SCHEDULE – I

Significant Accounting policies and Notes to the Accounts forming part of the Financial Statements for the year ended 31st MARCH, 2021

I. Overview :

1. Background

Bharat Co-operative Bank (Mumbai) Limited, was registered in 1977 and provides a wide range of corporate and retail banking products.

2. Basis of preparation

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

The Accounting policies adopted in the current year are consistent with those of the previous year except otherwise stated.

3. Use of Estimates

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

II. Significant Accounting Policies :

1. Accounting Convention :

The accompanying financial statements have been prepared in accordance with the historical cost convention and on "going concern" basis.

2. Investments and Valuation thereof :

2.1 Categorization

In accordance with the Reserve Bank of India guidelines, the Bank classifies its investment portfolio into the following three categories:

i) Held to Maturity – Securities acquired by the bank with the intention to hold till maturity.

ii) Held for Trading – Securities acquired by the bank with the intention to trade.

iii) Available for sale – Securities not classified either as "Held to Maturity" or as "Held for Trading".

2.2 Classification of Investments

For the purposes of disclosure in the Balance Sheet, Investments are classified as required under the Banking Regulation Act, 1949 and RBI guidelines as follows:-

(i) Government Securities (ii) Other approved securities (iii) Shares in Co-operative institutions (iv) Shares of Limited Companies (v) PSU Bonds (vi) Security Receipts and (vii) Other Investments.

2.3 Valuation

Valuation of investments held in above categories has been done as follows:

i) Held to Maturity : Investments under this category are carried at their acquisition cost less amortization. Premium, if any, paid on acquisition is amortized over the balance period to maturity. Book value of securities is reduced to the extent of amount amortized during the relevant accounting period.

ii) Held for trading : The Individual scrip in the HFT category is marked to market at monthly intervals. The net resultant depreciation in each classification (as per para 2.2 above) is recognized in the Profit and Loss Account. Net appreciation, if any, is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marked to market.

iii) Available for Sale : The individual scrip in the AFS category is marked to market at the year end. The net resultant depreciation in each classification (as per para 2.2 above) is recognized in the Profit and Loss Account. Net appreciation, if any, is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marked to market.

iv) Transfer of securities from HFT/AFS category to HTM category is carried out at the lower of acquisition cost/book value/market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for. Transfer of securities from HTM category to AFS category is carried out at acquisition price/book value. After transfer, these securities are immediately revalued and the resultant depreciation, if any, is provided.

v) Market value of government securities (excluding treasury bills) is determined on the basis of the quotes published by RBI or the prices periodically declared by FBIL for valuation at the year end. In case of unquoted government securities, market price or fair value is determined on the basis of rates published by FBIL.

vi) Market value of other approved securities is determined on the basis of the yield curve and spreads provided by FBIL.

vii) Equity shares are valued at cost or at the closing quotes on a recognized stock exchange, whichever is lower.

viii) Treasury bills are valued at carrying cost, net of discount amortised over the period to maturity.

ix) Certificate of Deposits and Commercial Paper are valued at carrying cost.

x) Units of Mutual Funds are valued at the lower of cost and net asset value provided by the respective Mutual Funds.

xi) Security receipts–These are valued at Net Asset Value as provided by the Asset Reconstruction Company and are classified as non-SLR Securities

xii) Broken period interest on debt instruments is treated as a revenue item. Brokerage, Commission, etc. paid at the time of acquisition, is charged to revenue.

xiii) Non performing investments are identified and classified as per applicable RBI Guidelines.

2.4. Profit in respect of investments sold from “HTM” category is included in Profit on sale of investments and a necessary amount is transferred to Investment Fluctuation Reserve by way of appropriation.

2.5. Bank follows the settlement date method of accounting for Government of India and State Government securities in accordance with RBI guidelines.

2.6. Accounting for Repo/Reverse Repo transactions (including transactions under the liquidity adjustment facility (LAF) with the RBI)

The securities sold and purchased under Repo/Reverse Repo are accounted as Collateralized Borrowing and Lending transactions. However, securities are transferred as in the case of normal outright sale/purchase transactions and such movement of securities is reflected using the Repo/ Reverse Repo Accounts and contra entries. The above entries are reversed on the date of maturity. Costs and revenue are accounted as interest expenditure/income, as the case may be. Balance in Repo account is classified under Borrowings and balance in Reverse Repo account is classified under Money at Call and Short notice.

The accounting and disclosure of LAF is in accordance with the norms stipulated by RBI vide its Circular No. FMRD.DIRD. 10/14.03.002/2015-16 dated 19th May, 2016 and FMOD.MAOG.No.116/01.01.001/2016-17 dated 10th November, 2016.

3. **<u>Provisioning for Advances and Overdue Interest Reserve</u> :**

3.1 The classification of advances into Standard, Sub-Standard, Doubtful Assets and Loss Assets as well as provision on non performing advances has been arrived at in accordance with the guidelines issued by the Reserve Bank of India from time to time. In addition to this, in accordance with RBI guidelines, a general provision on standard assets is made @ 0.40% of the outstanding amount except in case of direct advances to Agricultural and SME sector @ 0.25%, Advances to Commercial Real Estate @ 1.00%, Commercial Real Estate-Residential House Sector @ 0.75% and in case of loans to eligible MSME borrowers registered under the GST Act @ 5%.

