



## DIRECTORS' REPORT

Dear Shareholders,

Your Board of Directors has pleasure in presenting the Fortieth Annual Report along with the Audited Statement of Accounts for the financial year ended 31<sup>st</sup> March, 2016.

GLOBAL SCENARIO

Global economic activity remained restrained during 2015-16. Growth in emerging market and developing economies declined for the fifth consecutive year, while a modest recovery continued in advanced economies. Gradual slowdown and rebalancing of economic activity in China, lower prices for energy and other commodities and a gradual tightening in monetary policy in the United States are the key issues which continue to influence the global outlook.

Growth in advanced economies is projected to rise by 0.2 % in 2016 to 2.1 % and hold steady in 2017. Growth in emerging market and developing economies is projected to increase by 4.3 % and 4.7 % in 2016 and 2017 respectively. Growth in China is expected to slow down to 6.3 % in 2016 and 6.0 % in 2017, primarily reflecting weaker investment growth as the economy continues to rebalance. India and the rest of emerging Asia are generally projected to continue growing at a robust pace, although some countries are likely to face strong impacts from China's economic rebalancing and global manufacturing weakness.

In January 2016, the International Monetary Fund (IMF) cut its global growth forecasts for the third time in less than a year, as new figures from Beijing showed that the Chinese economy grew at its slowest rate in 2015 in a quarter of a century. To back its forecasts, the IMF cited a sharp slowdown in China trade and weak commodity prices that are hammering Brazil and other emerging markets. IMF stated that the world economy will grow at 3.2% in 2016 and 3.5% in 2017, lowering its earlier projection by 0.2 % and 0.1 % points respectively.

INDIAN ECONOMY

Despite the above gloomy situations, India's economy remained one of the fastest-growing economies in Asia this year. Widening domestic demand and a limited dependency on external sector fuelled the growth in fiscal year 2015. Government's budget for 2016 focuses on fiscal consolidation introducing a number of measures to stimulate rural economy and improve the business environment. With declining oil prices, Indian economy got a philip since it relies heavily on oil imports. But recently, inflation has been driven higher by a surge in the prices of pulses, a staple Indian diet.

As per the World Economic outlook released by the IMF, India continues to remain a bright spot in the otherwise depressing global economic forecast. India will be the fastest growing major economy in 2016-17 growing at 7.5%, at a time when global growth is facing increasing downside risks. India's growth will continue to be driven by private consumption, which has benefited from lower energy prices and higher real incomes.

RBI, in its monetary policy reviewed in February 2016, said the current momentum of growth is reasonable, though below what should be expected over the medium term and underlying growth drivers need to be rekindled to place the economy durably on a higher growth path. Accordingly, the RBI held its GDP growth projection for fiscal year 2016 at 7.6%, with an even balance of risks. The Bank also made no changes to its inflation forecast and stated that prices are expected to move along the projected path and inflation should trend towards the target of 5% by March 2017.

Foreign direct investment in the country increased to \$42 billion during the period from April-February in 2015-16, up by 27.45 % from the inflows in the corresponding period of the previous fiscal. This clearly shows investors' confidence and strong growth prospects in India.

Fitch has retained India's sovereign rating at BBB- / stable - the lowest investment grade whereas Moody's has said India's rising foreign direct investment provides stable financing of its current account deficit and is a credit positive, implying that it would count positively towards a ratings upgrade at the time of the review. It expects FDI inflow to continue to rise and will continue to provide stable source of financing of current account deficit.

On 8<sup>th</sup> April 2015, the Central Government launched an ambitious scheme PRADHAN MANTRI MUDRA YOJANA (PMMY), to "fund the unfunded" by extending affordable credit to "Non-farm enterprises". Under this scheme the Government aims to cater to the needs of the informal sector for bringing them in the mainstream. The initiative by the government is widely expected to give a boost to the economy.

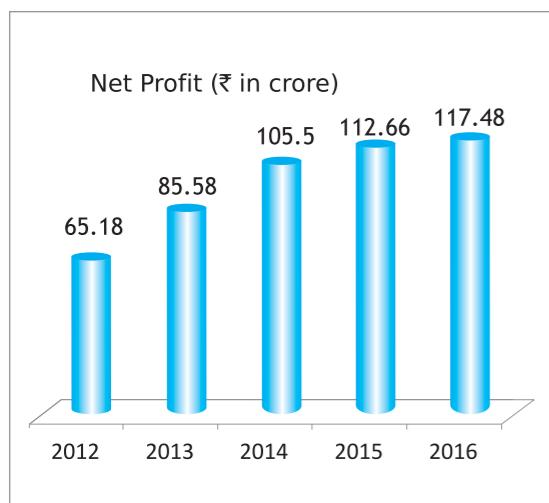
FINANCIAL PERFORMANCE

The key performance highlights of your Bank for the financial year ended 31<sup>st</sup> March, 2016 are:

Particulars	Amount (₹ in crore)	
Year	31/03/15	31/03/16
Paid up capital	124.70	181.66
Reserves	572.91	729.88
Working Capital	8,864.82	10,479.20
Deposits	7,757.91	9,117.71
Advances	5,253.06	6,033.68
Gross Income	975.40	1,092.86
Profit (after Tax & Provision)	112.66	117.48
CRAR	12.68%	13.18%

PERFORMANCE HIGHLIGHTS 2015-2016

- Total business of the Bank increased from ₹ 13,010.97 crore to ₹ 15,151.39 crore reflecting a growth of 16.45%.
- Deposits grew from ₹ 7,757.91 crore to ₹ 9,117.71 crore with a growth of 17.53 % while advances increased from ₹ 5,253.06 crore to ₹ 6,033.68 crore an increase of 14.86%.
- Net Profit for the year stood at ₹ 117.48 crore as compared to ₹ 112.66 crore in previous F.Y. 2014-15.
- The Bank has opened 20 new branches with On-site ATMs during the year, making total of 87 branches and 86 ATMs.
- The business per employee increased from ₹ 11.85 crore to ₹ 12.03 crore and the net profit per employee for the year is ₹ 9.33 lac as compared to ₹ 10.26 lac of previous year mainly due to addition of 161 employees during F.Y. 2015-16.

