

SCHEDULE 18

SIGNIFICANT ACCOUNTING POLICIES: 2020-21

1. ACCOUNTING CONVENTIONS:

(A) BASIS OF ACCOUNTING

The accompanying financial statements have been prepared following the 'Going Concern' concept under the historical cost basis and confirm to the statutory provisions and Prevailing practices consistently followed by the Bank, except otherwise stated elsewhere. They conform to Generally Accepted Accounting Principles (GAAP) in India, which comprise statutory provisions, regulatory guidelines, Accounting Standards / Guidance Notes issued by the Institute of Chartered Accountants of India (ICAI) and the practices prevalent in the banking industry.

(B) USE OF ESTIMATES

The preparation of financial statements require the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on date of the financial statements and the reported income and expense for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revision to the accounting estimate is recognized prospectively in the current and future periods unless otherwise stated.

Effect of Covid 19 Pandemic

The Bank has considered the possible effects that may result from the pandemic relating to COVID-19 in the preparation of these financial statements including the recoverability of carrying amounts of financial and non financial assets. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of this pandemic, the Bank has, at the date of approval of these financial statements, has assessed that the carrying amount of these assets will be recovered. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these standalone financial statements.

(C) USE OF ACCOUNTING POLICY

Accounting Policy is consistently used unless change is required by statute or for compliance with Accounting Standard or the change would result in a more appropriate presentation of the financial statements.

2. INVESTMENTS:

The transactions in Securities are recorded on "Settlement Date".

2.1 Classification

The Investment portfolio of the Bank is classified in accordance with RBI guidelines into:

- (1) "Held to Maturity" (HTM) comprising investments acquired with the intention to hold them till maturity.
- (2) "Held for Trading" (HFT) comprising investments acquired with the intention to trade by taking advantage of short term price/ interest rate movements. These are intended to be traded within 90 days from the date of purchase.
- (3) "Available for Sale" (AFS) comprises of investments not covered by (a) or (b) above i.e., those investments which do not fall under in HTM or HFT classification.



In the Balance Sheet, the investments are disclosed as per the following six classifications in accordance with the guidelines of the Reserve Bank of India:

- (i) Government Securities
- (ii) Other Approved Securities
- (iii) Shares
- (iv) Debentures & Bonds
- (v) Subsidiaries and / or Associates
- (vi) Others

While the first two classifications represent Bank's investment in SLR Securities, other four represent Non-SLR Securities.

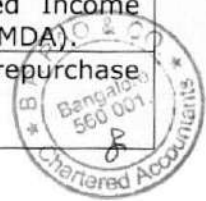
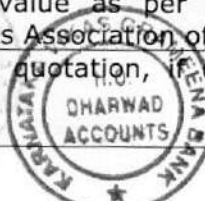
2.2 Acquisition Cost of Investment

- (a) Brokerage, Commission, Securities Transaction Tax (STT) etc. paid in connection with acquisition of investments are expensed upfront and excluded from cost.
- (b) Broken period interest paid/received on debt instruments are treated as interest expense/income and is excluded from cost/sale consideration

2.3 Method of Valuation

- (a) The valuation of investments is done as per RBI circular RPCD.CO.RRB.BC No.74/03.05.33/2013-14 dated 07.01.2014.
- (b) Investments classified as HTM are carried at acquisition cost unless it is more than the face value, in which case the premium is amortized over the period remaining to maturity on constant yield basis. Such amortization of premium is adjusted against income under the head "interest on investments".
- (c) The individual scrips in the AFS category are marked to market at quarterly intervals. The book value of the individual securities would not undergo any change after the valuation.
- (d) The individual scrips in the HFT category are marked to market at monthly intervals. The book value of the individual securities would not undergo any change after the valuation.
- (e) The Securities under AFS & HFT categories shall be separately valued scrip-wise and depreciation / appreciation shall be aggregated for each balance sheet category. The investment in a particular classification may be aggregated for the purpose of arriving at net depreciation / appreciation of investments under that category. Net depreciation, if any, shall be provided for. Net appreciation, if any, is ignored. Net depreciation required to be provided for, in any one classification should not be reduced on account of net appreciation in any other classification.
- (f) Transfer of securities from HFT/ AFS category to HTM category or vice versa 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 on acquisition price / book value.
- (g) Investments held under AFS and HFT are valued as under:

Govt. Securities	At market Price / YTM as published by Financial Benchmark India Pvt. Ltd (FBIL).
Equity Shares	At market Price if quoted. Otherwise at Break-up value of Shares as per latest Balance Sheet not more than 18 months, Otherwise at Re. 1 per Company.
Bonds & Debentures	At market Price if quoted or an appropriate YTM basis not exceeding redemption value as per RBI / Fixed Income Money Market Derivatives Association of India (FIMMDA).
Units of Mutual Funds	As per Stock Exchange quotation, if quoted at repurchase price / NAV if un-quoted.



2.4 Investments are classified as performing and non-performing, based on the guidelines issued by the RBI. Investment are considered non-performing where:

- Interest/installment (including maturity proceeds) are due and remain unpaid for more than 90 days.
- In the case of equity shares, in the event the investment in the shares of any company is valued at Re.1 per company on account of non-availability of the latest Balance Sheet, those equity shares will be reckoned as NPI.
- In respect of non-performing securities, income is not recognized and provision is made for depreciation for such securities. Provision made on non-performing investments is not set off against the appreciation in respect of other performing investments.

2.5 Disposal of Investments:

- a) Profit/loss on sale of investments classified as HTM is recognized in the Profit & Loss account and an amount equivalent of profit on sale of investments is appropriated to Capital Reserve account.
- b) Profit/loss on sale of investment in AFS / HFT category is recognized in Profit & Loss a/c.

3. ADVANCES:

3.1 Loans & Advances are to be classified into Performing and Non-performing Assets and Provisions for loss on such loans & advances are to be made as per the Income Recognition and Asset Classification guidelines on prudential norms issued by Reserve Bank of India as applicable to commercial Banks. However, during the year, based on the advice of the Sponsor Bank, the Bank has adopted the guidelines on prudential norms issued by RBI as applicable to commercial Banks which are more stringent.

Loan assets become Non Performing Asset (NPA) where:

i) In respect of agriculture advances:

- a) For short duration crops, where the installment of principal or interest remains overdue for two crop seasons, and
- b) For long duration crops, where the principal or interest remains overdue for one crop season.

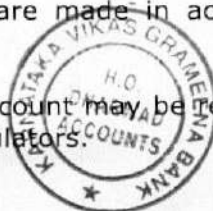
ii) In respect of Non Agriculture advances:

- a) In respect of term loans, interest and / or installment of principal remains overdue for a period of more than 90 days.
- b) In respect of Overdraft or Cash Credit Advances, the account remains "out of order", i.e. if the outstanding balance exceeds the sanctioned limit or drawing power continuously for a period 90 days, or if there are no credits continuously for 90 days as on the date of balance sheet, or if the credits are not adequate to cover the interest debited during the same period.

3.2 Advances are stated net of provisions made for non-performing assets except general provisions for Standard advances. Provisions made for Standard advances are included in 'Other Liabilities & Provisions'.

3.3 For Restructured / Rescheduled assets, provisions are made in accordance with the extant guidelines issued by the RBI.

3.4 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing asset if it conforms to the guidelines prescribed by the regulators.



3.5 For DICGC/CGTMSE covered accounts, while calculating provisions, where claim is not received, no allowance is made for the claim receivable.

3.6 Provisioning Norms for Advances are as follows:

Standard Assets		% of Provisioning
a.	Direct Advances to Agricultural and Small & Micro Enterprises (SMEs).	0.25%
b.	Advances to Commercial Real Estate sector (CRE).	1.00%
c.	Advances to Commercial Real Estate-Residential Housing Sector (CRE-RH).	0.75%
d.	Restructured accounts classified as standard advances in the first two years from the date of restructuring. In cases of moratorium on payment of interest/principal after restructuring, for the period covering moratorium and two years thereafter. (other than e below)	5.00%
e.	Restructured Accounts after 01-09-2020 in line with the RBIs circular on Covid Resolution Framework	10.00%
e.	All other loans and advances not included above.	0.40%

Non-Performing Assets

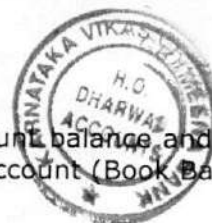
Asset Classification			
i.	Substandard Assets (A loan asset that has remained non performing for a period less than or equal to 12 months is aSub Standard Asset) (on the balance outstanding without considering any allowance for Guarantee cover or value of securities available)	A general provision of 15% on the total outstanding	Additional provision of 10% for exposures which are unsecured ab-initio
ii.	Doubtful Assets (A loan asset that has remained in the sub-standard category for a period of 12 months is Doubtful Asset)	Secured Portion	Unsecured Portion
A	Doubtful Assets up to 1 year (DA-1)	25%	100%
B	Doubtful Assets 1 to 3 years (DA-2)	40%	100%
C	Doubtful Assets above 3 years (DA-3)	100%	100%
iii.	Loss Assets (A loan asset where Loss has been identified but the amount has not been fully written of is a Loss Asset)		
	On the balance outstanding minus DICGC/CGTMSE claim received amount	100%	100%

Asset classification, determination of NPA status and Income recognition are done throughout movement defined in CBS System for IRAC codes 4 (Sub-standard) to 7 (doubtful above three years) periodically. However Categorisation to loss assets are done manually taking into account various factors like value of security, continuing/discontinuing of activities etc.,

3.7 While computing the provision on NPA's, following procedures are adopted:

A. Under Sub-Standard Assets Category:

No allowance is made for DICGC/CGTMSE claim received account balance and security, as provision @15% shall be made on the outstanding balance under Real Account (Book Balance)



B. Under DA-1, DA-2, DA-3 Category:

1. The realisable value of securities is first deducted from the outstanding balance under Real A/C (Book balance).
2. DICGC/CGTMSE claim received A/C balance, if any, is deducted from the above balance to arrive at the uncovered portion.
3. Provision @ 25% /40% / 100% is calculated on secured portion for DA-1 / DA-2 / DA-3 respectively.
4. Provisions @ 100% is calculated on remaining uncovered un-secured portion.
5. Sum of provisions calculated as per (3) and (4) above is the total provision required for the loan accounts.

