



ದಿ ಸಿರಸಿ ಅರ್ಬನ್ ಸಹಕಾರಿ ಬ್ಯಾಂಕ್ ಲ.,  
The Sirsi Urban Sahakari Bank Ltd.



Rising Above

114  
ANNUAL REPORT  
2018-19



Dr. V. S. Sonde, Honorary President, 65th All India Co-operative Week and then President of the Bank at the inaugural State Level Function to mark the 65th All India Co-operative Week on November 21, 2018 held at Sirsi.



Smt. Arathi S. Shettar, Chief Executive Officer receiving " Centenary Service Award " at the 65th All India Co-operative Week Celebrations held on November 21, 2018 at Sirsi.



## Progress at a Glance

Rupees in lakhs

Year	Members	Share Capital	Reserve & Other Funds	Deposits	Loans & Advances	Working Capital	Investments	Net Profit	Dividend
1912-13	19	0.23	0.10	0.08	0.03	0.11	0.006	0.03	-
1928-29	829	0.26	0.28	2.29	2.41	2.91	0.24	0.006	-
<b>Silver Jubilee</b>									
1954-55	856	0.29	1.77	6.42	6.20	10.38	2.95	0.20	6.25%
<b>Golden Jubilee</b>									
1965-66	1866	0.97	4.35	31.55	38.20	39.74	7.57	0.68	9%
<b>Diamond Jubilee</b>									
1971-72	2495	2.74	6.85	75.24	51.97	91.48	27.65	1.01	9%
1972-73	2666	4.52	6.50	84.70	57.31	102.11	32.33	1.25	9%
1973-74	2835	5.87	8.35	94.39	75.47	119.79	25.70	2.13	9%
1974-75	2966	6.68	9.85	106.73	84.82	137.90	26.07	3.48	12%
1975-76	3155	7.59	12.19	108.29	91.63	114.68	31.41	3.51	12%
1976-77	3338	8.43	14.54	120.62	97.79	159.16	34.51	4.06	12%
1977-78	3526	9.37	17.22	134.18	101.14	171.68	47.71	5.55	12%
1978-79	3668	10.58	21.40	155.83	116.43	184.00	62.41	5.85	12%
1979-80	4126	13.45	25.78	198.87	155.91	240.55	94.73	7.96	12%
31-12-80	4378	14.60	31.51	232.60	173.11	302.57	136.47	-	-
<b>Platinum Jubilee</b>									
1989-90	8430	59.08	111.60	1287.00	987.00	1664.00	558.27	39.60	12%
1994-95	11100	114.83	365.01	3933.00	3113.00	4633.61	1208.26	136.25	15%
<b>Keshwain Centenary</b>									
1995-96	12115	172.15	463.73	5052.33	4366.12	6277.32	1642.56	190.19	15%
1996-97	13107	212.28	617.08	7467.85	5946.15	8640.04	1949.91	275.00	25%
1997-98	14161	315.53	822.09	11180.80	6442.63	12704.17	5329.38	308.63	25%
1998-99	15680	400.20	1039.24	15329.68	9172.30	17716.96	7383.19	440.67	25%
1999-2000	16614	450.58	1369.61	18224.56	12376.84	22333.49	8331.04	503.44	25%
2000-2001	18166	483.08	1703.33	21664.49	14676.95	24535.58	7433.76	515.47	18%
2001-2002	19727	516.98	2409.95	25213.05	17563.06	28969.55	7568.62	527.31	18%
2002-2003	21283	570.78	2862.03	21956.59	17521.60	26139.38	5626.79	530.68	15%
2003-2004	22059	623.56	3295.19	22790.57	18029.19	27257.76	6427.45	403.00	10%
2004-2005	23661	841.05	3650.58	22723.68	17814.19	27514.02	6863.82	156.11	7%
2005-2006	25660	880.23	3772.76	19220.83	17555.09	24759.07	5471.88	116.31	----
2006-2007	27037	811.02	3742.43	20018.73	16243.85	24926.34	6785.86	63.57	----
2007-2008	27826	813.47	3851.42	20771.29	13632.52	26196.33	10791.14	75.41	----
2008-2009	28468	810.50	4188.85	22010.62	13667.01	28110.23	12217.87	82.94	----
2009-2010	29119	818.54	4399.97	24239.76	14208.23	30670.71	14423.03	85.29	----
2010-2011	30151	862.45	4699.31	26674.80	16483.29	33167.31	14678.58	90.11	----
2011-2012	31595	938.16	5273.33	31879.19	19769.74	38962.29	16569.39	112.56	----
2012-2013	33001	1011.96	5445.80	37356.69	23141.30	44812.34	18815.79	150.79	6%
2013-2014	34550	1074.39	5752.73	44917.74	24659.47	52882.54	22441.03	181.71	7%
2014-2015	37996	1143.14	5897.35	48725.23	25678.70	57080.04	26633.32	192.43	8%
2015-2016	38531	1218.08	6035.05	52074.71	25636.05	60473.52	29556.59	206.70	9%
2016-2017	39359	1374.55	6130.52	58064.53	31045.91	67084.54	30125.41	230.47	8%
2017-2018	40490	1501.94	6261.15	64576.10	35603.88	73751.69	32289.47	247.02	8%
2018-2019	41963	1780.22	6421.64	73377.20	44217.23	83620.61	32000.75	406.38	10%

