

ANNUAL REPORT
2019-2020

20 years of
Trust & Performance

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 through innovative ideas,
technology and new products.

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

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CORPORATE INFORMATION

Chairman (Part Time)

Madan Gopal Sharma

**Managing Director &
Chief Executive Officer**

Sarvjit Singh Samra

**Chief Operating Officer &
Chief Financial Officer**

Munish Jain

Company Secretary

Amit Sharma

Directors

Dinesh Gupta

Srinath Srinivasan

Mohit Verma

Mahesh Parasuraman

Rahul Priyadarshi

Rakesh Soni

Harmesh Khanna

Sham Singh Bains

Gurdeep Singh

Gurpreet Singh Chug

Navin Kumar Maini

Auditors

MSKC & Associates

Formerly known as R.K.Kumar & Co.

Chartered Accountants

Mumbai

RTA

Link Intime India Private Limited

C-101, 1st Floor, 247 Park,

Lal Bahadur Shastri Marg,

Vikhroli (West)

Mumbai-400083

CDSL

Marathon Futurex,

A-Wing, 25th Floor,

NM Joshi Marg,

Lower Parel (East)

Mumbai-400013

NSDL

Trade World,

A-Wing, 4th Floor,

Kamala Mills Compound,

Lower Parel,

Mumbai-400013

Debenture Trustee

IDBI Trusteeship Services Ltd.

Asian Building,

17-R Kamani Road,

Ballard Estate, Fort,

Mumbai-400001

BOARD COMMITTEES

Management Committee

Sarvjit Singh Samra
Harmesh Khanna
Rakesh Soni
Gurpreet Singh Chug
Dinesh Gupta

Special Committee on Frauds

Madan Gopal Sharma
Sarvjit Singh Samra
Harmesh Khanna
Navin Kumar Maini
Gurpreet Singh Chug

Audit Committee

Madan Gopal Sharma
Rakesh Soni
Gurpreet Singh Chug
Dinesh Gupta

Nomination and Remuneration Committee

Rakesh Soni
Sham Singh Bains
Gurdeep Singh
Gurpreet Singh Chug

Credit Sanctioning Committee

Sarvjit Singh Samra
Gurdeep Singh
Dinesh Gupta

Securities Committee

Dinesh Gupta
Sham Singh Bains
Gurdeep Singh

Risk Management Committee

Dinesh Gupta
Rakesh Soni
Harmesh Khanna
Gurpreet Singh Chug

Corporate Social Responsibility Committee

Sarvjit Singh Samra
Rakesh Soni
Sham Singh Bains
Gurdeep Singh

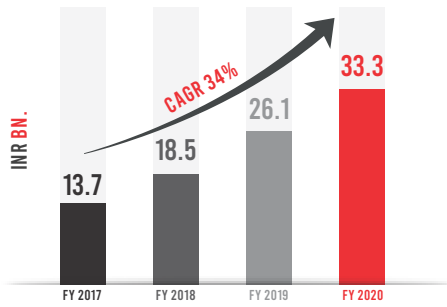
Stakeholders Relationship Committee

Dinesh Gupta
Navin Kumar Maini
Gurdeep Singh
Sham Singh Bains

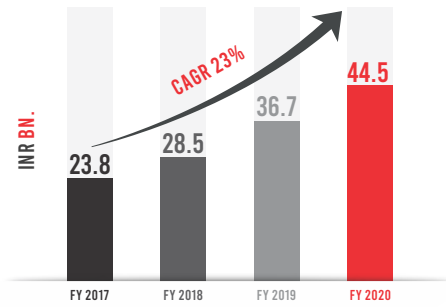
IT Strategy Committee

Gurpreet Singh Chug
Sarvjit Singh Samra
Munish Jain (Officio Member)
Vishal Madan (Officio Member)
Vimal Kumar Kamal (Officio Member)