C. Under Loss Assets Category:

Balance under DICGC/CGTMSE Claim received accounts is deducted from the outstanding balance under Real A/C (Book Balance) and 100% provision is made on the balance amount.

4. PREMISES AND OTHER FIXED ASSETS AND DEPRECIATION:

- 4.1 The premises and other fixed assets are stated at historical cost and/or revaluation value less accumulated depreciation. All the fixed assets are held in the books of accounts at the head office.
- 4.2 Depreciation on fixed assets is charged under Straight Line method based on the useful life and residual value, if any at the following rates:

(1) BUILDINGS: Bank owned	1.58%
(2) OTHER ASSETS.	
(a) Furniture, Electrical fittings	9.50%
(b) Solar equipments	33.33%
(c) Computers, Peripherals, UPS, Operating Software	33.33%
(d) Security alarm, Mobile sets	20.00%
(e) Vehicles	20.00%
(f) Electronic Equipments	20.00%
(g) Other Equipments	13.57%

- 4.3 Depreciation on any additions to fixed assets is provided on a pro rata basis from the date of such addition.
- 4.4 Depreciation policy for Revalued assets:
 - a) The appreciation on revaluation shall be credited to Revaluation Reserve.
 - b) Depreciation on the revaluation reserve as well as on the original cost of the asset shall be on Straight Line Method (SLA).
 - c) The depreciation on the original cost of the asset shall be debited to Profit and Loss Account and on the re-valued portion shall be debited to Revaluation Reserve.
 - d) The entire amount under Revaluation Reserve shall be adjusted towards depreciation over the economic useful life of the assets.

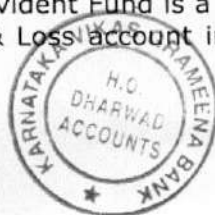
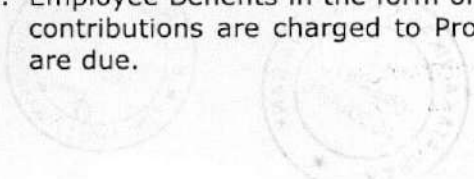
5. EMPLOYEE BENEFITS:

5.1 Short term Employee Benefits:

Employee benefits payable wholly payable within twelve months of rendering the service are classified as short term benefits and are recognized in the period in which the employee renders the related service.

5.2 Long term Employee Benefits:

- i. Employee Benefits in the form of Provident Fund is a Defined Contribution Scheme and the contributions are charged to Profit & Loss account in the year in which the contributions are due.



- ii. Gratuity liability is a Defined Benefit Plan and is provided for on the basis of actuarial valuation made at the end of the financial year. The gratuity liability is funded to the Gratuity Fund Trust of the Bank.
- iii. Accumulated Compensated absences such as Leave Encashment are provided for based on actuarial valuation.
- iv. Pension liability is a defined benefit obligation and is provided for on the basis of actuarial valuation for the employees who have joined the Bank upto 31st March 2010 and opted for pension.
- v. New Pension Scheme (NPS) which is applicable to employees who joined the Bank on or after 1st April 2010 and it is a defined contribution scheme. Under NPS, the Bank pays fixed contribution at predetermined rate and obligation of the Bank is limited to such fixed contribution. The contribution is charged to Profit & Loss account.

6. RECOGNITION OF REVENUE /EXPENSES:

- 6.1 Revenue and expenses are generally accounted on accrual basis except in respect of income on non-banking assets, interest on matured deposits, income from non-performing assets, dividends on investments and legal expenses on suit filed accounts which are accounted for on cash basis.
- 6.2 Interest on overdue deposits is accounted for at the time of renewal.
- 6.3 The broken period interest on sale or purchase of securities is treated as revenue as per RBI guidelines.

7. TAXES ON INCOME:

- 7.1 Current tax is determined as per the provisions of the Income Tax Act, 1961.
- 7.2 Deferred Tax Assets and Liabilities arising on account of timing differences between taxable and accounting income, is recognized keeping in view, the consideration of prudence in respect of Deferred Tax Assets in accordance with the Accounting Standard 22 issued by ICAI.

8. IMPAIRMENT OF ASSETS:

The carrying amount of assets is reviewed at each Balance Sheet date for any indication of impairment based on internal/external factor. An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount.

9. NET PROFIT:

Net Profit is arrived at after accounting for the following under "Provisions and Contingencies"

- Provision/write off of non-performing advances and investments
- Provision for Standard assets
- Adjustment for appreciation/depreciation on investments
- Provision for Income tax
- Other usual and necessary provisions

10. EARNINGS PER SHARE

Earnings per Share is calculated by dividing the net profit or loss for the period attributable to the Shareholders by the weighted average number of Shares outstanding during the period. Diluted Earnings per Share are computed using the weighted average number of Shares and dilutive potential Shares outstanding as at the end of the year.



11. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

As per AS 29 issued by the ICAI, the Bank recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

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SCHEDULE 19

NOTES ON ACCOUNTS:

1) CAPITAL:

Sl. No.	ITEMS	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
a)	Capital to Risk Assets Ratio (CRAR %)	10.37	10.69
b)	CRAR – Tier I Capital %	9.59	9.98
c)	CRAR – Tier II Capital %	0.78	0.71
d)	% of shareholding of Government of India	50	50
e)	% of shareholding of Govt. of Karnataka	15	15
f)	% of shareholding of Syndicate bank	35	35
g)	Amount of subordinated debt raised as Tier II Capital	-	-

2. INVESTMENTS:

- a) Investments are shown at book value.
- b) The bank was holding provision for investments to the extent of Rs.433.21 lakh as at 31.03.2020. Total provision requirement as at the end of the current financial year is Rs. 6786.58 lakh. Accordingly, additional provision of Rs. 6353.37 lakh has been made during the year. Provision of Rs.6085.26 lakh is made during the year for Government securities under AFS category. Apart from this, investment in Bonds of UP Co-operative Spinning Mills Federation amounting to Rs. 200.00 lakh, NCD's of Amtek Auto Ltd amounting to Rs. 200 lakh, Investment in the Tier 2 bonds of Laxmi Vilas Bank amounting Rs.300 lakh, Investment in the shares of Arvind Remedies Ltd amounting Rs.1.32 lakh are treated as "loss" assets and fully provided for in the books. All other investments are considered as "standard" in the books of the Bank.
- c) As per the guidelines issued by RBI, the Bank has amortized the premium paid on Government securities classified under "Held to Maturity" category amounting Rs. 703.09 lakh. The same is charged to Profit & Loss account and reflected in Schedule 13, Interest Earned: Item II – Income on investments as a deduction as per RBI guidelines. The balance unamortized portion as at 31st March, 2021 amounts to Rs. 3379.33 lakh.

In accordance with the RBI guidelines, the Bank's domestic investment portfolio has been classified into three categories. The figures as at 31.03.2021 are given hereunder:

Classification	(Rs. in crores)			
	31.03.2021		31.03.2020	
	Amount	%	Amount	%
Held to Maturity – HTM	2915.22	46.21	2646.14	83.04
Available for Sale - AFS	3393.71	53.79	540.52	16.96
Held for Trading – HFT	-	-	-	-
Total	6308.93	100.00	3186.66	100.00

*Domestic SLR securities in HTM category as a percentage of Net Demand and Time Liabilities works out to 17.82% against a stipulated maximum level of 19.50% (previous year works out to 17.34% as against a stipulated maximum level of 19.50%).