Proposed



## BRANCHES

BRANCHES	PHONE	BRANCHES	PHONE
<b>SIRSI MAIN</b> P. B. No. 1, Rayarpeth Sirsi - 581401 (U. K. Dist) Karnataka	08384-226343 98807 65346	<b>SHIRALI (BHATKAL)</b> N. H. 17, Main Road, Shirali - 581 354 (U. K. Dist) Karnataka	08385-258029 9880765355
<b>YELLAPUR</b> Bus Stand Road, Yellapur - 581359 (U. K. Dist) Karnataka	08419-261245 98807 65347	<b>BABRUWADA (ANKOLA)</b> Ganga Nivas, P. B. No. 18 Babruwada, Ankola - 581318 (U. K. Dist.) Karnataka	08388-230574 9880765356
<b>MUNDGOD</b> Sirsi Hubli Raod, Near Rita Church Mundgod - 581349 (U. K. Dist) Karnataka	08301-222134 98807 65348	<b>KUMTA</b> Subhas Road, Kumta - 581343 (U. K. Dist) Karnataka	08386-223845 98807 65357
<b>DANDELI</b> J. N. Road, Dandeli - 581325 (U. K. Dist) Karnataka	08284-231445 98807 65349	<b>KARWAR</b> Laxmi Complex, Main Road Karwar - 581301 (U. K. Dist) Karnataka	08382-225010 9880765358
<b>BANAVASI</b> Behind Post Office Banavasi 581318 (U. K. Dist) Karnataka	08384-264245 99005 53116	<b>EXTENSION COUNTERS</b> Hindu High School, Karwar Shivaji High School, Baad, Karwar	08382-221556 08382-225476
<b>SIRSI SUB URBAN</b> Yellapur Road, Vidya Nagar Sirsi - 581402 (U. K. Dist.) Karnataka	08384-236645 98807 65351	<b>HUBLI</b> H. D. M. C. Shopping Complex, P. B. Road Hubli - 580029 (Dharwad Dist.) (Tel. Fax) Karnataka	0836-2351645 0836-2351675 9880765359
<b>SADASHIVGAD</b> Ist Floor, Sadanand Complex, Market Road, Sadashivgad, Karwar 581301 (U. K. Dist.) Karnataka	08382-265737 9900553115	<b>WEST OF CHORD ROAD (Bangalore)</b> Ground Floor, No. 28, 19th Main, Near Gokul Veg. Circle (Via Navarang - Modi Hospital Road) 2nd Block, Rajajinagar, Bangalore - 560010	080-23425919 080-23425920 98807 65360
<b>C. P. BAZAR (Sirsi)</b> C. P. Bazar, Sirsi - 581401 (U. K. Dist) Karnataka	08384-226043 98807 65353	<b>ULSOOR (Bangalore)</b> No. 38, Car Street, Ulsoor Bangalore - 560 008 Karnataka	080-25307757 080-25307758 98807 65361
<b>HONNAVAR PORT</b> Bank Road, Honnavar - 581334 (U. K. Dist) Karnataka	08387-220007 98807 65354		

**Regd. & Admn. Office :** Post Box No. 1, Rayarpeth, **SIRSI - 581 401.**

Tel : 08384-226643 Fax : 226401

[www.sirsiurbanbank.in](http://www.sirsiurbanbank.in)



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## Annual General Meeting



On Sunday August 25, 2019  
at 10-30 am  
At Vidyadhiraj Kalakshetra,  
Rayarpeth, Sirsi.





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## BOARD OF DIRECTORS



**Sri Jaydev U. Nilekani**  
President



**Sri Milind V. Pandit**  
Vice-President



**Dr. V.S. Sonde**  
Director



**Sri S.P. Machado**  
Director



**Sri S.C. Dhundshi**  
Director  
(Upto 27-1-2019)



**Sri M.S. Prabhu**  
Director



**Sri Ramachandra G. Nayak**  
Director  
(Upto 27-1-2019)



**Sri Santosh S. Pandit**  
Director



**Sri Sadanand M. Naik**  
Director



**Sri T.S. Balamani**  
Director



**Sri R.V. Palekar**  
Director



**Smt. Suvarna P. Prabhu**  
Director



**Smt. Vanita V. Keshwain**  
Director



**Sri Gangadhar H. Sanu**  
Director  
(Upto 27-1-2019)



**Sri Surendra J. Revankar**  
Director



**Sri Varindra S. Kamat**  
Director



**Sri Nitin S. Kasarkod**  
Director  
(From 28-1-2019)



**Sri Prakash Venkatesh Pai**  
Director  
(From 28-1-2019)



**Sri Suryakanth D. Devali**  
Director  
(From 28-1-2019)



**Prof. K.N. Hosamani**  
Director  
(From 28-1-2019)



**Sri Jagadish N. Deshbhandari**  
Director  
(From 28-1-2019)



**Sri Shashikant K. Nadig**  
Professional Director



**Sri T. Sreedhar Murthy**  
Professional Director



**Smt. Arathi S. Shettar**  
Chief Executive Officer



We pay our homage to  
**LATE SHRI VITTALDAS RAMACHANDRA PAI**  
who served our Bank as Director for 14 years  
and guided us till his last breath.



