year	13,77,55,804	11,37,33,734
	Funded Status	(75,09,340)	(1,62,39,056)
	Net Asset/(Liability) in balance sheet	(75,09,340)	(1,62,39,056)
5	Expenses Recognised in the Profit and Loss Account		
	Current service cost	84,82,517	81,41,309
	Interest cost	1,04,00,018	86,01,262
	Expected return on plan assets	(1,08,19,869)	(93,99,867)
	Net Actuarial (Gain)/ Loss recognised in the year	37,80,540	1,34,86,312
	Expenses recognised in statement of Profit and Loss	1,18,43,206	2,08,29,016

9. Disclosure under AS - 15 “Employee Benefits” Leave Encashment:-

(Amt. in ₹)

SR. No.	Particulars	Leave encashment	
		31.03.2014	31.03.2013
1	Principal actuarial assumptions as at the date of balance date:		
	Discount Rate	9.15%	8.25%
	Salary Escalation	6.00%	6.00%
	Expected Return on Plan Assets	10.15%	11.00%
2	Reconciliation of opening and closing balance of present value of obligation		
	Present value of obligation as at beginning of the year	5,35,71,892	4,51,75,770
	Interest cost	41,38,837	36,17,506
	Current service cost	28,48,863	20,84,581
	Benefit Paid	(68,08,342)	(52,33,749)
	Actuarial (Gain)/ Loss on obligations	1,79,99,237	79,27,784
	Present value of obligation as at end of the year	7,17,50,487	5,35,71,892
3	Reconciliation of opening and closing balance of present value of plan assets		
	Fair value of plan assets at beginning of year	5,59,00,000	4,53,05,000
	Adjustment to Opening Fund		-
	Expected return on plan assets	64,02,400	50,61,128
	Contributions	1,61,97,600	55,33,872
	Benefits paid	-	-
	Actuarial Gain/ (Loss) on plan assets		
	Fair value of plan assets at end of the year	7,85,00,000	5,59,00,000
4	The amounts recognised in the balance sheet		
	Present value of obligation as at the end of the year	7,17,50,487	5,35,71,892
	Present value of plan assets as at the end of the year	7,85,00,000	5,59,00,000
	Funded Status	(67,49,513)	23,28,108
	Net (Asset)/Liability in balance sheet	(67,49,513)	23,28,108
5	Expenses Recognised in the statement of Profit and Loss		
	Current service cost	28,48,863	20,84,581
	Interest cost	41,38,837	36,17,506
	Expected return on plan assets	(64,02,400)	(50,61,128)
	Net Actuarial (Gain)/ Loss recognised in the year	1,79,99,237	79,27,784
	Expenses recognised in statement of Profit and Loss	1,85,84,537	85,68,743

10. Disclosure under AS - 17 on "Segment Reporting":-

Information about Primary Business Segments:

(₹ in Lacs)

BUSINESS SEGMENTS	Treasury	Other Banking operations	Total
Revenue	12,908.05	34,802.63	47,710.68
Expenses	11,712.38	30,071.71	41,784.09
Result	1,195.67	4,730.92	5,926.59
Unallocated expenses			240.06
Operating profit			5,686.53
Income Tax			1,654.90
Extraordinary profit/loss			-
Net Profit			4,031.62
Other Information			
Segment assets	1,53,297.63	3,24,853.50	4,78,151.12
Unallocated assets			14,185.72
Total assets			4,92,336.84
Segment liabilities	1,54,060.24	3,07,427.66	4,61,487.90
Unallocated liabilities			13,414.57
Shareholders' Funds			17,434.37
Total liabilities			4,92,336.84

Notes: -

The Bank is organised into two main business segments, namely:

- Treasury-primarily comprising of Dealing Room operations, trading/investments in Bonds and Government securities.
- Other Banking Operations – primarily comprising of Loans and Advances to Corporates, and Retail Loans & Advances to Other Customers. The above segments are based on the currently identified segments taking into account the nature of services provided, the risks and returns, overall organisation structure of the Bank and the internal financial reporting system.

Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments and amounts apportioned/allocated on a reasonable basis.

11. Disclosure under AS - 18 on "Related Party Transactions" :-

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 issued by The Institute of Chartered Accountants of India (ICAI) other than of the Key Management Personnel.

There being only one Managing Director Shri. Chintamani V. Nadkarni for the financial year 2013-14, in terms of RBI circular dated 29th March, 2003, he being a single party coming under the category, no further details thereon need to be disclosed.