The investment Portfolio held by the bank is as under:

(Rs. In crores)

PARTICULARS		CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
1. Value of Investments			
(i)	Gross Value of Investments		
	(a) In India	6308.93	3186.66
	(b) Outside India,	Nil	Nil
(ii)	Provisions for Depreciation		
	(a) In India	67.87	4.33
	(b) Outside India,	Nil	Nil
(iii)	Net Value of Investments		
	(a) In India	6241.06	3182.33
	(b) Outside India,	Nil	Nil
2. Movement of provisions held towards depreciation on investments			
(i)	Opening balance	4.33	4.07
(ii)	Add: Provisions made during the year	63.54	0.26
(iii)	Less: Write-off/ write-back of excess provisions during the year	0.00	0.00
(iv)	Closing balance	67.87	4.33

REPO:

Details	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31,2021
Securities sold under repos	Nil	Nil	Nil	Nil
Securities purchased under reverse repos	Nil	Nil	Nil	Nil

NON-SLR INVESTMENT PORTFOLIO:

i) Issuer Composition of Non SLR Investments

(Rs. In Crores)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	72.24	17.00	2.00	2.00	2.00
(ii)	FIs	419.34	30.00	Nil	Nil	Nil
(iii)	Banks	3.35	3.00	3.00	3.00	3.00
(iv)	Private Corporate	17.26	3.00	2.00	2.00	2.25
(v)	Subsidiaries/ J.V.	Nil	Nil	Nil	Nil	Nil
(vi)	Others	0.00	Nil	Nil	Nil	Nil
	Sub Total Rs.	512.19	53.00	7.00	7.00	7.25
(vii)	Provision held towards Deprn./NPA.	7.01	7.00	7.00	7.00	7.00
	Total (1 to 6-7)	508.18	46.00	Nil	Nil	0.25



ii) Non performing Non-SLR investments:

PARTICULARS	(Rs. In Crores)	
	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
Opening balance	4.10	4.01
Additions during the year since 1st April	3.00	0.09
Reductions during the above period	0.09	0.00
Closing balance	7.01	4.10
Total provisions held	7.01	4.10

iii) Details of investments held:

PARTICULARS	(Rs. In Crores)	
	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
Equity Shares	0.61	1.36
RRBs	Nil	Nil
Venture Capital	Nil	Nil
Units of equity oriented mutual funds	Nil	Nil
Aggregate advances against shares	Nil	Nil
Government Securities/ T-Bills	5796.74	2853.57
Bonds & Debentures	511.58	330.98
Mutual Funds & others	-	0.75
Total	6308.93	3186.66

3. DERIVATIVES :

A) FORWARDED RATE AGREEMENT / INTEREST RATE SWAP: Nil

B) EXCHANGE TRADED INTEREST RATE DERIVATIVES : Nil

C) DISCLOSURES ON RISK EXPOSURE IN DERIVATIVES: Not applicable

4. ASSET QUALITY:

a) NON PERFORMING ASSETS:

	(Rs. In Crores)	
	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
(i) Net NPA to Net Advances (%)	9.66	8.28
(ii) Movement of NPAs (Gross)		
Opening balance	1612.97	1121.56
Additions during the year	1077.93	1383.76
Reductions during the year #	1061.10	892.35
Closing balance	1629.80	1612.97
(iii) Movement of Net NPAs		
Opening balance	855.94	709.95
Additions during the year	1077.93	997.81
Reductions during the year	855.32	851.82
Closing balance	1078.55	855.94
(iv) Movement of Provisions for NPAs		
Opening balance	757.03	411.61
Provisions made during the year	64.92	384.04
Write off/write back of excess provisions #	270.71	38.62
Closing balance	551.24	757.03
Provision Coverage ratio (%)	33.82	46.93

includes Technical write off of Rs.200.00 crore*



The details of technical write off and recoveries made there on during the current year vis- a-vis previous year are as under:

Particulars	(Rs. In Crores)	
	Current Year (2020-21)	Previous Year (2019-20)
Opening balance of Technical/ Prudential written-off accounts as at April 1	0.00	0.00
Add: Technical/ Prudential write-offs during the year	200.00	0.00
Sub-total (A)	200.00	0.00
Less: Recoveries made from previously technical/ prudential written-off accounts during the year (B)	0.00	0.00
Closing balance as at March 31 (A-B)	200.00	0.00

MSME DISCLOSURE:

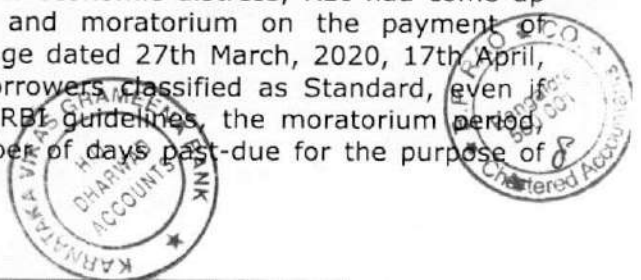
Based on RBI Circular DBR.No. RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated 6th August 2020 on MSME and DOR.No.BP.BC/3/21.04.048/2020-21 dated 6th August 2020 on resolution frame work, the Bank has restructured MSME as well as personal loan accounts as detailed below:

Type of borrower	(Rs. In Crores)				
	(A)	(B)	(C)	(D)	(E)
	Number of accounts where resolution plan has been implemented under this window	exposure to accounts mentioned at (A) before implementation of the plan	Of (B), aggregate amount of debt that was converted into other securities	Additional funding sanctioned, if any, including between invocation of the plan and implementation	Increase in provisions on account of the implementation of the resolution plan
Personal Loans	361	17.24	0	0	1.25
Corporate persons*	0	0	0	0	0
<i>Of which, MSMEs</i>	2584	35.95	0	0	3.51
Others	0	0	0	0	0
Total	2945	53.19	0	0	4.76

COVID -19 PANDEMIC & RBI REGULATORY PACKAGE:

The spread of COVID-19 pandemic in the country last year has resulted in significant decline in economic activity and increased volatility in financial markets. In this situation, though the challenges continue to unfold, the Bank is gearing itself on all fronts to meet the same. The situation continues to be uncertain and the Bank is evaluating the situation on an ongoing basis. The extent to which the COVID-19 pandemic will impact the Bank's results will depend on future developments, which are unpredictable. Major challenges for the Bank would be from extended working capital cycle and reduced cash flows.

To sail through these turbulent periods, and to come out of economic distress, RBI had come up with a several relief measures, including restructuring and moratorium on the payment of installments and/or interest as COVID-19 Regulatory Package dated 27th March, 2020, 17th April, 2020 & 23rd May, 2020, (moratorium period) to eligible borrowers classified as Standard, even if overdue, as on 29th February, 2020. In accordance with RBI Guidelines, the moratorium period, wherever granted, is excluded by the Bank from the number of days past-due for the purpose of asset classification under RBI's IRAC norms



In accordance with the above RBI guidelines, Bank is required to make provision of not less than @10% of outstanding advances to be phased over two quarters not less than 5% beginning with the quarter ended March 31, 2020 in respect of borrower's accounts where asset classification benefit has been granted as per RBI guidelines.

In respect of provision, the regulatory package, further provides that provision made as above may be adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year can be written back or adjusted against the provisions required for all other accounts.

Accordingly Bank has extended the relief in terms of the said circular as follows:

Moratorium given under Covid-19 package			(Rs. In crores)
	Accounts	Outstanding	Provision made
Mar 20	5037	97.01	4.85
June 20	131768	1781.76	178.18
Sep 20	66390	817.97	81.80
Dec 20	58425	728.63	72.86
Mar 21	0	0.00	0.00

DETAILS OF LOAN ASSET SUBJECTED TO RESTRUCTURING:

		(Rs. In Crores)	
No.	PARTICULARS	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i)	Total amount of loan assets subjected to restructuring, rescheduling, renegotiation	629.53	815.99
ii)	The amount of Standard assets subjected to restructuring, rescheduling, renegotiation	629.53	815.99
iii)	The amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation	Nil	Nil
iv)	The amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation	Nil	nil

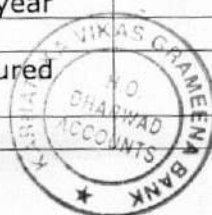
DETAILS OF FINANCIAL ASSETS SOLD TO SECURITISATION/RECONSTRUCTION COMPANY FOR ASSETS RECONSTRUCTION:

		(Rs. In Crores)	
No.	PARTICULARS	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i)	(i) No. of accounts	Nil	Nil
ii)	(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
iii)	(iii) Aggregate consideration	Nil	Nil
iv)	(iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v)	(v) Aggregate gain/loss over net book value.	Nil	Nil

DETAILS OF NON-PERFORMING FINANCIAL ASSETS PURCHASED/ SOLD

a) Details of non-performing financial assets purchased:

		(Rs. In Crores)	
Sl. No.	Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
1	(a) No. of accounts purchased during the year	Nil	Nil
	(b) Aggregate outstanding	Nil	Nil
2	(a) Of these, number of accounts restructured during the year	Nil	Nil
	(b) Aggregate outstanding	Nil	Nil



b) Details of non-performing financial assets sold:

(Rs. In Crores)

Sl. No.	Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
1.	No. of accounts sold	Nil	Nil
2.	Aggregate outstanding	Nil	Nil
3.	Aggregate consideration received	Nil	Nil

c) Provisions on Standard Assets (Cumulative)

(Rs. In Crores)

Sl. No.	Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
1.	Provisions towards Standard Assets	61.80	71.87

THE COMPARATIVE STATUS OF NON-PERFORMING ASSETS, % OF NPA TO TOTAL ADVANCES:

(Rs. In Crores)

PARTICULARS	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
Total Advances	11718.31	11090.32
Non Performing Assets	1629.79	1612.97
% of NPA to Total Advances	13.91	14.54
Provision Held for NPA	551.24	757.03
Provision Held for Standard Assets	61.80	71.87
Unrealized Interest on NPA	1590.97	868.14

