

Annual Report 2018-2019



19 years of
Trust & Performance

Capital Small Finance Bank Limited

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Capital Small Finance Bank 

Vishwas Se Vikas Tak

Our Vision

To provide superior banking service, focused on customers' needs.

To contribute to the economic development of the area by innovative ideas, technology and new products.

To maintain a long lasting and trustworthy relationship with the local community.

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Board Committees

Chairman (Part – Time)

Madan Gopal Sharma

Chief Operating Officer & Chief Financial Officer

Munish Jain

Directors

Navin Kumar Maini
Dinesh Gupta
Gurdeep Singh
Harmesh Khanna
Rahul Priyadarshi
Rakesh Soni
Sham Singh Bains
Gurpreet Singh Chug

RTA

Link Intime India Private Limited
C-101, 1st Floor, 247 Park,
Lal Bahadur Shastri Marg,
Vikhroli (West),
Mumbai 400083

NDSL

Trade World,
A-Wing, 4th Floor
Kamala Mills Compound
Lower Parel
Mumbai 400013

Managing Director & Chief Executive Officer

Sarvjit Singh Samra

Company Secretary

Amit Sharma

Auditors

MSKA & Associates
Chartered Accountants
Mumbai

CDSL

Marathon Futurex,
A-Wing, 25th Floor,
NM Joshi Marg,
Lower Parel (East),
Mumbai 400013

Debenture Trustee

IDBI Trusteeship Services Ltd.
Asian Building, 17- R Kamani Road,
Ballard Estate, Fort, Mumbai, 400001

Management Committee

Sarvjit Singh Samra, Chairman
Harmesh Khanna, Member
Rakesh Soni, Member
Gurpreet Singh Chugh, Member
Dinesh Gupta, Member

Audit Committee

Madan Gopal Sharma, Chairman
Rakesh Soni, Member
Dinesh Gupta, Member
Gurpreet Singh Chugh, Member

Securities Committee

Dinesh Gupta, Chairman
Sham Singh Bains, Member
Gurdeep Singh, Member

Nomination and Remuneration Committee

Rakesh Soni, Chairman
Sham Singh Bains, Member
Gurpreet Singh Chugh, Member
Gurdeep Singh, Member

Corporate Social Responsibility Committee

Sarvjit Singh Samra, Chairman
Rakesh Soni, Member
Sham Singh Bains, Member
Gurdeep Singh, Member

Credit Sanctioning Committee

Sarvjit Singh Samra, Chairman
Dinesh Gupta, Member
Gurdeep Singh, Member

Risk Management Committee

Dinesh Gupta, Chairman
Harmesh Khanna, Member
Rakesh Soni, Member
Gurpreet Singh Chugh, Member

Special Committee on Frauds

Madan Gopal Sharma, Chairman
Harmesh Khanna, Member
Sarvjit Singh Samra, Member
Gurpreet Singh Chugh, Member
Navin Kumar Maini, Member

Stakeholders Relationship Committee

Dinesh Gupta, Chairman
Navin Kumar Maini, Member
Gurdeep Singh, Member
Sham Singh Bains, Member

Our Achievements

- Pioneer in bringing state-of-the-art banking facilities in rural areas at low cost
- 7 Day Branch Banking from day one with extended and uninterrupted banking hours
- First Small Finance Bank to come into operation
- Promoting Financial Inclusion in the area of operation since inception by providing easy access of banking services to the masses
- Extension of banking services to the unbanked rural villages
- One-Stop Financial hub in rural and semi urban areas
- Contribution towards economic development and employment generation in the area
- Surpassed National Targets in Priority Sector, Agriculture and Weaker Section Advances
- Average Business per branch of ₹ 48.65 crores

Financial Highlights

₹ In 'Crores

Business Analysis	Year Ended March 31, 2019	Year Ended March 31, 2018	Year Ended March 31, 2017	CAGR
Deposits	3667.26	2850.52	2378.21	24.18%
Advances	2608.78	1852.99	1369.60	38.01%
Total Business	6276.04	4703.51	3747.81	29.41%
Net Worth	250.32	233.58	190.22	14.71%
Profitability Analysis	Year Ended March 31, 2019	Year Ended March 31, 2018	Year Ended March 31, 2017	CAGR
Gross Revenue	377.60	293.87	243.58	24.51%
Net Interest Income	135.14	104.52	74.03	35.11%
Operating Profit	34.28	32.70	23.23	21.48%
Net Profit	19.41	19.02	15.04	13.60%
Ratio Analysis	Year Ended March 31, 2019	Year Ended March 31, 2018	Year Ended March 31, 2017	
CASA	38.39%	39.99%	39.54%	
Return on Average Equity (after tax)	8.03%	8.98%	12.40%	
Return On Average Assets (after tax)	0.51%	0.64%	0.63%	
Interest Spread	3.96%	3.87%	3.55%	
Net Interest Margin	3.58%	3.50%	3.08%	
EPS (₹)	6.82	6.86	6.53	
Book Value per share	87.89	82.01	70.49	
Capital Adequacy Ratio	17.47%	19.66%	22.95%	
Gross NPAs	1.30%	1.14%	1.02%	
Net NPAs	0.93%	0.84%	0.72%	

Managing Director & CEO's Communique



“
The Bank is in a phase of exponential growth. After establishing a strong footprint in the state of Punjab, the Bank has now started expansion to the states of Delhi, Haryana, Union Territory of Chandigarh and Rajasthan.”

Dear Shareholders

It is my venerated privilege to share the state of affairs, performance and road ahead with the stakeholders of Capital Small Finance Bank. The Bank has been witnessing exponential growth since its conversion into a small finance bank on April 24, 2016.

Capital Small Finance Bank is working with vigor and enthusiasm to materialize its vision statement; to provide superior banking service, focused on customers' needs, to contribute to the economic development of the area by innovative ideas, technology and new products and to maintain a long lasting and trustworthy relationship with the local community.

Capital Small Finance Bank is a socially responsible institution and has built its model around the concept of financial inclusion. The Bank is expanding its outreach with a focus to provide world class banking to the masses at low cost. The Bank is providing a safe, efficient and service oriented repository of savings to the local community with complete bouquet of financial services to its ever expanding clientele under single roof. In line with the objective for which Small Finance Banks have been set up, the Bank has customized the Asset and Liability products as per the need of the masses to help them in their growth endeavors.

The Bank is witnessing exponential growth in every sphere of business and performance. The branch network has increased from 47 on the eve of conversion to small finance bank to 129 as on March 31, 2019. The total business of the Bank has increased from ₹ 2,963 crores as on March 31, 2016 to ₹ 6,276 crores as on March 31, 2019. After establishing a strong footprint in the state of Punjab, the Bank has now started expansion in the states of Delhi, Haryana, Union Territory of Chandigarh and Rajasthan.

The Bank believes that robust economic growth is essential for reducing poverty and boosting shared prosperity. Strengthening contingency planning, facilitating trade, and improving access to finance will be crucial to navigate current economic uncertainties and invigorate growth in the economy.

Being a responsible citizen, the Bank endeavors to become a partner in growth and contribute to the economic development of the country.

Looking at the recent developments in the Indian financial sector conducting ethical, professional and compliance oriented businesses is of prime importance for the Bank. Capital Small Finance Bank is built on the pillars of trust and performance, and continues to upstage ethical and professional conduct with robust compliance environment to create sustainable economic developments.

To sustain growth, countries and corporates need to invest in people, foster inclusive growth, and build resilient societies. The Bank envisages to provide quality employment opportunities to localities with fast track career growth and development.

I am sincerely thankful to the professional, ethical and timely inputs, advice and guidance provided by the regulatory bodies, the Reserve Bank of India, and Board of Directors of Capital Small Finance Bank.

The Bank and its whole team continuously strives to set highest standards of corporate governance, ethical business practices and maintain highest order of professionalism in providing various financial services. The bank is fulfilling its aim to make banking experience a delight for its various stakeholders.

I extend my gratitude to all the stakeholders for their confidence and unflinching belief in our ability to deliver value. I would like to take this opportunity to reiterate our commitment to work towards meeting your high expectations and take your organization to the next level of growth.

Lets together build a great institution.

Sarjit Singh Samra
Managing Director

Directors' Report

Dear Shareholders

The Directors of the Bank have great pleasure in presenting the 20th Annual Report on the business and operations of the Bank along with the audited accounts for the year ended March 31, 2019.

Indian Economy 2018-2019 Moving Forward

Ease of Doing Business Index

India moved up by 23 places in the World Bank's Ease of Doing Business Index 2018 and got 77th rank. This is attributed to 6 reforms this year - starting a business, getting electricity, construction permits, getting credit, paying taxes and trading across borders.

Make in India

Manufacturing Sector GDP Contribution Up

The Make in India Campaign launched by the Government of India in September 2014 permitted 100% FDI in 25 sectors of the economy except space, defence and media industry of India. The movement further led to local state movements like "Make in Odisha", "Happening Haryana" and "Magnetic Maharashtra". India has retained its position as the third largest startup base in the world with over 4,750 technology start-ups. India's labour force is expected to touch 160-170 million by 2020, based on rate of population growth, increased labour force participation, and higher education enrolment, among other factors. This is going to help Indian manufacturing economy to grow at an exponential rate in the next decade.

Goods and Services Tax (GST)

Single Taxation System across the Country GST, a unified consumption tax on all goods and services except electricity, petroleum products and alcoholic drinks was implemented by the government in July 2017. This tax eradicated the disparity of taxes among different state governments and the multilayer tax system. It has pooled the resources of centre and state government under a single tax, which can benefit both. According to a report in The Economic Times, GST has caused an increase in tax base, easier movement of goods across state borders and reduction in tax rate from 28% to 18% for several products. The monthly collection of GST crossed the ₹ 1 lakh crore mark in October 2018.

Growth Expectations

Having overcome the effects of two bold moves by the government, demonetization and implementation of the Goods and Services Tax, one can safely say that the Indian economy is back on track with a better-than-expected corporate earnings and a

stable GDP growth. Presently, both the fiscal policy and monetary policy measures are directed toward augmenting growth as inflation is well under control. Further, the repo rate cut by the Reserve Bank of India shall augur well for real GDP growth which is projected to improve from 7.0 per cent in 2018-19 to 7.2 per cent in 2019-20.

There are upside as well as downside risks to the growth scenario. The boost to private investment activity from faster resolution of stressed assets and increased as well as more broad-based credit off take amidst rising capacity utilization can raise the baseline growth projection. Conversely, further escalation of trade tensions and protectionist trends, increased volatility in global financial conditions over the uncertainty of the stance of monetary policy in the US and other advanced economies, uncertainty surrounding Brexit, a sharper slowdown in the Chinese economy and deviations of the south-west monsoon from the baseline assumption of a normal monsoon may pose downside risks to the baseline growth path.

Financial Market Framework

A robust capital market supplemented by technological advancement and a strengthened legal framework plays a major role in driving the economic growth in India. With the global economy still in and out of turbulent times, the Indian capital markets never fail to disappoint and often emerge as one of the most stable and sustainable of all emerging markets, as far as the systematic risk is concerned and are often crowned as a safe investment destination among the emerging markets. The promising corporate earnings combined with a rising domestic investor appetite could be the two main factors supporting robust capital markets. IPOs hold a special place in the Indian capital markets and the year 2018, too, has seen a fair amount of them. At the same time, there is strong impetus from the regulators for establishment and deepening of corporate debt segment in India. The policy changes brought about by the market watchdog SEBI have also played a very important role in maintaining the current pace of fundraising activity with factors such as good corporate governance, robust financials and the timing always playing a critical role in the success of any public issue. With such favorable regulatory environment, there are greater chances of the markets becoming more attractive to both domestic and foreign investors with current investment pattern providing comfort in the long run.

Since, the conversion into Capital Small Finance Bank Limited on April 24, 2016, the bank has witnessed exponential growth in every sphere be it geographical expansion or business development. The Bank has been able to successfully implement its core competencies in its existing and newer geographies to act as an engine of economic growth and perform as catalyst of financial inclusion. Salient features of our bank are as follows:

- Pioneer in bringing modern banking facilities to rural areas at a low cost.
- 7 Day Branch Banking with uninterrupted business hours across all branches.
- Business of ₹ 6276 crores as on March 31, 2019 as against ₹ 2963 as on March 31, 2016.
- 129 branches as on March 31, 2019 as against 47 as on March 31, 2016.
- Expanded in States of Punjab, Haryana, Chandigarh and Delhi as against 5 districts in State of Punjab as on the date of Conversion.
- One stop financial hub in rural and semi urban areas
- The Bank over the years has designed its products and services focused on customer needs and provides world class banking services at a low cost through innovation & customization.
- Capital Small Finance Bank has raised capital primarily for its expansion and diversification of banking activities.
- The Bank aims to achieve total business of more than INR 18,000 crores across 259 branches by FY 2023.

Business Strategy

The Bank is poised to grow at an exponential pace post conversion to small finance bank in the formative years to enfold its credibility of trust and performance established since its inception in 2000. The Bank has carved strategy of calibrated growth in contiguous geographies by expanding its outreach in the states of Punjab, Haryana, Union Territory of Chandigarh and NCR region. The Bank gives utmost importance to ethics, professional conduct and keeps high standards of governance. The Bank has aggressive plans to grow business in a sustainable way by partnering in growth for its various stakeholders, employment generation with clear roadmap for career development and enhancement. The Bank believes in providing complete bouquet of financial services at affordable prices to its diverse clientele. The Bank is a tech savvy, new generation, private sector retail centric commercial bank and envisages to become a major banking partner in the North India in its first phase of growth till FY 2023.

Our USP

- 7 Day Branch Banking
- Well Diversified Advance Portfolio
- Uninterrupted & Extended Banking Hours

- Customer Oriented Solutions
- Retail Centric Deposit Mix
- Better Asset Quality
- One-Stop Financial Hub in rural and semi urban areas
- Elated Workforce and Delighted Customers

Our Work Ethics

- Expansion with local focus
- Community outreach
- Customer-centric business model
- To develop a team who can GO BEYOND the call of duty
- Optimizing distribution
- Simplifying business and operating models
- Obtaining an information advantage
- Enabling innovation
- Proactively managing risk, regulations and capital

Our Approach to Work

To provide superior Banking Service, focused on customers' needs

- By maintaining proximity with the customers by keeping their needs always at the forefront
- Cost effective delivery of best-in-class products and services

To contribute to the economic development of the area by innovative ideas, technology and new products

- Innovative yet scalable products with an ability to create top-up features at attractive price points. Example – lower minimum balance account types i.e. plain account, account with ATM card + net banking + mobile banking etc.

To maintain a long lasting and trustworthy relationship with the local community

- Organizing get-togethers/ events that keep the local community engaged on new products & services
- Employing locals- exhibiting long term commitment to that region
- Participation in functions/ events of local community

Financial Performance

The Bank is growing at an exponential pace. The Compounded Annual Growth (CAGR) for the last three years ended on March 31, 2019 in Deposits at 24.18%, Advances at 38.01%, Total Business at 29.41% and maintaining CASA at 38.39% as on March 31, 2019 is depicting strong performance all around. The operating profits are showing healthy growth rate. There is exponential growth in branch network from 47 from the eve of conversion to 129 as on March 31, 2019. The Bank has expanded its branch network as part of calibrated strategy to

Financial Highlights

enhance branch network aggressively in the first couple of years of post conversion and that too in larger centres so that we are able to grow business rapidly. Going forward, the focus is going to shift to improving margins and enhance presence in tier II and tier III cities so that branch network gets complete fillip. The Business Plan of the Bank clearly depicts the focus turning on improving bottom line, profitability and return ratios for the next couple of years.

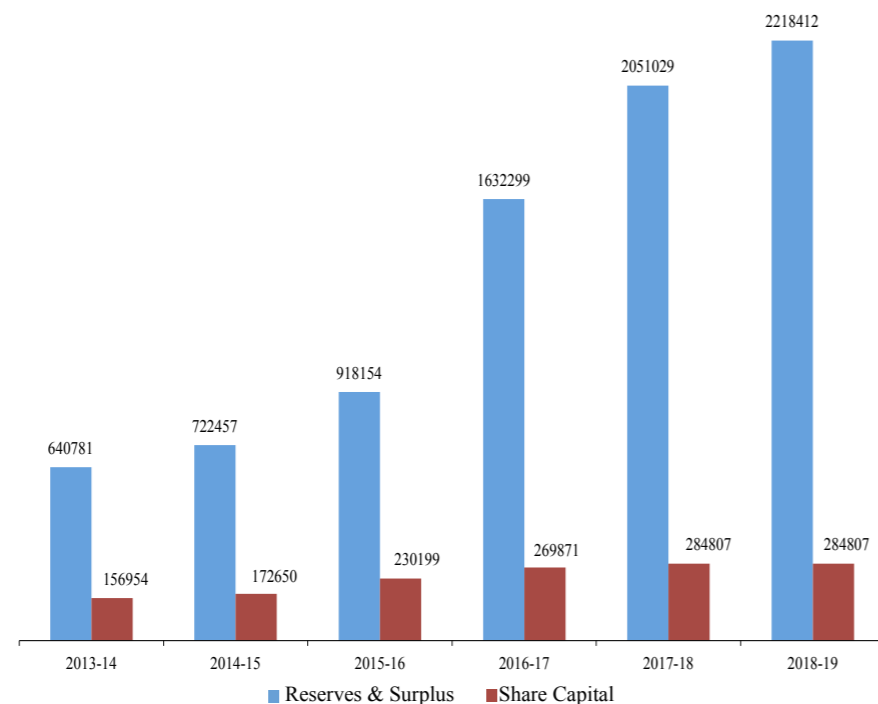
Exponential Expansion After Conversion to Small Finance Bank

The Bank is witnessing exponential growth post conversion into a small finance bank on April 24, 2016. The Bank is following a strategy of contiguous expansion since its inception in 2000, but the area and scale of operations were restricted to five districts when the bank operated as a local area bank. The branch count has increased from 47 on the eve of conversion to 129 as on March 31, 2019.

The Bank is witnessing exponential growth in every sphere including branch expansion, geographical expansion, business generation and development, employment generation and scope of services post its conversion into a small finance bank from a local area bank. The business has grown from ₹ 4703 Crores to ₹ 6276 Crores during the financial year 2018-19.

The Bank has a very strong footprint in the state of Punjab and has now started expansion to Chandigarh, Delhi and Haryana. The category wise detail of branches of the Bank as on March 31, 2019 is as under:

Net Worth Analysis



	March 31, 2017	March 31, 2018	March 31, 2019
Rural	35	50	58
Semi Urban	27	33	42
Urban	07	12	20
Metropolitan	04	06	09
Total	73	101	129

Out of above total 129 branches, 34 branches are Unbanked Rural, which constitutes 26.36% of the total branches as against requirement of at least 25% Unbanked Rural Branches. In order to effectively monitor the branches and to ensure smooth functioning at all level, the Bank has opened two Regional Offices at Chandigarh and Delhi.

The Bank is a Scheduled Bank and has been granted Authorised Dealer Category II Licence by Reserve Bank of India.

Great Place to Work

“A great place to work is one in which you trust the people you work for, have pride in what you do, and enjoy the people you work with.”

Capital Small Finance Bank has been ranked amongst India’s 100 Best Companies to work for 2019 for the 5th consecutive year by the Institute ‘Great Place to Work’, a Global Institute having its Headquarters at San Francisco, USA and has presence in 50 countries across globe.

(₹ In' Crores)

	Deposits	Advances	Total Business	Gross Revenue	Net Interest Income
Year Ended March 31, 2019	3667.26	2608.78	6276.04	377.60	135.14
Year Ended March 31, 2018	2850.52	1852.99	4703.51	293.87	104.52
Growth %	28.65	40.79	33.43	28.49	29.30
	Operating Expenses	Provision & Contingencies	Profit Before Tax	Profit After Tax	
Year Ended March 31, 2019	132.17	14.86	26.92	19.41	
Year Ended March 31, 2018	94.68	13.68	29.71	19.02	
Growth %	39.59	8.69	(9.39)	2.05	

	Transfer to Statutory Reserves	Transfer to other Reserves	Dividend	Corporate Dividend Tax	Carried forward to the next Year
Year Ended March 31, 2019	4.85	1.27	2.22*	0.46*	10.61
Year Ended March 31, 2018	4.76	0.17	-	-	14.09

*The Dividend and Corporate Dividend Tax belongs to F.Y. 2017-18.