12. Disclosure under AS - 19 "Leases":-

The Bank has entered into cancellable operating leases for the branches except initial Lock in period in branches and the disclosures under AS 19 on 'Leases' issued by ICAI are as follows:

- Lease payments and Equated Lease payment of ₹ 534.42 lacs and ₹ 1.76 lacs respectively have been recognised

in the statement of profit and loss for the year being minimum lease payments.

- b) The lease agreements entered into pertain to use of premises at the branches. The lease agreements do not have any undue restrictive or onerous clauses other than those normally prevalent in similar agreements regarding use of assets, lease escalations, renewals and a restriction on sub-leases.

13. "EARNINGS PER SHARE" (EPS):-

(₹ in Lacs)

Particulars	2013-14	2012-13
Net Profit/(loss) after income tax	4,031.62	4,346.95
Weighted average numbers of shares	708.75	558.66
EPS	5.69	7.78

14. Accounting for Taxes on Income:-

Disclosure of major components of DTA (net) are as under

(₹ in Lacs)

	ASAT 31.03.2013	DURING THE YEAR 2013-14	ASAT 31.03.2014
DTA			
Provision for Advances	627.46	621.19	1,248.65
Provision for leave encashment	165.54	78.34	243.88
Lease equalisation account	-	0.60	0.60
TOTAL	793.00	700.13	1,493.13
DTL			
Depreciation on Fixed Assets	138.09	72.97	211.06
Others (Special Reserve u/s 36 (1)(viii) of the Income Tax Act, 1961)	-	332.07	332.07
TOTAL	138.09	405.04	543.13
NET DTA/(DTL)	654.91	295.09	950.00

15. Intangible Assets:-

Details of Computer Software Expenses (Intangible Asset) are as under:

(₹ in Lacs)

Carrying Amount at the Beginning of the Year	81.39
Additions during the Year	116.81
	198.20
Amortisation during the Year	89.07
Carrying Amount at the End of the Year	109.13



16. Impairment of Assets:-

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 Institute of Chartered Accountants of India (ICAI) is required.

17. The Bank has taken Group Mediclaim Policy covering its Directors, Executives and Staff. The bank has paid premium of ₹ 53,93,280/- (P.Y. ₹ 44,94,400) on this account.

18. Previous year figures are re-grouped or re-arranged wherever necessary to conform to the presentation of the Current year.

Schedule No. 14

Disclosures as per RBI Guidelines

(₹ In Lacs)

Sr. No.	Capital to Risk Asset Ratio (CRAR)	31.03.2014	31.03.2013
1.	A. Tier I Ratio (core CRAR)	10.09%	10.09%
	B. Tier II Ratio	3.00%	3.34%
	CRAR	13.09%	13.43%
2.	Movement of CRAR		
	A. Tier I Capital	27,920.99	24,039.98
	B. Tier II Capital	8,294.70	7,966.96
	Capital Funds	36,215.69	32,006.94
	C. Risk weighted assets	2,76,599.75	2,38,351.30

3.	VALUES OF INVESTMENTS ARE AS UNDER:	31.03.2014	31.03.2013
	Government/ Approved Securities (Market value)	1,04,272.84	95,155.72
	Bonds of Public Sector Undertakings (Market value)	NIL	323.22
	Other investments (Cost value or market Value whichever is less)	499.53	500.09
	Shares in Co-operative Institution (Cost value)	0.31	0.28
	TOTAL MARKET VALUE	1,04,772.67	95,979.31
	TOTAL FACE VALUE	1,12,843.64	98,809.95
	TOTAL BOOK VALUE	1,11,019.81	97,770.98

Investment of Face Value ₹ 2,000.00 (Lacs) (previous year ₹ 2,000.00 (Lacs) and Market Value ₹ 1,881.00 (Lacs) as on 31st March 2014 (previous year ₹ 1,996.78 (Lacs)) have been lodged with CCIL as Collateral /Settlement Guarantee Fund.

Further, Investment of Face Value ₹ 5,000.00 (Lacs) as on 31st March 2014 (Face Value P.Y. ₹ 2,000.00 (Lacs)) and Market Value ₹ 4,456.39 (Lacs) as on 31st March 2014 (Market Value P.Y. ₹ 1,825.01 (Lacs) have been lodged with CBLO as Collateral/Settlement Guarantee Fund.