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## *President's Message*



### **MOVING AHEAD WITH TRUST**

Dear Shareholders,

I am delighted to present to you Annual Report for the financial year 2018-19, in the 114<sup>th</sup> year of our existence and service to the society. The journey these years has seen us, crossing several milestones. Our legacy of the past is a continuation of untiring efforts by our founders, past directors, employees and all the stakeholders of this great institution. The strong and robust foundation that we have built over the years attributes to the committed support of our employees and the trust of our shareholders.

Our overall financial and business performance in the financial year that passed by was quite strong and healthy. Bank posted a net profit of Rs.4.06 Crore as against Rs.2.47 crore a year ago. Net Interest Income rose by 19.1 % over the previous year and Net Interest Margin improved to 3.0 % from 2.8 % a year ago. Loan delinquencies were contained. Gross non-performing loans stood at 6.0 % compared to 7.9 % a year ago and net NPAs stood at 0.0 % as in the last year. Our cost of funds dropped from 6.7 % to 6.4 %. Yield on assets stood flat at 8.3 %.

Turning to the top line numbers the loan book registered an impressive growth of 24.2 % during the financial year 2018-19 and the outstanding loan book as on March 31, 2019 stood at Rs.442.00 crore. On the liability side the deposits grew by 13.6 % and stood at Rs.734.00 crore as on March 31, 2019. The share of CASA was 20.0 % of the total deposits.

The financial year 2018-19 was challenging for Indian Banking and Financial Sector. On the domestic front, we saw the consolidation of big banks, establishment of Indian Post Payment Bank, Non Banking Finance Company (NBFC) crisis emanating from default in fulfilling its debt obligation by a large NBFC in infrastructure sector and its cascading effect on financial markets particularly mutual funds, other NBFCs etc., Higher level of Non-performing Assets (NPAs) also continued to haunt the banking sector mainly the PSU banks. The year also saw the easing of SLR norms.



The major developments in Urban Co-operative Banking sector were as here under:

- ⇒ **Stringent norms for achievement of priority sector targets:** RBI has prescribed achievement under priority sector targets as one of the requirements among others while granting various regulatory clearances. The achievement of targets under priority sector is also included as one of the criteria to reckon the UCBs as Financially Sound and Well Managed (FSWM).
- ⇒ **Norms for Basic Cyber Security:** RBI issued basic cyber security controls applicable for UCBs which includes Board approved cyber security policy, cyber crisis management plan, security compliant IT framework etc.,
- ⇒ **Voluntary conversion of UCBs into Small Finance Banks (SFBs):** RBI in September 2018 issued guidelines to allow UCBs to voluntarily convert into SFBs.

SFBs perform the same roles which are presently performed by the UCBs. However, SFBs which are recent entrants with their technological advantage have started attracting customers especially from lower income strata of the society which were in the past exclusive domain of the UCBs. Therefore, to be relevant in the present market, UCBs have no other option but to embrace technology and to adapt themselves to a position to manage all risks arising from technology enabled banking services. Thus it becomes inevitable to strengthen governance and financials to withstand the competition from them.

Modern Banking is not possible without Information Technology (IT) which facilitates better house-keeping and Management Information System (MIS). Though cost of operation is reduced, it certainly increases the operational risk which needs to be managed. Digital Banking comes with risk associated with cyber security. This calls for robust IT system and subject these system to regular Information Security (IS) audit. It becomes obligatory on the part of UCBs to have robust IT architecture. This will surely increase the cost of compliance as prescribed by the regulators. The business model and the risk profile of non-scheduled UCBs are not that complex as compared to other big players like scheduled Commercial/ Co-operative banks. Therefore, as long as non-scheduled Urban Co-operative Banks fulfill the prudential guidelines like capital adequacy, income recognition, asset classification and provisioning, liquidity management and governance, there is certain case for easing the regulatory policy guidelines suitably so that cost of compliance is minimal.

Your bank has introduced eight onsite ATMs at different centers and another four will be added to the existing ATM Networks taking the total strength of ATMs to 12. Further Mobile Banking Services and IMPS were rolled out during the current financial year. While we will strive to make improvement in our existing products and services, more technology enabled user friendly digital products are proposed to be introduced in the coming days. While digital technologies will enable creation of new products, it also calls for investing in skilled personnel to enable us to reap the advantages and benefits of providing such services. Needless to emphasize that young and energetic tech savvy workforce would add strength and dynamism to the institution. We are committed to provide training and development of our manpower so as to improve their skill sets and help them realize their potential and perform their roles with clarity. We are sure and confident that the bank will keep pace with the modern-day competitive environment and to emerge stronger and bigger.

I take this opportunity thank all the shareholders for their continuous support to this great institution of ours which is a flag bearer of the co-operative sector in the entire state.