3.2 In respect of accounts in default but standard and covered under the COVID-19 – Regulatory Package of the RBI a general provision of not less than 10 per cent of the total outstanding of such accounts, to be phased over two quarters is made / required to be made as under:

(i) Quarter ended March 31, 2020 – not less than 5 per cent

(ii) Quarter ending June 30, 2020 – not less than 5 per cent

3.3 Advances against security of Bank's own Fixed Deposits, National Savings Certificates, Life Insurance Corporation Policies, Indira Vikas Patra, Kisan Vikas Patra are not considered as Non-Performing Assets in accordance with the guidelines issued by the Reserve Bank of India.

3.4 In arriving at the provisioning, for determining the value of securities, the value as per the latest valuation reports, wherever available, of the assets mortgaged is considered. In case of stock the value as per last stock statement submitted by the borrowers is taken into consideration and in case of fixed assets, the depreciated value of the assets is generally considered.

3.5 Overdue interest in respect of non-performing advances is provided for separately under "Overdue Interest Reserve" and is not recognized in the Profit and Loss Account until received as per the directives issued by RBI.

3.6 Restructured / Rescheduled accounts:

In case of restructured / rescheduled accounts provision is made for the sacrifice against erosion / diminution in fair value of restructured loans, in accordance with general framework of restructuring of advances issued by RBI. The erosion in fair value of the advances is computed as difference between fair value of the loan before and after restructuring.

3.7 Amounts recovered against debts written off in earlier years are recognized in Profit & Loss account.

3.8 In case of financial assets sold to the Assets Reconstruction Company (ARC) / Securitization Company(SC), if the sale is at a price below the net book value (NBV), the shortfall is debited to the profit and loss account. If the sale is for a value higher than the NBV, the excess provision is not reversed but utilized for meeting any shortfall on account of sale of other financial assets to ARC. The sale of financial assets to ARC is recognized in the books of the Bank at lower of either redemption value of the Security Receipts issued by the Trust created by ARC for such sale or the net value of such financial assets. The Security Receipts are classified as Non-SLR Investment in the books of the Bank and accordingly the valuation, classification and other norms prescribed by RBI in respect of Non-SLR Securities are applicable.

4. Cash and Cash Equivalents (for purposes of Cash Flow Statement) :

Cash and cash equivalents comprises cash on hand, balances with other banks (excluding term deposits), money at call and short notice and highly liquid time deposits that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

5. Cash Flow Statement (AS-3) :

Cash flows are reported using the indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non-cash nature and deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Bank are segregated based on the available information.

6. Revenue Recognition (AS-9) :

6.1 Items of Income and Expenditure are accounted for on an accrual basis, except as otherwise stated.

6.2 Income on Non-Performing Assets is recognized to the extent realized, as per the guidelines issued by the Reserve Bank of India.

6.3 Interest on Government securities, debentures and other fixed income securities is recognized on accrual basis. Interest on securities which is due and not received for a period of more than 90 days is recognized on realization basis as per Reserve Bank of India guidelines.

6.4 Income (other than interest) on investments in “Held to Maturity” (HTM) category acquired at a discount to the face value in case of interest bearing securities is recognized only at the time of sale / redemption.

6.5 Expenses arising out of claims in respect of employee matters under dispute / negotiation is accounted during the year of final settlement / determination.

6.6 Recoveries in suit-filed accounts, accounts under securitization & arbitration are appropriated first towards principal and thereafter towards recorded interest and other dues.

6.7 Commission, exchange and brokerage is recognized on realization, except for guarantee commission which is recognized on a straight-line basis over the period of the guarantee.

6.8 Dividend income is accounted on receipts basis.

6.9 Income from distribution of insurance products is recognized on the basis of business booked.

7. **Property, Plant and Equipment (AS 10) :**

7.1 The bank follows the cost model for determining the gross carrying amount of Premises and for other assets.

7.2 Property, Plant and Equipment (PPE), are carried at cost less accumulated depreciation and impairment if any. Cost includes freight, duties, taxes and incidental expenses related to acquisition and installation of the asset and is net of GST Input Tax Credit to the extent it is availed by the Bank.

7.3 Deprecation is charged on PPE on a straight line method at the rates considered appropriate and based on the estimate of the remaining useful lives of such assets by the management. The rates charged are as given below:

Nature of Asset		Rate of Depreciation
Premises (including strong room)	-	5%
Furniture & Fixtures	-	10%
Furniture & Fixtures (Aluminum panels / Steel Furniture etc.)	-	15%
Office Equipment's / Civil Work @ Leased Premises	-	20%
Computers and Computer Software (Intangible Assets)	-	33.33%
Vehicles	-	20%

7.4 Premises, Vehicles and Computer Software are stated at historical cost less accumulated depreciation. Furniture & Fixtures and Computers are stated at their written down values.

7.5 Depreciation on assets, purchased during the year, is provided for the entire year if 180 days or more have elapsed since its purchase, otherwise it is provided at 50% of the normal rate. No depreciation is charged on assets sold during the year.

7.6 Fixed Assets at employees residence are depreciated at the rates as prescribed in Para 7.3.

7.7 Fixed assets which have been fully depreciated but are still in use, are carried in the books at a notional value of ₹1/-.