PROFIT


Inspite of non-conducive economic condition, your Bank earned an operating profit of ₹ 195.05 crore during year ended 31<sup>st</sup> March, 2016 and Net Profit increased from ₹ 112.66 crore to ₹ 117.48 crore.

Net Interest Margin of the Bank has increased from 3.03% to 3.18% due to efficient management of cost of funds.

The rate of growth of net profit in the financial year is low as compared to previous F.Y. 2014-15, due to higher depreciation on capital cost incurred on account of opening of 20 new branches, volatility in market resulting into minimum opportunity for trading

in Government Securities & Bank's policy to have higher amount of Reserve for Bad & Doubtful Debts.

APPROPRIATION OF PROFITS

In accordance with RBI guidelines and the provisions of section 63 of Multi-State Co-operative Societies Act 2002, following appropriation of the Net profit is recommended to the General Body for approval:

Reserve Fund & Other Reserves	Amount of Appropriation (₹)	Position as on 31/03/2016 after appropriation* (₹)
Statutory Reserve	30,00,00,000.00	199,38,00,122.27
Contribution to Education Fund of N.C.U.I.	1,17,48,315.00	1,17,48,315.00
Special Reserve	12,00,00,000.00	70,08,00,000.00
Building Fund	22,00,00,000.00	218,98,00,000.00
Dividend Equalization Fund	-	2,25,00,000.00
Bad and Doubtful Debts Reserve	22,00,00,000.00	100,03,87,746.78
Contingent provision against Standard Assets	-	25,05,00,000.00
Charity Fund	-	10,00,000.00
Contingent Provision against Depreciation in Investment	-	15,19,19,032.00
Investment Fluctuation Reserve	10,94,00,000.00	79,76,48,756.00
Education Fund	-	10,00,000.00
Special Reserve for Restructured Assets	-	2,51,00,000.00
General Reserve	50,00,000.00	2,50,00,000.00
General Reserve (Deferred Tax)	-	9,11,30,000.00
Dividend to Shareholders	18,87,03,617.00	-
Net Open Foreign Currency Position Reserve	-	1,00,00,000.00
Special Reserve u/s.36(1)(viii)	-	2,00,00,000.00
Members Welfare Fund	-	10,00,000.00
Balance carried forward to the next year	73,178.26	73,178.26
	<b>117,49,25,110.26</b>	<b>729,34,07,150.31</b>

\* (subject to approval from General Body)

PROVISION FOR TAXES

After considering items allowable / inadmissible as per the Income Tax Act, provision for tax in the F.Y. 2015-2016 has been computed. The estimated tax outflow for the current year is ₹ 5,817.00 lac, which has been fully provided for. The net provision for taxes after giving effect to the Deferred Tax Asset arising out of the timing differences and provisioning in accordance with the Accounting Standards is ₹ 5,635.21 lac as detailed hereunder.

	(₹ in lac)
Net Tax Liability for the year	5,817.00
Add : Tax paid for earlier year	37.00
Less: Deferred Tax Asset	218.79
Provision made in Profit & Loss Account	5,635.21

CAPITAL TO RISK ASSETS

Under the prudential regulatory regime, capital adequacy has assumed utmost importance. Your Bank has always maintained a healthy Capital to Risk Assets Ratio (CRAR), well above the minimum requirement stipulated by the Reserve Bank of India. The CRAR of the Bank stood at 13.18% as on 31<sup>st</sup> March, 2016, which is above the minimum regulatory requirement of 12% for Banks with license to transact Foreign Exchange Business.

DIVIDEND

Your Bank has a consistent dividend payment history. Given the performance of your Bank for the F.Y. 2015-16, Board is pleased to propose a dividend of 15 % for the year ended on 31<sup>st</sup> March 2016. Dividend is payable on prorata basis. Board appreciates the members' participation in the growth and development of the Bank. While proposing the dividend of 15%, which is the maximum permissible as per the Bye-laws of the Bank, the Board has kept in mind the need to balance multiple objectives of not only rewarding shareholders, but also to plough back profit to the business to maintain healthy CRAR. The Board seeks co-operation from members in its endeavor to strengthen capital base to power future growth.

AWARDS / RECOGNITIONS

During the year in recognition of its performances and initiatives, your Bank received various awards, which are as follows:-

- The Brihan Mumbai Nagari Sahakari Banks Association Ltd., Mumbai awarded the Bank 1<sup>st</sup> prize for the overall best performance and Annual Report for the F.Y. 2013-2014 in the category of Banks having deposits of ₹ 1500 crore and above.
- The Maharashtra State Co-operative Banks' Association Ltd., Mumbai awarded the Bank "Late Padmabhushan Vasantdada Patil Best Urban Co-operative Banks' Award" under the category of Scheduled Bank/Multi-State Co-operative Bank for the F.Y. 2014-15 in the State of Maharashtra.
- Mumbai District Central Co-operative Bank Ltd., awarded the Bank "Sahakar Gaurav Puraskar" for the overall performance for the F.Y. 2014-15.
- Avies Publication, Kolhapur awarded the Bank "Banco Puraskar - 2015"- 1<sup>st</sup> prize for the best performance for the F.Y. 2014-15 in the category of Banks having deposits of ₹ 5001 crore and above.