Ratio Analysis	Credit Deposit Ratio	Business per Employees (₹ Crores)	Return on Equity (pre-tax)	Capital Adequacy Ratio	Non - Performing Asset (Net) (₹ Crores)
Year Ended March 31, 2019	71.14%	4.77	11.13%	17.47%	24.22
Year Ended March 31, 2018	65.01%	4.88	14.02%	19.66%	15.43
	Paid up Capital (₹ Crores)	Reserves & Surplus (₹ Crores)	Net Worth (₹ Crores)	Book Value per Share (₹)	Earning Per share (₹)
Year Ended March 31, 2019	28.48	221.84	250.32	87.89	6.82
Year Ended March 31, 2018	28.48	205.10	233.58	82.01	6.86

Branches	Rural	Semi Urban	Urban	Metro	Total	Number of ATMs
Year Ended March 31, 2019	58	42	20	9	129	130
Year Ended March 31, 2018	50	33	12	06	101	102

- Total Deposits of the Bank increased to ₹ 3667.26 crores as on March 31, 2019 as against ₹ 2850.52 crores as on March 31, 2018 resulting growth of 28.65%.
- Total Advances (gross) increased to ₹ 2608.78 crores as on March 31, 2019 from ₹ 1852.99 crores as on March 31, 2018, registering a growth of 40.79%.
- Total business of the Bank has increased to ₹ 6276.04 crores as on March 31, 2019 as against ₹ 4703.51 crores as on March 31, 2018, resulting growth of 33.43%.
- Total Assets of the Bank has increased to ₹ 4321.20 crores on March 31, 2019 as against ₹ 3351.83 crore, resulting growth of 28.92%.
- Total Gross Revenue has increased to ₹ 377.60 crores as on March 31, 2019 as against ₹ 293.87 crores as on March 31, 2018, resulting growth of 28.49%.
- Net Interest income has increased to ₹ 135.14 crores as on March 31, 2019 as against ₹ 104.52 crores as on March 31, 2018, resulting growth of 29.30%.
- Net Profit increased to ₹ 19.41 crores as on March 31, 2019 as against ₹ 19.02 crores as on March 31, 2018.
- Capital adequacy of the Bank is 17.47% (required minimum of 15%) as on March 31, 2019 as against 19.66% as on March 31, 2018.
- Business per employee was ₹ 4.77 crores as on

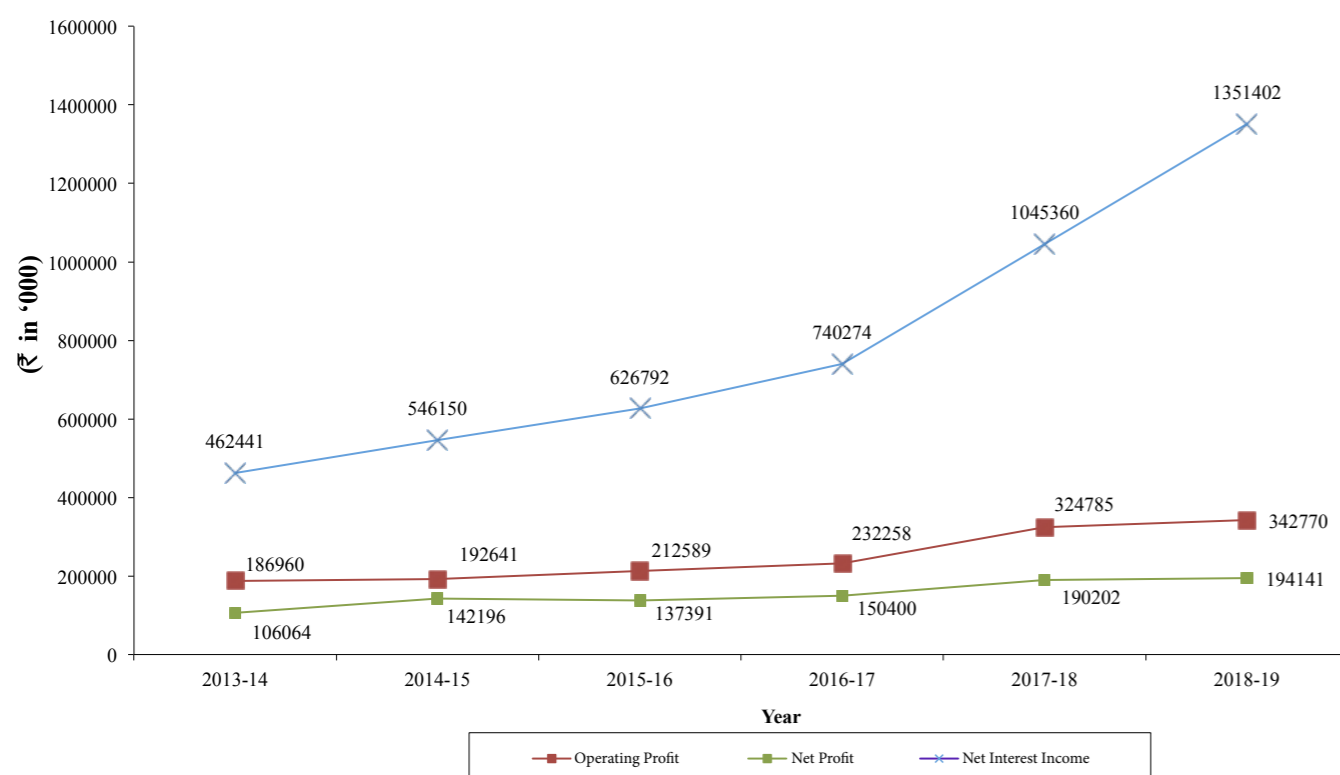
March 31, 2019 as against ₹ 4.88 crores as on March 31, 2018.

- Net interest margin as on March 31, 2019 is 3.58% as against 3.50 % as on March 31, 2018.
- Fixed Assets (Net) of the Bank increased to ₹ 8351.89 lacs as on March 31, 2019 as against ₹ 6457.23 lacs as on March 31, 2018.
- The gross NPAs as on March 31, 2019 were ₹ 33.96 crores. The Bank has made total provision of ₹ 9.74 Crores, thus the Net NPAs stood at ₹ 24.22 crores. Accordingly gross and net NPAs were 1.30% and 0.93% respectively as on March 31, 2019.

Performance & Profitability

The Bank is growing exponentially post its conversion to small finance bank which is depicted by all round commendable performance. The conversion into a small finance bank has been a landmark event in the journey of the bank and the bank is poised to make full use of the opportunities ahead. The Bank is taking forward its time tested strategy of contiguous growth ahead by expanding in adjoining states of Punjab, Haryana, union territory of Chandigarh, NCR region. The Bank endeavors to become a prominent banking partner in the North India by 2023 by providing state of the art, technologically driven, bouquet of financial services to its diverse clientele at affordable prices.

Profit Analysis



The Bank is expanding presently into the commercial hubs of Punjab, Haryana, NCR regions to expand its credit off take to augment profitability by raising CD ratio above 75% in the current phase of expansion and growth. The branch network has grown from 47 branches to 129 from April 24, 2016 to March 31, 2019. The business has grown at CAGR of 28.43%. The CD ratio has increased from 63.30% to 71.14% which is going to augur well for profitability over the coming few years. The present exponential growth in branch expansion has increased the operating expenditure of the bank which has resulted in almost similar Net Profit than the previous year despite a healthy growth in business i.e 28.65% growth in Deposits and 40.79% growth in advances. The Bank has taken this calibrated call of first expanding branch network in major industrial hubs of the states to boost its CD ratio and later enhance the penetration into tier II and III cities. A branch typically takes around 18-24 months to become profitable and in the next year i.e 2019-20, a decent number of newer branches shall become profitable which is going to boost its profitability big time.

The Bank has built its success on trust and performance and continues to endeavor to excel on every front of financial performance be it ROC, ROTA, NIM, and at the same time maintaining healthy capital adequacy to provide cushion for unexpected economic developments as well as to provide adequate growth capital to capitalize on the opportunities at hand. The Bank is going to keep expanding as per its strategy and the branch profitability shall start depicting itself in the bottom line from the FY 2020-21. The Bank is poised to perform exceedingly well with a healthy business growth of 30% plus CAGR as well as shall start depicting exponential growth in bottom line from the FY 2020-21.

Dividend

The Bank has a consistent track record of healthy dividend payouts since day one of its inception. The Bank is in an exponential growth phase. As you are well aware, that banking industry is a capital intensive industry where by growth capital is required for every stage of expansion. With present, exponential growth opportunities, it is in the best interest of all the stake holders, that the bank should retain most of its earning so that they can be utilized for faster growth resulting into increased shareholder's wealth. Despite, the compelling reasons to retain earnings to provide growth capital, the board of directors of the bank, recommend a 2%

dividend payout since the bank has a strong history of 15 years of dividend payouts.

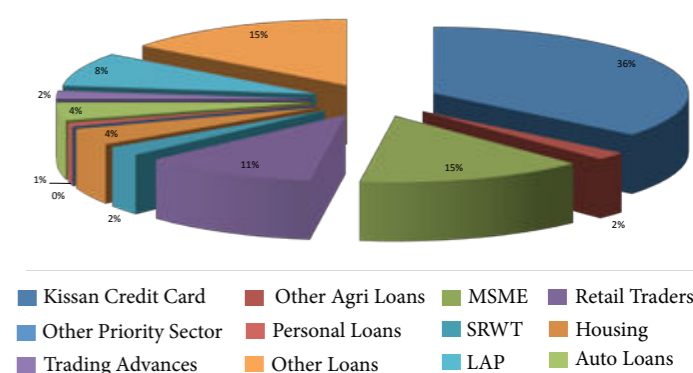
Capital Adequacy Ratio (CAR)

The Bank has designed well calibrated capital adequacy plan where in the bank has taken note of the various risks being faced in the banking industry as well as kept cushion for the growth capital so that the bank is able to manage its growth at exponential pace while managing various risks faced as a banking entity be it market risk, credit risk, operational risk and has chalked out plans for maintaining sufficient buffer capital to provide for any kind of stress as well as to provide ample growth capital to keep the growth trajectory on the accelerated lane. The Bank has devised various rounds, methods, ways and instruments for capital raising from time to time in the next couple of years depending upon its growth capital needs, risk assessment and risk profiling of the bank as well as keeping buffer capital for unexpected event risks of the future.

The Bank has a healthy CAR for the financial year ending March 31, 2019 of 17.47% as compared to 19.66% during the financial year ending March 31, 2018. The Bank has chalked out plans for the next three years to maintain healthy CAR through raising adequate mix of debt and equity instruments so that adequate capital is maintained at all the times to support exponential expansion plans. All in all, the Bank in compliance to the provisions of the Guidelines issued by the Reserve Bank of India, has maintained the capital adequacy ratio at the desired level and has planned to maintain the same comfortably in future also.

Advance to Priority Sector, Weaker Section

The Banks plays a major role in the development of the country by channelizing the flow of the credit to priority sectors. Hence, financing the priority sectors and its growth in the right way plays a major role in the strategies of the Bank.



The fundamental framework of the Bank has been built in a manner to continuously focus on the banking needs of the weaker sections of the society and facilitating the priority sector.

Priority sector advances increased to ₹ 1501.40 crores (Net amount after sale of PSLC of ₹ 350 Crores and Purchase of PSLC of ₹ 30 Crores) as on March 31, 2019 as against ₹ 1359.91 crores as on March 31, 2018, registering a growth of 10.40%. The Priority Sector Advances stood at 81.28% of the Adjusted Net Bank Credit of current year ended March 31, 2019 and are above the 75% benchmark set by the Reserve Bank of India. The total credit to agriculture and allied has increased to ₹ 985.64 crores as on March 31, 2019 as against ₹ 758.39 crores as on March 31, 2018 showing a growth of 29.96%, which stood at 53.36% of the Adjusted Net Bank Credit of previous year ended March 31, 2018.

CAPITAL KISAN CREDIT CARD Scheme is customer friendly scheme that has been proven to be a great device in upliftment of credit availability in rural areas falling under the jurisdiction of the Bank and the scheme has given a great momentum to the credit flow to the agriculturists.

The advances made to Weaker Section including Small and Marginal Farmers, Scheduled Castes, etc. stood at ₹ 410.59 crores as on March 31, 2019. The advances to weaker sections stood at 22.23% of Adjusted Net Bank Credit of previous year i.e. March 31, 2019 as against the regulatory benchmark of 10%.

The Bank has opened large number of 'No Frill' account upto March 31, 2019 under Financial Inclusion of those households that did not have any access to banks/post offices.

The Bank has initiated number of steps to increase lending to Priority Sector/Weaker Sections, including identifying potential centers for focused lending, imparting training to officers on rural lending, liberalised credit norms and softening interest rates.

Statutory Disclosures

1. Compliances as per The Reserve Bank of India and the Government of India

We've made all statutory compliances with The Reserve Bank of India and the Government of India including maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR).

2. Information as per Rule 5 (2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

There are no employees in the Bank drawing salary of ₹ 102.00 Lakhs per annum or ₹ 8.50 Lakhs per month or more and none of the employees are relatives of Director as on date of report. None of the employees of the Bank other than Managing Director hold by himself or along with his spouse or dependent children 2% or more equity shares of the Bank.

3. Information pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The information under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of Directors and employees of the Bank is provided as an **Annexure - I** to this report.

4. Transfer of unclaimed dividend to Investor Education and protection fund

Pursuant to the relevant provision of Section 125 of Companies Act, 2013 and the relevant rules made thereunder, the amount of unpaid dividends that are lying unclaimed for a period of 7 years from the date of its transfer to the unpaid dividend account, is liable to be transferred to Investor Education and Protection Fund (IEPF) administered.

Accordingly, Dividends for and up to the financial year ended March 31, 2011 have already been transferred to the IEPF. Further, please note that the unclaimed Dividend in respect of the financial year ended March 31, 2012 must be claimed by the concerned Shareholders on or before November 04, 2019 failing which it will be transferred to IEPF in accordance with the Rules.

The details of Unclaimed Dividends as on March 31, 2019 and the last date for claiming the same, prior to its transfer to the IEPF, are as under:

Dividend for the year ended	Date of Declaration of Dividend	Last Date Claiming Dividend
31.03.2012	28.09.2012	04.11.2019
31.03.2013	28.09.2013	04.11.2020
31.03.2014	27.09.2014	03.11.2021
31.03.2015	19.09.2015	26.10.2022
31.03.2016	23.09.2016	30.10.2023
31.03.2017	22.07.2017	29.08.2024
31.03.2018	18.08.2018	25.09.2025

Transfer of Underlying Equity shares in respect of the unclaimed Dividend to IEPF.

Pursuant to the relevant provisions of Section 124 and Section 125 of the Companies Act, 2013 read with the IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended from time to time, the unclaimed Dividend and the underlying Equity Shares of the Bank for the Financial Year 2010-2011 (in case where the Dividend for subsequent financial years have not been claimed by the concerned Shareholder), were liable to be transferred by the Bank to IEPF Authority and the same has been transferred, pursuant to the notification issued by the Ministry of Corporate Affairs (MCA) Dated October 16,2017.

5. Explanation or comments on qualifications, reservations or adverse remarks or disclaimers made by the auditors and the practicing company secretary in their reports

There were no qualifications, reservations or adverse remarks made by the Statutory Auditors and by Secretarial Auditors in their Audit reports.

6. Extract of the Annual Return Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014,

As per the requirements of Section 92(3) of the Act and Rules framed thereunder, the extract of the annual return for FY 2019 is given in **Annexure II** in the prescribed Form No. MGT 9, which is a part of this report. The same is available on <https://www.capitalbank.co.in/investor-disclosures.html>

7. Disclosure under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014

Energy Conservation: The Company being Banking Company, the energy consumed by the

bank during this period is only in the form of electricity and diesel used in generators. The company has allocated specific cost budgets for the same in Head Office and all its branches to reduce electric waste and the same is monitored on periodical basis. Other measures like use of LEDs, power saver air conditioning equipments etc. are being installed for conserving above the energy. There is no capital investment on energy conservation equipment other than specified.

Technology Absorption: The same is given in the Management Discussion and Analysis attached to this report.

Foreign Inflow and Outgo: There was no foreign exchange earnings inflow or outflow during the year under review.

8. Disclosures Under Section Sec 134(3)(l) of The Companies Act, 2013

There are no material changes and commitments, affecting the financial position of the bank, which has occurred between the end of the financial year of the Bank and date of this report.

9. Details of significant & material orders passed by the regulators or courts or tribunals

There are no significant material orders passed by the Regulators or Courts or Tribunal which would impact the going concern status of the Bank and its future operations.

10. Transfer to reserves in terms of section Sec 134 (3)(j) of the Companies Act, 2013

For the financial year ended March 31, 2019, the Bank had transferred ₹ 485.35 lacs to the Statutory Reserve Fund (maintained under section 17(1) of RBI Act, 1934). The Bank has transferred ₹ 6.95 lacs to Special Reserve maintained under section 36(viii) of Income Tax Act, 1961.

11. Asset-Liability and Risk Management pursuant to section 134 (3)(n) of Companies Act, 2013

The Bank has formulated and adopted a robust risk management framework. Whilst the Board is responsible for framing, implementing and monitoring the said risk management framework, it has delegated its powers relating to monitoring and reviewing of risk associated with the business of the Bank to the Risk Management Committee. Bank follows an integrated approach to managing risks and the processes are embedded in the fundamental business model. The Risk Management Landscape in the Bank covers the stages of

identifying, assessing, measuring, managing, controlling and reporting risk concerns across all the risk classes viz. Credit, Market and Operational Risks. The Risk Management Policies adopted and reviewed periodically articulate, codify the strategy, structure, processes and systems to manage bank wide risks. Expanding business arenas, deregulation and globalization of financial activities, emergence of new financial products and increased level of competition has necessitated the need for an effective and structured risk management practice in financial institution. The Bank has adopted an integrated approach for the management of risk. Effective internal policies are developed in tune with the business requirements and best practices. Capital Bank has formulated 'Risk Management Policy' which also includes Internal Capital Adequacy Assessment Policy (ICAAP) for identifying and measuring various operational, credit, market and solvency risks. Operational risks are managed through comprehensive systems of internal control, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning. We constantly strive to enhance the risk management capabilities in accordance with the emerging regulatory guidelines and the broad risk management principles. The Bank reviews the risk management system and the progress made in implementing the RBI guidelines on risk management, on a quarterly basis. The Asset Liability Management Committee (ALCO), consisting of the Bank's senior management and the Managing Director, is responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the Bank (on the assets and liabilities sides) in line with the bank's budget and decided risk management objectives. The committee actively manages and controls the structure of assets and liabilities and interest rate sensitivities with a view of optimizing profits besides maintaining capital adequacy and sufficient liquidity. Statements for Structured Liquidity, Liquidity Coverage and Interest Rate Sensitivity of the bank is being prepared in line with the RBI guidelines to actively manage the liquidity and interest rate risks.

The composition of Board of Directors of the Bank is governed by the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949. The Board of the Bank as on March 31, 2019 consisted of Eleven Directors, out of which Seven directors are independent.

The Bank has obtained declaration of Independence from Mr. Madan Gopal Sharma, Mr. Rakesh Soni, Mrs. Harmesh Khanna, Mr. Sham Singh Bains, Mr. N.K. Maini, Mr. Gurdeep Singh and Mr. Gurpreet Singh Chug and they meet the criteria of dependence as laid down under Section 149(6) of the Companies Act, 2013.

13. *Company's Policy on Directors' Appointment & Remuneration including criteria for determining Qualifications, Attributes, Independence etc. in terms of Sec 134(3)(e); Sec 178(1) & (3) of Companies Act 2013*

The Nomination and Remuneration Committee of the Bank has put in place 'Fit and Proper' criteria and Compensation policy for considering the appointment and remuneration of Directors and Key Managerial personnel as per the guidelines issued by Reserve Bank of India. The policy contains detailed procedures for determining qualification, positive attributes, due diligence mechanism and reference checks for appointment of Directors and Key Managerial Personnel.

14. *Performance Evaluation of Board in terms of Section 134(3)(p) of Companies Act, 2013*

Pursuant to the provisions of the Companies Act, 2013 the Nomination and Remuneration Committee has carried out an annual evaluation of Board and its Committees.

The performance of the Board was evaluated by seeking inputs from all the Directors and the performance of the Committees was evaluated by seeking inputs from the Committee members. The Nomination and Remuneration Committee also reviewed the performance of the individual Directors. A separate meeting of Independent Directors was held on 30th January, 2019 to review the performance of non-independent Directors and performance of the Board as a whole.

Subsequently, the Board met and discussed the performance of the Board and its Committees.

12. *Independent Directors Declaration in terms of Section 134(3)(d); Sec 149(6) of Companies Act 2013*

The criteria for performance evaluation of the Board included aspects like Board composition and structure, effectiveness of Board processes, information and functioning etc. The criteria for performance evaluation of Committees of the Board included aspects like composition of committees, effectiveness of committee meetings etc. The criteria for performance evaluation of the individual directors included aspects on contribution to the Board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings.

15. *State of the Company's Affairs of the company in terms of Section 134(3)(i) of the Companies Act 2013*

The state of affairs of the company in details has been given separately in different sections of the Board Report and also under Management Discussion and Analysis.

16. *Name of the companies which have become ceased to be Subsidiaries/ Associates or Joint Ventures during the year in terms of Sec 134 (3)(q) read with Rule 8(5)(iv) of Companies (Account) Rules, 2014*

The Bank does not have any Subsidiary, Joint venture or Associate Company.

17. *Disclosure Under the Sexual Harassment of Women At Workplace (Prevention, Prohibition and Redressal) Act, 2013 in terms of The Sexual Harassment of Women at the workplace (Prevention, Prohibition & Redressal) Act, 2013*

The Bank has formulated an internal compliant committee for redressal of complaints for Sexual Harassment of women at the workplace and takes all necessary measures to ensure a harassment-free workplace. The Bank believes that all employees, including other individuals who are dealing with the bank have the right to be treated with dignity. The cases reported to the Bank were duly addressed and resolved. There is no pending complaint under the said act.

The committee takes appropriate action against the employees who have violated the norms, which includes disciplinary action such as warning letter and in some cases termination of employment depending upon the gravity of violation.

18. *Adequacy of Internal Financial Controls Related To Financial Statements*

The Companies Act, 2013 has introduced a reasonably advanced reporting concept for auditors i.e. Internal Financial Control (IFC) over financial reporting. Auditors of the company are required to report on adequacy and operating effectiveness of internal financial controls of the company with report on financial statements prepared under section 142 of the Companies Act, 2013. The Company as per the requirement of section 134(5)(e) has adopted the policies and procedures to ensure orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets prevention and detection of frauds and errors, accuracy and completeness of accounting records, timely preparation of reliable financial information. During the year under review, the Statutory Auditors and the Secretarial Auditors have not reported any instances of frauds committed in the company by its Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which needs to be mentioned in the Report.

19. *Directors*

The Board of the Bank is duly constituted in accordance with the provisions of Banking Regulation Act and Companies Act, 2013 Managing Director & Chief Executive Officer (MD & CEO) Mr. Sarvjit Singh Samra has been serving as the Managing Director & CEO of the Bank since July 21, 2003, with the approval of Reserve Bank of India (RBI) and the shareholders, from time to time. The Reserve Bank of India on April 18, 2019 approved the re-appointment of Mr. Sarvjit Singh Samra as Managing Director of the Bank for a period of three years w.e.f. April 24, 2019 which will be subsequently be confirmed by the Shareholders in the forthcoming Annual General Meeting.

Appointment of Part-time Chairman

The Reserve Bank of India vide letter no. DBR. Appt. No. 9057/29.44.004/2018-19 dated 24th April, 2019 conveyed the approval for appointment of Mr. Madan Gopal Sharma (DIN : 00398326) as Part-time Chairman of Capital Small Finance Bank Limited for a period of three years w.e.f. April 24, 2019. The said vacancy was caused by the retirement of Mr. Inder Krishan Sardana, Part-Time Chairman of the Bank on April 23, 2019.

Retirement/Appointment of Directors in compliance to Section 10(2A)(i) of the Banking Regulation Act, 1949

The Board is duly constituted as per the provisions of Banking Regulation Act, 1949, Companies Act, 2013, RBI guidelines for Small Finance Banks and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

During the year Mr. Navin Kumar Maini, Mr. Dinesh Gupta and Mr. Gurpreet Singh Chug were appointed as additional directors by the Board of Directors in the meeting held on January 30, 2019 and February 23, 2019 and Mr. Gurdeep Singh was appointed as director of the bank w.e.f July 11, 2018 and Mr. Rahul Priyadarshi was appointed as the Nominee director on the Board w.e.f November 03, 2018.