BREAK UP OF PROVISIONS AND CONTINGENCIES:

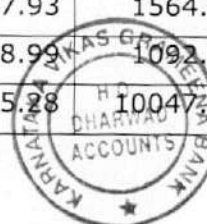
(Rs. In Crores)

PARTICULARS	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
Provision for NPA	64.92	384.04
Provision for Standard Assets	-10.07	38.26
Provision against Fraud/other assets	0.00	2.50
Provision held for Investments	63.53	0.26
Provision for taxation (Including Deferred tax)	0.00	0.00

SECTOR-WISE NPA:

(Rs. In Crores)

Sl No	Sector	Current Year			Previous Year		
		O/s Adv	NPA	% to Adv	O/s Adv	NPA	% to Adv
A	Priority Sector						
1	Agriculture and allied activities	7605.19	1156.53	15.20	7295.12	988.00	13.54
2	Advances to industries sector eligible as priority sector lending	117.22	25.07	21.39	96.21	27.11	28.17
3	Services	1841.94	326.89	17.93	1564.50	414.37	26.49
4	Personal Loans	807.83	76.06	8.99	1092.01	127.84	11.71
	Sub- total(A)	10372.18	1584.55	15.28	10047.84	1557.52	15.50



B	Non- Priority Sector						
1	Personal Loans(JL Loan, LD and Mortgage Loan)	1346.13	45.25	3.36	1042.48	55.65	5.34
	Sub- Total(B)	1346.13	45.25	3.36	1042.48	55.65	5.34
	TOTAL (A+B)	11718.31	1629.80	13.91	11090.32	1612.97	14.54

5. BUSINESS RATIO :

Sl. No	PARTICULARS	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i)	Interest Income as a percentage to Working Funds	6.67	7.03
ii)	Non-interest income as a percentage to Working Funds	1.39	0.97
iii)	Operating Profit as a percentage to Working Funds	0.63	(-) 0.96
iv)	Return on Assets	0.03	(-) 3.46
v)	Business (Deposits plus advances) per employee (Rs. In Crores)	8.27	7.50
vi)	Profit per employee(Rs in lakhs)	0.19	(-) 17.27

6. ASSETS LIABILITY MANAGEMENT:

MATURITY PATTERN OF CERTAIN ITEMS OF ASSETS AND LIABILITIES (Rs. In Crores)

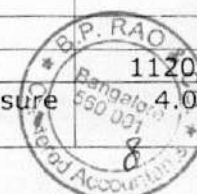
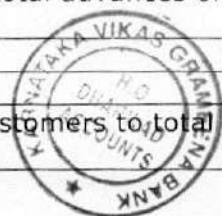
Particulars	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	582.57	569.98	2200.38	2650.87	3767.92	2738.86	1818.20	1770.91	16099.69
Advances	898.94	97.16	872.80	2050.45	2557.97	1049.52	1955.99	2235.48	11718.31
Investments	9.83	0.00	44.98	5.00	323.88	444.53	636.99	4843.72	6308.93
Deposit with other Banks	83.51	0.00	710.00	0.00	374.90	1.20	0.00	0.25	1169.86
Borrowings	3.80	0.00	314.53	702.25	375.67	544.64	243.11	69.92	2253.92
Foreign Currency assets	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Foreign Currency liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

7. EXPOSURES:

a) Concentration of Deposits:

(Rs. In Crores)

Total Deposits of twenty largest depositors	1082.50
Percentage of Deposits of twenty largest depositors to total Deposits of the Bank	6.72
Concentration of Advances:	
Total Advances of twenty largest Borrowers	38.18
Percentage of Advances of twenty largest borrowers to total advances of the Bank	0.33
Concentration of Exposures	
Total exposures of twenty largest borrowers/ customers	1120.68
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers.	4.03



b) Lending to sensitive sector:

(i) Exposure to Real Estate Sector:

		(Rs. In Crores)	
CATEGORY	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020	
a) Direct exposure			
i. Residential Mortgages –			
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs.25 lakh may be shown separately)	797.88	761.94	
Commercial Real Estate –			
ii. Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.	7.79	26.80	
b) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –	Nil	Nil	
iii. Residential,	Nil	Nil	
iv. Commercial Real Estate	Nil	Nil	
b) Indirect Exposure	Nil	Nil	
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil	

(ii) Exposure to Capital Market:

		(Rs. In Crores)	
Sl. No.	PARTICULARS	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
1	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	0.61	2.10
2	Advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	Nil	Nil
3	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	Nil	Nil
4	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds ` does not fully cover the advances;	Nil	Nil
5	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	Nil	Nil



6	Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	Nil	Nil
7	Bridge loans to companies against expected equity flows/issues;	Nil	Nil
8	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	Nil	Nil
9	Financing to stockbrokers for margin trading;	Nil	Nil
10	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	Nil	Nil
	Total Exposure to Capital Market	0.61	2.10

c) Concentration of NPAs:

(Rs. In crores)

Particulars	No. of a/cs	Amount
Total Exposure to top four NPA borrowers	7	4.96

8. DISCLOSURE IN TERMS OF ACCOUNTING STANDARDS (AS):

a) Net Profit or Loss for the Period, Prior Period items and changes in Accounting Policies (AS 5):

There are no material prior period income/expenditure items requiring disclosure under AS-5.

b) Revenue Recognition (AS 9):

There has been no occasion of postponing revenue recognition pending resolution of significant uncertainties. As per Accounting Policy No.6 given in Schedule-18, Significant Accounting Policies, certain items of income are recognized on realization basis on account of statutory requirement or on account of materiality.

c) Fixed Assets/Property Plant Equipments (AS 10) :

The Board in the 94th Board Meeting dated 12.02.2021 incorporated for Revaluation of Bank owned Properties in the Premises Policy of the Bank. Accordingly Bank has restated the Book Value of the entire Bank owned Properties (Buildings and Sites) by adopting the Fair Market Value based on the Valuation Report issued by Valuers (Chartered Engineers). The appreciation on revaluation as on 31-03-2021 has been credited to "Revaluation Reserves for fixed assets" (Schedule 2) as detailed below

(Rs. In crores)

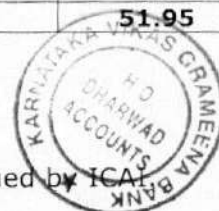
Sl. No.	Fixed Asset	Book Value before Depreciation	Depreciation for 2020-21	Book Value on 31-03-2021 After Depreciation	Revaluation Value as on 31-03-2021	Appreciation on Revaluation
1	Land	0.35	-	0.35	42.60	42.25
2	Building	4.09	0.08	4.01	9.35	5.34
	Total	4.44	0.08	4.36	51.95	47.59

d) Employee Benefits (AS 15):

The Bank has accounted for employee benefits as per AS 15 issued by ICAI.

KVG BANK Employees Pension Regulation 2018:

Model Regional Rural Bank (Employees') Pension Regulation, 2018 was adopted by the Bank. Employees who joined the service prior to 01/04/2010 become eligible for the Scheme.



The pension is payable from 01/04/2018 onwards in respect of eligible employees, existing or retired or eligible family members of such employees. The Bank had entrusted the assessment of actuarial valuation of pension liability to M/s Bhudev Chatarjee, Kolkata, approved agency for actuarial valuation and the total pension liability has been assessed at Rs.942.89 crore as on 31.03.2021 (Previous year: Rs. 871.84 crores).

In terms of the requirements of Accounting Standard – 15 (Revised) – Employee Benefits, the entire amount of Pension liability on account of pension option granted to employees is required to be charged to Profit & Loss account. However, in accordance with the permission granted by Reserve Bank of India as advised by NABARD, vide letter No. NB. DoS.PoL.HO/2533/J-1/2019-20 dated 12-12-2019, RRB's are permitted to amortize their pension liability over a period of 5 years beginning with the financial year ended 31st March, 2019 subject to a minimum of 20% of the pension liability assessed as at 31st March 2019 of the year concerned.

Hence Out of the total liability of Rs.942.89 Crore, the Bank has made a cumulative provision (60% of total pension liability as on 31.03.2021) of Rs.565.73 crore as on 31.03.2021. The Balance liability of Rs. 377.16 Crore is permitted to be provided in the next two financial years.