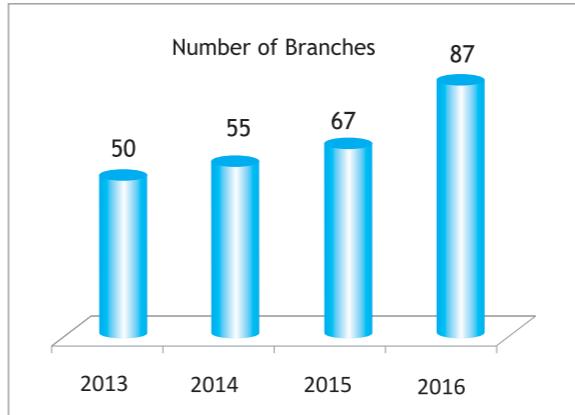
MEMBERSHIP

The number of members of the Bank as on 31<sup>st</sup> March, 2016 are as under:-

Type of Membership	As on 31 <sup>st</sup> March, 2015	Deletion of members due to death, resignation and transfer of shares	Admission of new members during the year	As on 31 <sup>st</sup> March, 2016
Regular Membership	156762	2125	6598	161235
Nominal Membership	27580	1203	1907	28284

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The Bank continued to target business in fast growing cities and niche areas. Even in this Financial Year, your Bank witnessed an aggressive branch expansion and a steady growth in branch network. The Bank's branch strength as on 31<sup>st</sup> March, 2016 stood at 87, an addition of 20 branches. During the year, the Bank's ATM network grew by 23 and thereby reached to 86 ATMs as on 31<sup>st</sup> March, 2016.



The Bank has opened 20 new branches during the financial year at the following locations in all the three States where your Bank has presence:-

Maharashtra : Mahakali Caves Road- Andheri (East), Bandra (West), Koknippada- Malad (East), Kanjurmarg, Ambernath, Boisar, Airoli, Charkop-Kandivli (West), Borivli (East), Worli, Shivajinagar-Pune, Kurla (East), Rani Sati Marg-Malad (East), Ghatkopar (East) and Byculla.

Gujarat State : Vapi, Vadodara and Surat. Karnataka State : Koramangala and Magadi.

As per the Annual Business Plan 2015-2016, the Bank has received licenses from the Reserve Bank of India to open 14 more branches and will open all 14 branches before September, 2016.

STATE	BRANCHES TO BE OPENED IN 2016
MAHARASHTRA	1) I. C. Colony-Borivli (West), 2) Akurli Road- Kandivli (East), 3) Khar (West), 4) Masjid Bunder, 5) Matunga, 6) Palghar, 7) Powai, 8) Shirdi, 9) Shreenagar- Mulund (West), 10) Diva.
KARNATAKA	1) Belagavi, 2) Hubballi.
GUJARAT	1) Ahmedabad, 2) Ankleshwar.

Thus, by way of key drivers of business growth and customer-acquisition, your Bank continues to enlarge its distribution network by opening new branches and aims to reach 101 branches in the F.Y. 2016-17.

Your Bank has also received approval from RBI for opening 5 branches and one Extension Counter and off-site ATMs as per Annual Business Plan 2016-2017 at the following locations:

STATE	BRANCHES TO BE OPENED
MAHARASHTRA	Malvani-Malad, Chembur and Khar (East)
KARNATAKA	Bannerghatta- Bengaluru
GUJARAT	Surat

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STATE	EXTENSION COUNTER & OFF-SITE ATM
KARNATAKA	Bannerghatta - Bengaluru

The Bank has shifted the business activities of Bandra (East) branch on 18<sup>th</sup> March, 2016 and Ghatkopar (West) branch on 16<sup>th</sup> April, 2016 to new premises with better ambience, aligning with the Bank-branding concept.

As one of the key drivers of business growth and customer-acquisition, your Bank continues to enlarge its distribution network by opening new branches and aims to reach 101 branches in the F.Y. 2016-2017.

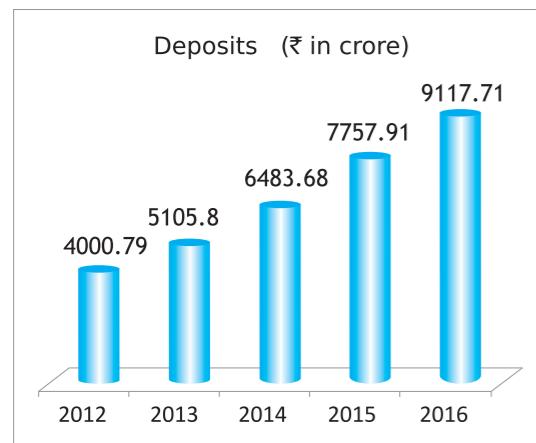
#### EXTENSION OF AREA OF OPERATION OF THE BANK

Presently, the area of operation of your Bank extends to the entire State of Maharashtra and Karnataka and to the eight districts of Gujarat State i.e. Valsad, Surat, Vadodara, Narmada, Navsari, Baruch, Anand and Ahmedabad. The Bank had approached the Reserve Bank of India to extend the area of operation of the Bank to the whole of India. Reserve Bank of India has advised the Bank to indicate only one preferred state, which is contiguous to the states in which the Bank is currently having its area of operation. Considering the scope of business and operational convenience the Board of Directors proposes to extend its area of operation to the State of Kerala.

#### DEPOSIT INSURANCE

The deposits of customers continue to be insured in terms of Deposit Insurance & Credit Guarantee Corporation Act, 1961 and enjoy the insurance protection at par with any other Banks in India. Bank is regular & prompt in paying insurance premium to DICGC.

#### DEPOSIT GROWTH

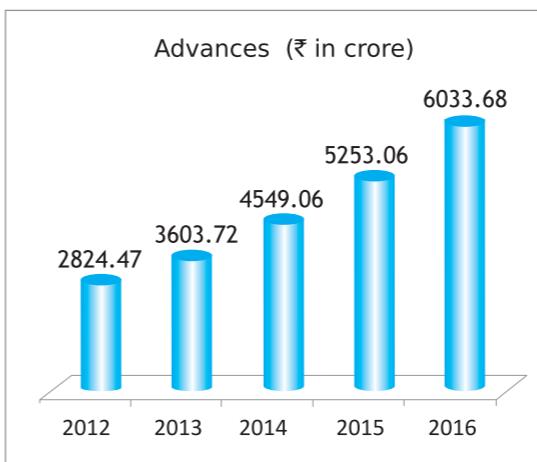


During this financial year, your Bank has continued to focus on marketing CASA products alongwith the launch of new products and services. Numerous contests were rolled out to motivate the branches and responses to these challenges were overwhelming. Your Bank also continued its initiatives to target Schools, Colleges, Co-operative Housing Societies, Shopkeepers, Traders and Corporates for their accounts and with these efforts, the deposits of the Bank as on 31<sup>st</sup> March 2016 reached ₹ 9,117.71 crore registering an increase of 17.52% which is impressive compared to the industry average.