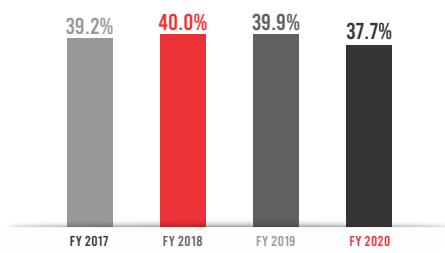
FINANCIAL HIGHLIGHTS



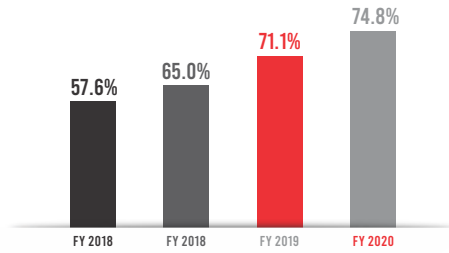
ADVANCES



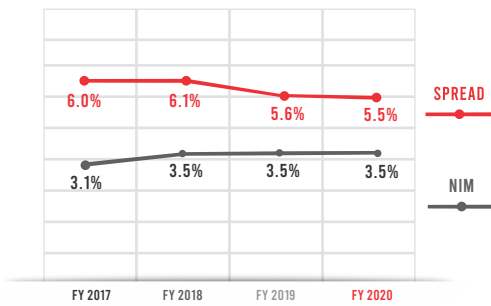
DEPOSIT



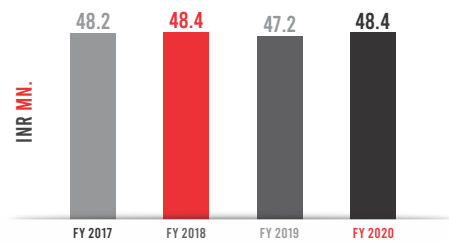
CASA



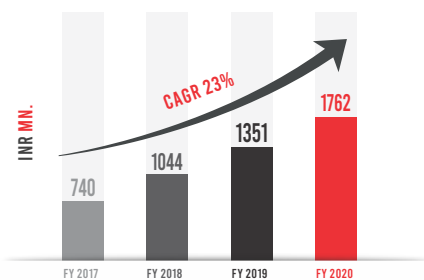
CD-RATIO



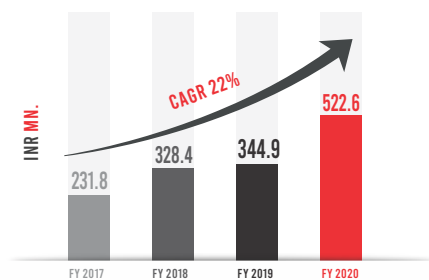
INTEREST SPREAD & NIM



BUSINESS PER EMPLOYEE



NET INTEREST INCOME



OPERATING PROFIT

MANAGING DIRECTOR'S NOTE

“ Capital Small Finance Bank has built its business model around the concept of financial inclusion and firmly believes in discharging its corporate social responsibility by providing world class banking services at affordable cost to its ever increasing clientele. ”



Dear Shareholders

It is indeed my honor to share with you the state of affairs and performance of the Bank. The Bank has responded efficiently to tackle the unforeseen event of COVID-19 and is committed to grow at a fast pace while managing risks efficiently.

The COVID-19 pandemic has negatively affected the entire world. This has disrupted the global supply chains and international trade. With most of the countries closing national borders, the movement of people and tourism have come to a screeching halt. The severity of the economic impact will largely depend on two factors; the duration of restrictions on the movement of people and size and efficacy of fiscal responses to the crisis by major economies.

The global economy could plunge into a deep recession. Governments are considering and rolling out large stimulus packages to avert a sharp downturn of their respective economies. Urgent and bold policy measures are needed, not only to curtail the pandemic and save lives, but also to protect the most vulnerable in our societies from economic ruin and to sustain economic growth and financial stability.

Banking services in India are classified under the essential services list. Banking and financial institutions are under immense pressure to ensure business-as-usual amidst the lockdown and health crisis. Banking services are being provided by maintaining a safe social distance and this shall continue till the situation is under control.

Capital Small Finance Bank has built its business model around the concept of financial inclusion and firmly believes in discharging its corporate social responsibility by providing world class banking services at affordable cost to its ever increasing clientele. The Bank is providing safe, efficient and service oriented repository of savings to the local community while reducing their dependence on moneylenders by making need based credit easily available.

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

150 as on March 31, 2020. The total business of the Bank has increased from 2,963 Crores as on March 31, 2016 to 7,772 Crores as on March 31, 2020. The Bank is successfully catering to its client base spread over in Punjab, Delhi, Haryana, Rajasthan and Union Territory of Chandigarh. The Bank has grown in credit heavy geographies and locations to augment its credit growth and as a result has increased its credit deposit ratio from 60% to 74%.

Capital Small Finance Bank is built on the pillars of trust and performance, and continues to upstage ethical and professional conduct for sustainable development. 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

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.

Sarvjit Singh Samra
Managing Director

PRODUCT & 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 Account (Suvidha Bachat)

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
- Flexi 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 Rs. 1000/- under various schemes.

- Cumulative Deposit Account
- Short Term Deposit Account
- QIDS Account
- MIDS Account
- Tax Saver FD
- Recurring Account

Forex Services

- Sale of Foreign Currency
- Purchase of Foreign Currency

Loans

- Housing Loans
- Personal Loans
- Auto Loans
- Gold Loans
- Kissan Credit Cards
- Scheme for MSME
- Education Loans
- Financing to Commission Agents
- Advance Against Rentals
- Advance against Preowned Vehicle
- General Credit Card Scheme
- Mortgage Loans Against Property
- Advances for construction/Real Estate Projects

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. & Ria Money. Western Union, Money Gram & Ria 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.

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

DIRECTORS' REPORT

Dear Shareholders

The Directors of the Bank have great pleasure in presenting the 21st Annual Report on the business and operations of the Bank along with the audited accounts for the year ended March 31, 2020.

Indian Economy

India is one of the fastest growing large economies in the world. In recent times, India has taken several initiatives to foster investment, be it relaxing FDI norms, cutting corporate tax rates, containing inflation, accelerating infrastructure creation and improving ease of doing business.

India aspire to become a \$5 trillion economy and to achieve this a focused approach is required to provide equal opportunities for new entrants and enable fair competition along with ongoing reforms across all sectors. Efficient scale up of the banking sector proportionate to the size of the Indian economy would also be required. The role of investment in driving demand, creating capacity, increasing labour productivity, introducing new technology, allowing creative destruction and generating employment is crucial in making India a global economic super power and to realize the \$5 trillion economy dream come true.

Make in India initiative

The US–China trade war is causing major adjustments in Global Value Chains (GVCs) and multinational companies are now looking for alternative locations for their operations. Otherwise also China's image as a low-cost location for final assembly of industrial products is rapidly changing due to labour shortages and increases in wages. These developments present India an unprecedented opportunity to chart a similar export trajectory.