8. Employee Benefits (AS-15) :

8.1 Defined Contribution Scheme

Retirement benefits in the form of provident fund is a defined contribution scheme. The bank's contribution to the Provident Fund Scheme is recognized as an expense in the Profit and Loss Account on the basis of contribution to the scheme.

8.2 Defined Benefit Scheme-Gratuity

Liability towards gratuity is assessed on the basis of actuarial valuation as at the balance sheet date and is considered as a defined benefit scheme. The valuation is carried out by an independent actuary, as at the balance sheet date, using the projected unit credit method to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognized in the profit / loss account.

The Bank makes an annual contribution to the Employee's Group Gratuity Assurance Scheme, administered by the Life Insurance Corporation of India ('LIC'), and HDFC Standard Life Insurance Company Limited a funded defined benefit plan for qualifying employees for amounts as notified by the said actuary. The scheme provides for lump sum payment to vested employees on resignation, at retirement, death while in employment or on termination of employment based on completed year of service or partly thereof in excess of six months. Vesting occurs on completion of five years of service. Present value of plan assets represents the balance available with the LIC & HDFC as at the end of the period. Defined benefit asset is recognized subject to the consideration of prudence and materiality.

8.3 Short Term Employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

8.4 Leave Encashment

Liability towards compensated absences is assessed on the basis of actuarial valuation as at the balance sheet date and is considered as a defined benefit scheme. The valuation is carried out by an independent actuary, as at the balance sheet date, using the projected unit credit method to determine the present value of the defined benefit obligation. The Bank makes contributions to funds administered by trustees and managed by insurance companies for amounts as notified by the said actuary.

9. Borrowing Costs (AS- 16) :

Borrowing costs that are attributable to the acquisition or construction of qualifying assets, as defined in Accounting Standard 16 on Borrowing Costs, are capitalized as part of the cost of the asset upto the date when the asset is ready for its intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred. No borrowing cost has been incurred during the year requiring capitalization.

10. Segment Reporting (AS-17) :

In accordance with the guidelines issued by the Reserve Bank of India the bank has adopted Segment reporting as under.

The Bank operates in the following segments:

10.1 Treasury

The treasury segment primarily includes the investment portfolio, profit/loss on sale of investments, profit/loss on foreign exchange transactions and money market operations. Expenses of this segment consists of interest expenses on funds borrowed from external sources as well as internal sources, relevant administrative expenses and depreciation/ amortization of premium on Held to Maturity category investments.

10.2 Other banking operations

Includes all other operations not covered under Treasury Operations.

10.3 Geographic Segment

Since the Bank does not have any earnings emanating outside India, the Bank is considered to operate in only the domestic segment.

11. Related Party Disclosures (AS 18) :

There are no related parties requiring disclosure under Accounting Standard 18 other than the Key Management Personnel. Since Mr. Vidyanand S. Karkera, Managing Director & Chief Executive Officer of the Bank is a single party under the category Key Management Personnel, no further details need to be disclosed in terms of RBI Circular dated 29th March, 2003.

12. Operating Leases (AS-19) :

Lease rental obligations for assets taken on operating lease are recognized in the Profit and Loss Account over the lease term. Initial direct costs are charged to the profit and loss account.

13. Earnings per share (AS 20) :

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

14. Income Tax (AS-22) :

14.1 Income Tax expense comprises of current tax and deferred tax.

14.2 Current tax is computed at the amount expected to be paid to the Tax Authorities in accordance with the applicable provisions under the Income Tax Act, 1961.

14.3 Deferred tax is recognized, subject to consideration of prudence, in respect of the tax effects of timing differences between accounting income and taxable income for the period in respect of items of income and expenses that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the enacted or substantially enacted tax rates at the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future.

15. Discontinuing Operations (AS 24) :

Principles of recognition and measurement as set out in the Accounting standards are considered for the purpose of deciding as to when and how to recognize and measure the changes in assets and liabilities and the revenue, expenses, gains, losses and cash flows relating to a discontinuing operation. There were no discontinuing operations as defined in the standard which need to be separately disclosed.

16. Intangible Assets (AS 26) :

Intangible assets consist of Computer Software acquired/self-created. The same is amortized equally over the period of three years, as per RBI guidelines.

17. Impairment of Assets (AS-28) :

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

18. Deposits for Services :

Security deposits for Telephone services are written off equally over a period of 20 years.

19. Foreign Currency Transactions :

19.1 Transactions denominated in foreign currencies are accounted for at the rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated at the balance sheet date at rates notified by Foreign Exchange Dealers Association of India ('FEDAI'). All profits/losses resulting from year-end revaluations are recognized in the profit and loss account.

19.2 Outstanding forward exchange contracts and spot exchange contracts are revalued at year end exchange rates notified by FEDAI. The resulting gains or losses on revaluation are included in the profit and loss account in accordance with RBI/FEDAI guidelines.

19.3 Contingent liabilities on account of foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

19.4 The bank has no foreign branches.

20. Provisions, Contingent Liabilities and Contingent Assets (AS-29) :

A provision is recognized when the Bank has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in respect of which reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

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

Contingent Assets, if any, are not recognized in the financial statements. However contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

Contingent liabilities are disclosed when there is a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank or any present obligation arising from past event which is not recognized since it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of such obligation cannot be made.