#### ADVANCES

During the year advances portfolio increased by ₹ 780.62 crore to ₹ 6033.68 crore, registering a growth of 14.86%. The Credit Deposit Ratio after taking into account 75% of Capital fund stood at 62.76%. With the view to increase retail loans and advances and to keep our rates most competitive, the Bank has reduced rate of interest on a number of loan products.

Despite challenging market conditions for the industry, the Bank worked towards growing its advances portfolio, resulting in improved growth in credit portfolio of the Bank.



The Bank has revised its credit policy during the current Financial Year keeping in view the changing scenario of industrial business outlook and customers need, in tune with the guidelines from the Reserve Bank of India.

The Credit Monitoring Cell within the Credit Department looked after the post sanction monitoring of advances, compliances and overdue follow up ensuring better health of credit portfolio through systematic sequencing of activities such as execution of documents and analyzing and reviewing operational data.

#### RECOVERY OF LOANS AND ADVANCES

In the year under the review, banking industry has witnessed an upward trend in stressed assets, which resulted into deterioration in the quality of banks' assets in comparison with that of the previous years. Slowdown in the economic growth resulted into considerable stress build up on advances portfolio of Banking industry in general.

The low liquidity in the economy has put pressure on the cash flows of the borrowers. This resulted into delay and default in servicing the loans & consequently stressed assets of your Bank have increased to some extent. Your Bank has not only made adequate provisions as required by the RBI guidelines on impaired assets but also further strengthened its recovery measures by referring disputes relating to recovery of Bank's dues pertaining to branches in Maharashtra State to Justice Shri Rajan Jodharaj Kochhar, (Retd.) High Court Bombay-Mumbai, who was appointed as the Arbitrator by the Commissioner for Co-operation and Registrar of Co-operative Societies, Maharashtra State, Pune for Maharashtra Region.

Recovery cases pertaining to branches in Karnataka State were referred to Shri A.H. Naik, (Retd.) District and Sessions Judge, Karnataka, Bengaluru and Shri C. N. Badarinath, Additional Registrar of Co-operative Societies (Retd.) and Central Arbitrator & Ex-Member, Karnataka Appellate Tribunal who were appointed as the Arbitrators by the Central Registrar of Co-operative Societies in Karnataka, Bengaluru for Karnataka Region.

The recovery measures in all stressed accounts has been initiated by taking appropriate legal re-course under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) wherever warranted. The Credit Monitoring Cell and Legal & Debt Recovery Department, through their concerted efforts, diligent and regular follow up ensured substantial recoveries.

#### NON-PERFORMING ASSETS (NPAs)

Your Bank has successfully contained the slippage of stressed loans into NPAs to the extent of ₹ 156.74 crore which forms 2.60% of total advances of the Bank during the financial year ended on 31<sup>st</sup> March 2016, despite tight liquidity condition prevalent in the economy as compared to ₹ 99.45 crore of the previous financial year because of timely appropriate recovery measures. The Net NPA of your Bank as on 31<sup>st</sup> March, 2016 stood at 1.32%.

The Bank has proposed an additional provision towards Bad and Doubtful Debts Reserve amounting to ₹ 22.00 crore out of appropriation. After appropriation, the Net NPA of your Bank will be 0.96%.

**The detailed classification of assets and provisioning made as on 31<sup>st</sup> March, 2016 is given below :**

Classification of Assets	No. of A/cs	Amount Outstanding	% of Col.3 to total Loans outstanding	Provision required to be made		Existing provision at the beginning of the year	Provisioning made during the year under Report	Total provisions as at the end of the year	Remarks
				%	Amount				
1.	2.	3.	4.	5.	6.	7.	8.	9.	
<b>Total loans and Advances of which :</b>									
<b>A. Standard Assets</b>	<b>30515</b>	<b>587693.98</b>	<b>97.40</b>	<b>0.40 to 1</b>	<b>2500.00</b>	<b>2150.00</b>	<b>355.00</b>	<b>2505.00</b>	
<b>B. Non-Performing Assets</b>									
1. Sub-Standard	147	9030.29	1.50	10	903.03	6808.85	1700.00 *(704.97)	7803.88	
2. Doubtful									
(i) Upto 1 year	55	4800.59	0.80	20	960.12				
a) Secured	18	32.73	0.01	100	32.73				
b) Unsecured									
(ii) Above 1 year and upto 3 years.	18	1155.89	0.19	30	346.77				
a) Secured	37	160.82	0.03	100	160.82				
b) Unsecured									
(iii) Above 3 years	10	58.70	0.01	100	58.70				
a) Secured	45	28.93	0.00	100	28.93				
<b>Total doubtful Assets</b>	<b>(i + ii + iii)</b>	<b>183</b>	<b>6237.66</b>	<b>1.03</b>		<b>1588.07</b>			
a) Secured	83	6015.18	1.00			1365.59			
b) Unsecured	100	222.48	0.03			222.48			
3. Loss Assets	47	405.76	0.07	100	405.76				
<b>Gross NPA's (B1+B2+B3)</b>	<b>377</b>	<b>15673.71</b>	<b>2.60</b>		<b>2896.86</b>	<b>6808.85</b>	<b>995.03</b>	<b>7803.88</b>	

\* Bad Debt written off against respective provisions.

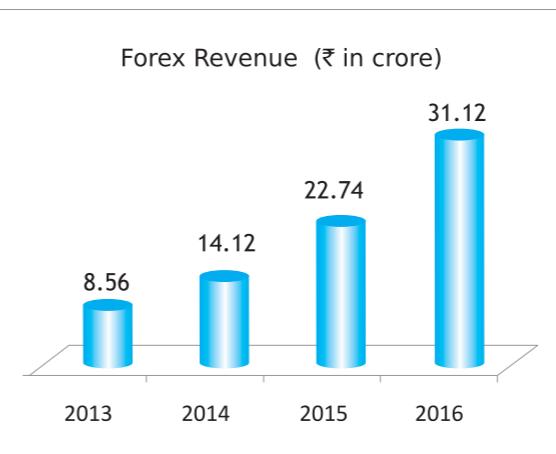
#### FOREIGN EXCHANGE BUSINESS

Your Bank is an AD Category- I Bank since 2009 and is presently dealing in six foreign currencies viz., USD, EURO, GBP, SGD, AED and JPY and maintaining NOSTRO account with major International Banks. To cater to the evergrowing demand for US

Dollars , your Bank has opened one more USD Nostro Account with Habib American Bank during the financial year.