COVID-19 Impact

The COVID-19 pandemic has very badly hit the entire world. This has already disrupted the global supply chains and international trade. With most of the countries closing national borders, the movement of people and tourism flows have come to a screeching halt. The severity of the economic impact will largely depend on two factors - the duration of restrictions on the movement of people and economic activities in major economies; and the actual size and efficacy of fiscal responses to the crisis. It is expected that the global economy could plunge into a deep recession. Governments are considering and rolling out large stimulus packages to avert a sharp downturn of their economies. Urgent and bold policy measures are

needed, not only to contain the pandemic and save lives, but also to protect the most vulnerable in our societies from economic ruin and to sustain economic growth and financial stability.

Response to COVID-19 Distress

Banking services in India are classified under the essential services list. Banking and financial institutions are under immense pressure to ensure business-as-usual amidst the lockdown and health crisis. Banking services are being provided by maintaining a safe social distance and this shall continue till the situation is under control.

To address and mitigate the burden of loan repayment owing to the COVID-19 pandemic, the Reserve Bank of India has permitted the Banks to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020 for term loans and in respect of working capital facilities sanctioned in the form of cash credit/overdraft (CC/OD to defer the recovery of interest applied in respect of all such facilities during the period from March 1, 2020 upto May 31, 2020). Many other measures have been announced by the Reserve Bank of India to ease liquidity and foster economic growth in this hour of need. The immediate learnings from the current COVID-19 situation will add the much-needed rigor towards digitizing and optimizing the Bank operations.

Growth Expectations

Global financial institutions and rating agencies project lower economic production for the financial year 2020-21 due to the Global Lockdown in this financial distress caused by COVID-19 pandemic. Global Market scenario is full of uncertainties amidst this pandemic and every country is focusing on defeating COVID-19 at a cost of reduced economic growth. As per the reports of various agencies GDP of India is likely to dip. However, the Government is making every possible attempt by giving relief packages, relaxations, financial aids, etc. to boost the businesses throughout the country and to overcome the anticipated economic losses.

There are upside as well as downside risks to the growth scenario. However, the Bank is committed to make best possible plans to reduce the effect of

this pandemic and to boost up the growth. Further Your Bank is focusing on priority sector and shall put extra efforts to provide services to the targeted sector by helping them to come out of this struggling and difficult time.

Financial Market Scenario

India's banking sector is stable and well-regulated. The Reserve bank of India's measures may go a long way in helping the domestic banking industry to come out of the situation created by COVID-19 pandemic. Currently, there are a total of 34 universal banks functioning in India of which 12 are public sector banks and rest 22 are private sector banks.

The Government of India and the Reserve Bank of India has recently carried out consolidation of public sector banks, reducing their number by eight. There are 10 Small Finance Banks operating in India. Besides there are Regional Rural Banks, Urban Cooperative Banks and State Cooperative Banks. Foreign banks like Standard Chartered Bank, Citibank, HSBC and Deutsche Bank have about 178 branches in India besides 42 others which have single or couple of branches each.

Capital Small Finance Bank transitioned from a Local Area Bank to Small Finance Bank with 47 Branches. In a short span, 103 new Branches have become operational, taking the total number of Branches to 150.

After establishing a strong footprint in the state of Punjab, the Bank has now started expansion to the states of Haryana, Delhi, Rajasthan along with Union Territory of Chandigarh. Conversion of the Bank to Small Finance Bank has removed the geographical barriers for expansion, resulting in exponential growth of the Bank in all spheres. The Bank while entering new geographies has retained its core philosophy to provide low cost banking and to act as an engine of economic growth and perform as catalyst of financial inclusion.

The Business of the Bank has increased from Rs.2963 crores as on March 31, 2016 to Rs.7772.19 crores as on March 31, 2020. The Bank fosters the growth by providing bouquet of financial services at an affordable cost to the masses and making available customised products to suite their financial needs. The Bank envisages sustainable growth despite unprecedented COVID 19 crisis by adopting innovative measures and cooperation of its dedicated work force.

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
- Simple business and operating models
- Elated Workforce and Delighted Customers

The Bank is expanding its outreach with local focus by maintaining a continuity in expansion of its area of operation. The key focus is to proactively manage risk, regulations and capital.

Financial Performance

The Bank has shown all round excellent performance during the year March 31, 2020 despite loss of business during the fag end of the financial year due to COVID-19 pandemic. Moreover, there has been higher provisioning caused due to relief measures provided by the Bank to its customers.

During the last three years, the Compounded Annual Growth Rate (CAGR) of Deposits is 24.90%, Advances is 33.97% and Total Business is 28.55%. The CASA of the Bank is 36.31 % as on March 31, 2020. In spite of COVID-19 pandemic effect during the fag end of the financial year and higher provisioning the Bank has shown healthy growth in profit. There has been a growth in the branch network from 129 as on March 31, 2019 to 150 as on March 31, 2020.

Category wise growth detail of the Branches of the Bank is as under:

Branch	March 31 2018	March 31 2019	March 31 2020
Rural	50	58	63
Semi-Urban	33	42	46
Urban	12	20	29
Metropolitan	06	09	12
Total	101	129	150

As against the requirement of at least 25% Unbanked Rural Branches, the Bank has 26% of the total Branches as Unbanked Rural as on March 31, 2020. For effective monitoring of the Branches and ensuring smooth functioning, the Bank has two Regional Offices one each at Chandigarh and Delhi.

Great Place to Work

Great Place to Work® Certification is the most definitive 'Employer-of-Choice' recognition that organizations aspire to achieve. The Certification is recognized world over by employees and employers alike and is considered the 'Gold Standard' in identifying and recognizing Great Workplace Cultures.