4. Foreign currency Assets and Liabilities –NIL.

5. There have been no transactions in Repo and Reverse Repo during the current and the previous financial year.

6. Disclosure regarding Non SLR Investments in Bonds as on 31.03.2014.

Issuer Composition

(₹ in Lacs)

No.	Issuer	Amount	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)
A.	PSUs	NIL	NIL	NIL	NIL
B.	FIs	500	NIL	NIL	NIL
C.	Nationalised Banks	NIL	NIL	NIL	NIL
D.	Mutual Funds	NIL	NIL	NIL	NIL
E.	Others	0.40	NIL	0.40	0.40
F.	<i>Provision held towards Depreciation</i>	<i>0.96</i>	<i>NIL</i>	<i>NIL</i>	<i>NIL</i>
	Total	500.40	NIL	0.40	0.40

Non Performing Investments

Particulars	Amount (₹)
Opening Balance	NIL
Additions during the year since 1st April 2014	NIL
Reduction during the above period	NIL
Closing Balance	NIL
Total Provisions held	NIL

(₹ in Lacs)

7.	Advances to Sensitive Sectors	31.03.2014	31.03.2013
	Against -		
	a. Housing*	40,934.93	36,612.52
	b. Construction business (excluding rent discounting)	9,637.78	7,517.61
	c. Other real estate (including Mortgage Loans)	100,161.22	77,860.64
	d. Against Shares & Debentures	28.77	29.83
	*Includes staff housing loans of ₹ 2,952.75 lacs (P.Y. ₹ 2,500.27 Lacs)		

8. There have been no sanctioned limits to directors (Funded and Non funded) as at 31.03.2014 (P.Y.- Nil). Advances to directors outstanding as at 31.03.2014 is Nil (P.Y.- Nil)

	31.03.2014	31.03.2013
9. Average cost of deposits	7.80%	7.96%

(₹ in Lacs)

	31.03.2014	31.03.2013
10. <u>NPAs at the end of the year</u>		
a. Gross NPAs	11,334.22	9,448.26
b. Net NPAs	6,105.69	5,256.44

(₹ in Lacs)

		31.03.2014	31.03.2013
11.	Movements in NPA		
	Opening Balance – Gross NPA's	9,448.26	4,728.21
	Add: Additions during the year	8,668.72	6,575.50
	Less: Closed/ Recovered/ Written Off	6,782.76	1,855.45
	Closing Balance	11,334.22	9,448.26

		31.03.2014	31.03.2013
12.	Profitability		
	A. Interest income as a percentage of working funds	8.93%	9.33%
	B. Non-interest income as a percentage of working funds	0.62%	0.48%
	C. Operating profit as a percentage of working funds	1.59%	1.51%
	D. Return on Assets (Net Profit /Average of working funds)	0.89%	1.10%
	E. Business (Deposits + Advances) per employee (₹ in Lacs)	790.33	701.76
	F. Profit per employee (₹ in Lacs)	4.48	5.02

(₹ in Lacs)

		31.03.2014	31.03.2013
13.	Provisions made towards NPA during the year	1,835.91	754.00

(₹ in Lacs)

		31.03.2014	31.03.2013
14.	Contingent provisions against depreciation in investments during the year	58.27	-

(₹ in Lacs)

		31.03.2014	31.03.2013
15.	Movement in provisions		
	A. Towards NPAs		
	Opening Balance	4,067.61	4,795.78
	Add: Additions/Provision during the year	1,835.91	754.00
	Add: Reversal to IFR	-	(500.00)
	Total	5,903.52	5,049.78
	Less: Closed/ Recovered/ Written Off	844.15	982.17
	Closing Balance	5,059.37	4,067.61
	B. Towards standard assets		
	Opening Balance	975.31	795.31
	Additions during the year	112.00	180.00
	Closing Balance	1,087.31	975.31

(₹ in Lacs)

		31.03.2014	31.03.2013
16.	Movements in Contingent provisions against depreciation in investment		
	Opening Balance	7.04	7.04
	Add: Additions during the year	58.27	--
	Closing Balance	65.31	7.04
17.	Movements in Investment Fluctuation Reserve		
	Opening Balance	1,130.39	516.64
	Add: Additions during the year	(28.85)	508.75
	Appropriations		
	Amount Transferred	403.00	105.00
	Closing Balance	1,504.54	1,130.39