III. Notes to the Accounts

1) In terms of guidelines issued by the Reserve Bank of India the following additional disclosures are made.

(₹ in lac)

	Current Year 31.03.2021	Previous Year 31.03.2020
I. Capital to Risk Assets Ratio	13.35%	13.81%
ii. Movement in CRAR		
a) Total Capital Funds	102719.06	109183.98
b) Risk Weighted Assets	769550.14	790831.44
iii. Investments (excluding Non – SLR securities)		
a) Face Value	252725.10	249895.30
b) Book Value	256535.38	255135.20
c) Market Value	266344.21	264874.72

iv.	Advances against: a) Real Estate b) Construction business c) Housing	 24990.42 NIL 121582.42	 32018.74 NIL 119893.64
v.	Advances against shares & debentures	NIL	NIL
vi.	Advances to Directors, their relatives, Companies / Firms in which they are interested a) Fund Based b) Non-Fund based (Guarantee, L.C. etc.)	 NIL NIL	 NIL NIL
vii.	NPAs a) Gross NPAs b) Net NPAs	 67711.02 51896.61	 58314.72 35780.74
viii.	Movement in Gross NPAs a) Opening balance b) Additions during the year c) Reductions during the year d) Balance at the end of the year e) Net NPAs	 58314.72 70979.59 61583.29 67711.02 51896.61	 57975.53 72448.73 72109.54 58314.72 35780.72
ix.	Profitability a) Interest income as a percentage of working funds b) Non interest income as a percentage of working funds c) Operating profit as a percentage of working funds d) Return on Average Assets e) Business (Deposits + Advances) per employee f) Profit per employee	 7.64% 0.69% 0.92% 0.25% 1351.33 2.34	 8.35% 0.75% 1.21% 0.43% 1351.65 4.11
x.	Average cost of deposits	6.43%	6.98%
xi.	Provisions made towards: a) NPAs b) Depreciation on Investment c) Standard Assets d) Restructured Assets	 5800.00 NIL NIL 1557.00	 7750.00 NIL NIL 246.50
xii.	a) Foreign Currency Assets b) Foreign Currency Liabilities	18279.47 1737.59	18201.59 105.34
xiii.	Insurance Premium paid to DICGC (including GST) (Paid upto 31/03/2021)	1614.92	1408.38

xiv. Bancassurance Business : (₹ in lac)

Sr. No.	Nature of Income	Current Year	Previous Year
1.	For selling life insurance policies	127.52	163.38
2.	For selling non-life insurance policies	47.55	53.34
3.	For selling mutual fund products	-	-
4.	Others	7.15	8.86

xv. Movement in Provisions towards (₹ in lac)

		Opening Balance	Additions during the year	Reduction during the year	Closing Balance
a)	NPAs	22533.98	11554.00	18273.57	15814.41
b)	Standard Assets	3095.00	-	300.00	2795.00
c)	Contingent Provision against Dep. In Investment	852.73	-	591.46	261.27
d)	Provision for taxes	16021.78	-	-	16021.78

xvi. Market risk in trading book

a.	**Qualitative Disclosures :** Market Risk is the risk that the value of investment may undergo change over a given time period, simply because of economic changes or other events that impact the financial markets. In other words, Market Risk is calculated for both, adverse movement in the price of an individual security owing to factors related to the individual issuer as well as interest rate risk in the portfolio. **Methodology :** The bank follows the Standardised Duration Approach for calculation of Market Risk. The bank manages the Market Risk in the books on an ongoing basis and ensures that the capital requirement for Market Risk is being maintained on a continuous basis i.e. at the closure of each business day. The capital charge is applied to the market value of securities in the Banks trading book. Market value is determined as per the external RBI guidelines on valuation investments. Minimum Capital Requirement is worked out separately for 'General Market Risk' -for interest rate risk in the portfolio. **Scope :** The portfolios covered under the said approach include, a. Securities included under the Available for Sale (AFS) category. b. Open Foreign Exchange Position Limits. **Infrastructure / MIS & Reporting :** The Investment Policy as approved by the Board of Directors provides detailed guidelines for all operational procedure, settlements, valuations and risk controls pertaining to the investments. A separate mid-office is also in place which acts as an intermediary, monitoring compliance of regulatory guidelines and of the Banks Investment Policy and undertakes reporting to higher management. **Parameters for risk measurement :** Risk Management and reporting is based on parameters such as Modified duration, Net Open Position Limits, Gap limits, Value-at-Risk (VaR).

b.	**Quantitative Disclosures**	(₹ in lac)	(₹ in lac)
	Capital requirement for :	**Current Year**	**Previous Year**
	Interest rate risk	425.81	1840.74
	Equity position risk	-	-
	Foreign exchange risk	298.39	280.76

xvii. Disclosure of penalties imposed by RBI :

During the financial year RBI has levied penalty of ₹ 45.00 lac for non adherence with its directions on income Recognition Asset Classification, Provisioning and other related matters and ₹ 15.00 lac for delayed reporting of fraud. (P.Y. NIL)

2) Management of the Non-SLR Investment portfolio :

i. Issuer Composition of Non-SLR Investments (₹ in lac)