**Jaydev U. Nilekani**  
President



Jaydev U. Nilekani  
PresidentMilind V. Pandit  
Vice-President

## DIRECTORS' REPORT 2018-19

Dear shareholders,

The Board of Directors have the pleasure in presenting the Annual Report of the bank along with the audited Balance Sheet as at March 31, 2019 and the Profit and Loss Account for the year ended March 31, 2019 and the auditor's report

### Performance Highlights

The summary of financial performance of your bank for the year 2018-19 is as under:

Rs. In crore

Key Parameters	As at/ for the year ended		Growth %
	31-3-2018	31-3-2019	
Share Capital	15.02	17.80	18.51
Reserves	62.61	64.22	2.57
Deposits	645.76	733.77	13.63
Loans & Advances	356.04	442.17	24.19
Investments	322.89	320.01	-0.89
Total Business	1001.80	1175.94	17.38
Net Profit	2.47	4.06	64.37

- ⇒ Total business reached an all time high of Rs.1175.94 crore as at March 31, 2019 surpassing the previous high of Rs.1001.80 crore recorded as at March 31, 2018, up by 17.38 %
- ⇒ Total Deposits increased from Rs. Rs.645.76 crore as at March 31, 2018 to Rs.733.77 crore as at March 31, 2019, registering a 13.63 % growth.
- ⇒ The share of CASA at Rs.146.52 crore accounted for 19.97 % of the total deposits as at March 31, 2019.
- ⇒ Total Loans and Advances increased to Rs.442.17 crore as at March 31, 2019 from Rs.356.04 crore, registering a strong growth of 24.19 %.
- ⇒ Net Profit increased to Rs.4.06 crore during the year 2018-19 as compared to Rs.2.47 crore for the year 2017-18, registering a 64.37 % growth.



- ⇒ Capital Adequacy Ratio as at March 31, 2019 stood at 11.58 %, well above the regulatory prescription of 9.00 %.
- ⇒ Gross NPAs as at March 31, 2019 improved to 5.99 % compared to 7.92 % as at March 31, 2018.

## FINANCIAL PERFORMANCE

### Profit

The external environment has become highly volatile and the operating environment has been loaded with limitations, in spite of which the financial performance of the bank during the financial year ended March 31, 2019 has been commendable. Operating Profit for the year 2018-19 was higher at Rs.6.59 crore as compared to Rs.4.03 crore for the year 2017-18, registering a growth of 63.52 %. The bank recorded a Net Profit of Rs.4.06 crore for the year 2018-19, as compared to Rs.2.47 crore for the year 2017-18, thereby registering a growth of 64.37 %.

### Net Interest Income

The higher growth in earning assets led to increase in Interest Income to Rs.62.29 crore during 2018-19 as compared to Rs.55.85 crore during the year 2017-18, thereby registering 11.53 % growth. Total Interest expenditure was also higher by 7.99 % up from Rs.38.19 crore during the year 2017-18 to Rs.41.24 crore during the year 2018-19. Net Interest Income incidentally increased to Rs.21.05 crore during the year 2018-19 as compared to Rs.17.66 crore during the year 2017-18, registering a growth of 19.20 %. The non-Interest Income increased to Rs.3.34 crore during the year 2018-19 as compared to Rs.1.37 crore during the year 2017-18.

### Operating Expenses

Total operating expenses increased to Rs.17.80 crore during the year 2018-19 from Rs.15.01 crore during the year 2017-18. This was mainly due to increase in other operating expenses on salaries, rent, rates, taxes and lighting, postage, telephones, printing and stationery and other expenditure.

### Provisions and Contingencies

Bank for the year 2018-19 had made provisions towards the following items

- a. Rs.0.28 crore towards Standard Assets ( Rs.0.25 crore in 2017-18)
- b. Rs.2.25 crore towards Income Tax expenses (Rs.1.31 crore in 2017-18)

The board recommends following appropriations of net profit of Rs.4.06 crore which is in accordance with the provisions of the Act and bye-laws of the bank.

Head of Account	Appropriation for the year	Balance after proposed appropriation
Reserve Fund	1,01,59,422.30	20,52,40,353.78
Karnataka State Co-op Federation (Education fund)	6,09,565.34	6,09,565.34
Karnataka Urban Co-op Bank's Federation	3,04,782.67	3,04,782.67
Bad & Doubtful Debts Fund	14,78,195.94	33,51,69,113.77
Building Fund	23,65,113.51	4,55,24,290.66
Investment Depreciation Fund	8,86,917.57	78,62,541.25
Investment Fluctuation Reserve	23,65,113.51	35,57,536.29