18. Restructured Accounts as per RBI master circular no. RBI/2009-10/93UBD. PCB.MC.No. 3 / 09.14.000 / 2009-10 July 1, 2009 (Annexure - VIII)

(₹ in Lacs)

Restructured Accounts during FY 2013-2014				
		Housing Loans	SME Debt Restructuring	Others
Standard Advances	No of Borrowers	0	13	6
	Amount Outstanding	0	727.58	219.35
Restructured	Sacrifice *	0	0.45	0
Substandard Accounts	No of Borrowers	0	0	0
	Amount Outstanding	0	0	0
Restructured	Sacrifice*	0	0	0
Doubtful Accounts	No of Borrowers	0	0	0
Restructured	Amount Outstanding	0	0	0
	Sacrifice *	0	0	0
Total	No of Borrowers	0	13	6
	Amount Outstanding	0	727.58	219.35
	Sacrifice	0	0.45	0

* Diminution in Fair Value

Note: There are no accounts pending for restructuring where applications have been received and not approved.

19. Revaluation Reserve

Para 13 of AS-10 contains Provisions for Revaluation of Fixed Assets which should be appraised by competent valuers who will value the current market prices on selective basis. Revaluation to be done for an entire class of Fixed Assets.

Accordingly, bank has done Revaluation for an entire class of buildings to their Fair Market Value (FMV) in the year ended Dec 31, 2010 through approved valuers. The original cost of buildings (Premises) was ₹ 1,916 Lacs and Market Value was valued at ₹ 15,997 Lacs.

Thus, the Revaluation Reserve of ₹ 14,081 Lacs was created to the extent of difference Between Book Value and Fair Market Value. Accordingly, Revaluation Reserve was shown on Liability Side of Balance Sheet and the value of Premises is also increased to same extent on Assets Side.

In terms of Accounting Standard 6, para 26, where the depreciable assets are revalued, the Provision for depreciation is to be based on Revalued Amount and on the estimate of the Remaining useful lives of such assets. ICAI has issued the guidance note on treatment of Reserve created on Revaluation. The said guidance note allows utilising the Revaluation Reserve to nullify the effect of additional depreciation. Accordingly, bank adjusts the Additional Depreciation of ₹ 352 Lacs from its Revaluation Reserve and accordingly said Reserve has reduced by equal amount.

	Revaluation Reserve	₹ in Lacs
	Market Value of owned premises (as of 31.12.2010)	15,997
Less:	Book Value of owned premises	1,916
	Revaluation Reserve accounted for	14,081
Less:	Amortisation from F.Y. 10-11 to F.Y. 2013-14 @ 2.50% (4 years)	1,408
	Revaluation Reserve as on 31.03.2014	12,673

20. DICGC Insurance Premium for the year financial year 2013-14 of ₹ 416.02 lacs (P.Y. ₹ 330.48 lacs) has been paid.

21. No penalty has been charged by the RBI during the year 2013-14.

◆◆◆◆

**ANNEXURE 'I'**

NAME OF THE BANK	: NKSGB CO-OPERATIVE BANK LTD.
REGISTERED OFFICE ADDRESS	: 'LAXMI SADAN', 361, V.P. ROAD, GIRGAUM, MUMBAI 400 004
DATE OF REGISTRATION	: SEPTEMBER 26, 1917
NO. & DATE OF RBI LICENCE	: UBD MH 493 P,DT. JULY 26, 1986
AREA OF OPERATION	: STATES OF MAHARASHTRA, KARNATAKA, GUJARAT, GOA AND UNION TERRITORY OF DAMAN, DIU, DADRA & NAGAR HAVELI

(` in Cr)

ITEMS	AS ON MARCH 31, 2014
No. of Branches (including Head Office)	81
Membership	
No. of Regular members	45,152
No. of Nominal members	9,779
Paid Up Share Capital	` 83.34
Total Reserves and Funds	` 423.25
Deposits	
Current	` 219.93
Savings	` 852.76
Term	` 3,220.37
Total	` 4,293.06
Advances	
Secured	` 2,795.05
Unsecured	` 16.96
Total	` 2,812.01
Total % of Priority Sector	40.21%
Total % of Weaker Section	3.88%
Overdues	` 106.41
Overdue Percentage	3.78%
Investments	` 1,474.86
Audit Classification	'A'
Profit for the year	` 40.32
Working Capital	` 4,865.68
Average No. of Staff	899

**TABLE NO. 1**

Distribution of Shareholders as on March 31, 2014

No. of shares held	No. of Members	%
50 - 100	14,212	31.48
101 - 500	15,745	34.87
501 - 5,000	11,659	25.82
5,001 and Above	3,536	7.83
TOTAL	45,152	100.00

TABLE NO. 2

Distribution of Deposit Accounts as on March 31, 2014

(` in Cr.)