A reconciliation of Opening and Closing balances of the present value of the Defined Benefit Obligation & Plan Assets and the effects during the period attributable to each of the following is as under:

(i) Principal Actuarial Assumptions at the Balance Sheet date:

Particulars	Type of plan		
	Funded Gratuity	Funded Leave encashment	Pension
Discount rate	7.00% (PY 7.25%)	7.15% (PY 7.01%)	7.01% (PY 6.36%)
Salary Escalation rate	7.00% (PY 7.00%)	7.00% (PY 7%)	7.00% (PY 6.00%)
Return on Assets	6.84% & 7.25% (PY 7.15%)	6.50% to 7.25% (PY 7.01% & 7.15%)	6.68% & 7.30% (PY 6.81%)

(ii) Changes in the Present Value of the Obligations (PVO) – Reconciliation of opening and closing balances:

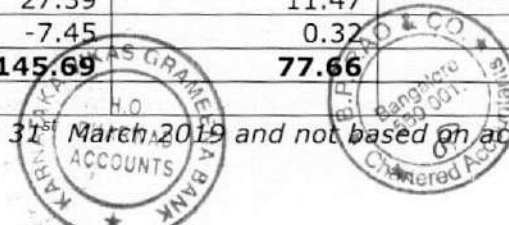
FY 2020-21 (Rs. In crores)

Particulars	Type of plan		
	Gratuity	Leave encashment	Pension
PVO at the beginning of the year	145.69	77.66	871.84
Add: Interest cost	10.56	5.43	
Add: Current Service cost	7.15	2.29	1.42
Add: Past Service cost	0.00	0.00	0.00
Less: Benefits paid	31.81	12.20	50.03
Add: Actuarial loss/gain(-) on obligation	13.88	4.89	119.66
PVO as at the end of the year	145.47	78.07	942.89
60% of the above PVO *			565.73

FY 2019-20 (Rs. In crores)

Particulars	Type of plan		
	Gratuity	Leave encashment	Pension
PVO at the beginning of the year	161.66	80.48	40.00*
Add: Interest cost	12.12	6.23	0.00
Add: Current Service cost	6.75	2.10	82.29
Add: Past Service cost	0.00	0.00	0.00
Less: Benefits paid	27.39	11.47	70.86
Add: Actuarial loss/gain(-) on obligation	-7.45	0.32	820.41
PVO as at the end of the year	145.69	77.66	871.84
0% of the above PVO *			348.74

*Amount actually provided for in the books as on 31st March 2019 and not based on actuarial valuation.



(iii) Changes in the Fair Value of plan assets – Reconciliation of opening and closing balance:

FY 2020-21

(Rs. In crores)

Particulars	Type of plan		
	Gratuity	Leave encashment	Pension
Fair value of plan assets at the beginning of the year	175.93	89.55	235.37
Add: Expected Return on Plan Assets	11.44	5.94	32.89
Add: Contributions	0.00	0.05	524.00
Less: Benefits paid	31.81	12.20	50.03
Less: Withdrawal of excess and trf to Gratuity Plan	0.00	0.00	0.00
Add: Actuarial gain/loss (-)	0.00	0.00	0.00
Fair value of plan assets at the end of the year	155.56	83.34	742.23

FY 2019-20

(Rs. In crores)

Particulars	Type of plan		
	Gratuity	Leave encashment	Pension
Fair value of plan assets at the beginning of the year	166.94	94.66	0.00
Add: Expected Return on Plan Assets	11.37	6.36	5.82
Add: Contributions	25.01	0.00	300.41
Less: Benefits paid	27.39	11.47	70.86*
Less: Withdrawal of excess and trf to Gratuity Plan	0.00	0.00	0.00
Add: Actuarial gain/loss (-)	0.00	0.00	0.00
Fair value of plan assets at the end of the year	175.93	89.55	235.37

***Benefits Paid through LIC of India by Pension Fund Trust**

(iv) Amount recognized in the Balance Sheet:

FY 2020-21

(Rs. In crores)

Particulars	Type of plan		
	Gratuity	Leave encashment	Pension
Present value of obligation at the end of the year	145.47	78.07	565.73
Fair value of Plan assets at the end of the year	155.56	83.34	742.23
Net	10.09	5.27	176.50
Unrecognized liability*			377.16
Asset/Liability(-) recognized in the Balance Sheet	10.09	5.27	176.50

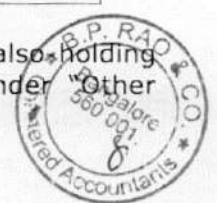
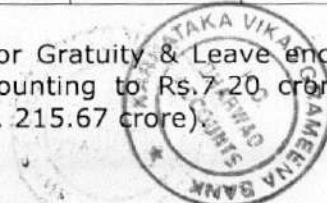
* Being 40% of the total pension liability as on 31.03.2021 deferred over the next two financial years as permitted by RBI.

FY 2019-20

(Rs. In crores)

Particulars	Type of plan		
	Gratuity	Leave encashment	Pension
Present value of obligation at the end of the year	145.69	77.66	871.84
Fair value of Plan assets at the end of the year	175.93	89.55	235.37
Net	30.24	11.89	636.47
Unrecognized liability	0.00	0.00	523.10
Asset/Liability(-) recognized in the Balance Sheet	30.24	11.89	-113.37

In addition to the asset recognized above for Gratuity & Leave encashment, Bank is also holding additional investment in Gratuity Fund amounting to Rs. 7.20 crore and disclosed under "Other Assets" under Schedule 11 (Previous year Rs. 215.67 crore).



(v) Expense recognized in the Profit & Loss account:**FY 2020-21****(Rs. In crores)**

Particulars	Type of plan		
	Gratuity	Leave encashment	Pension
Current Service Cost	7.15	2.29	-
Past Service cost	0.00	0.00	-
Interest cost	10.56	5.43	-
Less: Expected Return on Plan Assets	11.44	5.94	-
Net Actuarial Loss/Gain(-)	13.88	4.89	-
Expenses recognized in Profit & Loss account	20.15	6.67	234.13

FY 2019-20**(Rs. In crores)**

Particulars	Type of plan		
	Gratuity	Leave encashment	Pension
Current Service Cost	6.75	2.10	-
Past Service cost	0.00	0.00	-
Interest cost	12.12	6.23	-
Less: Expected Return on Plan Assets	11.37	6.36	-
Net Actuarial Loss/Gain(-)	-7.45	0.32	-
Expenses recognized in Profit & Loss account	0.05	2.29	373.78

Pension expenses recognized in Profit & Loss account:**(Rs. In crores)**

Particulars	2020-21	2019-20
Contribution to LIC of India & Canara HSBC Oriental Bank of Commerce LIC Ltd	524.00	300.41
Less: Shortfall in respect of previous financial Year	113.37	40.00
Add: Shortfall in contribution as per actuarial valuation as on 31-03-2019	-	113.37
Less: Excess contribution recognized as Asset as on 31-03-2021	176.50	-
Expenses charged to Profit & Loss account for the year	234.13	373.78

(vi) Movement in the Liability recognized in Balance Sheet:**FY 2020-21****(Rs. In crores)**

Particulars	Type of plan		
	Gratuity	Leave encashment	Pension
Opening Net Asset/ Liability(-)	30.24	11.89	(-) 113.37
Expenses recognized in Profit & Loss account	20.15	6.67	234.13
Unamortized expenditure	0.00	0.00	0.00
Contributions paid/utilized	0.00	0.05	524.00
Closing Net Asset/ Liability(-)	10.09	5.27	176.50

FY 2019-20**(Rs. In crores)**

Particulars	Type of plan		
	Gratuity	Leave encashment	Pension
Opening Net Asset/ Liability(-)	5.28	14.18	-40.00
Expenses recognized in Profit & Loss account	0.05	2.29	373.78
Unamortized expenditure	0.00	0.00	0.00
Contributions paid/utilized	25.01	0.00	300.41
Closing Net Asset/ Liability(-)	30.24	11.89	-113.37

The Bank has funded the gratuity retirement and leave encashment through Policies obtained from LIC of India. LIC ascertains the gratuity & leave encashment liability on actuarial basis and whatever contribution is demanded by LIC based on that valuation, the same is remitted in full by the Bank.

As at the end of the financial year there is a surplus of Rs.15.36 (Previous year: Rs.42.13 crore) funded by the Bank with LIC of India and the same is disclosed under "Other Assets" in the Balance Sheet. The disclosures under AS-15 as above are based on the Reports obtained from LIC of India.

With respect to Pension liability Bank had entrusted the assessment of actuarial valuation to M/s Bhudev Chatarjee, Kolkata, approved agency for actuarial valuation. Out of the total liability of Rs.942.89 Crore, the Bank has made a cumulative provision (60% of total pension liability as on 31.03.2021) of Rs.565.73 crore as on 31.03.2021. The Balance liability of Rs. 377.16 Crore is permitted (by NABARD) to be provided in the next two financial years. Bank has created Karnataka Vikas Grameena Bank Officer/Employees Pension Trust and making the payment of pension contributions to the trust. As at the end of the financial year there is a surplus of Rs.176.50 crore funded by the Bank with trust and the same is disclosed under "Other Assets" in the Balance sheet.

e) Segment Reporting (AS 17):

(Rs. In crores)

Particulars\ Business Segments	Treasury		Banking Operations		Total	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Segment Revenue	339.14	255.27	1218.99	1,237.56	1558.13	1,492.83
Segment Expenses	346.60	159.76	1228.14	1,692.44	1574.74	1,852.20
Segment Results	-7.46	95.51	-9.15	-454.88	-16.61	(-) 359.37
Unallocated Expenses	-	-	-	-	8.30	260.56
Unallocated Income	-	-	-	-	31.41	14.97
Income Tax	-	-	-	-	-	-
Extraordinary profit/loss	-	-	-	-	-	-
Net Profit	-	-	-	-	6.50	(-) 604.96
Other Information	-	-	-	-	-	-
Segment Assets	6411.21	3,360.78	12220.79	10,584.11	18632.01	13,944.89
Un allocated Assets	-	-	-	-	1537.07	5,727.92
Total Assets	6411.21	3,360.78	12220.79	10,584.11	20169.08	19,672.81
Segment Liabilities	5861.94	3,071.33	12598.32	14,327.62	18460.26	17,398.95
Unallocated Liabilities	-	-	-	-	516.20	2,273.86
Total Liabilities	5861.94	3,071.33	12598.32	14,327.62	18976.46	19,672.81