Mr. Sukhpal Singh Gill and Mr. Santokh Singh Chhokar directors of the bank have retired from the directorship w.e.f 24th September, 2018 and 10th January, 2019 respectively. Mr. Madan Gopal Sharma retired as an Independent Director w.e.f March 31, 2019 after completing 5 years. The Board in its meeting held on January 30, 2019 re-appointed him as an Independent Director w.e.f April 1, 2019.

Directors Retiring by Rotation

In terms of Section 152 of the Companies Act, 2013, Mr. Sarvjit Singh Samra director being longest in the office shall retire at the forthcoming Annual General Meeting and being eligible for re-appointment, offer himself for re-appointment.

Appointments/Resignations of the Key Managerial Personnel

Mr. Sarvjit Singh Samra, Managing Director and Chief Executive Officer; Mr. Munish Jain, Chief Operating Officer and Chief Financial Officer; Mr. Sahil Vijay, Company Secretary of the Bank are the Key Managerial Personnel as per the provisions of the Companies Act, 2013 as on 31.03.2019. Mr. Sahil Vijay, Company Secretary resigned as Company Secretary w.e.f May 17, 2019 to devote dedicated time as Chief Treasury Officer and the Board of the Bank appointed Mr. Amit Sharma as the Company Secretary as recommended by the Nomination and remuneration Committee in the meeting w.e.f May 17, 2019. None of the Key Managerial Personnel has resigned or appointed during the financial year under review i.e 2018-19.

20. Corporate Governance

Corporate governance is essentially a set of standards, systems, and procedures aimed at effective, honest, transparent, and responsible management of a company within the applicable statutory and regulatory structures.

Corporate Governance disclosure aims at detailed information on account of an organization's financial situation, performance, ownership and governance, relationship with shareholders and commitment to business ethics and values. Healthy corporate governance practices are no longer the need of the law but have become essential for the very survival of the organizations, the current economic crisis has proven that beyond doubts.

Our Corporate Governance framework ensures that we make timely disclosures and share accurate information regarding our financials and performance, as well as the leadership and governance of the Bank. The Board is professional in character with a strong commitment to shareholder value, transparency, accountability, ethical standards and regulatory compliances.

The separation of the Board's supervisory role from the executive management and the constitution of Board Committees, which at March 31, 2019 comprised of majority of Independent directors is a great step of the Bank towards the Corporate Governance.

The Board presently comprises of ten Directors including one woman director and it provides diverse combination of professionalism, knowledge, expertise and experience as required in the banking business. The Board has seven Independent Directors constituting more than one-half of its total membership strength and one woman Director. The Directors have distinguished themselves in different walks of life through experience and expertise.

Meetings of the Board and Committees of the Board

The Board of Directors of the Bank is meeting regularly to discuss and decide on various business policies, strategies and other businesses. The Board met 4 times during the year under review. The details of the meetings of the Board are as follows:

Board of Directors

Total Meetings 4
Dates of Meetings
09th May, 2018; 11th July, 2018;
03rd November, 2018; 30th January, 2019

No. of Meetings attended by Directors

1. Inder Krishan Sardana	2
2. Sarvjit Singh Samra	4
3. Santokh Singh Chhokar (retired on January 10, 2019)	3
4. Sukhpal Singh Gill (retired on September 24, 2018)	2
5. Madan Gopal Sharma	3
6. Rakesh Soni	4
7. Harmesh Khanna	4
8. Sham Singh Bains	3
9. Gurdeep Singh	2
10. Rahul Priyadarshi (appointed on November 3, 2018)	1
11. Navin Kumar Maini (appointed on January 30, 2019)	Nil
12. Dinesh Gupta (appointed on January 30, 2019)	Nil
13. Gurpreet Singh Chug (appointed on February 23, 2019)	Nil

Independent Directors Meeting on January 30, 2019

The meeting was attended by all the five Independent Non Executive Directors.

The Bank has several committees which have been established as a part of the best Corporate Governance practices and are in compliance with the requirements of the relevant provisions of applicable laws and statutes.

The Bank has following Committees of the Board:

1. Management Committee
2. Audit Committee
3. Credit Sanctioning Committee
4. Risk Management Committee
5. Nomination and Remuneration Committee
6. Special Committee on frauds
7. Stakeholders Relationship Committee
8. Corporate Social Responsibility Committee
9. Securities Committee

Nomination And Remuneration Committee

The Board of Directors in the meeting held on 03rd November, 2018 reconstituted the Nomination and Remuneration committee. As on March 31, 2019, committee has four members consisting of Mr. Madan Gopal Sharma, Chairman, Mr. Gurdeep

Singh and Mr. Sham Singh Bains and Mr. Rakesh Soni. All the members of the committee are independent non executive directors. The committee has been constituted to review the structure, size, composition, diversity of the Board and designing of the criteria for determining the qualifications, positive attributes and independence of the directors. The Nomination and Remuneration Committee also approves the appointment and remuneration of KMPs as per the Reserve Bank of India guidelines, Companies Act 2013, policy of the Bank and other laws.

The details of the meetings of the Nomination and Remuneration Committee are as follows:

Total Meetings	6
Dates of Meetings	23rd April, 2018; 02nd July, 2018; 18th October, 2018; 01st November, 2018; 24th January, 2019; 29th January, 2019.

Number of Meetings attended by Directors

1. Madan Gopal Sharma	5
2. Sukhpal Singh Gill	2
3. Sham Singh Bains	6
4. Rakesh Soni	2
5. Gurdeep Singh	2

Audit Committee

The Board of Directors in its meeting held on November 03, 2018, had reconstituted the Audit Committee. Mr. Sukhpal Singh Gill retired from the directorship w.e.f 24th September, 2018 and Mr. Gurdeep Singh was appointed director on the Board w.e.f 11th July, 2019 and further appointed as the member of the Audit Committee. The members of the Committee as on March 31, 2019 were Mr. Sarvjit Singh Samra, Mr. Madan Gopal Sharma, Chairman, Mr. Rakesh Soni and Mr. Gurdeep Singh. The committee met six times in a year. The functions of the Audit Committee are as follows:

- Overseeing the financial reporting and disclosure process.
- Monitoring choice of accounting policies and principles.
- Overseeing hiring, performance and independence of the external auditors.
- Oversight of regulatory compliance, ethics, and whistleblower hotlines.
- Monitoring the internal control process.
- Overseeing the performance of the internal audit function.
- Discussing risk management policies and practices with management.

The details of the meetings of the Audit Committee as on March 31, 2019 are as follows:

Total Meetings	6
Dates of Meetings:	
08th May, 2018; 11th July, 2018;	
20th September, 2018; 01st November, 2018;	
30th January, 2019; 15th March, 2019	

Number of Meetings attended by Directors:

1. Madan Gopal Sharma	5
2. Sukhpal Singh Gill	3
3. Rakesh Soni	6
4. Gurdeep Singh	2
5. Sarvjit Singh Samra	6

Corporate Social Responsibility Committee and Statutory Disclosure

The functions of the committee includes review of corporate social responsibility initiatives by the Bank for Inclusive Growth, formulation and recommendation to the Board of a CSR Policy indicating the activities to be undertaken by the Bank and recommendation of the amount of expenditure to be incurred on such activities, reviewing and recommending the annual CSR plan to the Board, making recommendations to the Board with respect to the CSR initiatives, policies and practices of Capital Small Finance Bank. Pursuing a vision towards the socio-economic empowerment of under privileged and marginalized sections of society, the Bank reiterates its commitment to support social initiatives with a special focus on education, financial literacy and livelihood support. For your bank, it is of paramount importance that the funds of the bank are utilized prudently to ensure maximum social benefit and development.

The composition of the CSR Committee as on March 31, 2019 comprises of Mr. Sham Singh Bains, Mr. Rakesh Soni, Mr. Gurdeep Singh and Mr. Sarvjit Singh Samra. The Annual Report on CSR activities as required to be given under Section 135 of the Companies Act, 2013 and Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been provided in an **Annexure- III** which forms part of the Directors Report. The details of the meetings of the CSR Committee are as follows:

Corporate Social Responsibility Committee

Total Meetings	1
Dates of Meetings:	
30th January, 2019	

Number of Meetings attended by Directors:

1. Sham Singh Bains	1
2. Rakesh Soni	1
3. Sarvjit Singh Samra	1
4. Gurdeep Singh	0

Details of other committees of Board:

Management Committee

Total Meetings	4
Dates of Meetings:	
08th May, 2018; 20th September, 2018;	
03rd November, 2018; 30th March, 2019	

Number of Meetings attended by Directors:

1. Inder Krishan Sardana	3
2. Rakesh Soni	4
3. Gurdeep Singh	1
4. Sarvjit Singh Samra	4

Risk Management Committee

Total Meetings	4
Dates of Meetings:	
08th May, 2018; 20th September, 2018;	
03rd November, 2018; 30th March, 2019	

Number of Meetings attended by Directors:

1. Sukhpal Singh Gill	2
2. Rakesh Soni	4
3. Harmesh khanna	3
4. Gurdeep Singh	1
5. Sarvjit Singh Samra	4

Credit Sanctioning Committee

Total Meetings	15
Dates of Meetings:	
13th April, 2018; 09th May, 2018;	
01st June, 2018; 26th June, 2018;	
11th July, 2018; 09th August, 2018;	
14th September, 2018; 28th September, 2018;	
01st November, 2018; 19th November, 2018;	
13th December, 2018; 09th January, 2019;	
01st February, 2019; 20th February, 2019;	
19th March, 2019	

Number of Meetings attended by Directors:

1. Sham Singh Bains	15
2. Gurdeep Singh	6
3. Sarvjit Singh Samra	15

Securities Committee

Securities Committee has been constituted by the Board to allot/transfer/transmit all types of securities issued by the bank and also to approve various related matters. The committee as on March 31, 2019 comprised of Mr. Sarvjit Singh Samra,

Managing Director, Mr. Sham Singh Bains and Mr. Gurdeep Singh.

Total Meetings	14
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Dates of Meetings:

13th April, 2018; 24th April, 2018;
15th May, 2018; 04th June, 2018;
26th June, 2018; 10th July, 2018;
21st September, 2018; 01st October, 2018;
20th November, 2018; 24th December, 2018;
31st January, 2019; 28th February, 2019;
28th March, 2019; 31st March, 2019

Number of Meetings attended by Directors:

1. Sukhpal Singh Gill	7
2. Sham Singh Bains	14
3. Gurdeep Singh	6
4. Sarvjit Singh Samra	14

Vigil Mechanism

The Bank has implemented a Vigil Mechanism pursuant to which safeguards are provided against victimization of employees and directors who can raise concerns relating to Reportable Matters (as defined in the mechanism) such as breach of Bank's Code of Conduct, fraud, bribery, corruption, employee misconduct, illegality, health & safety, environmental issues and wastage / misappropriation of bank funds/assets, etc. and also provides for direct access to the Chairman of the Audit Committee, in exceptional cases. The functioning of the Vigil mechanism is reviewed by the Audit Committee from time to time. The concerns reported in accordance with the said policy have been duly settled. None of the complainants have been denied access to the Audit Committee of the Board.

Loans, Guarantees or Investments in Securities

Pursuant to the Section 186 (11) of the Companies Act, 2013 and clarification dated February 13, 2015 issued by the Ministry of Corporate Affairs loans made, guarantees given or securities by a Banking company in the ordinary course of its business are exempted from disclosure in the Annual report. Therefore the said provision is not applicable to the Bank.

Contracts or Arrangements with Related Parties

All related party transactions that were entered during the Financial Year 2018-19 were in the ordinary course of the business of the Bank and were on arm's length basis and the same is enclosed as

Annexure to this Report. There were no materially significant related party transactions entered by the Bank with Promoters, Directors, Key Managerial Personnel or other persons which may have a potential conflict with the interest of the Bank. Considering the nature of the industry in which the Bank operates, transactions with related parties of the Bank are in the ordinary course of business especially with respect to the banking transactions which are also on arms' length basis. All such Related Party Transactions are being placed before the Board/Audit Committee for approval, wherever applicable.

Disclosure regarding Employee Stock Option and Employee Stock Purchase scheme

CSFB Limited – Employees Stock Option Plan 2018 was duly approved by the board and Shareholder's of the bank. Nomination and Remuneration Committee was empowered to implement the said CSFB Limited – Employees Stock Option Plan 2018 on behalf of the Board. During the year under review, the bank has not granted/vested any shares under CSFB Limited – Employees Stock Option Plan 2018.

Disclosure pursuant to Section 197(14) of the Companies Act, 2013

The Bank has no holding or subsidiary companies in terms of the provision Section 197(14) of the Companies Act, 2013 and as per the relevant rules thereunder, regarding which any director who is in receipt of any commission from the company and who is a managing or whole-time director of the company shall not be disqualified from receiving any remuneration or commission from any holding company or subsidiary company of such company subject to its disclosure by the company in the Board's report.

Disclosure regarding Sweat Equity Shares

In respect of the disclosure as per Rule 8(13) of The Companies (Share Capital and Debenture) Rules, 2014, the bank has not issued any Sweat Equity Shares during the financial year under review.

Disclosure in respect of voting rights not exercised directly by employees

Pursuant to the relevant provision of Section 67(3) read with Rule 16(4) of Share Capital and Debenture Rules, 2014, regarding voting rights not exercised by employees regarding purchase of its own shares by employees or by trustees for benefit of employees, it is informed that this section is not applicable on banking company.

Change in Nature of Business

Pursuant to the relevant provision of Rule 8(5) of the Company (Accounts) Rules, 2014, there is no material change in the nature of Business of the bank.

Issue of Equity Shares with Differential Rights

Pursuant to Rule 4(4) of Companies (Share Capital and Debentures) Rules, 2014, the Bank has not issued any Equity shares with differential right during the financial year under review.

Listed Securities, Debenture Trustee Detail and Credit Rating

The debt securities of the Company issued in the form of Upper Tier-II Bonds which are listed on Bombay Stock Exchange Limited (BSE) and detail of the same is as under:

NCD SERIES	COUPON RATE	ISIN NO.
Unsecured Redeemable Non-Convertible (Upper Tier II), Basel I compliant Bonds 2014-15 (series XI)	11.75%	INE646H08012
Unsecured Redeemable Non-Convertible (Upper Tier II), Basel I Compliant Bonds 2015-16 (series XIII)	11.75%	INE646H08020

Credit rating agency of the Bank is Brickwork Ratings Pvt. Ltd. having Registered office at 03rd Floor, Raj Alkaa Park, 29/3 & 32/2 Kalena Agrahara, Ben-nerghatta Road, Bengaluru – 560076. During the year credit Ratings of the Bank for Upper tier II instru-ments enhanced the credit rating of the instrum-ents from “BWR A (Outlook: Stable)” to “BWR A+ (Outlook Stable)”: The Comments of the rating agency are “**Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligation. Such instruments carry low credit risk.**”

Debenture Trustee of the Bank is IDBI Trusteeship Services Limited having registered office at Asian Building, 17, R Kamani Marg, Ballard Estate, Mumbai – 400 001.

Dematerialization of Securities

The Bank has been issued ISIN for all the equity and debt securities by NSDL and CDSL. The equity securities of all the Directors, KMPs and Promoters have been dematerialized pursuant to MCA circular.

Auditors & Auditors’ Report Statutory Auditors and Audit

The members at the 19th Annual General Meeting (AGM) of the Bank held on 18th August, 2018 had, subject to the approval of Reserve Bank of India, appointed M/s. MSKA & Associates Chartered Accountants as Statutory Auditors for a period of four (4) years to hold office till the conclusion of 23rd AGM in connection with the audit of the books of accounts of the Bank. The Auditors shall retire pursuant to RBI guidelines after being auditors for 4 consecutive terms. The Companies Act, 2013 has eliminated the requirement of ratification of the Statutory Auditor and the same would be assumed to have been ratified.

M/S MSKA & Associates Chartered Accountants have audited the accounts of the bank for the Financial Year ended March 31, 2019 as per the accounting standards followed in India. There are no qualifications, reservations or adverse remarks of the Auditors in their Audit report.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank has appointed M/s B. Mathur & Co., Company Secretaries in Practice to conduct Secretarial Audit of the Bank. The Secretarial Audit Report is annexed herewith as **Annexure - IV** to this report.

There are no qualifications, reservations or adverse remarks made by M/s B. Mathur & Co., Company Secretaries, Secretarial Auditors of the Bank, in their Secretarial Audit report.

Directors’ Responsibilities Statement

In accordance with the provisions of Section 134(5) of the Companies Act 2013, your Directors confirm that:

1. In the preparation of the annual accounts for the financial year ended 31st March, 2019, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and

prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2019 and of the profit of the Company for that period;

3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. Directors had prepared the annual accounts on a going concern basis;
5. The Directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
6. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Green Initiatives

“Lead the scene and keep it green”. Deforestation is a harsh reality of the present times. Large-scale deforestation and various other human activities have drastically added to the Global warm- ing and further has badly affected the weather fac- ing almost each year more of break than the normal weather. Keeping in view the harsh reality the MCA took a great action towards it by coming out with the “Green Initiative in the Corporate Governance” through its circular No. 17/2011 dated 21.04.2011 and No. 18/2011 dated 29.04.2011 dated 29.04.2011.

Under this MCA has provided with a welcoming facility of service of notice / documents by a company to its shareholders can now be made through electronic mode. After this great initiative taken by the MCA the companies are no longer required to give Notice including the Annual Return in physical to the stakeholders. They can provide in electronic mode at the Registered E-mail Id of the stakeholders. In view of the said concern we request all the stakeholders to get their E-mail registered with the Bank so to get the Annual Reports at the e-mail id instead through paper mode.

Acknowledgment

The Board of Directors is grateful to the Government of India, Reserve Bank of India, various State Governments and regulatory authorities in India and overseas for their valuable guidance, support and cooperation.

The Directors record their sincere gratitude to the Bank’s shareholders, esteemed customers and all other well-wishers for their continued patronage. The Directors express their appreciation for the contribution made by every member of the staff in ensuring high level of growth that the Bank has achieved during the year.

The Board also places on record its gratitude to the Shareholders, Bankers, Customers, Suppliers and other stakeholders who have extended their valuable sustained support, co- operation and encouragement.

The Directors wish to express their gratitude to Investment Banks, rating agencies and Stock Exchanges for their wholehearted support. The Directors look forward to their continued contribution in realisation of the corporate goals in the years ahead. We wish to apprise our worthy members who have entrusted their trust and confidence in the Bank that Capital Small Finance Bank will venture to strive hard to take long strides ahead with freshly instilled energies.

For and on behalf of the Board of Directors

Madan Gopal Sharma
Chairman

Sarvjit Singh Samra
Managing Director

Place: Jalandhar
Date: May 17, 2019

Annexure I

Details Of Remuneration

Details pertaining to remuneration as required under section 197(12) read with Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the Financial Year 2018-19, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2018-19 are as under:

S. No	Name of Director/KMP	Designation	Remuneration Director/KMP for the Financial Year 2018-19 (₹ in crores) (Excluding perquisite value of ESOPs exercised)	Remuneration of Director / KMP for the Financial Year 2018-19 (₹ in crores) (Including perquisite value of ESOPs exercised)	% increase in Remuneration in the Financial Year 2018-19 (Excluding perquisite value of ESOPs exercised)	% increase in Remuneration in the Financial Year 2018-19 (Including perquisite value of ESOPs exercised)	Ratio of Remuneration of each Director to median remuneration (Including perquisite value of ESOPs exercised) of employees for the Financial Year
1.	Sarvjit Singh Samra	Managing Director	4,833,552	4,833,552	(1.20%)	(1.20%)	20.12
2.	Munish Jain	CFO	9,831,759	9,831,759	27.22%	27.22%	40.93
3.	Sahil Vijay	Company Secretary	1,400,314	1,400,314	0.35%	0.35%	5.83
4.	Inder Krishan Sardana *	Director	45,000				
5.	Madan Gopal Sharma *	Director	120,000				
6.	Sham Singh Bains *	Director	315,000				
7.	Gurdeep Singh *	Director	225,000				
8.	Harmesh Khanna *	Director	90,000				
9.	Rahul Priyadarshi *	Director	30,000				
10.	Rakesh Soni*	Director	195,000				
11.	Sukhpal Singh Gill *	Director	100,000				

* Non Executive Directors have received only sitting fees.

I. *The ratio of the remuneration of each director to the median remuneration of the employees of the company for the Financial Year:*

The median remuneration of employees of the Company during the Financial Year was ₹ 240208 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year is provided in the above table.

II. *The percentage increase in the median remuneration of employees in the Financial Year:*

In the Financial Year, there was an increase of 5.50% in the median remuneration of employees.

III. *The number of permanent employees on the rolls of Company:*

There were 1433 permanent employees on the rolls of the Company as on 31st March, 2019.

IV. *Average percentile increase already made in the salaries of employees other than the managerial personnel in the last Financial Year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:*

Average percentage increase made in the salaries of employees other than the managerial personnel in the Financial Year i.e. 2018-19 was 50.27% whereas the increase in the managerial remuneration for the Financial Year 2018-19 was 18.02%. The remuneration of the Executive Chairman and the Managing Director is decided based on the individual performance, inflation, prevailing industry trends and benchmarks.

The remuneration of Non-Executive Directors consists of commission and sitting fees. While deciding the remuneration, various factors such as Director's participation in Board and Committee Meetings during the year, other responsibilities undertaken, such as Membership or Chairmanship of Committees, time spent in carrying out other duties, role and functions as envisaged in Schedule IV of the Act and Listing Regulations and such other factors as the GNRC may deem fit etc. were taken into consideration.

V. *Affirmation that the remuneration is as per the remuneration policy of the company:*

It is hereby affirmed that the remuneration paid is as per the Policy for Remuneration of the Directors, Key Managerial Personnel and other Employees.