Every year, more than 10,000 organizations across 60 countries apply to get Great Place to Work-Certified™. The participating organizations are assessed through two lenses and, on meeting the qualifying criteria on each of them, are

Certified as a Great Place to Work for a period of 1 year. The two lenses are called Trust Index© and Culture Audit©. The institute considers whether an organization that has met the threshold on Trust Index© and Culture Audit© is also a 'Great Place to Work® FORALL'.

Capital Small Finance Bank has the privilege to be Ranked amongst India's 100 Best Companies to work for 5 consecutive years. The Bank has been again certified as a Great Place to Work for the year 2020. The Bank has been recognized amongst India's Top 25 Best Workplaces in BFSI for the year 2020.

Financial Highlights

(Rs. in Crores)

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
Deposits	4446.62	3667.26
Advances	3325.57	2608.78
Total Business	7772.19	6276.04
Gross Revenue	501.09	377.60
Net Interest Income	172.62	135.14
Operating Expenses	163.33	132.17
Provisions & Contingencies	26.86	14.86
Profit Before Tax	34.58	26.92
Profit After Tax	25.38	19.41
Transfer to Statutory Reserves	6.35	4.85
Transfer to other Reserves	3.31	1.27
Dividend	0.60	2.22
Corporate Dividend Tax	0.12	0.46
Carried Forward to the next year	15.00	10.61
Paid up Capital	33.81	28.48
Reserve & Surplus	372.97	221.84
Net Worth	402.83	248.47
Book Value per Share (Rs.)	120.32	87.89
Earning Per Share (Rs.)	8.18	6.82
Non-Performing Asset (Net)	41.25	24.22
Ratio Analysis		
Credit Deposit Ratio	74.79%	71.14%
Return on Equity (Pre-tax)	10.53%	11.13%
Capital Adequacy Ratio	19.11%	16.40%
Business Per Employee	4.84	4.72
Branches		
Rural	63	58
Semi-Urban	46	42
Urban	29	20
Metro	12	09
Total	150	129
No. of ATMs	151	130

Performance and Profitability

After establishing a strong footprint in the state of Punjab, the Bank has now started expansion to the states of Haryana, Delhi, Rajasthan along with Union Territory of Chandigarh. Conversion of the Bank to Small Finance Bank has removed the geographical barriers for expansion, resulting in exponential growth of the Bank in all spheres. The branch network has grown from 47 branches on March 31, 2016 (the eve of conversion) to 150 as on March 31, 2020. The business of the Bank has grown at CAGR of 28.55%. There has been substantial increase in advances and CD ratio has increased to 74.79% as on March 31, 2020, as against 60% on the eve of conversion.

The Bank has maintained healthy capital adequacy of 19.11% to mitigate the risk of unexpected economic developments. The Bank is poised to perform exceedingly well with a healthy business growth and profitability despite pandemic caused due to COVID-19 during the year 2020-21. By providing state of the art, technologically driven, bouquet of financial services to its diverse clientele at affordable price, the Bank endeavors to become a prominent Banking Institution in North India by 2023.

Dividend

The Bank has a consistent track record of healthy dividend payouts. The Bank is in an exponential growth phase. As you are well aware, that banking industry is a capital intensive industry where with growth capital is required at every stage of expansion. However, in this situation of financial distress caused due to COVID-19 Pandemic, the Reserve Bank of India has decided that the banks shall not be allowed to declare Dividend for the Financial year 2019-20 till further notice. The said decision has been taken by the regulator by considering the fact that the banks conserve their capital to retain their capacity to support the economy, and absorb losses in an environment of heightened uncertainty.

Therefore, your Bank has decided to retain the profit and to use the said retained earnings as a cushion to bear the impact of the lockdown. The Directors in view of the Reserve Bank of India's advice, are not recommending any dividend for the year under review.

Capital Adequacy Ratio (CAR)

The basic approach of capital adequacy framework is that the Bank should have sufficient

capital to provide a stable resource to absorb any losses arising from the risks in its business as well as to provide growth capital. The Bank has designed well calibrated capital adequacy plan taking into account both systematic risk i.e being faced in the banking industry as well as idiosyncratic risk i.e the Bank specific risk. At the same time the Bank has tried to provide ample cushion for the growth capital so that the Bank is able to manage its growth at exponential pace while managing various risks. The Bank 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 put in place 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 as well as keeping buffer capital for unexpected event risks of the future.

The Bank has a healthy CAR of 19.11% as on March 31, 2020 as compared to 16.40% as on March 31, 2019. 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.

Ratio of Capital to risk-weighted assets	Current Year	Previous Year
CRAR (%)	19.11%	16.40%
CRAR - Tier I capital (%)	14.00%	10.51%
CRAR - Tier II Capital (%)	5.11%	5.89%
Leverage Ratio	7.27%	5.56%

Further Issue of Capital or Debentures

During the year, the Bank has issued and allotted 1,608,508 Equity Shares on June 25, 2019 and 3,717,966 Equity Shares on November 22, 2019 of Rs.10/- each at a premium of Rs.242/- (i.e. at the total issue price of Rs. 252/-) per Equity Share aggregating to Rs.134.23 crores on a private placement basis under preferential allotment to financial institutional investors i.e. Amicus Capital Private Equity I LLP, Amicus Capital Partners India Fund I, Pi Ventures LLP and Oman India Joint Investment Fund II.

The Bank has ample capital cushion to withstand any challenge caused by the outbreak of COVID-19 pandemic as well as to propel its expansion once the situation comes back to normal.

Advance to Priority Sector, Weaker Section

The Bank offers a variety of products to serve the credit requirements of the clients across various sectors viz. Agriculture, MSME, Trading, Mortgage Loans, Consumption Loans etc.