No.	Issuer	Amount	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
1	2	3	4	5	6
1.	PSUs	Nil	-	-	-
2.	FIs	Nil	-	-	-
3.	Public Sector Banks	Nil	-	-	-
4.	Mutual fund	Nil	-	-	-
5.	Others	63318.82 (35416.46)	-	-	63318.82 (35416.46)
6.	Provision held towards depreciation	Nil	-	-	-
	Total	63318.82 (35416.46)	-	-	63318.82 (35416.46)

Note : Figures in brackets represent previous year's figures.

ii. Non performing Non-SLR investments

Particulars	Current Year	Previous Year
Opening Balance	Nil	Nil
Additions during the year	Nil	Nil
Reductions during the above period	Nil	Nil
Closing Balance	Nil	Nil
Total provisions held	Nil	Nil

3) In connection with Repo / Reverse Repo transactions : (₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As on 31.03.2021
Security sold under Repos	0.91	0.91	0.91	-
Security purchased under Reverse Repos	0.86	679.46	108.81	188.00

4) Particulars of loans subjected to restructuring as on 31st March, 2021 is as under.

(₹ in lac)

		Housing Loans	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	3 (2)	25 (21)	1 (13)
	Amount outstanding	19.81 (11.80)	39910.41 (14605.38)	11022.76 (13642.52)
	Sacrifice (diminution in the fair value)	0.88 (0.39)	2753.45 (887.14)	431.85 (597.90)
Sub - Standard advances restructured	No. of Borrowers	- -	3 (1)	- -
	Amount outstanding	- -	1291.38 (504.03)	- -
	Sacrifice (diminution in the fair value)	- -	125.48 (18.67)	- -
Doubtful advances restructured	No. of Borrowers	- -	1 (2)	1 (2)
	Amount outstanding	-	349.84 (2872.19)	650.65 (4253.99)
	Sacrifice (diminution in the fair value)	- -	20.32 (92.20)	- (174.29)
Total	No. of Borrowers	3 (2)	29 (24)	2 (15)
	Amount outstanding	19.81 (11.80)	41551.63 (17981.60)	11673.41 (17896.51)
	Sacrifice (diminution in the fair value)	0.88 (0.39)	2899.25 (998.01)	431.85 (772.19)

Provision required as per RBI guidelines as on 31.03.2021 ₹ 3331.98 lac. Actual provision held ₹ 3332.00 lac.

5) MSME accounts restructured :

Details of loans subject to restructuring under Micro, Small & Medium Enterprises (MSME) sector during the year ended 31st March, 2021 with aggregate exposure (including non fund based), to the borrower does not exceed ₹ 2500.00 lac as on 31.12.2020 as per RBI circular Ref: DoR. No. BP.BC/4/21.04.048/2020-21 dated 06.08.2020 is given below:

No of Accounts Restructured	Amount (₹ in lac)
4	₹928.15*
(-)	(-)

* Provision required as per RBI guidelines as on 31.03.2021 ₹ 46.41 lac included in note 4.

6) Employee Benefits (AS-15) :

a. Defined contribution Plans viz. Provident fund and other similar funds. The amount recognized as expense towards contributions to provident fund is ₹ 758.07 lac (previous year ₹ 746.47 lac).

b. Defined Benefit Plans.

Gratuity:

The following table sets out the status of funded gratuity plan for the year ended March 31, 2021 as required under AS-15:

(₹ in lac)

	Gratuity (Funded)	
	Current year	**Previous year**
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	5430.40	4565.00
Current service Cost	269.15	222.27
Interest Cost	376.32	362.46
Actuarial (Gain)/Loss	(175.99)	575.79
Benefits Paid	(199.57)	(295.12)
Closing Defined Benefit Obligation	**5700.31**	**5430.40**
Change in the Fair Value of Assets		
Opening in Fair Value of Assets	5430.40	4565.00
Expected Return on Plan Assets	376.32	362.46
Actuarial Gain/(Loss)	(70.10)	(3.39)
Contribution by Employer	163.26	801.45
Benefits Paid	(199.57)	(295.12)
Closing Fair Value of Plan Assets	**5700.31**	**5430.40**
Net Asset /(Liability) recognized in the Balance Sheet	**-**	**-**

Expenses for the year	Current year	Previous year
Current Service Cost	269.15	222.27
Interest on Defined Benefit Obligation	-	-
Expected Return on Plan Assets	-	-
Net Actuarial (Gain)/Loss	(105.89)	579.18
Total Included in Employment Expenses	163.26	801.45
Actual Return on Plan Assets	306.22	359.08
Category of Assets	Insurer Managed Funds	Insurer Managed Funds

The Assumptions used in accounting for the gratuity are set out below:

	Current year	Previous year
Discount rate	6.94%	6.93%
Attrition Rate	3.00%	3.00%
Mortality	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)
Salary Escalation Rate	4.00%	4.00%
Retirement Age	58 – 60 years	58 – 60 years
Expected Rate of return on plan assets (*)	6.94%	6.93%

*Expected rate of return on plan assets is based on expectation of the average long term rate of return expected to prevail over the estimated term of the obligation. The estimates of future salary increases, considered in actuarial valuation, takes into account the inflation, seniority, promotions and other relevant factors.

Assets allocation: Since the investments are held in the form of deposit with LIC/HDFC, these are not volatile and the market value of assets is the cost value of assets and has been accordingly considered for the above disclosures.