Head of Account	Appropriation for the year	Balance after proposed appropriation
Members Welfare Fund	5,91,278.38	50,86,538.20
Charity Fund	2,95,639.19	11,65,989.31
Staff Gratuity Fund	14,78,195.94	27,33,990.54
Staff Welfare Fund	2,95,639.19	62,40,416.29
Jubilee Fund	5,91,278.38	3787,133.18
Profit Equalization Fund	5,91,278.38	29,23,159.42
Dividend Equalization Fund	8,86,917.57	90,97,346.95
Contingent Reserve Fund	2,95,639.19	63,06,139.57
Branch Opening and Celebration Fund	2,95,639.19	21,11,128.11
Co-operative Propaganda Fund	2,95,639.19	15,52,102.99
Foreign Tour Fund	2,95,639.19	21,61,141.18
Directors' Medical Insurance Fund	2,95,639.19	19,44,913.76
Balance available for payment of dividend	1,62,60,155.36	1,62,60,155.36
Contingent Provisioning towards Std Assets	0.00	2,13,15,002.43
Special BDDR U/s 36(1)(viii) of IT Act	0.00	18,48,000.00
<b>Total</b>	<b>40637689.18</b>	<b>682801341.05</b>

#### Dividend

Taking into account the overall profitability, the Board of Directors recommend a dividend of 10.00 % for the year 2018-19. The payout would be Rs.1.63 crore.

The dividend for the year 2018-19 at 8.00 % as approved by the Annual General Body in the meeting held on September 22, 2018 have been credited to the accounts of the members as per the mandate given. The members who are yet to collect the dividend for 2017-18 and so also immediate earlier two years may approach our nearest branch to collect the dividend at the earliest.

#### BUSINESS GROWTH

Total assets of bank increased from Rs.737.52 crore as at March 31, 2018 to Rs.836.21 crore as at March 31, 2019 registering a 13.38 % growth. Total business increased by 17.38 % to Rs.1175.94 crore as at March 31, 2019 from Rs.1001.80 crore as at March 31, 2018.

#### Deposits

The various initiatives taken during the year helped in increasing the Total deposits as at March 31, 2019 to Rs.733.77 crore as against Rs.645.76 crore as at March 31, 2018, registering a 13.63 % growth. The achievement is commendable considering the fact that overall deposits growth of Scheduled Commercial Banks for the year 2018-19 was at 10.03 %.

Rupees in crore

Type of Deposits	As at March 31, 2018		As at March 31, 2019	
	Amount	% to Total	Amount	% to Total
Current	40.63	6.29	34.14	4.65
Savings	102.89	15.93	112.38	15.32
Term	502.24	77.78	587.25	80.03
<b>Total</b>	<b>645.76</b>	<b>100.00</b>	<b>733.77</b>	<b>100.00</b>



The composition of deposits mainly tilted towards term deposits that provided more stability to the resource mobilization. As a result, the share of CASA which stood at 22.22 % of the total deposits as at March 31, 2018 came down to 19.97 % as at March 31, 2019. However, in line with the market trend, the cost of deposits decreased to 6.43 % in 2018-19 as against 6.73 % in 2017-18. Towards increasing the share of CASA, new thrust is being given which would help in improving the profitability.

#### Loans and Advances

The financial year posed several challenges with slower credit growth, coupled with higher provisioning cost due to continued stress in asset quality. The bank continued to focus on asset quality in lending and succeeded in expanding the credit portfolio to Rs.442.17 crore as at March 31, 2019 from Rs.356.04 crore as at March 31, 2018. Incidentally, the loans and advances recorded a growth of 24.19 % which is well above growth rate recorded by the banking industry at 13.24 %. Interest Income on Loans and Advances increased to Rs.38.58 crore for the year 2018-19 from Rs.31.27 crore for the year 2017-18. The Yield on advances improved to 9.97 % during the year 2018-19 as against 9.83 % during the year 2017-18.

Priority sector advances of the bank surged from Rs.183.68 crore as at March 31, 2018 to Rs.255.59 crore as at March 31, 2019 and formed 71.79 % of the Adjusted Bank Credit (ABC) thereby achieving the regulatory prescription of 40.0 % in this regard. Bank also fulfilled its commitment to the weaker section with a contribution of 10.89 % of the Adjusted Bank Credit (ABC) against the mandated level of 10.00 %. The total exposure to the weaker section as at March 31, 2019 stood at Rs.38.78 crore.

Maintaining the asset quality has been a challenge for the banks as a whole for the last few years due to the overall sluggishness prevailing in various industrial and services sector. The conservative policy of the bank in an effort to maintain the credit quality and close monitoring of loans and initiating timely corrective action has enabled the bank in restricting the fresh accretions to non performing assets to Rs.0.83 crore. Apart from this, a thrust was also given on recovery out of stock of hardcore non-performing assets. The concerted efforts enabled us in recovering an amount of Rs.2.52 crore out of non-performing assets, majority of which were under doubtful category. This enabled us in bringing down the level of Gross and Net NPAs to 5.99 % as at March 31, 2019 from 7.92 % as at March 31, 2018.

The bank held full provisioning towards non-performing assets, on account of which the Net NPAs stood at 0.0 % for eighth year in succession. Bank would continue to strive hard in bringing down the level of non-performing assets until they are brought down to nil.

The provision coverage ratio indicates provision made by the bank against NPAs. Higher provision coverage ratio reflects adequacy of provision against NPAs of the bank. The provision coverage ratio as at March 31, 2019 stood at 125.92 %.

The bank currently offers an array of loan products like, car loans, home loans, mortgage loans, gold loans, education loans, business loans etc. at very competitive terms and interest rates and is customer friendly with due focus on retail sector.