The Bank has always surpassed the minimum defined targets for Lending to Priority Sector. The Priority sector advances of the Bank increased to Rs.1851.95 crores (net amount after sale of PSLC of Rs.520 crores and purchase of PSLC of Rs.70 crores) as on March 31, 2020 as against Rs.1501.40 crores as on March 31, 2019, registering a growth of 23.35%. The Priority Sector Lending achievement of the Bank is 80.91% of the Adjusted Net Bank Credit of previous year ended March 31, 2019 and is well above the 75% benchmark set by the Reserve Bank of India for Small finance Banks.

The advances to Weaker Section including Small and Marginal Farmers, Scheduled Castes, etc. stood at Rs.237.76 crores as on March 31, 2020 with an achievement of 10.39% of Adjusted Net Bank Credit of previous year i.e. March 31, 2019 as against the regulatory benchmark of 10%.

KISAN CREDIT CARD Scheme offered by the Bank is one of the flagship products which is instrumental in extending need based credit to the agriculturists. The scheme covers the short term as well as long term credit requirements of the farmers.

The total credit to agriculture and allied has increased to Rs.1274.44 crores as on March 31, 2020 as against Rs.985.64 crores as on March 31, 2019 showing a growth of 29.30%, which stood at 36.02% of the Adjusted Net Bank Credit of previous year ended March 31, 2019.

The Bank is aggressively funding the MSME and Trading sector, which forms the backbone of the economy. Capital Small Finance Bank provides not only working capital facilities to this segment, but also funds the long terms requirements of the clients including fixed asset financing, project financing, etc.

The advances to this segment stood at Rs.889.51 crores as on March 31, 2020 as against Rs.778.43 crores as on March 31, 2019 registering a growth of 14.27%.

Furthermore, the Bank lays stress on lending in small tickets to ensure that credit requirements of the lower and middle income groups are effectively met out. As on March 31, 2020, advances upto Rs. 25 lac account for 59.46% of total loan book of the Bank.

In the testing times of COVID-19, the Bank has put in its best efforts to stand by its clients and fulfill its commitment of customer service. The Bank has offered the facility of moratorium to all the borrowers. This has facilitated the borrowers to cope up with the limited cash flows.

Also, the Bank has offered additional working capital facility (short term) to the existing borrowers who are facing cash crunch due to the pandemic. The Bank has proactively managed the staff at branches to ensure that the borrowers should not face any difficulty in operating their accounts.

Statutory Disclosures

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

The Bank has made all the statutory compliances required by the Reserve Bank of India and the Government of India's guidelines, 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

The information with regard to employees who are in receipt of remuneration in excess of Rs.102 lakhs per annum or Rs. 8.50 lakhs per month employer for a part of the year is enclosed as **Annexure 'A'**.

Details of top ten employees in terms of remuneration drawn is enclosed as **Annexure 'A'**.

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 – 'B'** to this report.

Corporate Affairs (MCA) Dated October 16, 2017.

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 dividend 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, 2012 have already been transferred to the IEPF. Further, please note that the unclaimed dividend in respect of the financial year ended March 31, 2013 must be claimed by the concerned shareholder(s) on or before November 04, 2020 failing which it will be transferred to IEPF in accordance with the Rules. The data for the same shall be available on the website of the Bank at www.capitalbank.co.in.

The details of Unclaimed Dividends as on March 31, 2020 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 of claiming Dividend
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 2011-2012 (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

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,

The extracts of the annual return in the form MGT-9 as on March 31, 2020 forms part of this report as an **Annexure- 'C'**. The same shall be available on the website of the Bank at www.capitalbank.co.in. Further, the annual return of the Bank in the prescribed Form MGT-7 is available on the website of the Bank at the link www.capitalbank.co.in.

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 a 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 the energy. There is no capital investment on energy conservation equipment other than specified.

Technology Absorption:

We at Capital Small Finance Bank Limited believe that the banks with the ability to adopt and integrate information technology will dominate in the highly competitive domestic market. Accordingly, the Bank continues to leverage information technology as a strategic tool in business operations for

customer delight by offering efficient and improved services with low cost and using it as a tool to improve staff productivity, increasing efficiency and more efficient & effective control over banking operations.

The Bank is using Cor Banking System from Intellect Design Arena Ltd. (erstwhile Polaris Financial Technology Ltd.) Chennai which enables the bank clientele to avail any branch banking and anytime banking through different delivery channels.

We are convinced that investing in IT is critical and also understand that its potential and consequences on the banking is enormous. That is why the Bank since its inception is equipped with a full-fledged Information Technology Department with four verticals of expertise; Software, System & Support, Network and Helpdesk with required manpower to strengthen develop, maintain and support IT infrastructure.

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

9. Disclosures Under Section Sec 134(3)(I) 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.

The Pandemic caused due to COVID-19, which started at the far end of the financial year is continuing till the date of this report. There has been a complete lockdown of the economy and some relaxations are being given by the Government. The Banking operations though have been allowed with restrictions, have also been impacted adversely. The impact of COVID-19 has been visualized by the Board in other parts of the report.

10. 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.

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

For the financial year ended March 31, 2020, the Bank had transferred Rs.6.35 Crores to the Statutory Reserve Fund (maintained under section 17(1) of RBI Act, 1934). The Bank has transferred Rs.11.19 lakhs to Special Reserve maintained under section 36(viii) of Income Tax Act, 1961.

12. 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 frame work, it has delegated its powers relating to monitoring and reviewing of risk associated with the business of the Bank to the Risk Management Committee of the Board. The 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 risk, market risk, liquidity risk, interest rate risk, operational risk, etc. Further our focus on digitization comes with cyber security and data risk.