The Primary reporting segment is business segment and the Bank operates in only one geographic segment. The business segments identified are "Banking" and "Treasury" segments. The allocation of expenses among the segments, identification of Segmental assets and liabilities & allocation of other assets and liabilities to segments are done on a reasonable basis. Assets/ Liabilities & Income/ Expenditure which could not be identified / allocated are shown as unallocated.

f) Related Party Disclosures (AS 18):

(i) Names of Related Parties & their Relationship:

Associate (Sponsor Bank): Canara Bank

(ii) Key Management Personnel & their remuneration:

(Rs. In Lakhs)

Key Management Personnel	Designation	Period	Remuneration	
			2020-21	2019-20
Mr. S. Ravindran	Chairman	From 11-4-16 to 26-07-19	0.00	6.56
Mr. P. Gopi Krishna	Chairman	From 29-7-19 to 31-03-21	27.64	18.20
Total			27.64	24.76



(iii) Related Party transactions**(Rs. In Lakhs)**

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings outstanding	-	-	-
Maximum during the year	-	-	-
Deposits outstanding	0.94	-	0.94
Maximum during the year	0.99	-	0.99
Investments outstanding	-	-	-
Maximum during the year	-	-	-
Advances outstanding	-	-	-
Maximum during the year	-	-	-
Non funded commitments	-	-	-
Maximum during the year	-	-	-
Leasing/HP arrangements availed	-	--	-
Maximum during the year	-	-	-
Leasing/HP arrangement provided	-	-	-
Maximum during the year	-	-	-
Interest Paid	-	-	-
Interest received	-	-	-
Remuneration	-	-	-
Rendering of services	-	-	-
Receiving of services	-	-	-
Management of contracts	-	-	-
Any other receivable	-	-	-
Any other payable	-	-	-
Purchase of fixed assets	-	-	-
Sale of fixed assets	-	-	-

In terms of RBI circular on notes to accounts, key management personnel are whole time directors of Board for related party disclosure.

The transactions with associates have not been disclosed in view of Para 9 of AS 18 "Related Party Disclosure" which exempts State Controlled Enterprises from making any disclosures pertaining to their transactions with other related parties, which are also State Controlled.

g) Earnings Per Share (AS 20): Basic & Diluted**(Rs. In Thousands)**

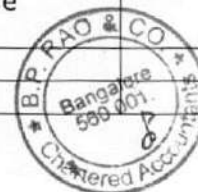
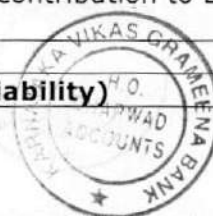
Particulars	31-03-2021	31-03-2020
Net profit as per Profit and Loss Account (A) (in '000)	6,50,28	(-) 604,96,29
Weighted Avg. no. of Equity/Diluted Equity Shares (B)	2,39,73,160	2,39,73,160
Earnings per Share (EPS in Rs.) (C = A/B)	2.71	(-) 252.35
Face Value per Share (Rs.)	10.00	10.00

h) Accounting of Taxes on Income (AS 22):

The Deferred Tax Assets/Liability on account of Timing difference as per books and income tax for the below components are as follows:

(Rs. In Thousands)

Deferred Tax Asset (DTA)	
Difference in WDV of fixed assets as per books and Income Tax Act	10474.80
Timing difference on account of disallowances under Income Tax Act	40063.74
Total	50538.54
Deferred Tax Liability (DTL)	
Deduction claimed under Income tax towards contribution to Leave Encashment Fund	-
Total	50,538.54
Net Deferred Tax Assets/(Deferred Tax Liability)	50,538.54



The Bank has not recognized deferred tax asset on timing differences in respect of expenses allowed as per books and income tax and on accumulated losses as there does not exist virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

i) Interim Financial Reporting (AS 25):

The half yearly review for the half-year ended 30th September, 2020 was conducted by M/s Paranjape, Phadnis and Co., Chartered Accountants, Belagavi.

9. OTHER DISCLOSURES:

a) Movement of Additional Provisions (Rs. In crores)

Particulars	31-03-2021	31-03-2020
a) Opening Balance of additional provisions account	35.00	34.78
b) The quantum of additional provisions made in the accounting year	0.00	0.22
c) Amount drawn down made during the accounting year	35.00	0.00
d) Closing balance in the additional provisions account	0.00	35.00

b) Draw Down from Reserve

There was no draw down from Reserves during the financial year ended 31st March, 2021.

c) Redressal of Complaints

Sl. No.	Particulars	Details
1	No. of complaints pending at the beginning of the year	0
2	No. of complaints received during the year	379
2	No. of complaints redressed during the year	379
4	No. of complaints pending at the end of the year	0

d) Award passed by the Banking Ombudsman

Sl. No.	Particulars	Details
1	No. of unimplemented awards at the beginning of the year	NIL
2	No. of awards passed by the Banking Ombudsmen during the year	0
2	No. of awards implemented during the year	0
4	No. of unimplemented awards at the end of the year	0

e) Penalties imposed by RBI / NABARD:

During the year following penalties were imposed by RBI on the Bank.

Sl. No.	Date of penalty	Particulars	Amount in Rs.
1	29-01-2021	Discrepancies in remittance of Soiled Notes by Currency Chest.	2,200/-
2	04-02-2021	Counterfeit Note detected in remittance of Soiled Notes by Currency Chest.	200/-



f) Priority Sector Lending Certificates (PSLC):**(Rs. In crore)**

Type of PSLC	2020-21		2019-20	
	Sold	Purchased	Sold	Purchased
PSLC-Agriculture	3389.00	0.00	3000.00	0.00
PSLC-SF/MF	1995.00	0.00	1900.00	0.00
PSLC-Micro	720.00	79.00	0.00	0.00
PSLC-General	0.00	4480.00	0.00	3325.00
Total	6104.00	4559.00	4900.00	3325.00
Income earned on sale	99.50	-	49.01	-
Expenditure on purchase	-	9.29	-	4.59

g) Transfer to Depositor Education and Awareness Fund (DEAF):**(Rs. In crore)**

Particulars	FY 2020-21	FY 2019-20
Opening balance of amounts transferred to DEAF	12.59	10.10
Add: Amounts transferred to DEAF during the year	4.18	2.57
Less: Amounts reimbursed by DEAF towards claims	0.19	0.08
Closing balance of amounts transferred to DEAF	16.58	12.59

h) RISK CATEGORY WISE COUNTRY EXPOSURE:

Not applicable – Bank is not dealing / has no foreign currency exposure.

j) DETAILS OF SINGLE BORROWER LIMIT (SBL), GROUP BORROWER LIMIT (GBL) EXCEEDED BY THE BANK:

The bank has not exceeded the prudential exposure limits during the year.

k) Net profit:

The net profit has been arrived at after accounting for the following under "Provisions and Contingencies"

- Provision/write off of non performing advances and investments
- Provision on standard assets
- Adjustment for appreciation/depreciation on investments
- Other usual and necessary provisions

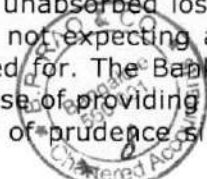
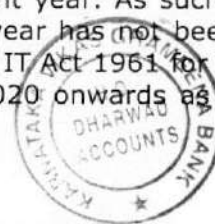
l) Impairment of assets:

Fixed Assets possessed by the Bank are treated as "Corporate Assets" and are not "Cash Generating Units" as defined by AS-28. In the opinion of the management, the depreciation recognized on the assets will suffice to cover the impairment of such "Fixed Assets".

m) Taxes on income:**(Rs. In crore)**

Sl. No.	PARTICULARS	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
1)	Provision for Income Tax	Nil	Nil
2)	Provision for Deferred Tax	Nil	Nil

As the Bank had incurred loss of Rs.604.96 crore during the previous year, unabsorbed losses of Rs.189.41 crore is carried forward for the current year. As such, bank is not expecting any taxable profit, income tax liability for the current year has not been provided for. The Bank is not considering the benefit u/s 36 (1) (viii a) of the IT Act 1961 for the purpose of providing the income tax liability from assessment year 2019-2020 onwards as a matter of prudence since



the claim of the Bank under that section are disputed by the Income tax Department and cases are pending with various authorities for different assessment years.