Annexure II

Extract of Annual Return

FORM NO. MGT 9 as on financial year ended on 31.03.2019

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

1. Registration & Other Details:

1. CIN	U65110PB1999PLC022634
2. Registration Date	31-05-1999
3. Name of the Company	Capital Small Finance Bank Limited
4. Category/Sub-category of the Company	Company Limited by shares/ Indian Non Government Company
5. Address of the Registered office & contact details	Midas Corporate Park, 3rd floor 37, G.T. Road, Jalandhar
6. Whether listed company	Listed (Debt Segment)
7. Name, Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Pvt. Ltd C 101, 247 Park, L.B.S.Marg, Vikhroli (West), Mumbai - 400083 Tel: 022 - 4918 6270, Fax : 022 - 4918 6060

2. Principal Business Activities of the Company

All the business activities contributing 10% or more of the total turnover of the company shall be stated

Sl. No	Name & Description of Main Products/Services	NIC Code of the Product / Service	% To Total Turnover of the Company
1.	Banking and Financial Services	64,191	100%

3. Particulars of Holding, Subsidiary & Associate Companies

Sl. No	Name & Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% Of Shares Held	Applicable Section
1.	NA	NA	NA	NA	NA

4 Shareholding Pattern (Equity Share capital Break up as % to total Equity)

Category of Shareholders	No. of Shares Held at the Beginning of the Year				No. of Shares Held at the End of the Year				% Change During the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	0	7,540,198	7,540,198	26.47%	7,067,851	472,347	7,540,198	26.47%	0.00
b) Central Govt. or State Govt.	0	0	0	0	0	0	0	0	0
c) Bodies Corporates	0	0	0	0	0	0	0	0	0
d) Bank/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
SUB TOTAL:(A) (1)	0	7,540,198	7,540,198	26.47%	7,067,851	472,347	7,540,198	26.47 %	0.00

Category of Shareholders	No. of Shares Held at the Beginning of the Year				No. of Shares Held at the End of the Year				% Change During the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Foreign									
a) NRI- Individuals	0	0	0	0	0	0	0	0	0.00
b) Other Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corporates	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
SUB TOTAL (A) (2)	0	0	0	0	0	0	0	0	0.00
Total Shareholding of Promoter									
(A)= (A)(1)+(A)(2)	0	7,540,198	7,540,198	26.47	7,067,851	472,347	7,540,198	26.47	0.00
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt.	0	0	0	0	0	0	0	0	0
e) Venture Capital Fund	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
SUB TOTAL (B)(1):	0	0	0	0	0	0	0	0	0
(2) Non Institutions									
a) Bodies Corporates									
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakhs	0	0	0	0	0	0	0	0	0
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	0	0	0	0	0	0	0	0	0
c) Others (specify)	0	0	0	0	0	0	0	0	0
SUB TOTAL (B)(2):	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B)= (B)(1)+(B)(2)	0	0	0	0	0	0	0	0	0
C. Shares held by Custodian for GDRs & ADRs									
Non- Promoters	1,500,227	19,440,318	20,940,545	73.53	4,192,809	16,747,736	20,940,545	73.53	
Grand Total (A+B+C)	1,500,227	26,980,516	28,480,743	100.00	11,260,660	17,220,083	28,480,743	100.00	0.00

Sharholding of Promoters

SI No.	Shareholders Name	Shareholding at the Beginning of the Year			Shareholding at the End of the Year			% Change in Share Hold- ing During the Year
		No. of shares	% of total shares of the company	% of shares pledged encumbered to total shares	No. of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	Sarvjit Singh Samra (Promoter Group)	6,251,521	21.95		6,251,521	21.95		
1.1	Sarvjit Singh Samra	1,742,904	6.12	NIL	1,742,904	6.12	NIL	
1.2	Navneet Kaur Samra	858,400	3.01	NIL	858,400	3.01	NIL	
1.3	Amarjit Singh Samra	1,640,864	5.76	NIL	1,640,864	5.76	NIL	
1.4	Surinder Kaur Samra	936,486	3.29	NIL	936,486	3.29	NIL	
1.5	Amardeep Singh Samra	790,240	2.77	NIL	790,240	2.77	NIL	
1.6	Gagan Samra	132,000	0.46	NIL	132,000	0.46	NIL	
1.7	Kuljit Singh Hayer	106,627	0.37	NIL	106,627	0.37	NIL	
1.8	Amarpreet Kaur	44,000	0.15	NIL	44,000	0.15	NIL	
2	Brig. Swaran Singh Saini (Retd.) (Promoter)	475,513	1.67	NIL	475,513	1.67	NIL	
3	Chanan Singh Dhillon (Promoter Group)	359,920	1.26		359,920	1.26		
3.1	Chanan Singh Dhillon	38,200	0.13	NIL	0	0.00	NIL (100.00)	
3.2	Gursharan Kaur Dhillon	240,720	0.85	NIL	240,720	0.85	NIL	
3.3	Randeep Singh Dhillon	81,000	0.28	NIL	81,000	0.28	NIL	
3.4	Tanveer Singh Dhillon	0	0.00	NIL	38,200	0.13	NIL 100	
4	Dinesh Gupta (Promoter Group)	325,253	1.14		325,253	1.14		
4.1	Dinesh Gupta	295,920	1.04	NIL	295,920	1.04	NIL	
4.2	Dinesh Gupta HUF	29,333	0.10	NIL	29,333	0.10	NIL	
5	Bhagwant Singh Sangha (Promoter)	39,600	0.14	NIL	39,600	0.14	NIL	
6	Parkash Kaur Pooni (Promoter)	88,391	0.31	NIL	88,391	0.31	NIL	
	Total	7,540,198	26.47		7,540,198	26.47		

(iii) Change in Promoters' Shareholding

SI No.		Shareholding at the beginning of the Year		Cumulative Shareholding during the Year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1. Sarvjit Singh Samra (Promoter Group)	At the beginning of the year	6,251,521	21.95	6,251,521	21.95
	Changes during the year	Nil	Nil	Nil	Nil
	At the end of the year	6,251,521	21.95	6,251,521	21.95
2. Brig. Swaran Singh Saini (Retd.) (Promoter)	At the beginning of the year	475,513	1.67	475,513	1.67
	Changes during the year	Nil	Nil	Nil	Nil
	At the end of the year	475,513	1.67	475,513	1.67
3. Chanan Singh Dhillon (Promoter Group)*	At the beginning of the year	359,920	1.26	359,920	1.26
	Changes during the year	Nil	Nil	Nil	Nil
	At the end of the year	359,920	1.26	359,920	1.26

SI No.		Shareholding at the beginning of the Year		Cumulative Shareholding during the Year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
4. Dinesh Gupta (Promoter Group)	At the beginning of the year	325,253	1.14	325,253	1.14
	Changes during the year	Nil	Nil	Nil	Nil
	At the end of the year	325,253	1.14	325,253	1.14
5. Bhagwant Singh Sangha (Promoter)	At the beginning of the year	39,600	0.14	39,600	0.14
	Changes during the year	Nil	Nil	Nil	Nil
	At the end of the year	39,600	0.14	39,600	0.14
6. Parkash Kaur Pooni (Promoter)	At the beginning of the year	88,391	0.31	88,391	0.31
	Changes during the year	Nil	Nil	Nil	Nil
	At the end of the year	88,391	0.31	88,391	0.31

(iv) Shareholding Pattern of Top Ten Shareholders (Other than Directors, Promoters & Holders of GDR'S & ADR'S)

SI No.	Name	Share holding at the beginning of the Year		Change in Shareholding during the Year		Shareholding at the end of the Year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Santokh Singh Chhokar	1,760,000	6.18	0	-	1,760,000	6.18
2	Pi Ventures LLP	1,394,400	4.90	0	-	1,394,400	4.90
3	HDFC Standard Life Insurance Co. Ltd.	1,394,400	4.90	0	-	1,394,400	4.90
4	Small Industries Development Bank of India	1,349,650	4.74	0	-	1,349,650	4.74
5	ICICI Prudential Life Insurance Co. Ltd.	1,322,400	4.64	0	-	1,322,400	4.64
6	Rashpal Singh Virk	897,729	3.15	0	-	897,729	3.15
7	Balbir Singh	862,400	3.03	0	-	862,400	3.03
8	International Township Developers Pvt. Ltd.	570,080	2.00	0	-	570,080	2.00
9	Avtar Singh Samra	416,000	1.46	0	-	416,000	1.46
10	Gurinder Mann	391,111	1.37	0	-	391,111	1.37
	Total	10,358,170	36.37	-	-	10,358,170	36.37

(v) Shareholding of Directors & KMP

Sl No.	For each of the Directors & KMP	Share holding at the beginning of the Year		Cumulative Shareholding during the Year	
		No. of shares	% of total shares of the company	No of shares	% of total shares of the company
1. I.K Sardana	At the beginning of the year	51,400	0.18	51,400	0.18
	Change during the year	NIL	NIL	NIL	NIL
	At the end of the year	51,400	0.18	51,400	0.18
2. M. G. Sharma	At the beginning of the year	22,100	0.08	22,100	0.08
	Change during the year	NIL	NIL	NIL	NIL
	At the beginning of the year	22,100	0.08	22,100	0.08
3. Sarvjit Singh Samra (MD)	At the beginning of the year	1,742,904	6.12	1,742,904	6.12
	Change during the year	NIL	NIL	NIL	NIL
	At the end of the year	1,742,904	6.12	1,742,904	6.12
4. Dinesh Gupta	At the beginning of the year	295,920	1.04	295,920	1.04
	Change during the year	NIL	NIL	NIL	NIL
	At the end of the year	295,920	1.04	295,920	1.04
5. Munish Jain (CFO)	At the beginning of the year	153,001	0.54	153,001	0.54
	Change during the year	250	NIL	250	NIL
	At the end of the year	153251	0.54	153251	0.54
6. Sahil Vijay (CS)	At the beginning of the year	8,226	0.03	8,226	0.03
	Change during the year	NIL	NIL	NIL	NIL
	At the end of the year	8,226	0.03	8,226	0.03
7. Gurpreet Singh	At the beginning of the year	0	-	0	-
	Change during the year	29,300	0.10	29,300	0.10
	At the end of the year	29,300	0.10	29,300	0.10

Note: * 38200 Shares of Late. Chanan Singh Dhillon has been transmitted to Mr. Tanveer Singh Dhillon on 20th November, 2018

V Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<i>Indebtedness at the beginning of the financial year</i>				
i) Principal Amount	500,000,000	1,162,300,000	-	1,662,300,000
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	500,000,000	1,162,300,000	-	1,662,300,000
<i>Change in Indebtedness during the financial year</i>				
i) Additions	1,323,000,000	614,500,000	-	1,937,500,000
ii) Reduction	16,000,000	-	-	16,000,000
<i>Indebtedness at the end of the financial year</i>				
i) Principal Amount	1,807,000,000	1,776,800,000	-	3,583,800,000
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	4,961,490	136,986	-	5,098,476
Total (i+ii+iii)	1,811,961,490	1,776,936,986	-	3,588,898,476

VI Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Wholetime Director and/or Manager:

Sl.No	Particulars of Remuneration	Name of the MD/WTD/Manager	Total Amount
1	Gross salary	Sarvjit Singh Samra (Managing Director)	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961	4,168,654	4,168,654
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	664,898	664,898
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0
2	Stock option	0	0
3	Sweat Equity	0	0
4	Commission as % of profit others (specify)	0	0
5	Others, please specify	0	0
	Total (A)	4,833,552	4,833,552

Ceiling as per the Act: Being a Banking Company, the provisions of Banking regulations Act, 1949 apply to the Bank and any payments to non-executive/independent Directors other than sitting fees can be paid only with the approval of RBI Independent Directors are paid only sitting fees except for Managing Director who is paid remuneration with the approval of RBI.

B. Remuneration to Other Directors:

Sl.No	Particulars of Remuneration	Name of the Directors									Total Amount
		I.K Sardana	Santokh Singh Chhokar	Sukhpal Singh Gill	M.G Sharma	Rakesh Soni	Harmesh Khanna	Sham Singh Bains	Gurdip Singh		
1	Independent Directors										
	(a) Fee for attending Board meetings, Committee meetings	45,000	45,000	100,000	120,000	195,000	90,000	315,000	225,000	1,135,000	
	(b) Commission	0	0	0	0	0	0	0	0	0	
	(c) Others, please specify	0	0	0	0	0	0	0	0	0	
	Total (1)	45,000	45,000	100,000	120,000	195,000	90,000	315,000	225,000	1,135,000	
2	Independent Directors	Rahul Priyadarshi									
	(a) Fee for attending Board meetings, Committee meetings	30,000									
	(b) Commission										
	(c) Others, please specify.										
	Total (2)	30,000									
	Total (B)=(1+2)	75,000	45,000	100,000	120,000	195,000	90,000	315,000	225,000	1,165,000	
	Total Managerial Remuneration									1,165,000	

Ceiling as per the Act: Being a Banking Company, the provisions of Banking regulations Act, 1949 apply to the Bank and the remuneration of every Director is subject to the approval of RBI. The remuneration is however well within the limits prescribed under the Companies Act, 2013.

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

Sl No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CEO	Total
1	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	#	1,427,573	9,690,629	11,118,202
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961		12,741	141,130	153,871
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961		0		0
2	Stock Option		0	0	0
3	Sweat Equity		0	0	0
4	Commission as % of profit others, specify		0	0	0
5	Others, please specify		0	0	0
	Total		1,440,314	9,831,759	11,272,073

Covered in Managing Director Salary disclosed above.

VII Penalties/Punishment/Compounding of Offences

Type	Section of the Companies Act	Brief Description	Details of Penalty/Punishment/Compounding fees imposed	Authority (RD/NCLT/Court)	Appeal made if any (give details)
A. Company					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
B. Directors					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
C. Other Officers In Default					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

CSR Activities

A brief outline of the Company's CSR policy, including overview of the projects or programs undertaken and a reference to the web-link to the CSR policy and projects or programs:

Policy Statement

A broad framework is set out by the CSR Policy of the Bank that helps in guiding the Bank's CSR Activities. It sets out the detailed Rules and procedures that needs to be adhered while implementing the CSR activities that are required to be undertaken as specified in Schedule VII of the Companies Act, 2013 (excluding the activities pursued in the normal course of business) and the expenditure thereon.

The CSR Policy focuses on addressing critical social, environmental and economic needs of the marginalized/underprivileged sections of the society. Through this policy we aim to align our CSR strategy with the solution to these problems in order to benefit the communities at large and create social and environmental impact.

Scope of Corporate Social Responsibility Policy

The policy pertains to all activities undertaken by the Bank towards fulfilling its corporate social responsibility objectives. The policy also ensure compliance with section 135 of the Companies Act, 2013 and includes the activities as covered under Schedule VII to the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 and as amended from time to time. This policy applies to all our CSR projects. As a practice, we classify only those projects that are over and above our normal course of business as CSR.

Governance Structure

The Bank has a robust and transparent governance structure to oversee the implementation of our CSR Policy. The Bank has a CSR Committee which is duly constituted in accordance with the provisions of the Act with respect to its composition and terms of reference.

The CSR Committee is responsible for the following:

- Formulate and update our CSR Policy, which will be approved by the Board of the bank
- Suggest areas of intervention to the Board of bank
- Approve projects that are in line with the CSR Policy
- Put monitoring mechanisms in place to track the progress of each project

- Recommend the CSR expenditure to the Board of bank who will approve it
- Meet at least once a year to review the progress made
- Give directions for the disbursement of funds

Corporate Social Responsibility Activities

The CSR Committee of the Bank consider and approve the projects or programs that the Bank should undertake as CSR. The Bank's focus to adopt projects in the following key areas of intervention defined in Schedule VII. However, the committee may undertake any activity as mentioned in Schedule VII of the Companies Act, 2013 as a part of it's Corporate Social Responsibility:

- Financial Inclusion
- Education
- Environmental Sustainability and maintaining ecological balance
- Socio- Economic Growth
- Health care and Family Welfare
- Benefit of armed forces

The Bank ensures transparent monitoring mechanism for CSR activities.

1. The CSR Committee reviews the progress of CSR activities at least twice a year, including the annual review.
2. The Board of Directors reviews the progress of CSR activities at least annually.

The web link to the social initiatives of the bank is as follows: <http://www.capitalbank.co.in/index.php/social-initiatives>

1. The Current Composition of the CSR Committee is as follows:
 - Mr. Sarvjit Singh Samra (Chairman)
 - Mr. Sham Singh Bains (Member)
 - Mr. Rakesh Soni (Member)
 - Mr. Gurdeep Singh (Member)
2. Average net profit of the Company for last three financial years: ₹ 2,381.48 lakhs
3. Prescribed CSR expenditure (i.e. 2% of the amount as mentioned above): ₹ 47.50 lakhs
4. Details of CSR spent during FY 2018-19:

1.	2.	3.	4.	5.	6.	7.	8.
Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs are undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Subheads: (1) Direct expenditure on projects or programs. (2) Overheads:	Cumulative expenditure upto the reporting period	Amount spent: direct or through implementing agency
1.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 28,180	₹ 28,180	₹ 28,180	Direct
2.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 28,180	₹ 28,180	₹ 28,180	Direct
3.	Medical Treatment	Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitations and making available safe drinking water.	Local Area	₹ 20,000	₹ 20,000	₹ 20,000	Direct
4.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 28,180	₹ 28,180	₹ 28,180	Direct
5.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 28,180	₹ 28,180	₹ 28,180	Direct
6.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 28,180	₹ 28,180	₹ 28,180	Direct

1.	2.	3.	4.	5.	6.	7.	8.
Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs are undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Subheads: (1) Direct expenditure on projects or programs. (2) Overheads:	Cumulative expenditure upto the reporting period	Amount spent: direct or through implementing agency
7.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 28,180	₹ 28,180	₹ 28,180	Direct
8.	Local Dispensary	Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;	Local Area	₹ 16,355	₹ 16,355	₹ 16,355	Direct
9.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 28,180	₹ 28,180	₹ 28,180	Direct
10.	Rural Hockey Development Society	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 75,000	₹ 75,000	₹ 75,000	Direct
11.	Chandigarh Group of Colleges	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 25,000	₹ 25,000	₹ 25,000	Direct
12.	St. Stephens College Society	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 25,000	₹ 25,000	₹ 25,000	Direct
13.	Rural Hockey Development Society	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 14,000	₹ 14,000	₹ 14,000	Direct
14.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 28,180	₹ 28,180	₹ 28,180	Direct

1.	2.	3.	4.	5.	6.	7.	8.
Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs are undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Subheads: (1) Direct expenditure on projects or programs. (2) Overheads:	Cumulative expenditure upto the reporting period	Amount spent: direct or through implementing agency
15.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 28,180	₹ 28,180	₹ 28,180	Direct
16.	Child Development Project Office	Reducing child mortality and improving maternal health	Local Area	₹ 12,000	₹ 12,000	₹ 12,000	Direct
17.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 32,247	₹ 32,247	₹ 32,247	Direct
18.	Shiksha Abhiyan Nakodar (School Bag)	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 17,700	₹ 17,700	₹ 17,700	Direct
19.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 30,680	₹ 30,680	₹ 30,680	Direct
20.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 42,680	₹ 42,680	₹ 42,680	Direct
21.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 42,680	₹ 42,680	₹ 42,680	Direct

1.	2.	3.	4.	5.	6.	7.	8.
Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs are undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Subheads: (1) Direct expenditure on projects or programs. (2) Overheads:	Cumulative expenditure upto the reporting period	Amount spent: direct or through implementing agency
22.	Child Development Project office, Sultanpur Lodhi	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 12,500	₹ 12,500	₹ 12,500	Direct
23.	Football Tournament	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 50,185	₹ 50,185	₹ 50,185	Direct
24.	NRI Samrai Kabbadi Sports	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 127,343	₹ 127,343	₹ 127,343	Direct
25.	University Institute of Law, Ludhiana	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 7,500	₹ 7,500	₹ 7,500	Direct
26.	Capital Foundation Corpus			₹ 500,000	₹ 500,000	₹ 500,000	Direct

(a) Total amount to be spent for FY 2018-19 ₹ 47.63 lacs (b) Total Spent: ₹ 13.04 Lacs (c) Amount unspent, if any ₹ 34.59 lacs

5. Reasons for not spending the 2% of average net profit of last three financial years:

As an integral part of society, the Bank is aware of its corporate social responsibilities and has engaged in various programmes. For this purpose Bank has set-up a Trust- Capital Foundation which got registration at the fag end of March 2019. The Bank will be contributing profits to the Foundation and during the year the Bank has transferred ₹ 5.00 Lakhs to Capital Foundation towards CSR Activities. For your bank, it is of paramount importance that the funds of the bank are utilized prudently to ensure maximum social benefit and development. So the initial time was

taken to put in place processes, evaluate various projects and their execution timelines. The Bank has shortlisted good projects for spending the CSR Expenditure that will help in sustainable support of the society. However, as the ground work has been done, the bank is positive that the execution of the other projects will begin in this financial year.

6. Responsibility statement of the CSR Committee: The CSR Committee confirms that the implementation and monitoring of the CSR Policy, is in compliance with CSR objectives and Policy of the Company.

For and on behalf of the Board of Directors

Madan Gopal Sharma
Chairman
Date: May 17, 2019

Sarvjit Singh Samra
Managing Director
Place: Jalandhar

Secretarial Audit Report

FORM NO. MR-3, FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rule, 2014]

To,

The Members,
M/s Capital Small Finance Bank Limited
Midas Corporate Park, 3rd Floor
37 G.T. Road, Jalandhar – 144001, Punjab

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s Capital Small Finance Bank Limited (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

- We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2019 according to the provisions of:
- The Companies Act, 2013 (the Act) and the rules made thereunder;
 - The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
 - The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
 - Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

- The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; **Not Applicable**
 - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **Not Applicable**
 - The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; **Not Applicable**
 - The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **Not Applicable**
 - The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **Not Applicable**

(vi) Reserve Bank of India Act, 1934.

(vii) Banking Regulation Act, 1949.

- The Employee Provident Fund Act, Payment of Gratuity Act, Minimum Wages Act, Payment of Wages Act, Payment of Bonus Act, Contract Labour Regulation & Abolition Act and notification issued by labour department from time to time under above acts.