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.

Liquidity Risk Management has been at the core of sound risk management practices of banking industry in the modern age. The Liquidity risk is the potential inability to meet the Bank's liabilities as they become due. It arises when the Banks are unable to generate cash to cope with a decline in deposits or increase in assets.

The Bank gives utmost importance to manage various risks in most efficient way and has articulated comprehensive structure for liquidity risk management through various policy including Contingency Funding Plan (CFP) which aims to address the adverse liquidity scenarios.. The contingency is defined in various scenarios. The comprehensive CFP endeavors to monitor liquidity on real time basis, with a wide and unrelated range of lines of defense, along with proper channel of reporting, escalation and decision making.

Further, the Bank has formulated Stress Testing Framework for evaluation of Bank's financial position under a severe but plausible scenario to assist in decision making within the Bank. It enables the Bank in forward looking assessment of risks. It facilitates internal and external communication and

helps senior management understand the condition of the Bank in the stressed situations. Stress testing outputs are extremely useful in decision making process in terms of potential actions like risk mitigation techniques, contingency plans, capital and liquidity management in stressed conditions.

Stress testing forms an integral input of the internal capital adequacy assessment process (ICAAP), which requires the Bank to undertake forward-looking stress testing that identifies severe events or changes in market conditions that could adversely impact the Bank.

The stress testing reports provide the senior management with a thorough understanding of the material risks to which the Bank may be exposed and to help in potential actions like mitigation techniques, contingency plans, capital and liquidity management in stressed conditions etc. Further, stress testing is an important input in identifying, measuring and controlling funding liquidity risks, in particular for assessing the Bank's liquidity profile and the adequacy of liquidity buffers in case of both bank-specific and market-wide stress events.

The Bank has a strong impetus on risk management and it realized that risk management is backbone of banking industry and being an evolving topic, the bank attempts to keep evolving various newer avenues to manage risk effectively and efficiently as per the risk management policy and framework of the bank so that the whole structure is well aligned with the risk appetite, risk assessment and risk mitigation strategy of the Bank.

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

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, 2020 consisted of thirteen 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. Navin Kumar Maini, Mr. Gurdeep Singh and Mr.

Gurpreet Singh Chug and they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013. Further, all the Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Act.

14. 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

Base of the 'Fit and Proper' criteria laid down by the Reserve Bank of India, the Nomination and Remuneration Committee conducts the due diligence of the Board members on yearly basis. The due diligence process involves considering the appointment and remuneration of Directors and Key Managerial Personnel as per the guidelines issued by Reserve Bank of India and the Companies Act, 2013. The process contains detailed procedures for determining qualification, positive attributes, due diligence mechanism and reference checks for appointment of Directors and Key Managerial Personnel.

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

A separate meeting of Independent Directors was proposed to be convened on March 31, 2020 but due to the outbreak of pandemic caused by COVID -19, the Bank could not carry out the annual evaluation of its own performance and that of its Committees. However, the same would be done as and when the lockdown is lifted and the situation gets settled. Ministry of Corporate Affairs has also given the exemption for the year 2019-20.

16. 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. There was no change in status of the Bank during the year. There was no change in the financial year of the Bank.

17. Name of the companies which have become or 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

No Company have become or ceased to be the Subsidiary, Joint venture or Associate Company of the Bank during the financial year.

18. 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 Internal Compliant Committees at Head office level and at Cluster level (For Branches). The composition of the committees is in consonance with the provisions of The Sexual Harassment of women at the workplace (Prevention, Prohibition & Redressal) Act, 2013. These committees are formulated for redressal of complaints for Sexual Harassment of women at the workplace and take 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, if any were duly addressed and resolved. There is no pending complaint under the said act.

The following are the summary of the complaints received and disposed off during the Financial Year 2019-20:

In Head Office

- a) No. of SH complaints received: Nil
- b) No. of SH complaints disposed off: Nil

In Branches

- a) No. of SH complaints received: Nil
- b) No. of SH complaints disposed off: Nil

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.

19. 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 143 of the Companies Act, 2013.

The Bank 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 Bank 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.

20. Directors

The Board of the Bank is duly constituted in accordance with the provisions of Banking Regulation Act, 1949 and Companies Act, 2013. 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 has 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 was confirmed by the Shareholders in the Annual General Meeting held on September 27, 2019.

Appointment of Part-time Chairman

The Reserve Bank of India 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 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. Mohit Verma (DIN: 02647080) was appointed as an Additional Director (Nominee) on July 17, 2019 and his appointment was ratified by the shareholders as a Nominee Director on the Board in the Annual General Meeting held on September 27, 2019. Further Mr. Mahesh Parasuraman (DIN: 00233782) and Mr. Srinath Srinivasan (DIN: 00107184) were appointed as additional directors (Nominees) by the Board of Directors in the meeting held on December 16, 2019. Mr. Mahesh Parasuraman and Mr. Srinath Srinivasan's has been further confirmed as Nominee Director on July 13, 2020 by members through Postal Ballot.

Directors Retiring by Rotation

In terms of Section 152 of the Companies Act, 2013, Mr. Dinesh Gupta, 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. Amit Sharma, Company Secretary of the Bank are the Key Managerial Personnel as per the provisions of the Companies Act, 2013 as on March 31, 2020. During the year, Mr. Sahil Vijay resigned as Company Secretary of the Bank and Mr. Amit Sharma was appointed as Company Secretary of the Bank w.e.f. May 17, 2019 and Mr. Sarvjit Singh Samra was reappointed as Managing Director of the Bank.