Amount	No. of Accounts	Amount of Deposits	%
Upto Rs. 10,000	2,38,913	60.20	1.40
Rs. 10,001 to Rs. 50,000	1,87,549	561.91	13.09
Rs. 50,001 to Rs. 1,00,000	96,343	736.56	17.16
Rs. 1,00,001 to Rs. 2,00,000	45,622	640.45	14.92
Rs. 2,00,001 to Rs. 10,00,000	32,049	1,270.95	29.60
Rs. 10,00,001 and Above	3,488	1,022.99	23.83
TOTAL	6,03,964	4,293.06	100.00

TABLE NO. 3

Distribution of Advances as on March 31, 2014

(` in Cr.)

Amount	No. of Accounts	Balance O/s	%
Upto Rs. 25,000	1,839	679.64	24.17
Rs. 25,001 to Rs. 1,00,000	1,683	8.24	0.29
Rs. 1,00,001 to Rs. 2,00,000	1,335	14.69	0.52
Rs. 2,00,001 to Rs. 10,00,000	5,335	193.99	6.90
Rs. 10,00,001 to Rs. 25,00,000	2,669	346.33	12.32
Rs. 25,00,001 to Rs. 50,00,000	1,008	305.92	10.88
Rs. 50,00,001 and Above	840	1,263.20	44.92
TOTAL	14,709	2,812.01	100.00



At NKGSB we are committed...

Focussing on being customer centric and commensurate with the three strong beliefs mentioned by me in my statement in the last year's annual report, our Bank is strongly surging ahead.

We have achieved our aspiration of being Category I Authorised Dealer (AD I) having received the requisite license from Reserve Bank of India. With launching of Mobile Banking and Internet Banking, we have made a beginning of e-Banking. We have also launched International VISA Debit Card.

Thus far, we have always been striving for being customer centric and for making effective use of technology. We will continue following these principles in the years ahead.

Even though we are eligible to open much more number of branches based on the Reserve Bank's Criterion for net worth, we are taking prudent approach in planning the expansion keeping in mind parameters of 'Business per Branch' and 'Profit per Branch'.

To enhance the knowledge and whet the skills of employees as well as the senior officials, we have decided to make extensive use of e-Learning thereby embracing the technology effectively. Undoubtedly, this will go a long way in grooming and moulding the human asset empowering them to shoulder the challenges of modern banking.

We can be utmost certain of surging ahead in numbers when we maintain our focus on service to the customers, lend diligently and manage profitability effectively. This has always been our strong belief and has been my message to our staff and senior executives.

We fell short of our expectations of reducing NPAs last year. However, the solace is that we could contain the Gross NPAs to 4% in spite of the hard time faced by the economy in general and the banking sector in particular. With optimism of strengthening of the economy and betterment of industrial environment on account of expected stable government, we hope to deliver even better performance in the ensuing year.

PERFORMANCE AND BUDGET ESTIMATE**A]****ASSETS AND LIABILITIES**

(` in lacs)

ACTUAL 2013	PARTICULARS	BUDGET 2014	ACTUAL 2014	% INCREASE OVER 2013	BUDGET 2015	% INCREASE OVER ACTUAL 2014
LIABILITIES						
6,376	Share Capital	8,000	8,334	31	10,500	26
38,757	Reserves	43,174	42,325	9	46,400	10
1	Net Distributable Surplus	1	1	-	1	-
45,134		51,175	50,660	12	56,901	12
3,66,572	Deposits	4,60,000	4,29,306	17	5,00,000	16
1,399	Borrowings	-	-	-	5,000	-
6,495	Sundries	6,625	6,602	2	6,825	3
4,19,600	TOTAL	5,17,800	4,86,568	16	5,68,726	17
ASSETS						
1,52,491	Liquid Assets	1,81,759	1,74,823	15	1,82,607	4
2,40,453	Advances	3,00,000	2,81,201	17	3,50,000	24
18,721	Fixed Assets	26,571	21,169	13	24,849	17
7,935	Sundries	9,470	9,375	18	11,270	20
4,19,600	TOTAL	5,17,800	4,86,568	16	5,68,726	17