Deferred tax assets arising on account of timing differences between taxable and accounting incomes for the period is recognized keeping in view the consideration of prudence in accordance with the accounting standard 22 issued by ICAI. The Bank has not recognized deferred tax asset on timing difference of expenses as per books and income tax and on accumulated losses as there does not exist virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

n) Contingent liability in respect of Income tax disputes pending with various authorities for different assessment Years:

Disallowances under sec 36 (i)(viiia) have been made by the Income tax Department for various assessment years being claim allowable towards deduction @ 10% of rural advances of the Bank as at the end of each year as a deduction. The disallowances are disputed by the Bank and appeals of the Bank are pending with various authorities. The details are given below:

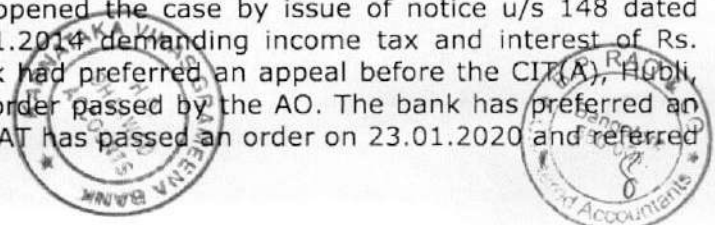
(Rs. In crores)				
Assessment Year	Appeal Pending with	Amount Demanded	Provision held/reco gnized	Contingent Liability not provided for
2007-08	Karnataka High Court, Dharwad Bench	3.70	3.70	Nil
2009-10	Karnataka High Court, Dharwad Bench	36.05	Nil	36.05
2010-11	Karnataka High Court, Dharwad Bench & ITAT, Bangalore	79.43	Nil	79.43
2011-12	Karnataka High Court Dharwad Bench	38.89	Nil	38.89
2012-13	Karnataka High Court Dharwad Bench	44.56	Nil	44.56
2013-14	Karnataka High Court Dharwad Bench	53.79	6.67	47.12
2014-15	Karnataka High Court Dharwad Bench	85.01	50.00	35.01
2015-16	ITAT, Bangalore	71.40	46.25	25.15
2016-17	ITAT, Bangalore	45.16	31.65	13.51
2017-18	Karnataka High Court, Dharwad Bench	81.30	65.00	16.30
		539.29	203.27	336.02

o) Disputed tax demand regarding non-compliance of rule 29C for submission of Form 15 H / 15 G declarations with the Income tax authorities for non-deduction of TDS on Interest on Deposits:

(Rs. In crores)				
Assessment Year	Appeal Pending with	Amount Demanded	Amount paid & recognized	Contingent Liability not provided for
2008-09 to 2011-12	Karnataka High Court, Dharwad Bench	4.96	4.96	NIL

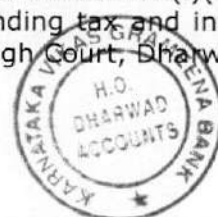
p) Details of Income tax disputes for various assessment years pending with authorities:

- i. In the matter of income tax assessment for the Asst. Year 2007-08, the Asst. Commissioner of Income Tax, Circle - 2(1), Hubli has reopened the case by issue of notice u/s 148 dated 15.03.2013 and passed the order on 15.01.2014 demanding income tax and interest of Rs. 3,70,12,272 and the same is paid. The bank had preferred an appeal before the CIT(A), Hubli, but CIT (A) passed an order upholding the order passed by the AO. The bank has preferred an appeal before the ITAT Bangalore and the ITAT has passed an order on 23.01.2020 and referred

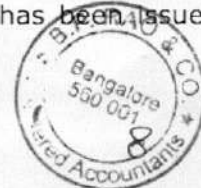


the matters to the Assessing Officer for verification of Form No. 15G and Form No. 15H and appeal effect is pending. Further the Bank had preferred an appeal before Karnataka High Court Dharwad Bench against this ITAT Order and is pending.

- ii. With regards to Assessment Year 2009-10, the case was taken for scrutiny and the assessment order has been passed on 17.11.2011 by disallowing some of the deductions claimed in the return. Bank had preferred an appeal before the Commissioner of Income Tax (Appeals) Hubli. The order has been passed on 26.02.2014 by CIT(A) deleting most of the additions made. The department has given effect to CIT(A), Hubli order and refunded the taxes. The department has filed an appeal before ITAT, Bangalore against CIT(A), Hubli order. The order has been passed on 25-04-2018 by ITAT, Bangalore and ITAT has disallowed deductions claimed u/s36(i)(viiia) of the Act in respect of rural advances and interest disallowed u/s 40(a)(ia) of the Act. The Bank has made an appeal before the Honbl'e High Court of Karnataka, Dharwad Bench and the same is pending. Meanwhile the department has given effect to ITAT, Bangalore order by making certain additions to the returned income and demanded Rs.39,25,75,843/- as tax. The bank has preferred an appeal before the CIT(A), Hubli and the same is disposed on 19.03.2020 by disallowing deduction claimed u/s 36(i)(viiia) and deduction claimed under section 36(i)(viii) and demand of Rs. 27,27,40,639.00 is raised as per order giving effect to CIT(A), Hubli dated 11.01.2021 and Bank has preferred an appeal before ITAT, Bangalore against this order. ITAT has passed order dated 15.10.2020 disallowing deduction claimed under section 36(i)(viiia) of the Act by Bank and Bank has preferred an appeal before Honorable Karnataka High Court and appeal is pending.
- iii. With regards to the Assessment Year 2010-11, the case was taken for scrutiny and the assessment order has been passed on 18.03.2013 by disallowing some of the deductions claimed in the return. Bank had preferred an appeal before the Commissioner of Income Tax (Appeals) Hubli. The order has been passed on 26.02.2014 by CIT(A) deleting most of the additions made. The department has given effect to CIT(A), Hubli order and refunded the taxes. But the department has preferred an appeal before ITAT. The order has been passed on 25-04-2018 by ITAT, Bangalore and ITAT has disallowed deductions claimed u/s36(i)(viiia) of the Act in respect of rural advances and interest disallowed u/s 40(a)(ia) of the Act. The Bank has preferred an appeal before the Hon'ble High Court of Karnataka, Dharwad Bench and the same is pending. Meanwhile the department has given effect to ITAT, Bangalore order by making additions to the returned income and demanded Rs.85,80,71,675/- tax. The bank has preferred an appeal before the CIT(A), Hubli and the same is disposed on 19.03.2020 by disallowing bank's deduction claimed u/s 36(i)(viiia) and deduction claimed u/s 36(i)(viii) and order giving effect to CIT(A) order dated 19.03.2020 is passed on 11.01.2021 demanding tax and interest of Rs. 64,97,00,034.00 and bank has now preferred an appeal before the ITAT, Bangalore against this order and it is pending.
- iv. With regards to Assessment Year 2011-12, the case was taken up for scrutiny and the assessment order u/s 143(3) has been passed on 17.12.2013 by disallowing some of deductions claimed in the return. The bank had preferred an appeal before the CIT (A), Hubli and the same was disposed by CIT(A) in Bank's favour on 31.03.2016. Income tax department has given effect and refunded the taxes. But the department has preferred an appeal to ITAT, Bangalore against CIT(A), Hubli order and the same is disposed by the ITAT Bangalore by not allowing deduction claimed by the Bank and order giving effect to ITAT order is passed on 28.12.2020 demanding tax and interest of Rs. 37,23,31,790.00. The Bank has filed an appeal before Karnataka High Court, Dharwad Bench and pending.
- v. With regards to Assessment Year 2012-13, the case was taken up for scrutiny and the assessment order u/s 143(3) has been passed on 30.12.2014 by disallowing some of deductions claimed in the return. The Bank has preferred an appeal before the CIT(A), Hubli and the same was disposed by CIT(A) in bank's favour on 31-03-2016. Income tax department has given appeal effect and refunded the taxes. But, the department has preferred an appeal to ITAT, Bangalore against CIT(A), Hubli order allowing deduction u/s 36(i)(viiia) of the Act in respect of rural advances and the same is disposed by the ITAT Bangalore on 23.01.2020 by not allowing deduction claimed by the Bank under section 36(i)(viiia). The assessing officer has given effect to ITAT order on 19.03.2020 demanding tax and interest of Rs. 33,47,49,956.00. The bank had filed an appeal before Karnataka High Court, Dharwad Bench and pending.