7) Segment Reporting- Information about Business and Geographical segments: (AS –17)
Primary Segment Reporting (by Business Segments) (₹ in lac)

Business Segments	Treasury		Other Banking Operations		Total	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Revenue	30145.91	35672.38	101385.12	105466.48	131531.03	141138.86
Segment Cost	27002.25	29554.94	100635.26	103801.70	127637.51	133356.64
Result	3143.66	6117.44	749.86	1664.78	3893.52	7782.22
Unallocated Expenses	-	-	-	-	-	-
Operating Profit	-	-	-	-	3893.52	7782.22
Income Taxes	-	-	-	-	614.00	1895.40
Extraordinary Profit /Loss	-	-	-	-	-	-
Net Profit	-	-	-	-	3279.52	5886.82
Other Information	-	-	-	-	-	-
Segment Assets	442441.14	437834.70	908814.76	921588.76	1351255.90	1359423.46
Unallocated Assets	-	-	-	-	23801.86	22910.32
Total Assets	-	-	-	-	**1375057.76**	**1382333.78**
Segment Liabilities	6971.10	9531.45	1352064.88	1356780.55	1359035.98	1366312.00
Unallocated Liabilities	-	-	-	-	16021.78	16021.78
Total Liabilities	-	-	-	-	**1375057.76**	**1382333.78**

Notes :

a) Segments are reported considering the nature of products or services, class of customers for the products/services, different risks and returns attributable to them, organization structure and internal management information system.

b) The Bank reports its operations in the following segments:

i) Treasury : The treasury segment primarily consists of net interest earnings from the Bank's investment portfolio, money market borrowing and lending, gains or losses on investment operations and on account of foreign exchange and derivative contracts.

ii) Other Banking Operations : Comprising of corporate and retail banking business & allied services. Revenues of the banking segment consist of interest/fees earned on loans made to customers, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivative transactions on behalf of customers. Expenses of this segment primarily comprise interest expense on deposits, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

iii) Unallocated : All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classified as Tier I or Tier II capital and other unallocable assets and liabilities such as deferred tax, tax provision, etc.

c) The business operations are concentrated in India hence information about secondary segment i.e. geographical segment is not given.

d) Segment liabilities exclude Capital and Reserves other than those specifically identifiable with a segment.

e) In determining segment results, the funds transfer price mechanism followed by the Bank has been used.

f) Treasury result is net of transfer from IFR.

8) **Operating lease comprises of leasing of office premises. Disclosures as per AS-19 is as under :**

(₹ in lac)

	Current Year	Previous Year
Future lease rental payable as at the end of the year :		
- Not later than one year	1696.83	1745.73
- Later than one year and not later than five years	4883.97	5083.22
- Later than five years	6263.00	6274.94
Total minimum lease payments recognized in the profit and loss account for the year	1886.25	2027.74
Total of future minimum sub-lease payment expected to be received under non-cancelable sub-lease	-	-
Sub-lease payments recognized in the profit and loss account for the year	-	-

9) **The major components of Deferred Tax Assets/ (Liabilities) is as under (AS-22) :** (₹ in lac)

Sr. No.	Particulars	Current Year	Previous Year
1	On account of timing difference towards provision	6398.82	4812.86
2	On account of timing difference between book and Income Tax depreciation	(371.21)	(354.44)
3	On account of amortization / depreciation on securities	1826.21	1567.95
4	Special Reserve u/s 36(i)(viii)	(69.88)	(69.88)
5	On account of Loss under Income Tax Act, 1961	(2441.45)	-
	Net deferred tax Assets/(Liabilities)	**5342.49**	**5956.49**

10) **Intangible Assets -** details of Computer Software-Other than internally generated. **(AS-26)**

a) **Amortization rates used at 33.33% p.a. on straight line method.** (₹ in lac)

Particulars	Current Year	Previous Year
Opening balance (at cost) as on 1st April, 2020	2420.16	2159.49
Add : Additions during the year	96.19	260.67
Sub Total (A)	**2516.35**	**2420.16**
Less : Amortisation		
Opening Balance	2189.38	2042.12
Add : Sales/Adjustment during the year	0.78	1.67
Add : Amortisation during the year on SLM basis @33.33%	139.56	145.59
Sub Total (B)	**2329.72**	**2189.38**
Net Carrying amount as on 31st March, 2021 (A-B)	**186.63**	**230.78**

b) Amount of commitments (net of advance) for the acquisition of computer software ₹ Nil (Previous year ₹ Nil)

11) Details of financial assets sold during the year to SC / RC for Asset Reconstruction:

(₹ in lac)

Sr. No.	Particulars	Current Year	Previous Year
1	No. of Accounts	318	122
2	Aggregate value [net of provisions] sold to ARC	34751.13	40094.22
3	Aggregate consideration	34000.00	41637.00
4	Additional consideration received in respect of accounts transferred in earlier years	-	-
5	Aggregate gain / (loss) over net book value	(751.13)	1542.78

12) Disclosure with Respect to COVID-19 Regulatory Package as per RBI Circular dated 27.03.2020,17.04.2020 and 23.05.2020.