21. Corporate Governance

Corporate governance is the combination of rules, processes or laws by which businesses are operated, regulated or controlled and that aims at effective, transparent, and responsible management of a company within the applicable statutory and regulatory structures.

Over the last several years, the external environment in which public companies operate has become increasingly complex for

companies and shareholders alike. The increased regulatory burdens imposed on public companies in recent years have added to the costs and complexity of overseeing and managing a corporation's business and bring new challenges from operational, regulatory and compliance perspectives. Many cases of Management failures and financial crisis have been reported in the finance industry during the financial year and all these are the cause of poor corporate governance.

Your Bank has formulated a Corporate Governance framework which ensures timely disclosures and filing of correct information regarding our financials and performance, as well as the leadership and governance of the Bank. The Board is constituted professionally with a strong commitment to shareholder value, transparency, accountability, ethical standards and regulatory compliances.

The Board's supervisory role is independent and separate from the executive management and the Board Committees. The Composition of the Board of Directors as on March 31, 2020 comprised of majority of Independent directors and this is a great step of the Bank towards better Corporate Governance.

The Board presently comprises of Thirteen 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 including one women Director and 4 Nominee 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 6 times during the year under review.

The details of the meetings of the Board are as follows:

Board of Directors

Total Meetings 6

Dates of Meetings

May 17, 2019; July 17, 2019;
November 8, 2019; December 16, 2019;
February 07, 2020; March 30, 2020

No. of meetings attended by Directors

1	Mr. Madan Gopal Sharma	3
2	Mr. Sarvjit Singh Samra	6
3	Mr. Dinesh Gupta	5
4	Mr. Rakesh Soni	4
5	Ms. Harmesh Khanna	6
6	Mr. Sham Singh Bains	5
7	Mr. Gurdeep Singh	5
8	Mr. Rahul Priyadarshi	3
9	Mr. Gurpreet Singh Chug	6
10	Mr. Navin Kumar Maini	6
11	Mr. Mohit Verma	3
12	Mr. Mahesh Parasuraman	2
13	Mr. Srinath Srinivasan	2

A meeting of Independent Directors was proposed to be convened on March 31, 2020 but could not held due to Curfew imposed in Punjab on March 23, 2020. Ministry of Corporate Affairs has given exemption for holding independent director's meeting for the year 2019-20.

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 & Remuneration Committee
6. Special Committee on frauds
7. Stakeholders Relationship Committee
8. Corporate Social Responsibility Committee
9. Investors Grievance Redressal Committee
10. Securities Committee
11. IT Strategy Committee
12. Committee for review of Willful Defaulters
13. Committee for review of Non-Cooperative Borrowers

Nomination and Remuneration Committee

The Board of Directors in the meeting held on May 17, 2019 reconstituted the Nomination and Remuneration Committee by retiring Mr. Madan Gopal Sharma as Chairman of the Committee and appointing Mr. Rakesh Soni as Chairman and by further appointing Mr. Gurpreet Singh Chug as member of the Committee.

As on March 31, 2020, committee had four members consisting of Mr. Rakesh Soni (Chairman), Mr. Sham Singh Bains (Member) and Mr. Gurdeep Singh (Member) and Mr. Gurpreet Singh Chug (Member). The majority of 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 Board are as follows:

Total Meetings	5
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Dates of Meetings

April 24, 2019, May 16, 2019; July 09, 2019; December 07, 2019; February 03, 2020

No. of meetings attended by Directors

1 Mr. Madan Gopal Sharma	2
2 Mr. Rakesh Soni	5
3 Mr. Sham Singh Bains	5
4 Mr. Gurdeep Singh	5
5 Mr. Gurpreet Singh Chug	3

The Company Secretary of the Bank acts as Secretary to the Nomination and Remuneration Committee.

Securities Committee

Securities Committee the Board of Directors in the meeting held on May 17, 2019 reconstituted the Securities Committee of the Board to allot all types of securities issued by the Bank and also to approve various related matters by appointing Mr. Dinesh Gupta as Chairman of the Committee in place of Mr.

Sarvjit Singh Samra. The committee comprises of Mr. Dinesh Gupta (Chairman), Mr. Sham Singh Bains (Member) and Mr. Gurdeep Singh (Member) as the members of the committee.

The detail of the meetings of the Securities Committees are as follows:

Total Meetings	8
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Dates of Meetings

April 26, 2019, May 16, 2019; June 25, 2019; July 25, 2019; August 31, 2019; November 14, 2019; November 22, 2019; February 28, 2020

No. of meetings attended by Directors

1 Mr. Sarvjit Singh Samra	2
2 Mr. Dinesh Gupta	6
3 Mr. Sham Singh Bains	8
4 Mr. Gurdeep Singh	7

Audit Committee

The Board of Directors in its meeting held on May 17, 2019 has reconstituted the Audit Committee by adding Mr. Gurpreet Singh Chug and Mr. Dinesh Gupta as member of the committee in place of Mr. Sarvjit Singh Samra and Mr. Gurdeep Singh. The members of the Committee are Mr. Madan Gopal Sharma (Chairman), Mr. Rakesh Soni (Member), Mr. Gurpreet Singh Chug (Member) and Mr. Dinesh Gupta (Member). 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.
- Review of accounting policies and practices
- Monitoring the internal control process including review of the effectiveness of the internal audit in mitigating risks
- Review of transactions with related parties
- Review of frauds
- Review of complaints under sexual harassment
- Overseeing the compliance function of the Bank
- Overseeing the performance of the internal audit function.