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Despite contraction in Exports/ Imports of the Country, your Bank could reach the merchant turnover of ₹ 1,314.78 crore as against previous year of ₹ 1,241.71 crore. Forex revenues of the Bank stood at ₹ 31.12 crore as against previous year of ₹ 22.74 crore registering a growth of 36%.

The Bank offers wide range of forex products such as Export Credit in foreign currency (PCFC/PSCFC), export LC discounting, issuance of Import Letters of Credit, arranging the Buyers credits for import of capital goods as well as working capital requirements.

The Bank also undertakes inward & outward remittances, collection of export bills, issuance of Foreign Bank Guarantees, maintaining EEFC/FCNR accounts and hedging services such as booking of forward contracts, to protect the customers from the risk arising out of exchange fluctuation.

Your Bank extends the Interest Equalization Scheme of Government of India on Pre and Post Shipment Rupee Export Credit to all the eligible exporters.

Money Transfer Services through "Western Union Money Transfer" and "Xpress Money" is available at all the branches of your Bank, wherein customers / members of the Bank as well as general public can receive the money from their relatives and friends from abroad instantly.

#### TREASURY

Your Bank has an investment portfolio of ₹ 3,307.30 crore as on 31<sup>st</sup> March 2016 out of which an amount of ₹ 2,871.64 crore has been invested in Government and other approved securities. Your Bank's total investments in Government and other approved securities as at 31<sup>st</sup> March, 2016 stood at 31.54% of its applicable Net Demand and Time Liabilities (NDTL), which is well above the limit stipulated by the RBI.

The Bank's Treasury is primarily responsible for complying with reserves requirement, management of liquidity and interest rate risk of investment portfolio. The Bank has always been regular in statutory and regulatory compliance.

The macro economic conditions for G-sec market remained positive in the first half of F.Y. 2015-16 due to stable inflation, a strong commitment to fiscal consolidation by the Government. The current interest rate easing cycle, which began about a year ago, started with a rate cut of 25 bps on 15<sup>th</sup> January, 2015 and as of 31<sup>st</sup> March, 2016 a cumulative 125 bps of repo rate cut by the RBI taking the repo rate from 8% to 6.75%. While the first couple of rate cuts were well received by the market, the subsequent rate cuts had little impact on G-Sec yields, due to concerns of demand supply dynamics and deficit mode of systemic liquidity.

The yields eased during the end of the F.Y. 2015-16 due to Government's promise to stick to fiscal deficit projections.

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Prudent investments in the debt market instruments, money market instruments and fixed deposits by the Bank led to maximization of the treasury returns and risk management.

Active portfolio management and interest rate risk management has enabled the Bank to churn the Investment portfolio and register a trading profit of ₹ 13.29 crore during the F.Y. 2015-16 inspite of volatile conditions prevailing in the market.

Even with the downward path of interest rates, the Bank has been able to maximize its yield on investments by locking in higher yields without compromising on the trading profits. Though the benchmark yields have fallen by 25 basis points, during the year our yield on investments has improved from the preceding year.

The Bank has continued to be a direct member of the Negotiated Dealing System (NDS) for settlement of Government Securities for Treasury operations and the Clearing Corporation of India Ltd., (CCIL) for Collateralized Borrowing and Lending Operations segment (CBLO). The Bank is borrowing and lending under CBLO as per the guidelines of the RBI and rules and regulations of the CCIL. The Bank is using CBLO segment as an effective tool for liquidity and fund management.

#### INSURANCE BUSINESS

Your Bank holds a license as a Corporate Agent of Life Insurance Corporation of India and New India Assurance Company Ltd., and offers all types of Life and General Insurance policies through its network of branches. During the F.Y. 2015-16 Bank actively canvassed and spread awareness of insurance through marketing drives at branches.

Your Bank has earned a commission of ₹ 109.14 lac from Life Insurance business and ₹ 35.82 lac from General Insurance business during the year.

Many branches of the Bank have also earned the distinction of being Bima Bank by exceeding the threshold limit stipulated by LIC of India for mobilizing minimum number of policies and premium amount.

#### PAN CARD SERVICE

Your Bank continues to provide PAN card service through U.T.I. Technologies and the customers are availing this service satisfactorily.

#### TECHNOLOGICAL ADVANCEMENTS

The Bank has collaborated with MobMe Technologies to provide innovative Chillr app to its customers. Using Chillr app, Bank's customers can transfer the money by selecting the contacts from their phonebook and can recharge mobile, Direct to Home (DTH) & Datacards. Customers can request money from friends, relatives and acquaintances. Using IFSC & account number or Mobile Number & Mobile Money Identifier(MMID), money can be transferred in the accounts of the non-partner Banks. Money can also be transferred instantly using Immediate Payment Service (IMPS) of National Payments Corporation of India (NPCI), which is available 24 hours a day & all days in the year. This is one of the quickest & simplest mode of money transfers.

Your Bank has also collaborated with MPOS Technologies to bring about revolutionary and cost-effective MOBILE POS (swipe machines) solution to the customers.

The Bank is likely to launch its Mobile Banking App - Mbharat in the month of May, 2016. A variety of services will be introduced in the mobile app of the customers. The Bank will release 2 more versions of Mbharat with additional features in this financial year.