## Investments

Total investment portfolio of the bank as at March 31, 2019 stood at Rs.320.01 crore compared to Rs.322.89 crore as at March 31, 2018. Apart from inter bank placements the investments of the bank were in the categories permitted by the Reserve Bank of India. The yield on investments during 2018-19 worked out to 7.98 % compared to 8.04 % during 2017-18. Bank complied with Reserve Bank of India's regulatory requirements like CRR and SLR throughout the year. The non-SLR exposures also stood well with the limits prescribed by Reserve Bank of India. The liquidity position of the bank continued to be comfortable throughout the year.

## Owned Funds and Reserves

During the year the paid up share capital as at March 31, 2019 increased by Rs.2.78 crore, up from Rs.15.02 crore as at March 31, 2018 to Rs.17.80 crore, registering a 18.51 % growth rate. Total Reserve Fund and other funds as at March 31, 2019 stood at Rs.64.22 crore as compared to Rs.62.61 crore as at March 31, 2018. Thus total owned funds of the bank increased from Rs.77.63 crore as at March 31, 2018 to Rs.82.02 crore as at March 31, 2019, registering a 5.66 % growth rate. The bank added 1815 members and 342 members surrendered their membership. Thus the total membership base of the bank increased to 41963 as at March 31, 2019 from 40490 as at March 31, 2018.

Total Capital Funds increased to Rs.48.14 crore as at March 31, 2019 compared to Rs.43.38 crore as at March 31, 2018. Total Risk Weight Assets also increased to Rs.415.70 crore as at March 31, 2019 from Rs.344.00 crore as March 31, 2018. Consequently, Capital Adequacy Ratio stood at 11.58 % as at March 31, 2019 as against 12.61 % a year ago. Thus bank continued to maintain the capital adequacy continuously well above the regulatory prescription of 9.0 % on a regular basis. It is very much pertinent to note that adequacy of capital is vital for business expansion.

The distribution of share holding as at March 31, 2019 is as under.

Share Range	No. of Members	% to Total Membership	No. of Shares	% to Total
Up to Rs.500-00	23,379	55.71	4015800	2.26
Rs.600-00 to Rs.1000-00	2,941	7.01	2333700	1.31
Rs.1100-00 to Rs.3000-00	8,052	19.19	16705300	9.38
Rs.3100-00 to Rs.5000-00	2,842	6.77	15841200	8.90
Rs.5100-00 and above	4,749	11.32	139125900	78.15
Total	41963	100.0	178021900	100.0



### Branches and Customer service

The business position of our branches as at March 31, 2019 is as under:

Rupees in crore

Branch	Deposits		Loans and Advances	
	No. of Accounts	Amount	No. of Accounts	Amount
Sirsi Main	23941	118.71	1158	29.69
Yellapur	8091	23.04	1240	11.47
Mundgod	9116	32.85	4281	18.49
Dandeli	9954	48.45	750	23.99
Banavasi	3483	6.69	2932	8.12
Sirsi Suburban	9392	51.01	514	7.00
Sadashivgad	7217	35.47	1041	9.06
C P Bazar, Sirsi	8417	39.43	821	23.54
Honavar	8711	32.38	766	20.51
Shirali	4852	16.60	803	18.54
Babruwada, Ankola	12613	55.60	781	13.01
Kumta	8028	50.23	549	22.07
Karwar	13624	68.19	811	41.78
Hubli	7311	90.45	912	132.88
West of Chord Road, Bangalore	4259	45.81	853	48.06
Ulsoor, Bangalore	6130	18.86	606	13.96
Total	145139	733.77	18818	442.17

Total branch network continued to be 16 branches and 2 extension counters apart from Head Office. The implementation of CBS is pre-requisite to provide technologically driven products and services. The bank being a sub member of leading Scheduled commercial bank has been providing RTGS/ NEFT, CTS, ATM, SMS, Internet Banking, Mobile Banking, IMPS, RuPay Card facilities to the customers.

Bank installed its onsite ATMs at Sirsi Main, Suburban, Mundgod, Hubli, West of Chord Road, Bangalore, Kumta, Dandeli and Honnavar branches and 4 onsite ATMs at Babruwada (Ankola), Yellapur, Shirali and Karwar Branches which would go live shortly. With this our total ATMs would go up to 12 by the end of financial year 2019-20. Bank is already providing Rupay Card which facilitates not only ATM transactions, but also Point of sale (POS) and e-commerce. We request all our cardholders to make extensive use of the cards and be a part of digital initiatives of the government.



## Human Capital

The organization culture and the human factor are the key differentiators in achieving the excellence in a competitive business scenario. Bank continued to give due thrust to the empowerment and to improve the skills and competence of the employees through training programmes. The employees with the encouragement given by the bank continued their self education. The employees who successfully completed JAIIB and CAIIB stood at 14 and 24 respectively.

We are happy in informing you that 34 officers of the bank qualified in the Diploma in Urban Co-operative Banking Management Course (DUCBM) conducted by The Karnataka State Co-operative Urban Banks Federation Ltd, Bangalore. During the current financial year another 28 officers have also been enrolled for said course. In view of the latest amendment to the Karnataka Co-operative Societies Act, 1959, apart from other eligibility criteria, DUCBM qualification is made mandatory for being eligible for promotions to higher cadre.