We have also examined compliance with the applicable clauses of the following:

- Secretarial Standards issued by The Institute of Company Secretaries of India (SS-1 and SS-2).
- The Listing Agreements entered into by the Company with Stock Exchange(s);
- The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

During the period under review, the Company has duly complied with the various applicable provisions of the Acts, Rules, Regulations, Guidelines, etc. as mentioned above.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Director(s), Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notices were given to all directors to schedule the Board Meetings along with agenda and detailed notes on agenda which were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

The decisions in the meetings were passed unanimously, hence, no dissenting members' views have been recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there were following specific events / actions having a major bearing on the Bank's affairs in pursuance of the above referred laws, rules, regulations, guidelines, etc. which are: -

- The Company has entered into related party agreements regarding taking of office space on lease
- The Company has amended new set of Articles of Association
- The Company has appointed Mr. Gurdeep Singh as Independent Director of the Company
- The Company has formulated an Employees' Stock Option Plan, 2018
- Mr. Sukhpal Singh was ceased from the post of directorship of the Company due to retirement
- The Company has appointed Mr. Rahul

Priyadarshi as Nominee Director of the Company

- Mr. Santokh Singh Chokhar was ceased from the post of directorship of the Company due to retirement
- The Company has appointed Mr. Navin Kumar Maini as Independent Director of the Company
- The Company has appointed Mr. Dinesh Gupta as Director of the Company
- The Company has appointed Mr. Gurpreet Singh Chug as Independent Director of the Company
- The Company has re-appointed Mr. Madan Gopal Sharma as Independent Director of the Company
- The Company has issued 2,095 (Two Thousand and Ninety Five) unsecured redeemable Non-Convertible Lower Tier II bonds 2018-19 (Basel II Compliant) in the nature of debentures Series XV on Private Placement Basis of ₹ 1,00,000 (Rupees One Lac Only) each amounting ₹ 20,00,00,000 (Rupees Twenty Crore Only) on May 15, 2018
- The Company has issued 1,800 (One Thousand and Eight Hundred) unsecured redeemable Non-Convertible Lower Tier II bonds 2018-19 (Basel II Compliant) in the nature of debentures Series XVI on Private Placement Basis of ₹ 1,00,000 (Rupees One Lac Only) each amounting ₹ 18,00,00,000 (Rupees Eighteen Crore Only) on February 28, 2019
- The Company has issued 2,250 (Two Thousand Two Hundred and Fifty) unsecured redeemable Non-Convertible Lower Tier II bonds 2018-19 (Basel II Compliant) in the nature of debentures Series XVII on Private Placement Basis of ₹ 1,00,000 (Rupees One Lac Only) each amounting ₹ 22,50,00,000 (Rupees Twenty Two Crore Fifty Lacs Only) on March 31, 2019.

For B Mathur & Co.,
Company Secretaries
Naina Goyal
Partner
ACS: 39018
CP No.: 15360

Date: May 16, 2019
Place: New Delhi

Management Discussion & Analysis

Global Economy

At the beginning of the year, global economy was firing on all cylinders, but it lost speed during the year with global growth for 2018-19 projected to remain at or around its 2017 levels. At the same time, however, the expansion has become less balanced and may have peaked in some major economies. Downside risks to global growth have risen in the past six months and the potential for upside surprises have receded. Global economic growth has been sluggish on account of several factors such as geo political tensions, economic slowdown in developed and developing markets all together, extremely volatile crude oil prices, protectionist policies of developed countries and to add fuel to the fire, the developments relating to Brexit, dampened the investment climate and affected economic growth negatively. The baseline scenario assumes some slowdown in global growth in 2019 vis-à-vis preceding years. However, global growth could turn out to be even lower on further escalation of trade tensions, volatility in global financial markets, more-than-envisaged slowdown in the Euro area and China, and limited monetary and fiscal policy space in major countries. On the other hand, an orderly and quick resolution of trade issues between the US and China, and more accommodative monetary policies in the major advanced economies than currently anticipated on the back of a benign inflation outlook, could provide support to the global economy.

Indian Economic Scenario

India has emerged as the fastest growing major economy in the world. India's GDP is estimated to be 7.2 per cent in 2018-19. The long-term growth prospective of the Indian economy is positive due to multiplicity of factors such as young population, corresponding low dependency ratio, healthy saving and investment rates, and increasing integration into the global economy.

In the near term, the Indian economy has displayed varying signs, while the general direction is towards a possible recovery in 2018-19, the economy is facing macro and micro economic challenges such as slow private investment, lack of employment generation, general elections, high crude oil volatility, global trade protectionism, foreign currency fluctuations, which need concerted fiscal and monetary policy response along with pick up in private investment to realize long term potentials of double digit economic growth. To start with, the

issue of overhang of NPA resolution would be a fundamental factor affecting future growth as investment would require finance which will emanate mainly from banks. India is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. Looking ahead, favorable factors such as an increase in financial flows to the commercial sector, stabilization of crude oil and other commodity prices, consumption- and investment-enhancing policy measures by the government, and the expectation of a normal monsoon are expected to boost economic activity. However, there could be headwinds from greater than expected moderation in global growth and global trade as well as unanticipated volatility in global financial markets.

Inflation

Inflation has been more or less under control and within comfort zone of the RBI for almost whole of the financial year 2018-19. To be precise, inflation has declined sharply since mid-2018, driven by the sustained fall in food inflation (even turning into deflation during October 2018-February 2019), the waning away of the direct impact of house rent allowances for central government employees. Overall, CPI inflation fell from 3.7 per cent in August-September 2018 to 2.6 per cent in February 2019 after touching a low of 2.0 per cent in January 2019. Inflation is expected to move up from its recent lows as the favorable base effects dissipate but is expected to remain below the target of 4 per cent.

Inflation Outlook

There are a number of upside and downside risks to the baseline inflation forecasts. The major upside risks include: geopolitical tensions and supply disruptions in the global crude oil market; volatility in international and domestic financial markets; the risk of a sudden reversal in the prices of volatile perishable food items; and, fiscal slippages. Among the downside risks are: a sharper than anticipated slowdown in global growth and its softening impact on crude oil and other commodity prices; and the persistence of a food supply glut keeping headline inflation below the baseline path.

International Crude Oil Prices and its Impact on Indian Economy

Crude oil plays a critical role in India's economic

and financial position as India is a net importer of crude oil. Oil prices have remained extremely volatile for the whole year 2018-19 where we witnessed huge trading range, starting the year around \$80 and rising to \$88 by September end and falling all the way to \$50 by December and then again rising to around \$70 by the end of the financial year 2018-19. The short- and medium-term outlook remains uncertain. If oil supply becomes constricted due to geopolitical tensions and continuing OPEC production cuts, there could be a sudden and large upward pressure on oil prices. Assuming an increase in the Indian basket crude oil prices to around US\$ 77 per barrel, inflation could be higher by 30 bps and growth could be weaker by around 20 bps. On the other hand, if global economic activity disappoints more than expected for the earlier noted reasons, crude oil demand could be lower. If the Indian basket crude price were to fall to US\$ 57 per barrel, inflation could ease by around 30 bps, with a boost of around 20 bps to growth.

Demand and Output

The year 2018-19 has been characterized by moderate economic recovery where the government took the lead in developmental expenditure as private sector lagged behind. Economic activity slowed down a bit which is led mainly by a large drag from net exports, which became entrenched in Q3 due to deceleration in public spending and private consumption. On the supply side, agriculture and allied activities moderated characterized by a modest growth in kharif and horticulture production. Industrial growth also decelerated led by a slow-down in manufacturing activity. However, services sector activity remained resilient, supported primarily by construction, financial services, and public administration and defense.

Monetary Policy Framework

The macroeconomic setting for the conduct of monetary policy has undergone significant shifts both globally and locally. Global economic activity and trade have been shedding momentum and downside risks to the outlook have increased. The US fed has shifted from rate tightening cycle to wait and watch strategy with dovish tone and scope for delayed rate hikes. Domestic economic activity too lost speed in 2018-19 and inflation conditions turned unusually benign under the impact of deflationary food prices. Going forward, economic activity is expected to recover in 2019-20. Inflation is projected to move up from its recent lows as the favorable base effects dissipate but remain below the

target of 4 per cent in 2019-20. The monetary policy stance of Reserve Bank of India has witnessed a shift from calibrated tightening to neutral and undertone has become accommodative.

Fiscal Policy Framework

India's fiscal deficit for the financial year 2018-19 would be 3.4 per cent of Gross Domestic Product (GDP), slightly higher than the targeted 3.3 per cent, but looking at the economic conditions of the country, the government does not have too many options but to take the lead role in investment expenditure as private sector is not investing all out. In 2018-19, the Centre's indirect tax collections trailed budget estimates and contributed to the fiscal deficit turning out to be higher in the revised estimates. Going forward, alternative farm support schemes and farm loan waivers announced by some state governments, higher minimum support prices and food procurement, and lower direct tax collections could put upward pressure on the combined fiscal deficit. Should there be a fiscal slippage on account of such factors, this could crowd out private investment, impact potential output, and result in higher inflation. Conversely, with the stabilization of the GST, indirect tax revenues could improve more than currently budgeted, which could help contain deficits, and provide higher resources for private investment, enhance potential output and reduce inflation.

Designing tax and social policies to level the playing field for formal and informal sectors as well as strengthening domestic revenue mobilization and debt management will be important priorities for policymakers to overcome the challenges associated with informality in developing economies.

Banking Sector and Financial Sector

After growing in single digits for the past three consecutive years, the bank credit to accelerate and grow back in double digits in fiscal 2019-20. This will be mainly driven by strong retail credit demand, higher demand from NBFCs/HFCs, increase in working capital requirement (with increase in commodity prices) and recoveries from NCLT referred accounts. However, the capex led credit demand will continue to remain weak in near term. Retail segment is expected to continue to grow at a strong pace led by strong consumer demand and increase in penetration by banks. Asset Quality Review (AQR), implementation of Insolvency and Bankruptcy Code (IBC) and RBI measures on NPA recognition etc. have although lead to sharp increase

in GNPA ratio from 4.3% in fiscal 2015 to 11.3% in fiscal 2018, but this shall go a long way in cleaning up the banking sector and making the space better capitalized, formulate better risk management practices and come out stronger to augment economic growth. With much of the stress already recognized, moderation in additional slippages going forward shall be curtailed. This coupled with increase in NCLT resolutions and double digit credit growth will help reduce overall GNPA ratio of the banking system going forward.

Key investments and developments in India's banking industry include:

- The bank recapitalization plan by Government of India is expected to push credit growth in the country to 12 per cent and as a result help the GDP grow by 7 per cent in FY19.
- Public sector banks are lining up to raise funds via Qualified Institutional Placements (QIP), backed by better investor sentiment after the Government of India's bank recapitalization plan and an upgrade in India's sovereign rating by Moody's Investor Service.
- The RBI amends statutes thereby allowing lenders to invest in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) not exceeding 10 per cent of the unit capital of such instruments.

Payments & Settlement

Central banks have to interact closely with financial markets for transmission of monetary policy impulses. In this context, ensuring a sound and efficient payment and settlement system is a pre-requisite. Taking cognizance of exponential growth of digitization and online commerce in India, policy efforts have been directed in recent years to put in place a state of the art national payments infrastructure and technology platform. This has changed the retail payments scenario of the country. Regulation and development of our payment system envisages the objectives of safety, security, convenience, accessibility, and leveraging technological solutions to enable faster processing for efficient monetary policy transmission.

Government Initiatives

The Government of India has taken several steps to boost up investment, employment and accelerate sustainable economic growth. Measures such as the launch the Make in India initiative with an aim to boost the manufacturing sector of Indian economy, to increase the purchasing power of an average

Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors. The Government of India, under the Make in India initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25 per cent of the GDP from the current 17 per cent. Besides, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

Twin Balance Sheet Problem and NPAs

The asset quality of the advances portfolio is being monitored by the bank on regular basis to ensure and control Non- Performing Assets. The Bank has successfully handled the portfolio with stringent monitoring and control over over-dues since last 19 years.

The Bank has witnessed an upsurge of 0.33% in NPA level in H1 of FY 2018-19 as compared with the NPA level as on 31.03.2018. The Bank has witnessed rise in NPA level due to fresh NPAs in the agricultural sector. The various reasons of rise in NPA as identified by the bank are as follows:-

On the Macro Economic Level

1. *Under-Performance of Agriculture Sector:* The upsurge in NPA is due to under performance in agriculture sector. The sector is under stress for the last many years.
2. *Crop Failure:* The agricultural sector has witnessed nationwide crop failure due to multiplicity of factors such as crop failures due to excessive rains at one point of time or due to drought at other times.
3. *Poor Price Recovery Mechanism:* Agriculturists of many parts of the country found themselves at the wrong end on account of price recovery in case of cash crops. MSP is not fixed by the Government in respect of all crops grown by the farmers. There are many crops where though the MSP is fixed by the Government in the recent past, but the Government is not lifting such crops at the fixed MSP. At present the Government is lifting only Wheat and Paddy, whereas farmers are producing multiple crops and it is leading to cash crunch and financial distress in agricultural sector.
4. *Industrial Constraints:* Some of the industries procuring the agriculture produce such as sugar industry has been going through severe

financial distress, which is making life of sugarcane growers miserable in many parts of the country.

5. *Real Estate Sector:* The real estate sector is showing sluggish performance since last many years and this industry again had a great impact on cash flows in the market including farmers.

On the Micro Economic Level

1. *Cash Crop Failure:* The few districts of Punjab Viz. Kapurthala, Jalandhar, Hoshiarpur and Amritsar have witnessed complete failure of potato crop which has adversely effected the financial position of the agriculturists and has dampened their loan repaying capacity.
2. *Non MSP Crops:* Some of the non MSP crops like vegetables, pulses and potato are being inappropriately priced in the last couple of seasons leading to financial stress and inability of the farmers to repay the loans. Further these crops are being sold by the clients in the open market, where the payment is being delayed by the intermediaries.
3. *Impact on Sugarcane Growers:* Sugarcane growers are selling their produce to the Sugar Mills, where the payments are being delayed for 9-12 months since last few years. It has adversely effected impacted the repaying capacity of the farmers.

The above mentioned reasons, primarily lead to rise in NPA's in agriculture sector H1 of FY 2018-19. The Bank has robust recovery mechanism and entire portfolio is sufficiently cushioned by collaterals. The Bank believes that this is a temporary phase and the recovery will improve in due course of time. The things have started moving positively and the bank is able to reduce the NPA level from 1.47% to 1.37% in December 2018 and further to 1.30% for the period ended March 2019.

Inclusive Growth

Weaker sections of the society is at the bottom of the Pyramid and they are always on the dearth of credit facilities at affordable cost and at the time of their need. This segment needs financial assistance so as to get out of the conditions of poverty. To create a sustainable model of growth Small Finance Banks plays a major role by providing the access of banking and financial services to the unbanked and underbanked.

Financial Inclusion is all about:

- i. The broadening of financial services to those people and enterprises who do not have access to financial services sector
- ii. The deepening of financial services for those who have minimal financial services; and
- iii. Greater financial literacy and consumer protection so that those who are offered financial products can make appropriate choices.

Local financial institutions, with local control and staffed by knowledgeable local people, could be more effective at providing financial services to the excluded. To provide an alternative institutional avenue for these categories of institutions to fulfill their mission, the RBI has created a new institution called the small finance bank, where "small" refers to the kind of customer the bank deals with, not its size. With 75% of the loans mandated to be below 25 lakhs, the small finance bank is intended to provide services to the excluded. The hope is that these institutions will maintain a low cost structure, augmented by technology, to provide a menu of financial services to the excluded. Thus financial inclusion is a way bigger concept than mere building a sustainable model of inclusive economic development. It is to do with the way of life and how the future generation will look upon us and what contribution we as individuals, entities and society, at large, make for our own well being

For and on behalf of the Board of Directors

Madan Gopal Sharma
Chairman

Sarvjit Singh Samra
Managing Director

Date: May 17, 2019
Place: Jalandhar

Products & Services

Deposits

Savings

Capital Small Finance Bank's Savings Account is just the right product for everyone, salaried or self-employed, high net worth individuals and NRI's. The unmatched package of Capital Small Finance Bank Savings Bank Account brings the benefits of better, efficient and hassle-free banking, depending upon the customer needs. The Bank offers following saving accounts as per the requirement of the customers.

- Normal Savings Account
- Capital Savings Account
- Capital Saver Savings Account
- Capital Super Savings Account
- Basic Saving Bank Deposit Account (No Frill A/C)

Current

Money transactions are at the heart of most business relationships. Your bank's support and services can make all the difference in closing a deal, and maintaining goodwill with business associates.

- Normal Current Account
- Capital Current Account
- Capital Plus Current Account
- Capital Premium Current Account

Term Deposit

Just as each little drop matters in filling a bucket, similarly little saving today yields better results tomorrow. Term Deposit account of the bank can be opened with a minimum amount of ₹ 1000/- under various schemes.

- Cumulative Deposit Account
- Short Term Deposit Account
- QIDS Account
- MIDS Account
- Recurring Account

Loans

- Housing Loans
- Personal Loans
- Auto Loans
- Gold Loans
- Kisan Credit Cards
- Advances To Retail Traders
- Education Loans
- Mortgage Loans Against Property
- Advances Against Rentals

- Advances for construction/Real Estate Projects
- Overdraft Facility

Money Transfer

Capital Small Finance Bank extends the services of receiving money from friends and relatives in over 200 countries in the fastest possible way. For this purpose we have a tie-up with Western Union Financial Services Inc., Money Gram Inc. & Xpress Money. Western Union, Money Gram & Xpress Money are global leaders in money transfer and message services, with a history of pioneering service dating back to more than 100 years. Consumers can quickly and easily transfer money through Western Union and Money Gram agents located in over 200 countries worldwide.

Forex Services

- Sale of Foreign Currency
- Purchase of Foreign Currency
- Travellers Cheques (TC)

Insurance

We at Capital Small Finance Bank, understand that different people have different needs at various stages of their lives. That's why, we, in association with ICICI Prudential Life Insurance Company Ltd., & HDFC Standard Life Insurance Co. Ltd. offer a host of Life Insurance solutions, depending on whether a customer is a young individual planning for the years ahead or an established professional planning for the retirement or for any other need.

Further, banking services should not just meet the financial needs, but also help to protect what is important to us, be it our home, office, machine, vehicle or health etc. To offer numerous flexible protection options, Capital Small Finance Bank has associated with Bajaj Allianz General Insurance Co. Ltd. & SBI General Insurance Co. Ltd. which fulfills General Insurance needs of our customers.

Capital Small Finance Bank is engaged in insurance distribution business under corporate agency model.

We Make *Banking* Convenient for you



Independent Auditor's Report

To the Members of Capital Small Finance Bank Limited, Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Capital Small Finance Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2019, and Profit and Loss Account and Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") as well as provisions of section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for Banking Companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2019, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the

Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("the ICAI") together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have identified classification & measurement of Advances as a key audit matter in view of the judgement involved, as well as the stringent compliances laid down by the RBI guidelines.

5. Verified the relevant account statements, observed and tested the movement of cash flow in the books of account for selected samples.
6. Evaluated operating effectiveness of the monitoring process, manual controls performed by the Credit Department at Head Office.

Information Other than the Financial Statements and Auditors' Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the Director's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management and those Charged with Governance for Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act and provisions of section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India from time to time applicable to banks. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls,

that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We give in "Annexure A" a detailed description of Auditors' responsibilities for Audit of the Financial Statements.

Other Matter

The financial statements of the Bank for the year ended March 31, 2018, were audited by another Auditor whose report dated May 09, 2018 expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

S. No	Key Audit Matter	Auditors' Response
1.	<p>Classification & Measurement of Advances to customers</p> <p>Schedule 9 of the Financial Statements and Schedule 17 on Significant Accounting Policies.</p> <p>The carrying amount of Advances as on March 31, 2019 is ₹ 25,990,453 ('000s) net of Provision of ₹ 40,380 ('000s) towards Non- Performing Advances (NPA).</p> <p>Total provision towards Standard Assets of ₹ 25,757 ('000s) is disclosed under Other Liabilities and Provisions.</p> <p>The provisioning and classification of Advances if not appropriately identified and estimated as per the RBI's Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015, may result in misstatement of the relevant amounts.</p>	<p>Our audit procedures, in respect of this area included:</p> <ol style="list-style-type: none"> 1. Obtained an understanding of Management's process and tested the operating effectiveness of internal controls with respect to Credit Appraisals, Credit Sanctioning, Credit Disbursement and Credit Monitoring. 2. Verified on test check basis whether the Sector Code entered is in accordance with the business line of the borrower and has been classified appropriately under Priority Sector/ Non-Priority Sector. 3. In case discrepancies were noted, evaluated the relevant controls and to ensured rectification of the same. 4. Reviewed NPA Identification and corresponding Interest reversal based on the RBI prudential norms by selecting samples across NPA, SMA (Special Mention Account) and Regular (standard) Accounts of the Loan Portfolio.

Report on other Legal and Regulatory Requirements

1. This Report does not include a statement on the matters specified in paragraph 3 and 4 of the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section 11 of Section 143 of the Act, since in our opinion and according to the information and explanations given to us, the said Order is not applicable to the Bank.
2. As required by Section 143(3) of the Act and section 30 of the Banking Regulation Act, 1949, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. The transactions of the Bank, which have come to our notice during the course of our audit, have been within the powers of the Bank;
 - c. During the course of our audit we have visited 8 branches to examine the books of accounts and other records maintained at the branch and performed other relevant audit procedures. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein;
 - d. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - e. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - f. In our opinion, the aforesaid financial statements comply with the Accounting

Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by Reserve Bank of India;

- g. On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;
- h. With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure B";

With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Bank does not have any pending litigations which would impact its financial position;
 - ii. The Bank has long-term contracts as at March 31, 2019 for which there were no material foreseeable losses. The Bank does not have any derivative contracts as at March 31, 2019;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.
3. As required by The Companies (Amendment) Act, 2017, in our opinion, according to information, explanations given to us, the remuneration paid by the Bank to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.

Annexure A to the Independent Auditors' Report on Even Date on the Financial Statements of Capital Small Finance Bank Limited

Auditors' Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

For MSKA & Associates
Chartered Accountants
Swapnil Kale
Partner

ICAI Reg. No. 105047W
Membership No. 117812

Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For MSKA & Associates
Chartered Accountants
Swapnil Kale
Partner

ICAI Reg. No. 105047W
Membership No. 117812

Date: May 17, 2019
Place: Jalandhar

Annexure B to the Independent Auditors' Report of Even Date on the Financial Statements of Capital Small Finance Bank Limited

[Referred to in paragraph (2h) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial statements of Capital Small Finance Bank Limited ("the Bank") as of March 31, 2019 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether inter-

nal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with Reference to Financial Statements

A Bank's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of Management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper Management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**For MSKA & Associates
Chartered Accountants**

Swapnil Kale
Partner

ICAI Reg. No. 105047W
Membership No. 117812

Opinion

In our opinion, the Bank has, in all material respects, an internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2019, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note.

Date: May 17, 2019
Place: Jalandhar

Annual Accounts

Balance Sheet As On March 31, 2019

PARTICULARS	SCHEDULE	(₹ In '000)	
		As on 31/03/2019	As on 31/03/2018
CAPITAL AND LIABILITIES			
Capital	1	284,807	284,807
Reserve and Surplus	2	2,218,412	2,051,029
Deposits	3	36,672,580	28,505,200
Borrowings	4	3,583,800	2,222,008
Other Liabilities and Provisions	5	452,445	455,276
Total		43,212,044	33,518,320
ASSETS			
Cash and Balances with Reserve Bank of India	6	2,148,643	1,543,004
Balances with Banks and Money at Call and Short Notice	7	4,967,638	3,748,261
Investments	8	8,618,512	8,707,321
Advances	9	25,990,453	18,472,911
Fixed Assets	10	835,189	645,723
Other Assets	11	651,609	401,100
Total		43,212,044	33,518,320
Contingent Liabilities	12	420,934	272,776
Bills for Collection			
Significant Accounting Policies and Notes forming part of the Financial Statements	17 & 18		

The schedules referred to above form an integral part of the Balance Sheet. The Balance Sheet has been prepared in conformity with Form A to the Third Schedule of Banking Regulation Act, 1949.