#### NEW PRODUCTS/ SERVICES

During the financial year the Bank has continued to focus on strengthening CASA products and services to facilitate the needs of the existing as well as prospective customers:-

##### i) PRADHAN MANTRI JEEVAN JYOTI BIMA YOJANA AND PRADHAN MANTRI SURAKSHA BIMA YOJANA

With a view to bring more people under the ambit of financial inclusion and to provide social security, the Government of India launched Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY). In this regard your Bank has tie-up arrangement with Life Insurance Corporation of India and New India Assurance Company Limited. Bank has arranged for insurance coverage to 24,413 customers under PMJJBY and 35,136 customers under PMSBY as on 31<sup>st</sup> March, 2016.

##### ii) LOAN PRODUCTS

During the financial year, the Bank has launched new loans schemes titled "Asset Backed Loan", "BCB Auto Plus", "BCB Pushpak Plus" and "BCB Medi Overdraft" with competitive interest rates to meet the ever-growing credit needs of the various business segments.

##### iii) PRODUCT DEVELOPMENT

During the F.Y. 2014-2015, in order to provide additional services to the customers, your Bank had introduced Bharat Champs account for Minors above the age of 10 years. The Bank has opened around 4000 Bharat Champs accounts. Another product introduced by the Bank viz., 'Flexi Fixed Deposit' account is well accepted by the customers of the Bank. The total number of accounts opened under Savings and Current account in this financial year is 60,072 accounts.

#### AUDIT AND INSPECTION

#### RBI INSPECTION

The Officials of RBI had carried out inspection of your Bank covering the period up to 31<sup>st</sup> March, 2015 under Section 35 of the Banking Regulation Act, 1949 (as applicable to Co-operative Societies). Inspecting officials of the RBI appreciated the working of the Bank.

Your Bank has a sound and effective audit mechanism in place which plays a crucial role in maintenance, assessment and effectiveness of Bank's internal control system and procedures. All audit activities are guided by well-defined Audit Policy of the Bank. Bank's audits are being carried out by the internal audit team as well as external agencies.

#### STATUTORY AUDIT:

M/s. U.G. Devi & Company, Chartered Accountants, Mumbai carried out the Statutory Audit of the Bank who was appointed by the Shareholders at the thirty ninth Annual General Meeting held on 06<sup>th</sup> June 2015. The Statutory Auditor has awarded 'A' Audit Classification to the Bank. The Statutory Audit report is appended. M/s. U.G. Devi & Company, Chartered Accountants is eligible for reappointment as Statutory Auditors under Section 70(4) of the Multi-State Co-operative Societies Act, 2002.

#### INTERNAL AUDIT:

M/s. Ashwajith Associates, Chartered Accountants appointed as Internal Auditor have been conducting audit of all the branches for F.Y. 2015-2016.

#### CONCURRENT AUDIT:

38 branches of the Bank having large volume of business turnover are put under Concurrent Audit. External agencies viz., M/s. Divakar Hari & Associates, M/s. Yardi Prabhu & Associates- LLP, M/s. Shetty Naik & Associates, M/s. Yashwant & Co., M/s. Nanjunda & Co., M/s. Dev Anand & Co, M/s N.P.V. & Associates and M/s. V.R. Shetty & Associates, Chartered Accountants have been assigned the job of conducting Concurrent Audits of said 38 branches.

#### INFORMATION TECHNOLOGY & SYSTEM AUDIT

M/s. Yardi Prabhu & Associates LLP- Auditor conducted the IS Audit of the Bank and all the observations made by them have been complied with.

Besides, the Statutory Audit, Internal Audit and Concurrent Audit, the Audit & Inspection of the Bank's various branches are also being conducted by the Banks' in-house Audit and Risk Management Department comprising of Senior Executives, on a regular basis.

#### RISK MANAGEMENT

Your Bank has in place a detailed Risk Management Policy in order to maintain a healthy balance between the risks and returns associated with Banks' activities as well as products and services. The main objective of the policy is to ensure optimum utilisation of Banks' resources with least risk. 'Risk Management Committee' comprising Senior Management Executives meets periodically to review the risk appetite of the Bank viz-a-viz systems & procedures to identify, measure and mitigate the risks. Bank is proactive in anticipating vulnerability of Banking activities as well as the risks of varied degree associated thereto and initiates appropriate actions to minimise the impact for the time being and mitigate them to the maximum possible level in future. Focus of the 'Risk Management Committee' has been to continuously refine the risk management systems in the Bank.

#### OPERATIONAL RISK:

The Bank has proper arrangement to proactively and constantly assess internal controls and process, systems and procedures as well as the degree of their impact on the Bank in case of their failure, individually or in combination of all or few. The Bank also has a system in place to anticipate and measure the impact of external factors on the Bank through a well-defined accessing frame work. The Bank has been successful in measuring magnitude of probable risks, monitor and mitigate them. All the new and existing products and services are persistently put through risk evaluation by the Bank.

A detailed KYC and Anti-money Laundering Policy as well as guidelines on precautions to be taken, while opening and monitoring the operations and closure of accounts. Your Bank has installed Software to generate reports of high volume/value transactions in the accounts which helps in monitoring such accounts to ensure that there are no money laundering activities conducted in such accounts.

The Bank has in place a system of periodical review of risk categorisation of accounts in order to apply enhanced due diligence measures. Such review of risk categorisation of customer is being carried out at a periodicity of once in 6 months.

Periodic updating of customer identification data is being done once in two years for customers under the category of High Risk, once in eight years for customers under category of Medium Risk and once in ten years for customers under category of Low Risk.