The RBI on 27.03.2020, 17.04.2020 and 23.05.2020 announced 'COVID-19 Regulatory Package' on Asset classification and Provisioning. In terms of the RBI guidelines, the lending institutions have been permitted to grant moratorium of six months on payment of installment / interest as applicable falling due between 01.03.2020 and 31.08.2020 (moratorium period). In accordance with RBI guidelines, the Bank has granted moratorium of six months on payment of installment / interest as applicable falling due between 01.03.2020 and 31.08.2020 to all eligible borrowers. For all such loan accounts where moratorium is granted, the asset classification shall remain standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purpose of asset classification under IRAC and Provisioning Norms). Tenure of loan account is extended accordingly where moratorium is granted.

Sr. No.	Particulars	Amount (₹ in lac)
1	Respective amounts where the moratorium/deferment was extended in terms of paragraph 2 & 3 of the circular as on 29th February, 2020	547815.11
2	Respective amount where asset classification benefits is extended as on 29th February, 2020.	17288.13
3	Provisions made during the Q4 FY 2020	872.00
4	Provisions made during the Q1 FY 2021	872.00
5	Provisions adjusted during the respective accounting periods against slippages	NIL
6	Residual Provision as on 31.03.2021*	NIL

* The residual provision at the end of the financial year written back to profit and loss account.

13) Disclosure with Respect to Asset Classification and Income Recognition following the expiry of COVID-19 regulatory package.

The Hon'ble Supreme Court of India in public interest litigation (Gajendra Sharma Vs. Union of India & Anr), vide an interim order dated 03.09.2020 (Interim Order), had directed banks that accounts which were not declared NPA till 31.08.2020 shall not be declared as NPA till further orders. Accordingly, the bank did not classify any account which was not NPA as of 31.08.2020 as per RBI IRAC Norms, as NPA after 31.08.2020.

The interim order granted to not declare accounts as NPA stood vacated on 23.03.2021 vide the judgment of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs UOI & Ors. and other connected matters. In accordance with the instructions in paragraph 5 of the RBI circular dated 07.04.2021 issued in this connection, the bank has continued with the asset classification of borrower account as under:

a) In respect of accounts which were not granted any moratorium in terms of the Covid19 Regulatory Package, asset classification shall be as per the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to the specific category of lending institutions (IRAC Norms).

b) In respect of accounts which were granted moratorium in terms of the Covid19 Regulatory Package, the asset classification for the period from March 1, 2020 to August 31, 2020 shall be governed in terms of the circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020, read with circular DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020. For the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable IRAC Norms.

14) Disclosure with respect to refund / adjustment of "interest on interest"

In accordance with the instructions in the aforesaid circular dated 07.04.2021 the bank shall refund / adjust" interest on interest" to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed, in terms of the RBI circular dated March 27, 2020 and May 23, 2020 ("Covid-19 Regulatory Package").

The Indian Banks Association (IBA) in consultation with other industry participants / bodies methodology finalized method for calculation of the amount to be refunded / adjusted for different facilities.

Details of loan account where bank has created liability towards the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 & reduced the same from interest income is as under

Sr. No.	Particulars	Amount (₹ in lac)
1	Term Loan Accounts	372.45
2	Overdraft/Cash Credit Accounts	138.38
	Total	**510.83**

15) Details of resolution plan implemented under the Resolution Framework for COVID-19-related stress as per RBI circular dated August 06, 2020 are given below : (₹ in lac)

Type of borrower	(A) Number of accounts where resolution plan has been implemented under the window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	-	-	-	-	-
Corporate Persons	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	4	34.06	0	7.43	3.32
Total	4	34.06	0	7.43	3.32

***Amount and number of borrowers accounts in respect of which application for restructuring are under process, but the restructuring packages have not been implemented / approved are ₹ 907.38 lac and 1 respectively as on 31.03.2021 (Previous year : NIL)**

16) Investments:

i) As per RBI guidelines, the excess of acquisition cost over face value of securities held under the category “Held to Maturity” is amortised over the residual life of securities. The amount amortized during the year is ₹ 885.05 lac (previous year ₹ 686.57 lac).

ii) In terms of RBI guidelines the bank has transferred a portion of Government securities kept in “Available for Sale” category to “Held to Maturity” category and from “Held to Maturity” to “Available for Sale”. The resultant depreciation is ₹ 1006.25 lac (Previous year ₹ 1413.88 lac) is charged to the Profit & Loss account.

17) Contingent Liabilities :

i) Claims against the Bank not acknowledged as debts.

a) The income tax authorities have raised a demand of ₹ 94.94 lac (Previous year ₹ 181.22 lac) for various assessment years which is contested by the Bank in appeal and against which the bank has deposited/paid ₹ 69.65 lac (Previous year ₹ 181.22 lac). No provision is considered necessary in respect of these demands as, in the Bank's view, duly supported by counsel's opinion and / or judicial pronouncements the demands made are not sustainable.

b) Maintenance charges in respect of one of the bank's premises ₹ 31.77 lac (Previous year ₹ 31.77 lac), which matter is under dispute.

c) The MCGM has raised demands, retrospectively from 1st April, 2010, on account of Property taxes based on capital values in respect of some of the bank's premises. The Bank has objected to the levy and mode of calculation. The issue of chargeability and basis of calculation being under dispute and not finalized the final liability, if any, is not ascertainable and not provided for.

d) The Service tax department has raised a demand of ₹ 240.70 lac for the period 2012-17, which is contested by the bank in appeal and against which the bank has deposited/paid ₹ 18.05 lac. No provision for the same is considered necessary as in the opinion of the bank, duly supported by counsel's opinion and/or judicial pronouncements the demand made is not sustainable.

ii) Other items for which the bank is contingently liable – Amount transferred to The Depositor Education and Awareness Fund Scheme 2014 (DEAF) as per RBI Circular dated 27-05-2014.