B]**INCOME AND EXPENDITURE**

(` in lacs)

ACTUAL 2013	PARTICULARS	BUDGET 2014	ACTUAL 2014	% INCREASE OVER 2013	BUDGET 2015	% INCREASE OVER 2014
42,506	INCOME	53,100	47,711	12	58,400	22
EXPENDITURE						
27,621	Interest Paid	34,000	30,193	9	37,100	23
4,128	Establishment	5,000	4,523	10	5,200	15
4,404	Others	5,785	5,201	18	6,848	32
1,002	Provision for Taxes	1,800	1,655	65	2,010	21
1,005	Provisions	1,415	2,107	110	2,042	(3)
4,346	Net Profit	5,100	4,032	(7)	5,200	29
42,506	TOTAL	53,100	47,711	12	58,400	22



PROGRESS REPORT OF THE BANK (1917-2014)

Year	Members	Paid up Capital *	Reserves *	Deposits *	Advances *	Investments *	Cash & Bank *	Working Capital *	Net Profit *	Total Dividend Amount	Rate of Dividend
Inception	1917-18	104	2881	112	1494	3593	-	915	4487	22	-
	1920	183	5404	512	14587	19106	190	1967	21468	870	5%
	1930	334	6699	4782	36395	31346	12567	7208	51768	1409	6 ¼%
	1940	716	15960	15288	224314	125638	101065	38675	268656	3610	6 ¼%
Silver Jubilee	1942	800	0.24	0.18	3.39	1.19	2.34	0.39	3.97	0.03	6 ¼%
	1950	1335	0.72	0.99	17.34	1.61	17.21	0.33	20.17	0.15	6 ¼%
	1960	2206	1.25	1.74	26.63	17.01	13.09	0.42	31.39	0.36	6 ¼%
Golden Jubilee	1967	3530	2.15	3.78	63.68	46.84	14.05	10.65	73.20	0.69	9%
	1977	17357	12.12	17.41	335.81	190.01	79.88	101.18	383.58	3.50	12%
	1980	24361	17.93	34.96	631.30	312.58	150.74	229.84	715.89	8.76	12%
	1987	37725	60.12	141.60	2687.12	1766.81	661.99	479.14	3026.24	24.90	12%
	1990	41439	97.88	279.58	4764.95	2931.95	1001.74	1280.81	5410.51	48.33	12%
	1992	45393	136.47	475.90	6563.33	4560.83	1746.97	919.01	7575.84	84.01	12%
Platinum Jubilee	2001	57388	806.20	4030.05	54423.11	28294.75	25180.01	5327.62	61730.47	632.43	15%
	2002	60017	1042.65	4882.23	66116.13	35433.75	30497.71	5025.95	75302.70	695.05	14%
	2003	62810	1294.28	6017.92	74705.35	40626.75	26990.41	14090.44	85618.10	863.90	14%
	2004	65127	1553.19	7398.20	84819.00	45354.59	35533.12	12684.13	97719.94	1164.89	14%
	2005	66373	1734.40	8585.41	96738.57	50387.21	42965.86	12222.15	110821.76	1207.75	14%
	2006	67613	1925.95	9833.88	111213.44	58710.04	44158.81	18769.64	127094.06	1250.79	14%
	2007	69715	2278.11	10193.84	128499.71	78870.39	40563.85	20930.12	145586.40	1503.34	14%
	2008	71461	2699.03	10838.93	154986.27	99518.13	46944.62	22947.74	174748.49	2068.07	14%
	2009	72990	3131.74	12694.04	184025.12	108901.45	59998.08	32904.96	207836.87	2717.20	15%
	2010	74396	3541.19	14071.71	229798.45	136979.83	68382.68	44293.90	258067.27	2740.87	15%
	2011	75663	4090.93	29772.07	264764.88	174895.38	91617.90	16779.35	305584.43	3060.42	15%
	2012	77675	5327.64	32561.60	325365.65	196124.31	132208.34	19764.25	372355.21	3600.50	15%
	2013	42345	6376.45	38756.83	366571.56	240453.06	132010.36	20480.44	419600.13	4,345.95	15%
	2014	45152	8333.83	42324.64	429305.57	281201.28	147485.74	27337.33	486568.14	4031.62	**12%

* 1917-1940 : Actual
1942-2014 : in lacs of `

** (Recommended)