The number of employees as at March 31, 2019 stood at 148 comprising of 22 officers, 102 assistants and 24 sub staff. The business per employee stood at Rs.7.95 crore for the year. The bank maintained excellent relations and the atmosphere of peace and harmony continued as in the previous years. The pay scales for the employees were revised as per the recommendations of the Committee on Pay Scales revision constituted by the Karnataka State Co-operative Urban Banks Federation Ltd., Bangalore.

## Audit, Systems and Controls

The control, monitoring and supervision of branches through audits and inspections are of prime importance for any growing organization. The concurrent audit of all the branches and Head Office are already in place to ensure proper working and safety of advances and to identify the defects early to initiate necessary corrective action. Further internal audit of the branches has also been introduced during the year.

Bank has in place a well documented policy on Know Your Customers, in line with the instructions issued by Reserve Bank of India from time to time. The policy lays down the customer identification procedures to be adopted for proper identification of customers at the time of opening the accounts. Necessary instructions have been passed on to the field functionaries for implementation of the KYC guidelines. A system is also in place to track suspicious and cash transactions. Necessary reports under the laws on Anti Money Laundering (AML) requirements are submitted to Financial Intelligence Unit on monthly basis.

The bank has also taken initiatives to spread the awareness about KYC/AML and the need for customers to extend their co-operation in this regard through specific banners displayed at the banking hall at branches.

During the year, Reserve Bank of India carried out the on-site inspection of the bank with



reference to the financial position as at March 31, 2018. The observations made in the report were complied and /or being attended to.

The statutory audit for the financial year 2018-19 has since been completed. The Statutory Auditors having taken note of the all round progress made under various parameters, has given "A" Audit Classification. We assure all our customers that we would strive hard to maintain the same in coming years also.

A proposal seeking appointment of Statutory Auditors for the financial year 2019-20 is placed before the members seeking their approval.

#### CORPORATE GOVERNANCE

During the financial year 2018-19 the Board met on 14 occasions. Apart from this, 14 meetings of Business Sub-Committee, 4 Audit Sub-Committee, 2 Investment Sub-Committee meetings and 3 Loan Recovery Sub Committee meetings were held to discuss the business attached to it. Every member of the Board/ each Sub-Committee actively participated in the business and contributed their expertise, knowledge and experience towards the progress of the bank.

#### Composition of the Board

The composition of the Board is governed by the provisions of the Karnataka Co-operative Societies Act, 1959, the bye-laws of the bank and so also the instructions of Reserve Bank of India to have atleast two professional directors. As at March 31, 2019 the Board comprised of 20 directors. The Board includes eminent persons with expertise and experience in banking, finance, agriculture, business and trade etc.

#### Changes and Election to the Board

The five year term of the previous Board of Directors of the bank ended on January 27, 2019. As required under the provisions of the act, the election process to elect a new Board commenced on January 18, 2019 and elections were to be held on January 28, 2019. Shri G. S. Jayaprakash, Deputy Registrar of Co-operative Societies, Karwar was appointed as Returning Officer for conducting the said election. All the candidates were elected un-opposed.

It is a matter of pride to introduce before you the following members who got elected for a five year term of 2019 – 2024.

1. Sri Jaydev U Nilekani
2. Sri. Milind V. Pandit
3. Dr. V. S. Sonde
4. Sri S P Machado
5. Sri. Mohan S. Prabhu
6. Sri. Santosh S Pandit





7. Sri. Sadanand M Naik
8. Sri T. S. Balamani
9. Sri Ramakrishna V Palekar
10. Smt Suvarna P Prabhu
11. Smt Vanita V Keshwain
12. Sri Surendra J Revankar
13. Sri Varindra S Kamat
14. Sri Nitin S Kasarkod
15. Sri Prakash V Pai
16. Sri Suryakanth D Devali
17. Prof. Koteppa N Hosmani
18. Sri Jagadish N Deshbhandari
19. Sri Shashikant K Nadig
20. Sri T Sreedhar Murthy

Thereafter, Returning Officer conducted a Special Board Meeting of the elected directors for the election of office bearers on February 06, 2019. Due to health issues related with old age Dr. V S Sonde expressed his desire not to contest for President-ship this time. Shri Jaydev U. Nilekani and Shri Milind V. Pandit were unanimously elected as the President and Vice President of the bank.

Board places on record its appreciation for the valuable contribution of Dr V S Sonde during his long tenure of 32 years as President which has immensely helped the bank to scale to new heights and also for his valuable guidance during his long tenure being associated as director of the bank since 1964. The board also seeks his continued support and valuable guidance in coming years.

Shriyuths Shashikant K Nadig, Assistant General Manager (Retd.) and T. Sreedhara Murthy, Divisional Manager (Retd.) of a leading Public Sector Bank were co-opted as Professional Directors of the bank.

Shriyuts Ramachandra G. Nayak, G. H. Shet Sanu and S. C. Dhundshi demitted the directorship in pursuance of elections to the new Board. Board of Directors places on record its appreciation of the valuable services rendered by him during the tenure as director of the bank.