As per our report of even date

**For MSKA & Associates
Chartered Accountants**

Swapnil Kale
Partner

Firm Reg. No: 105047W
Membership No.: 117812

Date: May 17th, 2019
Place: Jalandhar

**For and on behalf of Board of
Capital Small Finance Bank Limited**

Managing Director

Sarvjit Singh Samra
DIN: 00477444

Directors

Madan Gopal Sharma
DIN: 00398326
Harmesh Khanna
DIN: 03078018
Dinesh Gupta
DIN: 00475319

**Chief Operating Officer &
Chief Financial Officer**

Munish Jain

Company Secretary

Sahil Vijay

Profit & Loss Account For The Year Ended March 31, 2019

PARTICULARS	SCHEDULE	(₹ In '000)	
		Year ended As on 31/03/2019	Year ended As on 31/03/2018
INCOME			
Interest Earned	13	3,462,913	2,710,046
Other Income	14	313,067	228,611
Total		3,775,980	2,938,657
EXPENDITURE			
Interest Expended	15	2,111,511	1,664,866
Operating Expenses	16	1,321,699	946,838
Provisions and Contingencies		148,629	136,751
Total		3,581,839	2,748,455
PROFIT			
Net Profit for the year		194,141	190,202
Profit brought forward		731,555	590,605
Total		925,696	780,807
APPROPRIATIONS			
Transfer to Statutory Reserves		48,535	47,551
Transfer to Special Reserve		695	1,705
Transfer to/(from) Investment Reserve Account		(35)	(4)
Transfer to Investment Fluctuation Reserve Account		12,074	-
Transfer to Dividend		22,196	-
Tax on Dividend		4,562	-
Balance carried over to Balance Sheet		837,669	731,555
Total		925,696	780,807
EARNINGS PER SHARE			
Basic (₹)		6.82	6.86
Diluted (₹)		6.82	6.86
Face value (₹)		10.00	10.00

Significant Accounting Policies and Notes forming part of the Financial Statements

17 & 18

The schedules referred to above form an integral part of the Profit and Loss Account. The Profit and Loss Account has been prepared in conformity with Form A to the Third Schedule of Banking Regulation Act, 1949.

As per our report of even date

**For MSKA & Associates
Chartered Accountants**

Swapnil Kale
Partner

Firm Reg. No: 105047W
Membership No.: 117812

Date: May 17th, 2019
Place: Jalandhar

**For and on behalf of Board of
Capital Small Finance Bank Limited**

Managing Director

Sarvjit Singh Samra
DIN: 00477444

Directors

Madan Gopal Sharma
DIN: 00398326
Harmesh Khanna
DIN: 03078018
Dinesh Gupta
DIN: 00475319

**Chief Operating Officer &
Chief Financial Officer**

Munish Jain

Company Secretary

Sahil Vijay

Cash Flow Statement For The Year Ended March 31, 2019

PARTICULARS	(₹ In '000)	
	Year ended 31/03/2019	Year ended 31/03/2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Taxes	269,245	297,149
<u>Adjustment for:</u>		
Depreciation Charge on Fixed Assets for The Year	117,658	85,148
Loan Loss Provision	66,137	29,796
Loss on Sale of Fixed Assets	2,050	1,485
Depreciation on Investments	7,388	8
	462,478	413,586
Adjustment for:		
(Increase)/Decrease in Term Deposits with other Banks	(966,443)	(405,044)
(Increase)/Decrease in Investments	331,421	(1,131,379)
(Increase)/Decrease in Advances	(7,557,922)	(4,833,932)
(Increase)/Decrease in Other Assets	(215,385)	(88,566)
Increase/(Decrease) in Deposits	8,167,380	4,723,067
Increase/(Decrease) in Other Liabilities & Provisions	(28,588)	101,068
	192,941	(1,221,200)
Payment of Direct Taxes	(110,228)	(67,503)
Net Cash Flow From/(Used In) Operating Activities	82,713	(1,288,703)
<u>Cash Flow From Investing Activities</u>		
Purchase of Fixed Assets	(310,396)	(230,668)
Proceeds from Sale of Fixed Assets	1,222	805
Net Cash Flow Used In Investing Activities	(309,174)	(229,863)
<u>Cash Flow From Financing Activities</u>		
Net Proceeds from equity shares issued on private placement basis under preferential allotment	-	243,465
Net Proceeds from the issue of Unsecured Redeemable Non-Convertible Bonds	614,500	-
Increase in Borrowings/ Refinance	747,292	1,059,708
Dividend Payment (including CDT)	(26,758)	(22,176)
Net Cash Flow From Financing Activities	1,335,034	1,280,997
Net Increase/(Decrease) in Cash and Cash Equivalents	1,108,573	(237,569)
Cash and Cash Equivalents at the Beginning of the Year	1,819,271	2,056,840
Cash and Cash Equivalents at the End of the Year	2,927,844	1,819,271

The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.

As per our report of even date

For MSKA & Associates
Chartered Accountants
Swapnil Kale
Partner

For and on behalf of Board of
Capital Small Finance Bank Limited

Managing Director

Directors

Chief Operating Officer &
Chief Financial Officer

Company Secretary

Sarvjit Singh Samra
DIN: 00477444

Madan Gopal Sharma
DIN: 00398326

Munish Jain

Sahil Vijay

Harmesh Khanna
DIN: 03078018

Dinesh Gupta
DIN: 00475319

Firm Reg. No: 105047W
Membership No.: 117812

Date: May 17th, 2019
Place: Jalandhar

Schedules

Schedules Forming Part Of The Balance Sheet As On March 31, 2019

	(₹ IN '000)	
	As on 31/03/2019	As on 31/03/2018
Schedule 1 - Capital		
Authorised Capital	350,000	350,000
3,50,00,000 equity shares of ₹ 10 each		
Issued, Subscribed and Paid-up Capital		
2,84,80,743 equity shares issued of ₹ 10 each fully paid-up (of the above shares 27,69,543 shares are allotted as fully paid-up equity shares by way of bonus shares)	284,807	284,807
Total	284,807	284,807
Schedule 2 - Reserves And Surplus		
I. Statutory Reserves		
Opening Balance	359,234	311,683
Additions during the year	48,535	47,551
Total	407,769	359,234
II. Capital Reserves		
Opening Balance	159	159
Additions during the year	-	-
Total	159	159
III. Special Reserves		
Opening Balance	9,639	7,934
Additions during the year	695	1,705
Total	10,334	9,639
IV. Investment Reserves Account		
Opening Balance	13,177	13,181
Additions during the year	-	-
Deductions during the year	35	4
Total	13,142	13,177
V. Investment Fluctuation Reserve		
Opening Balance	-	-
Additions during the year	12,074	-
Deductions during the year	-	-
Total	12,074	-
VI. Security Premium Account		
Opening Balance	937,265	708,737
Additions during the year	-	228,528
Deductions during the year	-	-
Total	937,265	937,265
VII. Balance in Profit & Loss Account	837,669	731,555
Total	2,218,412	2,051,029

	(₹ IN' 000)	
	As on 31/03/2019	As on 31/03/2018
Schedule 3 - Deposits		
A I. Demand Deposits		
From banks	1,341	23,691
From others	1,436,920	1,083,134
II. Saving Bank Deposits	12,640,095	10,293,200
III. Term deposits		
From banks	618,444	534,395
From others	21,975,780	16,570,780
Total	36,672,580	28,505,200
B I. Deposits of branches in India	36,672,580	28,505,200
II. Deposits of branches outside India	-	-
Total	36,672,580	28,505,200

Schedule 4 - Borrowings

I. Borrowings in India	-	-
-Reserve Bank of India	-	-
-Other banks	-	-
-Other institutions and agencies	1,807,000	1,059,708
-Unsecured Redeemable Non-Convertible Bonds (Subordinated debt -Tier II Capital)	1,386,800	772,300
-Hybrid debt capital instrument issued as debentures	390,000	390,000
II. Borrowings outside India	-	-
Total	3,583,800	2,222,008

Schedule 5 - Other Liabilities and Provisions

I. Bills Payable	215,403	256,742
II. Inter-office adjustments (Net)	115	-
III. Interest accrued	41,490	31,915
IV. Taxes paid in advance/TDS (Net of provision for taxes)	-	10,205
V. Others (including provisions)	195,437	156,414
Total	452,445	455,276

Schedule 6 - Cash and Balance with Reserve Bank of India

I. Cash in hand (including cash at ATM)	430,776	312,276
II. Balance with Reserve Bank Of India		
i) in current accounts	1,717,867	1,230,728
ii) in other deposits accounts	-	-
Total	2,148,643	1,543,004

Schedule 7 - Balance with Banks and Money at Call & Short Notice

I. In India		
i) Balance with banks		
a) in current accounts	299,580	276,267
b) in other deposit accounts	4,188,437	3,221,994
ii) Money at call and short notice		
a) with banks	-	-
b) with other institutions	479,621	250,000
Total (I)	4,967,638	3,748,261

	(₹ IN' 000)	
	Year ended As on 31/03/2019	Year ended As on 31/03/2018
II. Outside India		
i) in current accounts	-	-
ii) in other deposit accounts	-	-
iii) money at call and short notice	-	-
Total (II)	-	-
Grand Total (I)+(II)	4,967,638	3,748,261

Schedule 8 - Investments

I. Investments in India in		
i) Government securities	8,588,512	8,667,321
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and Bonds	30,000	40,000
v) Subsidiaries and/or joint ventures	-	-
vi) Others (certificate of deposits, money market based mutual funds)	-	-
Total (I)	8,618,512	8,707,321
II. Investments outside India in		
i) Government securities	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Other investments	-	-
Total (II)	-	-
Grand Total (I)+(II)	8,618,512	8,707,321
III. Gross value of investments	8,618,577	8,707,329
Less: Provision for depreciation	65	8
Net value of investments	8,618,512	8,707,321

Schedule 9 - Advances

I. i) Bills purchased and discounted	4,557	3
ii) Cash credits, overdrafts and loans repayable on demand	15,522,345	11,953,149
iii) Term loans	10,463,551	6,519,759
Total	25,990,453	18,472,911
II. i) Secured by tangible assets	25,702,052	18,199,069
ii) Covered by bank/government guarantees	-	-
iii) Unsecured	288,401	273,842
Total	25,990,453	18,472,911
III.i) Advances in India		
a) Priority sector	18,141,697	11,464,104
b) Public sector	-	-
c) Banks	-	-
d) Other	7,848,756	7,008,807
Total (I)	25,990,453	18,472,911
ii) Advances outside India		
a) Due from banks	-	-
b) Due from others	-	-
(i) Bills purchased & discounted	-	-
(ii) Syndicated loans	-	-
(iii) Others	-	-
Total (II)	-	-
Grand Total (I)+(II)	25,990,453	18,472,911

	(₹ IN'000)	
	Year ended As on 31/03/2019	Year ended As on 31/03/2018
Schedule 10 - Fixed Assets		
I. Premises		
At cost as on 31st March of the preceding year	64,524	64,524
Add : Additions during the year		
Less : Deductions during the year		
Total	64,524	64,524
<u>Depreciation</u>		
As at 31st March of the preceding year	-	-
Charge for the year	-	-
Total	-	-
Net Block I	64,524	64,524
II. Other fixed assets (including furniture & fixtures)		
At cost as on 31st March of the preceding year	1,011,061	788,491
Add : Additions during the year	310,396	230,668
Less : Deductions during the year	12,934	8,098
Total	1,308,523	1,011,061
<u>Depreciation</u>		
As at 31st March of the preceding year	429,862	350,522
Add: Charge for the year	117,658	85,148
Less: Deductions during the year	9,662	5,808
Total	537,858	429,862
Net Block II	770,665	581,199
Grand Total (I)+(II)	835,189	645,723

Schedule 11 - Other Assets

I. Inter-office adjustments (Net)	-	-
II. Interest accrued	509,451	325,368
III. Taxes paid in advance/TDS (Net of provision for taxes)	14,947	-
IV. Stationary & stamps	7,351	7,726
V. Others	119,860	68,006
Total	651,609	401,100

Schedule 12 - Contingent Liabilities

I. Claims against the bank not acknowledged as debts	-	-
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding forward exchange contracts	-	-
IV. Guarantees given on behalf of constituents		
(a) In India	373,916	241,015
(b) Outside India	-	-
V. Acceptances, endorsements and other obligations	12,510	12,051
VI. Other items for which bank is contingently liable	34,508	19,710
Total	420,934	272,776

	(₹ IN'000)	
	Year ended As on 31/03/2019	Year ended As on 31/03/2018
Schedule 13 - Interest Earned		
I. Interest/discount on advances/bills	2,416,786	1,783,577
II. Income on investments	643,421	649,274
III. Interest on balance with Reserve Bank of India and inter-bank funds	402,674	276,088
IV. Others	32	1,107
Total	3,462,913	2,710,046

Schedule 14 - Other Income

I. Commission, exchange and brokerage	237,148	175,826
II. Profit/(Loss) on sale of investments (Net)	32,077	33,001
III. Profit/(Loss) on revaluation of investments (Net)	-	-
IV. Profit/(Loss) on sale of land, building & other assets (Net)	(2,050)	(1,485)
V. Profit/(Loss) on exchange transactions (Net)	28,082	21,222
VI. Income earned by way of dividends etc.	-	-
VII. Miscellaneous income	17,810	47
Total	313,067	228,611

Schedule 15 - Interest Expended

I. Interest on deposits	1,912,270	1,523,305
II. Interest on inter-bank borrowings	12,564	7,433
III. Others	186,677	134,128
Total	2,111,511	1,664,866

Schedule 16 - Operating Expenses

I. Payments to and provisions for employees	652,833	459,234
II. Rent, taxes and lighting	215,337	139,438
III. Printing and stationery	24,305	18,832
IV. Advertisement and publicity	7,480	8,822
V. Depreciation on bank property	117,658	85,148
VI. Directors fees, allowances & expenses	1,165	760
VII. Auditors fees and expenses	1,805	1,208
VIII. Law charges	-	175
IX. Postage, telegrams, telephones etc.	21,069	18,207
X. Repairs and maintenance	24,678	23,220
XI. Insurance	48,232	35,317
XII. Other expenditure	207,137	156,477
Total	1,321,699	946,838

Significant Accounting Policies

Significant Accounting Policies Appended To And Forming Part Of The Financial Statements For The Year Ended March 31, 2019

Schedule 17

1 Corporate Information

Capital Small Finance Bank Limited ('The Bank') a banking company incorporated under The Companies Act, 1956, is engaged in providing a wide range of banking and financial services including retail & commercial banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949. The name of the Bank has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide RBI notification dated February 16, 2017. The Bank operates in India and does not have any branch outside India.

2 Basis Of Preparation

The accompanying financial statements have been prepared under the historical cost convention and on accrual basis except where otherwise stated, and in compliance with the generally accepted accounting principles in India ("GAAP") and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the RBI from time to time (RBI guidelines), accounting standards referred to in Section 133 of the Companies Act, 2013 (the Act) head with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) amendment rules, 2016 to the extent applicable and practices prevailing within the banking industry in India. The financial statements are presented in Indian Rupees rounded off to the nearest thousands unless otherwise stated.

3 Use Of Estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liability) and the reported income and expenses during the year. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from

estimates and the differences between the actual results and the estimates are recognized prospectively in which the results are known/ material.

4 Property, Plant And Equipment And Depreciation

- 4.1 Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment if any. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on fixed assets after its purchase is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.
- 4.2 Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Leasehold improvements are amortized over the duration of the primary lease period or useful life whichever is less.
- 4.3 Intangible assets are amortized on a straight line basis over their estimated useful life. The amortization period is reviewed at the end of each financial year and the amortization period is revised to reflect the changed pattern, if any.
- 4.4 The rates of depreciation for key fixed assets, which are not lower than the rates, calculated on the basis of the useful life specified in the Schedule II of the Companies Act 2013, is as follows:

Asset	Depreciation (rate per annum)
Computers	33.33%
Mobile Phones	33.33%
Cash Sorting Machines	33.33%
Software and System Development Expenditure	20.00%

- 4.5 All other Assets are depreciated on the rates, calculated on the basis of useful life specified in the Schedule II of the Companies Act 2013, as detailed below:

Asset	Depreciation (rate per annum)
Office Equipment	6.33%
Furniture & Fixture	9.50%
Motor Car	11.88%
Two Wheeler	9.50%
Cycle	9.50%

- 4.6 Assets purchased/sold during the year are depreciated on a pro-rata basis.
- 4.7 An item of Fixed Assets is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition is recognized in the Profit and Loss account.
- 4.8 Gains or losses arising from disposal or retirement of tangible fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized net, within "Other Income" as Profit/(Loss) on sale of fixed assets, as the case maybe, in the Profit and Loss account in the year of disposal or retirement.

5 Impairment Of Fixed Assets

The carrying amount of fixed assets is reviewed at the Balance Sheet date to determine if there are any indications of impairment based on internal / external factors. In case of impaired assets, the impairment loss i.e. the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the Profit and Loss account to the extent the carrying amount of assets exceeds its estimated recoverable amount.

6 Investments

Classification and valuation of the Bank's investments are carried out in accordance with RBI guidelines which are as follows:

6.1 Categorization of Investments

The Bank classifies its investment at the time of purchase into one of the following three categories:

- (i) *Held to Maturity (HTM)* – Securities acquired with the intention to hold till maturity.

(ii) *Held for Trading (HFT)* – Securities acquired with the intention to trade.

(iii) *Available for Sale (AFS)* – Securities which do not fall within the above two categories. Subsequent shifting amongst the categories is done in accordance with RBI guidelines.

6.2 Classification of Investments

For the purpose of disclosure in the Balance Sheet, investments in India are classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures and (vi) Other Investments.

Investments outside India are classified under three groups viz., (i) Government Securities (Including local authorities), (ii) Subsidiaries and/or Joint Ventures abroad and (iii) Other Investments."

6.3 Acquisition cost

- (i) Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss account.
- (ii) Cost of investments is computed based on the weighted average cost method.

6.4 Valuation of Investments

- (i) *Held to Maturity* – Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortized over the balance period to maturity. The amortized amount is classified under Interest earned – Income on investments (Item II of Schedule 13). The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, is determined and provided for each investment individually.
- (ii) *Held for Trading* – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.
- (iii) *Available for Sale* – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for
- (iv) Market value of government securities (excluding treasury bills) is determined on the basis of the prices / YTM declared by Primary Dealers Association of India (PDAI) jointly with

Financial Benchmark India Private Limited (FBIL).

(v) Treasury bills are valued at carrying cost, which includes discount amortized over the period to maturity.

(vi) Purchase and sale transaction in securities are recorded under Settlement Date method of accounting.

(vii) Provision for non-performing investments is made in conformity with RBI guidelines.

(viii) Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account.

(ix) In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA). The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.

(x) Units of the scheme of Mutual Funds are valued at the lower of cost and Net asset value (NAV) provided by the respective schemes of Mutual Funds.

(xi) In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively.

Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.”

6.5 Broken period Interest

Broken period interest on Debt Instruments is treated as a Revenue item.

6.6 Transfer of Security between Categories

Transfer of Securities from one category to

another is carried out at Acquisition cost or Book Value or Market Value, whichever is lower on the date of transfer and the depreciation, if any, on such transfer is fully provided for.

7 Advances

7.1 Advances are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets. Advances are stated net of specific loan loss provision.

7.2 Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines. In addition the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

7.3 Provisions on Standard Assets are made @ 0.40% of the outstanding advances. Further, as per the RBI guidelines, the standard asset provisioning on individual housing loans sanctioned on and after June 7, 2017, is made @ 0.25%. However, provision for banks direct advances to agriculture and SME sectors is made @ 0.25%, medium enterprises sector is made @ 0.4%, commercial real estate sector is made @ 1% and housing loans at teaser rates @ 2% in pursuance to RBI circulars issued from time to time. Further the same is shown under the head ‘Other Liabilities’.

7.4 Amounts recovered during the year against bad debts written off in earlier years are credited to the Profit and Loss account.

7.5 Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.

7.6 The Bank enters into transactions for the sale/purchase of Priority Sector Lending Certificates (PSLCs) through the RBI platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as ‘Miscellaneous Income’

8 Net Profits

The Net Profits have been arrived at after:

8.1 Provisions of Income Tax in accordance with the statutory requirements.

8.2 Provisions on Advances

8.3 Adjustments to the value of Investments

8.4 Other usual and necessary provisions.

9 Revenue Recognition

Income is accounted on Accrual basis except in the following cases:

9.1 Interest on Non-Performing Assets is recognized on realization basis as per RBI guidelines.

9.2 Interest which remains overdue for 90 days on securities not covered by Government Guarantee is recognized on realization basis as per RBI guidelines.

9.3 Commission (other than on Deferred Payment Guarantees and Government Transactions), Exchange and Brokerage are recognized on realization basis.

9.4 Interest on Overdue Bills is recognized on Realization Basis as per RBI guidelines.

10 Employee Benefits

10.1 *Provident Fund:* As per the statute, contribution towards provident fund for certain employees is made to the regulatory authorities, where the Bank has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Bank does not carry any further obligations, apart from the contributions made on a monthly basis.

10.2 *Gratuity:* Every employee is entitled to a benefit equivalent to 15 days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement, whichever is earlier. The benefits vest after five years of continuous service.

The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the period is recognized on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial losses/

gains are recognized in the Profit and Loss Account in the year in which they arise.

Payment obligations under the Group Gratuity scheme are managed through a fund maintained by ICICI Prudential Life Insurance under separate Trust set up by the Bank.

10.3 *Compensated absences:* Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.

11 Lease

11.1 Lease arrangements where risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognized as operating leases.

11.2 Lease rentals under operating lease are charged to the Profit and Loss account on straight line basis over the lease term in accordance with AS-19, Leases.

12 Segment Reporting

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

13 Earning Per Share

Earning per share is calculated by dividing the Net Profit or Loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the year except when its results are anti-dilutive.