- vi. With regards to Assessment Year 2013-14, the case was taken up for scrutiny and the assessment order u/s 143(3) has been passed on 27.02.2015 by disallowing some of deductions claimed in our return. The Bank had preferred an appeal before the CIT(A), Hubli and the same is disposed by CIT(A) in bank's favour on 31-03-2016. The I.T. department has given appeal effect and refunded the taxes. But, the department has preferred an appeal before ITAT, Bangalore against CIT(A), Hubli order allowing deduction u/s 36(i)(viia) of the Act in respect of rural advances and the same was disposed by the ITAT Bangalore on 23.01.2020 by not allowing deduction claimed by the Bank under section 36(i)(viia). The assessing officer has given effect to ITAT order on 19.03.2020 demanding tax of Rs. 52,94,44,690.00. The bank filed appeal before Karnataka High Court, Dharwad Bench against this order and pending.
- vii. With regards to Assessment Year 2014-15, the Return of income was filed on 29-09-2014 by declaring a loss of Rs.214,83,01,433/-. The case was taken up for scrutiny and assessment order u/s 143(3) has been passed on 28.12.2016 by disallowing some of the deductions claimed in the return and demanded Rs.142,85,70,594/-. The Bank had preferred an appeal with CIT(A), Hubli. CIT(A), Hubli allowed appeal in Bank's favour. Income Tax department has given effect to the CIT(A), Hubli order and refunded the taxes. But the department has filed an appeal before ITAT, Bangalore for allowing deduction u/s 36(i)(viia) of the Act in respect of rural advances and the ITAT has passed the order on 10.09.2020 disallowing deduction u/s 36(i)(viia) of the Act and allowing full deduction claimed u/s 36(i)(viii) of the Act and appeal effect is pending. The bank has filed appeal before Honorable Karnataka High Court, Dharwad Bench and appeal is pending.
- viii. With regards to Assessment Year 2015-16, the Return of Income was filed on 30-09-2015 by declaring a loss of Rs.326,83,72,104/-, the case was taken up for scrutiny and assessment order u/s 143(3) has been passed on 28-12-2018 by disallowing u/s 36(i)(viia) in respect of rural advances and demanded Rs.77,07,48,515/- as tax. The Bank had preferred an appeal with CIT(A), Hubli and the same is disposed by the CIT(A) Hubli on 06.03.2020 in favour of the department and the bank has filed an appeal before ITAT, Bangalore against the CIT(A), Hubli appellate order and same is pending. The appeal effect to CIT(A) Hubli order is passed on 11.01.2021 demanding tax and interest of Rs. 62,85,70,458.00.
- ix. With regard to Assessment Year 2016-17 Return of Income was filed on 29-09-2016 by declaring loss of Rs.336,65,80,993/-, the case was taken up for scrutiny and assessment order u/s 143(3) has been passed on 28-12-2018 by disallowing claim u/s 36(i)(viia) in respect of rural advances deductions in the return and demanded Rs.71,01,19,560/- tax. The Bank had preferred an appeal with CIT(A), Hubli and the same is disposed by the CIT(A), Hubli on 06.03.2020 in favour of the department and the bank has filed appeal before ITAT, Bangalore against the CIT(A), Hubli appellate order and same is pending. The appeal effect to CIT(A) order is passed on 29.12.2020 demanding net tax and interest of Rs. 35,26,13,687.00.
- x. With regard to Assessment Year 2017-18, Return of Income was filed on 28-10-2017 by declaring loss of Rs. 345,20,63,724/- and the case was taken up for scrutiny assessment and assessment order u/s 143(3) of the Act has been passed on 24.12.2019 by disallowing deduction claimed u/s 36(i)(viii) in respect of rural advances and demanded tax of Rs. 80,52,03,231/-. The Bank preferred an appeal before CIT(A), Hubli against this order and CIT(A), Hubli disposed the appeal on 06.03.2020 in favour of the department. The appeal effect is passed to CIT(A) Hubli order on 29.12.2020 demanding net tax and interest of Rs. 31,37,55,773.00. The Bank has filed appeal before ITAT, Bangalore against this order and order is passed by ITAT Bangalore on 15.10.2020 disallowing deduction claimed under section 36(i)(viia) of the Act by the Bank. The Bank has filed appeal before Honorable Karnataka High Court, Dharwad Bench and appeal is pending.
- xi. With regard, to Assessment Year 2018-19, the Return of income was filed on 29.09.2018 showing loss of Rs. 3,74,60,82,013.00 and case was taken up for scrutiny and National Faceless e-Assessment Centre, Delhi and it is in progress.
- xii. With regard to Assessment year 2019-20, Return of Income was filed on 20.10.2019 by declaring a loss of Rs. 66,92,19,600.00. Return is processed by Income Tax Department and Bank received refund of Rs. 17,52,24,230.00 with interest and no notice has been issued for scrutiny assessment.



- xiii.** With regard to Assessment year 2020-21, Return of Income was filed on 13.01.2021 by declaring a loss of Rs. 1,89,41,12,656.00. Return is not yet processed by the Income Tax Department.
- xiv.** Further during the FY 2012-13, the Income Tax Officer, TDS Ward Hubli has conducted survey in few of our branches and subsequently collected the details of Interest paid by the Branches to the depositors. In this regard ITO, TDS Ward, Hubli has passed an order u/s 201 (1) on 31.07.2012 and issued a Demand Notice for the F Y: 2007-08 to 2010-11 for total amount of Rs.4,96,47,500/-. The Bank has preferred an appeal before the Commissioner of Income Tax (Appeals) Hubli on 03.09.2012 against the order of ITO TDS Ward and also filed a stay petition on above Demand Order. However, the Income Tax Officer TDS had rejected the stay application and subsequently Bank has remitted Rs.4,96,47,500/- to the Income Tax Officer, TDS Ward as per their Demand Notice. The CIT(A) passed an order giving partial relief. Bank has preferred an appeal before the ITAT, Bangalore and ITAT has upheld the order of CIT(A), Hubli vide its order dated 28.02.2018 and held that survey conducted in respect of branches other than 118 branches coming under Income Tax Officer, TDS Hubli are without jurisdiction. The appeal effect to the ITAT, Bangalore order is pending. The department filed appeal before Honorable Karnataka High Court against this ITAT order and the Honorable Karnataka High Court upheld the order of ITAT vide its order dated 05.07.2019 and appeal effect is pending.
- xv.** During current year, Bank has not paid Advance tax (Paid Previous year: Nil).

q) Frauds: The position of frauds is as under:

Particulars	(Rs. In crores)	
	No. of Cases	Total amount
Opening balance	50	8.77
Detected during the year	06	2.91
Reduction during the year (Write off Rs.2.43 Crore and Recovery Rs.1.81 Crore)	22	4.24
Closing balance	34	7.44

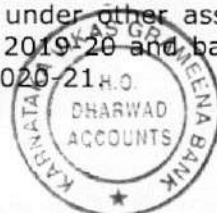
q) Reconciliation: Reconciliation/clearance of outstanding entries of inter office transactions between branches, head office and sponsor bank, drafts paid, drafts payable, branch adjustment, sundry assets, claims and frauds outstanding, outstanding liabilities is an ongoing process. For observations and memorandum of changes suggested by auditors the effect is given at Head office.

r) Branch returns:

Returns received from 290 branches audited by the Branch Auditors along with 50 branches audited by Statutory Central Auditors. 289 branches were not subjected to audit and their returns have been accepted for incorporation in the financial accounts after scrutiny.

s) Pending settlement of the Bipartite agreement on wage revision as applicable to RRBs (due from November 2017), an adhoc amount of Rs.40 crore (previous year: Rs.63 crore) is held in the books of accounts in addition to an adhoc amount of Rs.14.02 crores paid to the staff towards wage revision. No additional provision is made during the year and an amount of Rs.23 crore is reversed during the year.

t) The Bank is holding under "Other Assets" under Schedule 11 an amount of Rs 39.76 Crores, being the amount due from Employees Provident Fund Organization (EPFO) in respect of Employer's Contribution made to EPFO prior to 11-01-2019 in respect of employees who joined the Bank before 01.04.2010 (eligible employees). As per Karnataka Vikas Grameena Bank (Employees') Pension Regulations, 2018 (notified on 02-11-2018 in Official gazette), Bank has created Karnataka Vikas Grameena Bank Officer/Employees Pension Trust on 11-01-2019. Accordingly Bank started payment of pension contributions to the trust in accordance with the Pension Regulations 2018 on the basis of actuarial valuation report on pension liability. However Bank had remitted pension contributions to EPFO prior to notification of Pension regulations 2018 in respect of eligible employees, who were also covered under Pension regulations 2018. Hence bank had estimated the amount of Rs.39.76 crore as refundable from EPFO and has accounted under other asset. Accordingly Rs.30 crore is credited to Establishment Expenses during the year 2019-20 and balance amount of Rs.9.76 crore credited to establishment expenses during the year 2020-21.



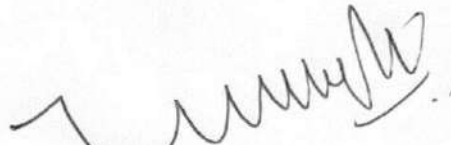
u) The Bank is holding under "Other Assets" under Schedule 11 an amount of Rs.21,21,293/-being the amount due from farmers in respect of reversal of Interest Subvention claims for the FY: 2019-20 wrongly worked out and credited to their loan accounts and hence ineligible for claim. However, the same has been considered as non-realizable and 100% provisioning has been made in the accounts for the same. Also, "Other Assets" include an amount of Rs.40,00,000/- being the amount recoverable from farmers in respect of reversal of Interest subvention claims for the current year wrongly worked out and credited to their loan accounts but subsequently identified as ineligible for claim.

v) Previous year figures regrouping / reclassification:

Previous year's figures have been regrouped/ rearranged wherever considered necessary to conform to the current year's classification.

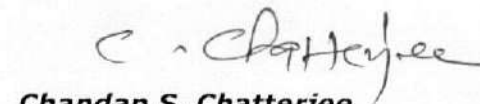
Place: Dharwad
Date: 25-06-2021


Sripada Rao M.
(Chief Manager)


P. Srinivas Rao
(General Manager)


P. Gopi Krishna
(Chairman)


Mod Narayan Singh


Chandan S. Chatterjee


B. Chandrasekhara Rao


G. S. Ravisudhakar

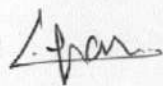


BOARD OF DIRECTORS

AS PER OUR REPORT OF EVEN DATE

For B. P. RAO & Co.
Chartered Accountants
FRN: 003116S





PRASHANTH C
(Partner)
M. No. 214431

UDIN 21214431AAAASN2182

Bansal