#### Awards and accolades

Awards are a reflection of our growing strength and impact on the financial landscape. The bank bagged following awards during the year 2018-19 in recognition of its achievements.

⇒ "Best Bank Award" based on working capital among the Urban Co-operative Banks in Belgaum Division on December 01, 2018 at a function organized by Karnataka State Co-operative Urban Banks Federation, at Bangalore.

⇒ "Jury Award" among the Urban Co-operative Banks having working capital up to Rs. 750.00



Cröre organized by Banco Blue Ribbon 2018 on January 17, 2019 at Karjat, Maharashtra.

⇒ "Centenary Service Award" in recognition of service to the society over the past 100 years at the 65<sup>th</sup> All India Co-operative Week Celebrations held on November 21, 2018 at Sirsi.

#### Duties of the members

In pursuance of latest amendment to the Karnataka Co-operative Societies Act and rules, every member of the bank shall participate in the management of the bank by attending three out of the last five annual general meetings and by utilizing every year such minimum services or facilities offered by the bank as may be specified in the bye-laws.

Accordingly, every member as per the bye-laws of the bank is required to utilise every year the minimum services as here under:

1. to have Rs.1000 minimum deposit under any of the accounts or to have a loan of minimum Rs.5000 and
2. to transact at least on 4 occasions in a financial year in the operative accounts like SB, Current, Pigmy and Cash Credit

A member who fails to utilize the minimum services, fails to attend the minimum meetings, shall lose his right to vote for a period of three years.

We seek active participation of our members by availing products and services and by attending the General Body meetings.

It is expected that every member operates their accounts so that the balances in the deposit and other accounts, which have not been operated upon for more than 10 years are not transferred to DEAF Account established by Reserve Bank of India.

#### Felicitations

Board of Directors have proposed to honor meritorious children of our members who excelled in the SSLC, Pre-University, Degree and Post Graduation examination held in March/ April 2019. In addition to this, it is also decided to felicitate senior shareholders of our bank in recognition of their contribution to the society at large and bank in particular.

#### Branch shifting

In order to provide better services and to attract new business, our Babruwada (Ankola) branch which is presently housed in "Ganga Nivas", Bunder Road, Babruwada, Ankola would be shifted to a new spacious premises nearby at "Devaki Anant Residency" Bunder Road, Babruwada, Ankola on September 11, 2019 with an intention to provide safe locker facilities, ATMs apart from existing services.

#### Business Goals

The bank has envisaged a total business turnover of over Rs.1500.00 crore for the year 2019-20. This is based on the expectations of pick up in investment rate following the improvement in consumer demand and lending activities by the banks. The accommodative monetary policy would help decrease the real lending rates and push the investments. With a stable govern



ment at the centre, the policy framework and implementation of prioritized agenda which are already defined are expected to witness pace. This is expected to trigger enhanced spending on infrastructure, speedy implementation of the projects and so also continuance of the reforms process. The thrust on development of infrastructure is expected to further open-up capital inflows and improve the employment opportunities. To add to this, the advancement in technology would enable the banking sector to provide improved services to their clients with the help of digital channels and also upgrading the technological infrastructure.

#### Obituary

The board deeply mourns the sad demise of Shri V R Pai, Ex-Director of the bank who left for his heavenly abode on April 11, 2019. The board places on record the valuable contribution by Shri V. R. Pai during his association with the bank as director for over two decades towards all-round development of the bank. We fondly remember his contribution as Chief Editor of "Mukutashri" the commemorative souvenir brought out by the bank to mark the 110 year completion celebration.

We express our profound sorrow at the sad demise of the members who passed away during the year. We pray that the departed souls rest in peace and may the Almighty grant fortitude and strength to their families to bear the irreparable loss of their dear ones.

#### Acknowledgements

The Board would like to place on record its sincere gratitude to the Shareholders, Customers and clients for their co-operation and support but for which it would not have been possible for the Bank to achieve such an impressive growth and development on various fronts.

We also express our thanks to the General Manager, Deputy General Manager, Officers of Reserve Bank of India, Urban Banks Department for their valuable guidance and encouragement.

We also place on record our thanks to Registrar of Co-operative Societies, Karnataka State, Joint Registrar of Co-operative Societies, Urban Banks Cell and all other Officers of the Co-operative Department for their guidance and support to us.

The Board places on record its deep sense of appreciation for the dedicated and untiring efforts put in by Smt Arathi S Shettar, Chief Executive Officer and the dedicated team of officers and staff both at Head Office and Branches.

The Board further acknowledges with appreciation, excellent support, co-operation and guidance extended to the bank in improving its all-round performance during the year 2018-19 by our Karnataka Urban Co-operative Banks Federation, bankers, financial institutions, advocates and solicitors, Concurrent, Statutory and EDP Auditors, Consultants, Valuers, media and other vendors and all the others who have directly and indirectly contributed towards progress of the bank.

For and on behalf of the Board of Directors

Place : Sirsi

Date: July 31, 2019

**Jaydev U Nilekani**

President











