Particulars	Current Year (₹ in lac)	Previous Year (₹ in lac)
Opening balance of amounts transferred to DEAF	2047.50	1749.81
Add: Amounts transferred to DEAF during the year	521.45	320.64
Less: Amounts reimbursed by DEAF towards claims	22.82	22.95
Less: Amounts yet to be settled by DEAF	0.00	0.00
Closing balance of amounts transferred to DEAF	**2546.13**	**2047.50**

iii) On account of outstanding forward exchange contracts, Letters of Credit and guarantee's given on behalf of constituents – As per disclosure in Balance Sheet.

18) Earnings per Share (EPS) : (₹ in lac)

Particulars	Current Year	Previous Year
Net Profit after taxation	3279.52	5886.82
Weighted average no of shares	2793.85	3021.49
EPS (in actuals - ₹)	1.17	1.95

19) Consequences of COVID-19 :

The Covid-19 pandemic has impacted most economies and banking systems globally, including India. The nation-wide lockdown in April-May 2020 substantially impacted economic activity. The easing of lockdown measures subsequently led to gradual improvement in economic activity and progress towards normalcy. For the banking sector, these developments resulted in lower demand for loans and fee-based services and regulatory measures like moratorium on payment of dues and standstill in asset classification to mitigate the economic consequences on borrowers. It also resulted in increase in provisioning reflecting higher actual and expected additions to non-performing loans following the cessation of moratorium and asset classification standstill. The current second wave of Covid-19 pandemic, where the number of new cases has increased significantly in India, has resulted in re-imposition of localized/regional lock-down measures in various parts of the country.

The impact, including credit quality and provision, of the Covid-19 pandemic, on the Bank and the Group, is uncertain and will depend on the spread of Covid-19, the effectiveness of current and future steps taken by the governments and central bank to mitigate the economic impact, steps taken by the Bank and the time it takes for economic activities to return to pre-pandemic levels. The Bank's capital and liquidity position is strong and would continue to be a focus area for the Bank during this period.

20) Net Profit or Loss for the period, prior period items and Changes in Accounting Policies–(AS-5). During the year there were no material prior period income/expenditure items. There is no change in the Significant Accounting Policies adopted during the year ended March 31, 2021 as compared to those followed in the previous financial year 2019-20.

21) There are no material prior period item's, except as disclosed elsewhere, included in Profit and Loss account required to be disclosed as per Accounting Standard 5 read with the Reserve Bank of India guidelines. Therefore these have been charged/ accounted for/to their respective head of accounts.

22) There are no related parties requiring disclosure under Accounting Standard 18 i.e. Related Party Disclosures issued by the Institute of Chartered Accountants of India other than the Key Management Personnel i.e. Mr. Vidyanand S. Karkera-, Managing Director & Chief Executive Officer of the Bank. In terms of RBI Circular dated 29th March, 2003 being a single party coming under this category, no further details need to be disclosed.

23) Impairment of Assets (AS-28): No material impairment of Assets has been identified by the Bank and as such no provision is required.

24) No disclosure is made for Accounting for Amalgamation (AS-14) and Consolidation of Financial Statement (AS-21) as the same is not applicable to the bank.

25) Suppliers/Service Providers covered under the Micro, Small and Medium Enterprises Development Act, 2006 have not furnished the information regarding filing of necessary memorandum with the appropriate authority In view of the same, information relating to cases of delays in payments to Micro, Small and Medium enterprises or of interest payments due to delays in such payments cannot be given.

26) The Bank has not opted for section 115BAD of Income tax Act, 1961 and therefore has recognized the deferred taxes for the year ended 31st March, 2021 at the rate existing prior to this amendment.

27) **Provision for Taxes :**

The breakup of provision for Taxes appearing in the Profit & Loss Account is as under:

(₹ in lac)

	Current Year	**Previous Year**
Current Income Tax	-	4293.73
Deferred Tax	614.00	(2329.47)
Tax paid for earlier years	-	(68.86)
	614.00	**1895.40**

28) Previous year's figures have been regrouped / rearranged wherever necessary to conform to those of the current year.

For **BHARAT CO-OPERATIVE BANK (MUMBAI) LIMITED**

Sd/-	Sd/-	Sd/-
(U. SHIVAJI POOJARY)	**(ROHINI J. SALIAN)**	**(VIDYANAND S. KARKERA)**
Chairman	Vice-Chairperson	Managing Director & CEO

Directors

Shri Vasudeva R. Kotian	Shri Jyoti K. Suvarna	Shri Bhaskar M. Salian
Shri Jaya A. Kotian	Shri K. B. Poojary	Adv. Somnath B. Amin
Shri Gangadhar J. Poojary	Shri Suryakant J. Suvarna	Shri Narayan T. Poojari
Shri L. V. Amin	Shri Purushotham S. Kotian	Shri Mohandas A. Poojary
Shri Premnath P. Kotian	Smt. Sharada S. Karkera	Shri Anbalagan C. Harijan
Shri Raja V. Salian		

Mumbai,
Dated : 12th June, 2021