14 Taxes

Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are

Notes On Accounts

Schedule 18

Notes On Accounts Appended To And Forming Part Of The Financial Statements For The Year Ended March 31, 2019

recognized, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized; where there are unabsorbed depreciation and/or carry forward of losses under tax laws, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realized against future taxable income.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Minimum Alternate Tax (MAT) Credit is recognized as an asset only when and to the extent there is convincing evidence that the bank will pay normal income tax during specified period. The Year in which the MAT credit becomes eligible, it is to be recognized as an asset. In accordance with recommendation contained in the guidance note issued by ICAI, said asset is created by way of credit/reversal of provisions to Profit and Loss account and included as MAT Credit Entitlements in other assets. The Bank reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that bank will pay normal Income Tax during the specified period.

the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
ii) a present obligation arising from a past event which is not recognized as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

- 15.3 When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.
- 15.4 Contingent assets, if any, are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

16 Cash And Cash Equivalents

Cash and cash equivalents include cash in hand (including balance in ATM), balances with RBI, balances with other banks in current accounts and money at call and short notice.

17 Transaction Involving Foreign Exchange

All transactions in foreign currency are recognized at the exchange rate as notified by Foreign Exchange Dealers Association of India (FEDAI). Foreign currency monetary items are reported using the exchange rate prevailing at the Balance Sheet date. Non-monetary items which are measured in terms of historical cost denominated in foreign currency are reported using the exchange rate as notified by Foreign Exchange Dealers Association of India (FEDAI) at the date of transaction. Non-monetary items which are measured at Fair Value or other similar value denominated in a foreign currency are translated using the exchange rate at the date when such value is determined. Exchange differences arising on settlement of monetary items or on reporting of such monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or expense in the year in which they arise.

15 Provisions And Contingent Liabilities

- 15.1 A provision is recognized when there is a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.
- 15.2 A disclosure of contingent liability is made when there is:
i) a possible obligation arising from a past event,

1 Capital

1.1. Capital to risk-weighted asset ratio ('Capital Adequacy Ratio') of The Bank, as on March 31, 2019 has been calculated by using the capital measurement approaches as detailed below:

- 1.1.1 Credit Risk has been measured by using Basel II Standardized Approach for credit risk, in accordance with RBI circular no DBR. NBD. No.26/ 16.13.218/2016-17, dated October 06, 2016 on "Operating Guidelines for Small Finance Banks".
- 1.1.2 Market Risk and Operation Risk has not been considered for measurement of Capital Adequacy Ratio as per the letter issued by Reserve Bank of India vide reference number DBR.NBD.No.4502/ 16.13.218/2017-18 dated November 08, 2017 to all the small finance banks.

Ratio of capital to risk-weighted assets	Current Year	Previous Year
i) CRAR (%)	17.47%	19.66%
ii) CRAR - Tier I capital (%)	10.51%	13.47%
iii) CRAR - Tier II Capital (%)	6.96%	6.19%
iv) Leverage Ratio	5.56%	6.68%

1.2 Movement in Capital during the year is detailed as below:

Particulars	Current Year	Previous Year
	(₹ In '000)	
i) Amount of equity (Face Value) raised on private placement under preferential allotment	Nil	14,936
ii) Amount of debt raised as Upper Tier-II capital	Nil	Nil
iii) Amount of subordinated debt raised as Tier-II capital (Lower Tier-II capital)	614,500	Nil

1.3 Tier I Capital Infusion

During the current year, the Bank has not issued any equity shares. During the previous year, the Bank has raised 1493650 Equity Shares of ₹ 10/- (Rupees Ten) each at a premium of ₹ 153/- (Rupees One Hundred and Fifty-Three) (i.e. at the total issue price of ₹ 163/- (Rupees One Hundred and Sixty-Three) per Equity Share) aggregating to ₹ 243,464,950 (Rupees Twenty-Four Crores Thirty-Four Lakhs Sixty-Four Thousand Nine Hundred and Fifty) on a private placement basis under preferential allotment.

Details of movement in the paid-up equity share capital of the Bank are given below:

Particulars	Current Year	Previous Year
	(₹ In '000)	
- Opening Balance	284,807	269,871
- Addition pursuant to Amount of equity raised on private placement basis under preferential allotment	Nil	14,936
- Closing Balance	284,807	284,807

1.4 The Board of Directors of the Bank at its meeting held on May 17, 2019 has recommended a dividend of ₹ 0.20 per equity share for the year ended March 31, 2019 (March 31, 2018: ₹ 0.80 per equity share). The declaration and payment of dividend is subject to requisite approvals.

According to the revised AS 4 - 'Contingencies and events occurring after the balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not accounted proposed dividend (including tax) as a liability for the year ended March 31, 2019. However, the Bank has reckoned proposed dividend in determining capital funds for computing capital adequacy ratio as on March 31, 2019.

1.5 Tier 2 Capital

Tier 2 Capital raised during the current year:

The Bank has raised Unsecured Redeemable Non-Convertible Lower Tier II Bonds as below:

Series	Date of Allotment	Coupon (%)	Tenure	Amount (₹ In '000)
Series XV	15-05-18	9.25%	10 years	209,500
Series XVI	28-02-19	10.00%	10 years	180,000
Series XVII	31-03-19	10.00%	10 years	225,000

Tier 2 Capital raised during the previous year: Nil

Maturity Profile of total debentures outstanding as on March 31, 2019:

Unsecured Redeemable Non-Convertible Lower Tier II Bonds:

Series	Amount (₹ In '000)	Maturity Date
11% Tier II Bonds Series I	50,300	17-09-2019
11% Tier II Bonds Series II	36,000	29-09-2019
11% Tier II Bonds Series III	27,800	24-10-2019
10% Tier II Bonds Series IV	55,500	27-03-2020
11% Tier II Bonds Series V	57,100	04-06-2021
11% Tier II Bonds Series VI	30,200	18-06-2021
11% Tier II Bonds Series VII	60,400	25-08-2022
11% Tier II Bonds Series VIII	50,300	04-05-2023
11% Tier II Bonds Series IX	31,000	20-05-2023
11% Tier II Bonds Series X	94,700	24-05-2024
10.50% Tier II Bonds Series XII	120,000	17-02-2026
9.75% Tier II Bonds Series XIV	159,000	25-09-2026
9.25% Tier II Bonds Series XV	209,500	15-05-2028
10% Tier II Bonds Series XVI	180,000	28-02-2029
10% Tier II Bonds Series XVII	225,000	31-03-2029
Total	1,386,800	

Unsecured Redeemable Non-Convertible Upper Tier II Bonds:

Series	Amount (₹ In '000)	Maturity date
11.75% Upper Tier II Bonds Series XI	140,000	31-03-30
11.75% Upper Tier II Bonds Series XIII	250,000	30-03-31
TOTAL	390,000	

1.6 During the Current year, the Bank has reversed an amount of ₹ 35 thousand (₹ 4 thousand in the Previous Year) from Investment Reserve Account to Profit and Loss Appropriation Account, being the amount of depreciation on investment created, net of applicable taxes and statutory reserve requirement, during the year ending March 31, 2019.

1.7 During the Current Year, in terms of circular number RBI/2017-18/147DBR.No.BP.BC.102/21.04.048/ 2017-18 dated April 2, 2018, the Bank has appropriated the amount of ₹ 12,074 thousand to Investment Fluctuation Reserve.

2. Investments

Particulars	Current Year	Previous Year
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	8,618,577	8,707,329
(b) Outside India,	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	(65)	(8)
(b) Outside India,	Nil	Nil
(iii) Net Value of Investments		
(a) In India	8,618,512	8,707,321
(b) Outside India.	Nil	Nil
(2) Movement of provisions for depreciation held towards investments.		
(i) Opening Balance	8	Nil
(ii) Add: Provisions made during the year	61,989	8
(iii) Less: Write-off/ write-back of excess provisions during the year	61,932	Nil
(iv) Closing Balance	65	8

2.1 During the Current Year

The Bank has undertaken Tri-party repo transactions during the year with Clearing Corporation of India Ltd. (CCIL) as part of money market operations wherein CCIL acts as a tri-party repo agent.

Particulars	Minimum Outstanding during the year (Face Value)	Maximum Outstanding during the year (Face Value)	Daily Average Outstanding during the year (Face Value)	Outstanding as on March 31, 2019 (Face Value)
<i>Securities sold under repo:</i>				
1. Government Securities	-	966,513	176,332	-
2. Corporate Debt Securities	-	-	-	-
<i>Securities purchased under reverse repo:</i>				
1. Government Securities	-	1,597,489	317,911	490,041
2. Corporate Debt Securities	-	-	-	-

The Bank has not undertaken any other Repo Transaction during the year.

During the Previous Year

The Bank has not undertaken any Repo Transaction during the previous year.

2.2 Non-SLR Investment Portfolio

i) Issuer composition of Non SLR investments

Current Year							(₹ In'000)
Sr. 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	30,000	Nil	Nil	Nil	Nil	
(ii).	FIs	Nil	Nil	Nil	Nil	Nil	
(iii).	Banks	Nil	Nil	Nil	Nil	Nil	
(iv).	Private Corporates	Nil	Nil	Nil	Nil	Nil	
(v).	Subsidiaries/ Joint Ventures	Nil		Nil			
(vi).	Others	Nil	Nil	Nil	Nil	Nil	
(vii).	Provision held towards depreciation	Nil	Nil	Nil	Nil	Nil	
	Total	30,000	Nil	Nil	Nil	Nil	

Previous Year							(₹ In'000)
Sr. 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	30,000	Nil	Nil	Nil	Nil	
(ii).	FIs	10,000	Nil	Nil	Nil	Nil	
(iii).	Banks	Nil	Nil	Nil	Nil	Nil	
(iv).	Private Corporates	Nil	Nil	Nil	Nil	Nil	
(v).	Subsidiaries/ Joint Ventures	Nil		Nil			
(vi).	Others	Nil	Nil	Nil	Nil	Nil	
(vii).	Provision held towards depreciation	Nil	Nil	Nil	Nil	Nil	
	Total	40,000	Nil	Nil	Nil	Nil	

ii) Non performing Non-SLR investments

The Bank does not have any non-performing non-SLR investment during the Current Year and Previous Year.

2.3 Shifting of Investments

During the Current Year

At the beginning of the year, the Bank, after approval of the Board of Directors vide board resolution number 34 passed in the meeting held on May 9, 2018, has transferred government securities within the categories as stated below:

Category			Book Value	Market Value
From	To			
Held to Maturity	Available for Sale		508,020	521,277
Available for Sale	Held to Maturity		1,287,765	1,283,050
Total			1,795,785	1,804,327

During the Previous Year

In pursuance to RBI circular dated December 10, 2015, under Fourth Bi-monthly Monetary Policy 2015-16 to reduce the SLR holdings under Held to Maturity Category from 22% to 20.50% in a graduated manner. The Bank has, after approval of the Board of Directors vide board resolution number 23 passed in the meeting held on May 06, 2017, transferred government securities with a book value of ₹ 159,562 thousand from HTM category (Held to Maturity) to AFS category (Available for Sale) which constitutes 3.44% of the HTM category

2.4 The Bank has not undertaken any derivative business during the year and the previous year.

2.5 The Bank does not hold any investments in Security Receipts during the year and the previous year.

3. Asset Quality

3.1 Non-Performing Asset

Particulars	Current Year	Previous Year
(i) Net NPAs to Net Advances (%)	0.93%	0.84%
(ii) Movement of NPAs (Gross)		
(a) Opening Balance	211,286	139,856
(b) Additions During The Year	278,447	191,576
(c) Reductions During The Year	150,177	120,146
(d) Closing Balance	339,556	211,286
(iii) Movement of NPAs (Net)		
(a) Opening Balance	154,314	97,902
(b) Additions During The Year	215,246	153,831
(c) Reductions During The Year	127,356	97,419
(d) Closing Balance	242,204	154,314
(iv) Movement of Provisions for NPAs (excluding provisions on standard assets)		
(a) Opening Balance	56,972	41,954
(b) Provisions Made During The Year	63,201	37,745
(c) (Write-Off) / Write-Back Of Excess Provisions	22,821	22,727
(d) Closing Balance	97,352	56,972

3.2 Divergence in Asset Classification and Provisioning for NPAs

As per the RBI notification-RBI/2016-17/283 DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 an additional disclosure by way of notes to accounts regarding divergence in the asset classification and provisioning needs to be provided. The Bank has not received any such RBI inspection report during the year.

(₹ In '000)

	Next Day	2-7 Days	8-14 Days	15 to 30 Days	31 days and Upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 Year and upto 3 years	Over 3 Years and upto 5 years	Above 5 Years	Total	
3.3 There were nil technical write-offs during the Current year and Previous year.													
3.4 The Bank has not restructured any account during the Current year and Previous year.													
3.5 The Bank does not have any strategic asset restructuring during the Current year and the Previous year.													
3.6 Change in ownership outside SDR scheme was Nil during the Current year and the Previous year.	CY												
	Loans & Advances	4,341,868	41,513	63,588	173,855	311,060	305,044	904,728	1,800,008	14,987,856	2,214,870	846,063	25,990,453
	PY	3,141,721	43,917	40,507	111,238	207,027	411,052	761,911	1,286,719	10,960,434	1,103,193	405,192	18,472,911
3.7 Change in ownership of Projects under Implementation was Nil during the Current year and Previous year.													
3.8 The Bank has not sold any financial asset during the year to Securitization/ Reconstruction Company for Asset Reconstruction during the Current year and the Previous year.	CY												
	Investment	317,276	118,117	269,044	98,941	249,276	90,889	654,964	563,739	3,302,188	62,702	2,891,376	8,618,512
	PY	400,097	8,168	11,767	184,557	53,774	97,683	1,147,022	4,11,350	2,601,033	1,341,501	2,450,369	8,707,321
3.9 The Bank has not purchased/sold any Non-performing financial assets from/to other banks during the Current year and the Previous year.													
3.10 Provisions on Standard Asset	CY												
	Deposits	1,488,592	110,972	152,354	565,045	1,407,624	503,087	1,266,721	2,565,056	13,343,874	2,166,46	15,052,609	36,672,580
	PY	1,204,707	43,386	62,505	130,454	285,646	518,885	1,019,338	2,116,940	10,818,163	1,908,47	12,114,329	28,505,200

(₹ In '000)

Particulars	Current Year	Previous Year
Provisions towards Standard Assets	25,757	14,778

The cumulative provision towards standard assets held by the Bank as at the year end amounting to ₹ 84,298 thousand (previous year ₹ 58,541 thousand) is included under Other Liabilities and Provisions in Schedule 5 to the Balance Sheet.

4. Business Ratios

Particulars	Current Year	Previous Year
(i) Interest Income as a percentage to Working Funds*	9.03%	8.97%
(ii) Non-interest income as a percentage to Working Funds	0.82%	0.76%
(iii) Operating Profit** as a percentage to Working Funds*	0.89%	1.08%
(iv) Return on Assets@	0.51%	0.63%
(v) Business (Deposits plus advances) # per employee^ (₹ in '000)	47,219	48,263
(vi) Profit per employee (Operating Profit)^(₹ in '000)	260	340

*Working funds has been reckoned as average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.

**Operating profit is the net profit for the year before provisions and contingencies.

@ Return on Assets is calculated with reference to monthly average working funds (Working funds taken as total of assets excluding accumulated losses, if any).

For the purpose of computation of business per employee business is calculated by adding deposits and advances excluding inter-bank deposits.

^ Productivity ratios are based on average number of employees.

5. Asset Liability Management

Maturity Pattern of certain items of Assets & Liabilities as on March 31, 2019

6. Exposures

6.1 Exposure to Real Estate Sector

Particulars	Current Year	Previous Year
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 eligible for inclusion in Priority Sector advances	1,079,585	674,402
» Others	1,793,403	1,219,921
(ii) Commercial Real Estate –		
Lending secured by mortgages on commercial real estate (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.).	1,295,755	571,263
Exposure would also include non-fund based (NFB) limits;		

Particulars	(₹ In '000)	
	Current Year	Previous Year
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a. Residential,	Nil	Nil
b. Commercial Real Estate	Nil	Nil
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	146,640	Nil
Total Exposure to Real Estate Sector	4,315,383	2,465,586

6.2 Exposure to Capital Market

Particulars	(₹ In '000)	
	Current Year	Previous Year
(i) Direct investments 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	-	-
(ii) 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;	-	-
(iii) Advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv) Advances for any other purpose 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;	-	-
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi) 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;	-	-
(vii) Bridge loans to companies against expected equity flows/issues;	-	-
(viii) 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;	-	-
(ix) Financing to stockbrokers for margin trading;	-	-
(x) All exposures to venture capital funds (both registered and unregistered).	-	-
Total Exposure to Capital Market	-	-

6.3 Risk Category Wise Country Exposure

The Bank is presently operating in the state of Punjab, Union Territory of Chandigarh, Haryana and Delhi, as such disclosure regarding risk category wise country exposure is not applicable.

6.4 Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the bank

The Bank has not exceeded the prudential exposure limits for Single Borrower Limit (SGL) and Group Borrower Limit (GBL) during the Current Year and Previous Year as per directives of RBI.

6.5 Unsecured Advances against Intangible Assets

Particulars	(₹ In '000)	
	Current Year	Previous Year
-Total amount of advances for which intangible securities such as charge over the rights, licenses, authority etc. has been taken.	Nil	Nil
-Estimated value of such intangible collateral	Nil	Nil

6.6 Details of Factoring Exposure

The factoring exposure of the Bank as at March 31, 2019 is NIL (Previous year - NIL)

7. Concentration of Deposits, Advances, Exposures and NPAs

7.1 Concentration of Deposits

Particulars	(₹ In '000)	
	Current Year	Previous Year
- Total Deposits of twenty largest depositors	2,595,820	1,678,178
- Percentage of Deposits of twenty largest depositors to total Deposits of the Bank	7.08%	5.89%

7.2 Concentration of Advances

Particulars	(₹ In '000)	
	Current Year	Previous Year
- Total Advances to twenty largest borrowers	2,416,079	1,975,071
- Percentage of Advances to twenty largest borrowers to total Advances of the Bank	8.22%	9.41%

Concentration of advances has been calculated by taking the total credit exposure to the top twenty borrowers identified on the basis of RBI circular on Exposure Norms.

7.3 Concentration of Exposures

Particulars	(₹ In '000)	
	Current Year	Previous Year
- Total Exposure to twenty largest borrowers/customers	2,416,079	1,975,071
- Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the Bank on Borrowers/ customers	8.08%	9.54%

Concentration of exposures has been calculated by taking the total credit and investment exposure to the top twenty borrowers identified on the basis of RBI circular on Exposure Norms.

7.4 Concentration of NPAs

Particulars	(₹ In '000)	
	Current Year	Previous Year
- Total Exposure to top four NPA accounts	86,406	76,305

7.5 Movement of NPAs

Particulars	(₹ In '000)	
	Current Year	Previous Year
- Gross NPAs as on 1st April 2018	211,286	139,856
- Additions (fresh NPAs) during the year	278,447	191,576
Sub Total (A)	489,733	331,432
Less :		
(i) Upgradations	116,770	100,055
(ii) Recoveries (excluding recoveries made from upgraded accounts)	33,277	20,091
(iii) Write-offs	130	Nil
Sub Total (B)	150,177	120,146
Gross NPAs as on 31st March 2019 (A)-(B)	339,556	211,286

7.6 Sector-wise Advances

Sr. No.	Sector	Current Year			Previous Year		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A) Priority Sector							
1.	Agriculture & Allied activities	9,856,361	176,117	1.79	7,583,850	57,360	0.76
2.	Industry (Micro & Small, Medium & Large)	1,739,897	3,435	0.20	917,413	-	-
3.	Services	5,520,493	90,962	1.65	3,853,162	76,310	1.98
4.	Personal Loans	-	-	-	-	-	-
5.	Others	1,097,275	614	0.06	1,244,645	973	0.08
	Sub-total (A)	18,214,026	271,128	1.49	13,599,070	134,643	0.99
B) Non - Priority Sector							
1.	Agriculture & Allied Activities	-	-	-	-	-	-
2.	Industry (Micro & Small, Medium & Large)	-	-	-	-	-	-
3.	Services	966,621	-	-	991,086	-	-
4.	Personal Loans	210,255	2,101	1.00	182,728	2,042	1.12
5.	Others	6,696,903	66,327	0.99	3,756,999	74,601	1.99
	Sub-total (B)	7,873,779	68,428	0.87	4,930,813	76,643	1.55
	TOTAL (A+B)	26,087,805	339,556	1.30	18,529,883	2,11,286	1.14

7.7 Details of Priority Sector Lending Certificates (PSLC)

Type of PSLC	Current Year		Previous Year	
	PSLC bought during the year	PSLC sold during the year	PSLC bought during the year	PSLC sold during the year
- Agriculture	-	2,500,000	-	-
- Small and Marginal Farmers	-	-	-	-
- Micro enterprises	-	-	-	-
- General	300,000	1,000,000	-	-
Total	300,000	3,500,000	-	-

7.8 Overseas Assets, NPAs and Revenue

Particulars	Current Year	Previous Year
- Total Assets	Nil	Nil
- Total NPAs	Nil	Nil
- Total Revenue	Nil	Nil

7.9 Off Balance Sheet SPVs sponsored

Name of the SPV sponsored	Domestic		Overseas	
	Current Year	Previous Year	Current Year	Previous Year
	Nil	Nil	Nil	Nil

7.10 Disclosure on Stressed Assets

The accounts under Scheme for Sustainable Structuring of Stressed Assets (S4A) are Nil during the Current Year and the Previous Year.

The Bank has not undertaken flexible structuring of existing loans during the Current Year and the Previous Year.