#### CREDIT RISK:

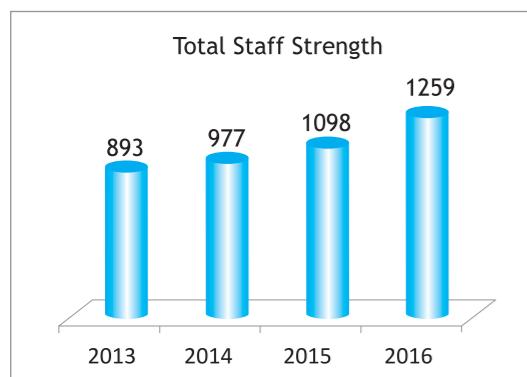
The Bank has a well-defined Credit Policy providing guidelines for detailed and systematic credit appraisal, exposure limit to individuals / group of borrowers/ industries & sectors/ locations, threshold limits, standardised Credit rating / scoring system, sanctioning/ approval powers & process, collateral support, loan review mechanism, controls, etc., and Credit Management Policy for post sanction activities and monitoring. The Credit Policy of the Bank has been reviewed and revised during the Financial Year. The Bank also has a system of reviewing all the loans and advances on yearly basis which enables the Bank to keep close watch on the health of each borrowing account. In order to ensure timely disbursal of credit facilities to the borrowers, the Bank has delegated the powers to sanction the credit facilities to various authorities at different levels including the Branch heads. The Bank also has a robust system of "On-site inspection" of all the medium and large size borrowing accounts on regular basis. Besides, Bank guards itself from concentration risk while sanctioning credit facilities. "Credit Monitoring Department" at Central Office closely monitors the operations in all the borrowing accounts on continuous basis to check for any signs of asset quality deterioration so that remedial measures could be taken on time.

#### MARKET RISK:

Investment activities are guided by well laid "Investment Policy" which is being reviewed on yearly basis and also guidelines are in place to check interest rate risks, exchange rate risks, exposure risks etc. The Bank has been successful in evading risks to losses in "On and Off Balance Sheet" position arising out of volatile movement in Market price which might impact Bank's capital and the earnings. Bank's Asset Liability Management Committee (ALCO) meets atleast once in a month to deliberate on issues related to market volatility, product introduction/ innovation/ modification, study regulatory

environment, review impact of changes in industry and economy, deciding on maturity profiles, change rate of interest on products, review funding policy, deciding on future strategy. The ALCO's focal point is to manage Liquidity risk and improving Net Interest Margin (NIM). Treasury mid office independently monitors Bank's investment and trading portfolio in terms of risk limits stipulated in the policy. Measures and tools viz., VaR, Stress tests and Scenario analysis, MTM (Market to Market), Stop Loss Limits, and Alarm Limits are used to monitor and mitigate the market risks.

#### HUMAN RESOURCES MANAGEMENT



Your Bank's employee strength as on year ended 31<sup>st</sup> March, 2016 stands at 1259. The Bank has a mixture of experienced professionals and a young and vibrant workforce. The professionalism, commitment and initiative shown by its employees have contributed to the organization's growth and success.

The Bank aims in creating and developing human capital to realize its vision of nurturing a mutually beneficial relationship with its employees.

Employee engagement and learning, leadership development, enhancing productivity and building multiple communication platforms is at the centre stage in the Bank's HR objectives.

The Bank believes that good service is an integral part of the quality business generated by the Bank and when employees personally experience such service at work, they would display the same towards the Bank's customers.

#### STAFF TRAINING

The Bank strongly believes in nurturing talent within the Bank. In line with this belief, the Bank has put in place several initiatives that focus on leadership and talent development across grades.

Further, the Bank's quest to enhance the competencies of the workforce continued through focused and need based trainings. Customized programmes are also organized to develop expertise in certain niche areas.

The Bank has been able to add substantially to the skill level of its officials through training intervention as mentioned below:

- Programme on Information System Security & Audit
- Programme on Treasury Risk Management
- Programme on High Performance Leadership in Financial Sector
- Programme on Credit Management
- Programme on Investment & Market Risk
- Workshop on Cyber frauds in Banks
- Programme on Risk Management and Compliance in Indian Banks
- Personal Growth Lab Programme

#### EMPLOYEE ENGAGEMENT :

During the year, the Bank took number of initiatives to drive employee engagement under the aegis of the Staff Welfare Club. Activities like Sports Tournament, Annual Day gatherings for employees and their families are arranged to bring about cohesiveness and a feeling of belongingness among the employees. These activities go a long way in helping individuals showcase their talent or pursue their interest beyond Banking. The Bank promotes a healthy and safe work environment for its employees by offering several health and wellness initiatives and campaigns.

#### STAFF RELATION :

The Board of Directors places on record their appreciation for the sincere and dedicated services rendered by all the employees of the Bank. Your Bank has very cordial relations with the members of the Officers' Association and Employees' Union. The Bank has also put in place appropriate mechanism to ensure that women work with dignity and without fear. The Bank propagates employee centric initiatives to motivate employees and form a healthy employer- employee relationship.

#### AMENDMENT TO BYE-LAWS

The Board of Directors had proposed amendment to the following Bye-laws of the Bank, which were unanimously approved at the Annual General Meeting held on Saturday, 6<sup>th</sup> June, 2015:-

- i. Bye-law No.4B (ii) (g), (h) and (i) concerning eligibility for ordinary membership.
- ii. Bye-law No.5 (iii) concerning Nominal or Associate Member.
- iii. Bye-law No.14 concerning Authorized Share Capital.
- iv. Bye-law No.29 concerning Notice for the General Meetings and Special General Meetings and
- v. Bye-law No.38 concerning Committees.

The Joint Secretary to the Government of India and Central Registrar of Co-operative Societies, New Delhi vide their order bearing No.L.11016/8/1996-L&M dated 5<sup>th</sup> October, 2015 has since approved and registered the proposed amendment to Bye-law Nos.4B(ii)(g),(h) and (i), 5 (iii), 14, 29 and 38.

Now, the Board of Directors of the Bank has proposed amendment to some of the Bye-laws of the Bank to meet the requirements in tune with growth of the Bank and for the purpose mentioned against each of the amendments to Bye-laws.

The proposed amendments are reproduced on pages 54 to 59 for deliberations and members' approval.

#### BANKING CODES AND STANDARDS BOARD OF INDIA (BCSBI)

Your Bank continued to be a member of the BCSBI with a view to improving the quality of Customer Service. Your Bank, as a member of BCSBI has formally adopted the Code of Commitment to Customers and the Code of Banks' Commitment to Micro and Small Enterprises for implementation and shall observe the same. It also adheres to voluntary codes of BCSBI, which set minimum standards for fair and transparent treatment of consumers of Banking services.

**CO-OPTION OF DIRECTORS**

In terms of section 41(3) of the Multi-State Co-operative Societies Act, 2002 and Bye-law No.31 (ii) of the Bank, the Board of Directors co-opted Shri Jyoti K. Suvarna and Shri C. T. Salian as Directors of the Bank for a period of one year.

**CORPORATE GOVERNANCE**

Your Bank believes that protection of Shareholders' & Customers' interest, Statutory & Legal compliances and transparency in all activities is the most important attributes of good Corporate Governance. The Bank ensures adherence to these attributes in addition to prudent Banking systems and procedures. Further, your Bank is a fundamentally strong Bank and continues to be a financially sound and well managed Bank as per the parameters prescribed by the RBI.

The Executive Committee of the Board, Loan Committee of the Board, Audit Committee of the Board and Legal & Debt Recovery Committee of the Board constituted during the F.Y. 2013-14, continued to meet at regular intervals. In consonance with the provisions of Section 53 of the Multi-State Co-operative Societies Act, 2002, the Board of Directors at its meeting held on 11<sup>th</sup> July, 2015 re-constituted Legal & Debt Recovery Committee of the Board.

**EXECUTIVE COMMITTEE OF THE BOARD**

Shri Jaya C. Suvarna	Chairman
Miss Rohini J. Salian	Member
Shri M. B. Kuckian	Member
Shri Vasudeva R. Kotian	Member
Smt. Pushpalatha N. Salian	Member
Shri K. N. Suvarna	Member
Shri Jaya A. Kotian	Member
Shri Bhaskar M. Salian	Member
Shri Chandrashekhar R. Mulky	MD & CEO

**LOAN COMMITTEE OF THE BOARD**

Shri K. N. Suvarna	Chairman
Shri Jaya A. Kotian	Member
Shri U. Shivaji Poojary	Member
Shri Somnath B. Amin	Member
Shri Chandrashekhar R. Mulky	MD & CEO

**AUDIT COMMITTEE OF THE BOARD**

Shri U. Shivaji Poojary	Chairman
Shri Rohit M. Suvarna	Member
Shri R. D. Poojary	Member
Shri K. B. Poojary	Member

Shri Ashok M. Kotian	Member
Shri C. T. Salian	Member
Shri Chandrashekhar R. Mulky	MD & CEO

**LEGAL & DEBT RECOVERY COMMITTEE OF THE BOARD**

Shri Somnath B. Amin	Chairman
Shri Vasudeva R. Kotian	Member
Shri Chandrashekhar S. Poojary	Member
Shri Harishchandra G. Mulki	Member
Shri Damodar C. Kunder	Member
Shri Gangadhar J. Poojary	Member
Shri Suryakant J. Suvarna	Member
Shri Jyoti K. Suvarna	Member
Shri Chandrashekhar R. Mulky	MD & CEO

Al the above Committees of the Board met from time to time to carry out the responsibilities entrusted to them for the qualitative growth of the business of the Bank.

Your Bank ensures highest level of ethical standards, professional integrity & corporate governance. The Bank practices the cardinal principles of business ethics, accountability, responsibility, transparency and effective supervision, which serve as the basic approach to corporate governance.

As part of good corporate governance, meetings of the Board and its various Committees held during the year are as under -

Meetings	No. of meetings held
Board Meeting	27
Executive Committee of the Board	24
Loan Committee of the Board	31
Audit Committee of the Board	12
Legal & Debt Recovery Committee of the Board	15

Other Staff Executive Committees comprising of Senior Executives of the Bank are:

- Asset Liability Committee
- Investment Committee
- Executives' Loan Committee
- Risk Management Committee

CORPORATE SOCIAL RESPONSIBILITY

Your Bank since inception has believed in creating sustained value for its stakeholders & shareholders through social, economic & environmental intervention. The Bank has Corporate Social Responsibility, which captures the essence of the social development and its responsibility towards the society & environment in which it operates and accordingly has been working towards sustained development. It also focuses on principal areas of education, health care by arranging health checkup camps and extended aid to orphanages viz., distributing food items, books and hygiene products.

OBITUARY

The Board regret to state with a deep sense of sorrow about the sad and sudden demise of Shri Subhash D. Anchan, Ex-Director of the Bank on 6<sup>th</sup> May, 2015. Shri Subhash D. Anchan was associated with the Bank as a Director for the period from 1977-78 to 1982-83.

The Board places on record the sincere appreciation of the selfless and dedicated services rendered by Late Shri Subhash D. Anchan during his tenure as a Director in the growth and development of the Bank.

ACKNOWLEDGEMENT

The Board expresses gratitude to The Billawar Association, Mumbai, the sponsorer of your Bank for extending their support from time to time.

The Board sincerely thank all the Members, Customers, Employees, Service Providers, Well Wishers and Institutions for extending their whole hearted support and co-operation in the growth and development of your Bank.

The Board also wish to place on record the assistance, guidance and co-operation extended by the following Institutions,

Banks and other Authorities:

1. Reserve Bank of India.
2. Central Registrar of Co-operative Societies, Government of India, New Delhi.
3. Commissioner for Co-operation and Registrar for Co-operative Societies, Maharashtra State, Pune.
4. Registrar of Co-operative Societies, Karnataka State, Bengaluru.
5. Registrar of Co-operative Societies, Gujarat State.
6. Officials of Revenue Department at all level in Maharashtra, Karnataka and Gujarat States.
7. Statutory Auditors, Internal Auditors, Concurrent Auditors, Information Systems Auditors, Legal Advisors & Valuers.
8. National Federation of Urban Co-operative Banks and Credit Societies Ltd., New Delhi.
9. Maharashtra Urban Co-operative Banks Federation Ltd.
10. Brihan Mumbai Nagari Sahakari Banks Association, Mumbai.
11. The Maharashtra State Co-operative Banks' Association Ltd., Mumbai
12. Indian Banks' Association.
13. Print & Electronic Media.
14. All the valued Members, Customers, Shareholders and Well-Wishers.

For and on behalf of the Board of Directors

Place : Mumbai

Dated : 30<sup>th</sup> April, 2016

JAYA C. SUVARNA  
CHAIRMAN

40<sup>th</sup>  
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