8. Bancassurance Business

Particulars	(₹ In '000)	
	Current Year	Previous Year
Fee/remuneration received:		
(a) Life insurance	42,289	33,724
(b) General Insurance	14,977	11,926

9. Provisions and Contingencies

The break-up of the provisions and contingencies included in profit and loss account is given here under:

Particulars	(₹ In '000)	
	Current Year	Previous Year
- Provisions towards Taxes	75,104	106,947
- Provisions towards Standard Assets	25,757	14,778
- Provision towards Non-performing Advances	40,380	15,018
- Depreciation on Investments	7,388	8
Total	148,629	136,751

10. Staff Retirement Benefits

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefit of the Bank is given below:

Particulars	₹ In '000	
	Current Year	Previous Year
Defined benefit obligation liability at March 31,2019		
- Opening Obligations	32,483	26,502
- Service Cost	6,712	4,715
- Interest Cost	2,547	1,988
- Actuarial (Gain)/Loss	(193)	(218)
- Liabilities extinguished on settlement	-	-
- Benefits Paid	(1,016)	(504)
Obligations at March 31, 2019	40,533	32,483
Plan Assets at March 31, 2019, at fair value		
- Opening Plan Assets, at fair value	32,735	26,757
- Expected return on plan assets	2,619	2,074
- Actuarial Gain/(Loss)	(198)	(718)
- Assets distributed on settlement	-	-
- Contributions	6,393	4,873
- Benefits Paid	(1,016)	(504)
Plan Assets at March 31, 2019, at fair value		
- Fair Value of Plan Assets at the end of the year	40,736	32,735
- Present Value of the defined benefit obligation at the end of the year	40,533	32,483
Asset/(Liability) at March 31, 2019	203	252
- Experience adjustments on Plan Liabilities	1,103	(1,423)
- Experience adjustments on Plan Assets	(197)	(718)
Cost for the year		
- Service Cost	6,712	4,715
- Interest Cost	2,547	1,988
- Expected Return on Plan Assets	(2,619)	(2,074)
- Actuarial (gain)/Loss	4	500
Net Cost	6,644	5,129
Investment details of Plan Assets		
- Plan assets are invested in insurer managed funds		
Assumptions		
- Interest Rate	7.68%	7.84%
- Salary escalation rate	6.00%	6.00%
- Estimated rate of return on plan assets	8.00%	8.00%

The estimate of salary growth rate takes into account of inflation, seniority, promotion and other relevant factors on long-term basis.

11. Miscellaneous

11.1 Amount of Provisions made for Income Tax during the year

Particulars	₹ In '000	
	Current Year	Previous Year
- Income Tax	85,076	107,264
- Deferred Tax	(9,972)	(317)

11.2 Disclosure of Penalties Imposed by RBI

Current Year

There has been no penalty imposed by the RBI during the current year.

Previous Year

The Bank raised equity share capital through Rights Issue in December, 2015 which includes subscription by the non-resident shareholders of the Bank, under automatic route. Due to oversight, there was a delay in filing of requisite forms with Reserve Bank of India, Foreign Exchange Department. Reserve Bank of India, vide its order number CHD FICG/FID/524/03.01.053/ 2017-18 dated December 21, 2017 imposed a fine in the form of Compounding Option, amounting to ₹ 50,832 (Rupees Fifty Thousand and Eight Hundred Thirty Two only). The same was duly paid on December 22, 2017 by the Bank.

12. Segment Reporting

Segment details in compliance with AS-17 are given below pursuant to the Reserve Bank of India guidelines:

Business Segments	₹ In '000									
	Treasury		Corporate/Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	1,078,172	957,585	256,771	143,959	2,345,058	1,762,677	95,979	74,436	3,775,980	2,938,657
Result	206,040	195,102	24,812	34,860	394,819	348,542	82,993	64,042	708,664	642,546
Unallocated Expenses									439,419	345,397
Operating Profit									269,245	297,149
Income Taxes									75,104	106,947
Extraordinary Profit/Loss	-	-	-	-	-	-	-	-	-	-
Net Profit									194,141	190,202
<i>Other Information:</i>										
Segment Assets	13,801,371	12,382,344	2,912,082	2,061,904	26,179,043	18,711,396	14,556	1,31,065	42,907,052	33,286,709
Unallocated Assets									304,992	231,611
Total Assets									43,212,044	33,518,320
Segment Liabilities	-	559,708	2,634,330	883,287	36,207,373	28,000,146	-	-	38,841,703	29,443,141
Unallocated Liabilities									1,867,122	1,739,343
Total Liabilities									40,708,825	31,182,484

Note:

a) Bank is operating in Domestic Segment so there is only one Geographic Segment.

b) Inter Segment transactions are based on transfer pricing as determined by the management consent.

13. Related Party Disclosure

Related parties as per Accounting Standard 18
Key Management Personnel

- 1) Mr. Sarvjit Singh Samra – Managing Director
- 2) Mr. Munish Jain – Chief Operating Officer & Chief Financial Officer
- 3) Mr. Sahil Vijay – Company Secretary

Relatives of Key Management Personnel

Mr. Sarvjit Singh Samra: Mr. Amarjit Singh Samra, Mr. Amardeep Samra, Mrs. Surinder Kaur Samra, Mrs. Navneet Samra, Mrs. Amarpreet Kaur Hayer, Mr. Shahbaz Singh Samra, Mr. Sangram Singh Samra.

Mr. Munish Jain: Mr. Kimti Lal Jain, Mr. Vishal Jain, Mrs. Usha Jain, Mrs. Ruchi Jain, Mrs. Ritu Jain, Mr. Aagam Jain, Mr. Gaurish Jain.

Mr. Sahil Vijay: Mr. Vijay Kumar, Mrs. Kusum Talwar, Mrs. Deepika Sharma, Mr. Aviral Vijay

a) The balances payable to/receivable from the related parties of the Bank as on March 31, 2019 are given below:

Items/ Related Party	Parent	Subsidiary	Associates/ Joint Ventures	Key Management Personnel	Relatives of Key Management Personnel	(₹ In '000)	
						Total	
Borrowings	CY	-	-	-	1,400	10,700	12,100
	PY	-	-	-	1,400	9,700	11,100
Deposits	CY	-	-	-	4,070	41,342	45,412
	PY	-	-	-	4,186	29,449	33,635
Placement of Deposits	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Advances	CY	-	-	-	3,206	2	3,208
	PY	-	-	-	3,446	1	3,447
Investments	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Non Funded Commitments	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Leasing / HP Arrangements Availed	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Leasing / HP Arrangements Provided	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-

b) The maximum balances payable to/receivable from the related parties of the Bank for the year ended March 31, 2019 are given below:

Items/ Related Party	Parent	Subsidiary	Associates/ Joint Ventures	Key Management Personnel	Relatives of Key Management Personnel	(₹ In '000)	
						Total	
Borrowings	CY	-	-	-	1,400	10,700	12,100
	PY	-	-	-	1,400	9,700	11,100
Deposits	CY	-	-	-	88,502	101,914	190,416
	PY	-	-	-	5,888	40,442	46,330
Placement of Deposits	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Advances	CY	-	-	-	4,025	2	4,027
	PY	-	-	-	4,422	356	4,778
Investments	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Non Funded Commitments	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Leasing / HP Arrangements Availed	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Leasing / HP Arrangements Provided	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-

c) The details of transactions of the Bank with its related parties during the year ended March 31, 2019 are given below:

Items/ Related Party	Parent	Subsidiary	Associates/ Joint Ventures	Key Management Personnel		Relatives of Key Management Personnel	Total
				Key Management Personnel	Relatives of Key Management Personnel		
Purchase Of Fixed Assets							
CY	-	-	-	-	-	-	-
PY	-	-	-	-	-	-	-
Sale Of Fixed Assets							
CY	-	-	-	-	-	-	-
PY	-	-	-	-	-	-	-
Interest Paid							
CY	-	-	-	824	3,034		3,858
PY	-	-	-	401	2,780		3,181
Interest Received							
CY	-	-	-	194	0		194
PY	-	-	-	219	3		222
Rendering Of Services							
CY	-	-	-	-	-		-
PY	-	-	-	-	-		-
Lease Rent							
CY	-	-	-	4,228	16,068		20,296
Receiving of Services							
CY	-	-	-	16,106	-		16,106
PY	-	-	-	3,768	14,461		18,229
Lease Rent							
PY	-	-	-	14,016	-		14,016
Salary							
CY	-	-	-	-	-		-
Management Contracts							
PY	-	-	-	-	-		-

14. Leases

Operating Leases

The Bank has commitments under long term non-cancellable operating leases primarily for premises. The terms of renewal and escalation clauses are those normally prevalent in the agreements of similar nature. Following is a summary of future minimum lease rental commitments for such non-cancellable operating leases.

Particulars	Current Year	Previous Year
- Not later than one year	8,303	7,853
- Later than One year and not later than five years	24,522	28,936
- Later than five years	33,737	37,653
Total Minimum lease rental commitments	66,562	74,442

Total lease rental expenditure under cancellable and non-cancellable operating leases debited to Profit & Loss Account in the current year is ₹ 141998 thousand (Previous Year ₹ 101358 thousand)

Finance Lease

The Bank has not taken any asset under finance lease.

15. Earnings Per Share

Particulars	Current Year	Previous Year
- Net profit after tax available for equity shares (₹ '000)	194,141	190,202
- Weighted average number of equity shares	28,480,743	27,744,148
- Weighted average number of equity shares For Diluted earning	28,480,743	27,744,148
- Basic Earnings per share (₹)	6.82	6.86
- Diluted Earnings per share (₹)	6.82	6.86
- Face Value per share (₹)	10.00	10.00

16. Deferred Tax Asset

Other Assets include deferred tax asset of an amount equal to ₹ 18,529 thousand (Previous Year ₹ 8557 thousand) as detailed below:

Particulars	Current Year	Previous Year
- Deferred Tax Liabilities	23,733	20,345
- Depreciation on Fixed Assets	20,122	17,009
- Special Reserve under section 36(i) (viii)	3,611	3,336
- Deferred Tax Assets	42,263	28,902
- Loan Loss Provisions	29,457	21,766
- Others	12,806	7,136
- Deferred Tax Liabilities/(Assets) (Net)	(18,529)	(8,557)

17. Provision Coverage Ratio

Particulars	Current Year	Previous Year
Ratio of Provisioning to Gross Non Performing Assets	28.67%	26.96%

18. Disclosure of Complaints

Customer Complaints pertaining to Automated Teller Machine (ATM)/Point of Sale (POS) Transactions/ Ecommerce Transactions

Particulars	Current Year	Previous Year
(a) No. of Complaints pending at the beginning of the year	1	16
(b) No. of Complaints received during the year	544	295
(c) No. of Complaints redressed during the year	530	310
(d) No. of Complaints pending at the end of the year	15	1

Out of the above complaints, 542 complaints (284 previous year) are related to acquiring banks during the current year ending March 31, 2019.

Customer Complaints other than Automated Teller Machine (ATM)/Point of Sale (POS) Transactions/ Ecommerce Transactions complaints:

Particulars	Current Year	Previous Year
(a) No. of Complaints pending at the beginning of the year	Nil	Nil
(b) No. of Complaints received during the year	63	15
(c) No. of Complaints redressed during the year	57	15
(d) No. of Complaints pending at the end of the year	6	Nil

Awards Passed by the Banking Ombudsman

Particulars	Current Year	Previous Year
(a) No. of Unimplemented Awards at the beginning of the year	Nil	Nil
(b) No. of Awards passed by the Banking Ombudsmen during the year	Nil	Nil
(c) No. of Awards implemented during the year	Nil	Nil
(d) No. of Unimplemented Awards at the end of the year	Nil	Nil

19. Draw Down from Reserves

Particulars	Current Year	Previous Year
- Investment Reserve Account	35	4

20. Transfer to Depositor Education and Awareness Fund (DEAF)

The Bank has transferred ₹ 8,052 thousand (Previous Year ₹ 6,729 thousand) to the Depositor Education and Awareness Fund (DEAF) during the year ended March 31, 2019 as per the details below:

Particulars	Current Year	Previous Year
- Opening balance of amount transferred to DEAF	19,710	14,084
- Add: Amount transferred to DEAF during the year	8,052	6,729
- Less: Amounts reimbursed by DEAF towards claims	1,913	1,103
- Closing balance of amounts transferred to DEAF	25,849	19,710

21. Movement In Floating Provisions

The Bank has not created or utilized any floating provisions during the year ended March 31, 2019 and March 31, 2018. The floating provisions were nil as on March 31, 2019 and March 31, 2018.

22. Securitization Transactions

The Bank has not done any securitization transactions during the year ended March 31, 2019 and March 31, 2018.

23. Letter Of Comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2019 and March 31, 2018.

24. Intra Group Exposure

The Bank has no intra group exposure during the year ended March 31, 2019 and March 31, 2018.

25. Unhedged Foreign Currency Exposure

The exposure towards unhedged foreign currency as on March 31, 2019 and March 31, 2018 stands to be nil.

26. Dues to Micro, Small and Medium Enterprises

On the basis of information and records available with the management and confirmation sought by the management from suppliers on their registration with the specified authority under MSMED, there have been no reported cases of delay in payments to Micro, small and medium enterprises or of interest payments due to delay in such payments.

27. Unamortized Pension and Gratuity Liabilities

Particulars	Current Year	Previous Year
- Unamortized Pension and Gratuity Liabilities	Nil	Nil

28. Remuneration

a) Qualitative Information

Information relating to the composition and mandate of the Remuneration Committee.

Bank has constituted Nomination and Remuneration Committee (NRC). The Board of Directors in the meeting held on November 3, 2018 reconstituted the Nomination and Remuneration Committee. The committee has four members including one member from Risk Management Committee of the Board. The majority of the members of the committee are independent Non-Executive Directors consisting of the following Members:

1. Mr. Madan Gopal Sharma, Chairman
2. Mr. Sham Singh Bains, Member
3. Mr. Rakesh Soni, Member
4. Mr. Gurdeep Singh, Member

The committee has been constituted to oversee the framing, review and implementation of compensation policy of the Bank on behalf of the Board for Managing Director/ Chief Executive Officer, Whole Time Directors & Other Risk Takers.

Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

As a matter of policy, the Bank is not presently paying any performance based variable pay to Whole Time Directors/Chief Executive Officers and Key risk takers. As such, said disclosure may be considered as Not Applicable.

Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.

A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.

Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilizes and the rationale for using these different forms.

b) Quantitative Information

Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.

Number of Meetings: 6
No remuneration is being paid to members except the sitting fees.

- (i) Number of employees having received a variable remuneration award during the financial year.
- (ii) Number and total amount of sign-on awards made during the financial year.
- (iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus
- (iv) Details of severance pay, in addition to accrued benefits, if any.

NIL

- (i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.
- (ii) Total amount of deferred remuneration paid out in the financial year.

NIL

Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.

N.A.

- (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.
- (ii) Total amount of reductions during the financial year due to ex- post explicit adjustments.
- (iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.

NIL

NIL

NIL

29. Credit Default Swaps

The Bank has not entered into any Credit Default Swaps (CDS) during the year ended March 31, 2019 and March 31, 2018.

30. Corporate Social Responsibility

(₹ In '000)

Particulars	Current Year	Previous Year
- Total amount to be spent	4,763	4,167
- Amount spent	1,304	813
- Amount unspent	3,459	3,354

The Bank has formulated a trust in the name of Capital Foundation. Going forward, the CSR expenses shall be routed through the Capital Foundation. The above expenditure includes an amount of ₹ 500 thousand contributed to the Capital Foundation trust.

31. Description of Contingent Liabilities

Particulars	Description
- Guarantees given on behalf of constituents in India	As a part of its commercial banking activities, the Bank issues bank guarantees on behalf of its customers.
- Acceptances, endorsements and other obligations	Includes Letters of credit issued on behalf of the customers that enhances the credit standing of the Bank's customers.
- Other items for which Bank is contingently liable.	Includes capital commitments and amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

32. Investor Education and Protection Fund

There has been no delay in transferring amounts required to be transferred to the Investor Education Protection Fund by the Bank.

33. Other Expenditure

Other expenditure includes amount paid for security & service charges amounting to ₹ 92,348 thousand (Previous Year ₹ 58,714 thousand) exceeding 1% of the total income of the Bank.

34. Liquidity Coverage Ratio

Liquidity Coverage Ratio (LCR) is a measure to ensure that a bank has an adequate stock of unencumbered High Quality Liquid Assets (HQLA) to survive in a significant liquidity stress lasting for a period of 30 days. LCR is defined as a ratio of HQLA to the total net cash outflows estimated for the next 30 calendar days.

As per the RBI directions, LCR framework is also applicable to small finance banks however, the transition period for the SFBs for achieving the prescribed level of LCR would be as follows:

	Till Dec 31, 2017	By Jan 1, 2018	By Jan 1, 2019	By Jan 1, 2020	By Jan 1, 2021
Minimum LCR	60%	70%	80%	90%	100%

The table below sets out the average LCR of the Bank for all the four quarters of financial year 2018-19:

Liquidity Coverage Ratio (LCR)	Quarter Ended June 30, 2018		Quarter Ended September 30, 2018		Quarter Ended December 31, 2018		Quarter Ended March 31, 2019	
	Total	Total	Total	Total	Total	Total	Total	Total
	Unweighted Value (Average)	Weighted Value (Average)	Unweighted Value (Average)	Weighted Value (Average)	Unweighted Value (Average)	Weighted Value (Average)	Unweighted Value (Average)	Weighted Value (Average)
High Quality Liquid Assets								
1. Total High Quality Liquid Assets (HQLA)		681.28		688.45		743.77		827.27
Cash Outflows								
2. Retail Deposits And Deposits								
From Small Business Customers, Of Which:								
(i) Stable Deposits	710.13	35.51	724.53	36.23	759.32	37.97	778.22	38.91
(ii) Less Stable Deposits	1,960.50	196.05	2,065.25	206.53	2,239.50	223.95	2,344.99	234.50
3. Unsecured wholesale funding, of which:								
(i) Operational Deposits (all counterparties)	0.01	-	0.07	0.01	0.10	0.02	0.01	-
(ii) Non-Operational Deposits (all counterparties)	196.57	34.42	152.68	29.14	291.92	50.95	213.75	53.07
(iii) Unsecured Debt	-	-	-	-	-	-	-	-
4. Secured wholesale funding	-	-	-	-	-	-	-	-
5. Additional requirements, of which								
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit & Liquidity Facilities	193.20	15.96	214.73	16.10	237.52	16.16	190.89	14.57
6. Other Contractual Funding Obligations	18.23	18.23	81.59	81.59	33.96	33.96	52.30	52.30
7. Other Contingent Funding Obligations	27.72	0.85	33.33	1.06	40.83	1.30	42.12	1.35
8. Total Cash Outflows		301.02		370.66		364.31		394.70
Cash Inflows								
9. Secured Lending (e.g. reverse repos)	79.62	79.62	16.67	16.67	99.64	99.65	17.00	17.00
10. Inflows From Fully Performing Exposures	17.11	17.11	19.73	19.73	22.85	22.85	24.99	24.99
11. Other Cash Inflows	39.97	15.75	57.82	33.60	59.36	35.14	65.96	50.83
12. Total Cash Inflows	136.70	112.48	94.22	70.00	181.85	157.64	107.95	92.82
13. Total HQLA		681.28		688.45		743.77		827.27
14. Total Net Cash Outflows		188.54		300.66		206.67		301.88
15. Liquidity Coverage Ratio (%)		361.35%		228.98%		359.88%		274.04%

The Bank during the quarter ended March 31, 2019 maintained average HQLA of ₹ 827 crores against the average net cash outflows of ₹ 395 crores. The entire HQLA was Level 1 HQLA. The average LCR of the Bank for the quarter ended March 31, 2019 was 274.04%, which is well above the regulatory threshold of 80%. HQLA primarily included government securities in excess of minimum Statutory Liquidity Ratio (SLR), the extent allowed under the Marginal Standing Facility (MSF) and the Facility to Avail Liquidity for LCR (FALLCR). Additionally, cash, balances in excess of cash reserve requirement with RBI & the overseas central banks and marketable securities issued by foreign sovereigns form part of level 1HQLA. For the purposes of LCR computation, the Bank has considered all inflows and outflows that may have a quantifiable impact under the liquidity stress scenario.

The table below sets out the average LCR of the Bank for all the four quarters of financial year 2017-18:

Liquidity Coverage Ratio (LCR)	Quarter Ended June 30, 2017		Quarter Ended September 30, 2017		Quarter Ended December 31, 2017		Quarter Ended March 31, 2018	
	Total	Total	Total	Total	Total	Total	Total	Total
	Unweighted Value (Average)	Weighted Value (Average)	Unweighted Value (Average)	Weighted Value (Average)	Unweighted Value (Average)	Weighted Value (Average)	Unweighted Value (Average)	Weighted Value (Average)
High Quality Liquid Assets								
1. Total High Quality Liquid Assets (HQLA)		688.37		673.94		685.85		683.63
Cash Outflows								
2. Retail Deposits And Deposits								
From Small Business Customers, Of Which:								
(i) Stable Deposits	641.62	32.08	647.22	32.36	669.82	33.49	682.79	34.14
(ii) Less Stable Deposits	1,590.87	159.09	1,658.60	165.86	1,755.13	175.51	1,828.73	182.87
3. Unsecured wholesale funding, of which:								
(i) Operational Deposits (all counterparties)	0.27	0.06	0.02	-	0.01	-	0.01	-
(ii) Non-Operational Deposits (all counterparties)	141.64	37.57	124.47	47.27	170.02	31.48	120.24	26.13
(iii) Unsecured Debt	-	-	-	-	-	-	-	-
4. Secured wholesale funding	-	-	-	-	-	-	-	-
5. Additional requirements, of which								
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit & Liquidity Facilities	168.50	9.62	118.74	9.28	141.25	10.62	142.14	11.86
6. Other Contractual Funding Obligations	0.71	0.71	4.42	4.42	-	-	20.01	20.09
7. Other Contingent Funding Obligations	24.73	2.38	23.75	0.71	24.35	0.77	26.26	0.82
8. Total Cash Outflows		241.51		259.91		251.86		275.85
Cash Inflows								
9. Secured Lending (e.g. reverse repos)	41.31	41.31	3.33	3.33	66.98	66.98	-	-
10. Inflows From Fully Performing Exposures	12.30	12.30	13.10	13.10	13.29	13.29	15.50	15.50
11. Other Cash Inflows	40.62	10.24	61.19	25.44	65.07	40.85	16.54	0.39
12. Total Cash Inflows	94.24	63.86	77.62	41.87	145.35	121.13	32.04	15.89
13. Total HQLA		688.37		673.94		685.85		683.63
14. Total Net Cash Outflows		177.66		218.04		130.74		259.95
15. Liquidity Coverage Ratio (%)		387.47%		309.09%		524.59%		262.98%

35. Payment to Auditor

Particulars	Current Year	Previous Year
- Audit Fees	1,400	1208*
- Other Services	405	-

*Include audit fees and fees for other Services.

36. Comparative Figures

Figures for the previous year have been regrouped wherever necessary to conform to the current year's presentation.

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Branch Network

Upcoming Branches Metropolitan

AMRITSAR 2- Punjab

DELHI- Chandni Chowk

LUDHIANA 4- Punjab

Urban

FEROZPUR - Punjab

HANUMAN GARH -Rajasthan

HISAR - Haryana

JALANDHAR 5 - Punjab

KAITHAL- Haryana

SIRSA- Haryana

SRI GANGANAGAR - Rajasthan

THANESAR- Haryana

YAMUNANAGAR- Haryana

Semi Urban

GURDASPUR- Punjab

NABHA- Punjab

RAMPURA PHUL- Punjab