- Discussing risk management policies and practices with management.
- Review and monitoring of the statutory auditors independence and performance and effectiveness of audit process.
- Review of independence assurance of the audit function of the Bank

The detail of the meetings of the Audit Committees are as follows:

Total Meetings	6
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Dates of Meetings

May 17, 2019; August 07, 2019; October 04, 2019; November 04, 2019; February 03, 2020; March 23, 2020

No. of meetings attended by Directors

1	Mr. Madan Gopal Sharma	5
2	Mr. Rakesh Soni	6
3	Mr. Gurpreet Singh Chug	5
4	Mr. Dinesh Gupta	5
5	Mr. Gurdeep Singh	1
6	Mr. Sarvjit Singh Samra	1

Corporate Social Responsibility Committee and Statutory Disclosure

The functions of the committee include 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 socioeconomic 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. 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, 2020 comprises of Mr. Sarvjit Singh Samra (Chairman), Mr. Rakesh Soni (Member), Mr. Sham Singh Bains (Member)

and Mr. Gurdeep Singh (Member). 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- D** which forms part of the Directors Report.

The details of the meetings of the CSR Committee are as follows:

Total Meetings	1
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Dates of Meetings

April 26, 2019

No. of meetings attended by Directors

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

Details of other committees of Board:

Management Committee

The Board of Directors in its meeting held on May 17, 2019 has reconstituted the Management Committee by adding Mrs. Harmesh Khanna and Mr. Gurpreet Singh Chug and Mr. Dinesh Gupta as member of the committee and by further retiring Mr. Gurdeep Singh as the member of the committee. The members of the Committee as on March 31, 2020 are Mr. Sarvjit Singh Samra (Chairman), Mr. Rakesh Soni (Member), Mr. Gurpreet Singh Chug (Member), Mrs. Harmesh Khanna (Member) and Mr. Dinesh Gupta (Member).

The details of the meetings of the Management Committee are as follows:

Total Meetings	4
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Dates of Meetings

June 15, 2019; August 09, 2019; November 04, 2019; February 03, 2020

No. of meetings attended by Directors

1	Mr. Sarvjit Singh Samra	4
2	Mrs. Harmesh Khanna	3
3	Mr. Rakesh Soni	4
4	Mr. Gurpreet Singh Chug	4
5	Mr. Dinesh Gupta	3

Risk Management Committee

The Board of Directors in its meeting held on May 17, 2019 has reconstituted the Risk Management Committee of the Board. The members of the Committee as on March 31, 2020 are Mr. Dinesh Gupta (Chairman), Mr. Rakesh Soni (Member), Mr. Gurpreet Singh Chug (Member) and Mrs. Harmesh Khanna (Member).

The details of the meetings of the Management Committee are as follows:

Total Meetings 4

Dates of Meetings

June 15, 2019; August 09, 2019; November 04, 2019; February 03, 2020

No. of meetings attended by Directors

1	Dinesh Gupta	4
2	Mr. Rakesh Soni	3
3.	Mrs. Harmesh Khanna	4
4	Mr. Gurpreet Singh Chug	4

Credit Sanctioning Committee

The Board of Directors in its meeting held on May 17, 2019 has reconstituted the Credit Sanctioning Committee by appointing Mr. Dinesh Gupta as member of the Committee in place of Mr. Sham Singh Bains. The members of the Committee as on March 31, 2020 are Mr. Sarvjit Singh Samra (Chairman), Mr. Dinesh Gupta (Member) and Mr. Gurdeep Singh (Member).

The details of the meetings of the Committee are as follows:

Total Meetings 14

Dates of Meetings

April 25, 2019; May 16, 2019; May 24, 2019; June 19, 2019; July 06, 2019; July 22, 2019; August 16, 2019; September 02, 2019; September 26, 2019; November 05, 2019; November 29, 2019; December 12, 2019; February 15, 2020; March 11, 2020

No. of meetings attended by Directors

1	Mr. Sarvjit Singh Samra	14
2	Mr. Sham Singh Bains	2
3	Mr. Gurdeep Singh	11
4	Mr. Dinesh Gupta	12

IT Strategy Committee

The Board of Directors in its meeting held on May 17, 2019 has constituted a new committee i.e IT Strategy Committee. The members of the Committee as on March 31, 2020 are Mr. Gurpreet Singh Chug (Chairman), Mr. Sarvjit Singh Samra (Member), Mr. Munish Jain (Member), Mr. Vishal Madan (Officio Member) and Mr. Vimal Kumar Kamal (Officio Member).

The details of the meetings of the Committee are as follows:

Total Meetings 3

Dates of Meetings

September 30, 2019; December 10, 2019; March 30, 2020

No. of meetings attended by Directors

1	Gurpreet Singh Chug	3
2	Mr. Sarvjit Singh Samra	3
2	Mr. Munish Jain	3
3	Mr. Vishal Madan	2
4	Mr. Vimal Kumar Kamal	3

Vigil Mechanism

The Bank has implemented a Whistleblower Policy, which is periodically reviewed, pursuant to which safeguards are being provided against victimization of employees and directors who can raise concerns relating to Reportable Matters (as defined in the policy) 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 Ombudsperson, in exceptional cases. The policy has been periodically communicated to all the employees and the same is available on the Bank's intranet. The Whistleblower Policy complies with the requirements of Vigil mechanism as stipulated under Section 177 of the Companies Act, 2013, and other applicable laws, rules and regulations. The updated Whistleblower Policy is also available on the website of the Bank.

The Bank has also appointed Chief of Internal Vigilance to ensure compliance with all the internal guidelines issued by the Bank from time to time.

The functioning of the Policy 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 Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013, except sub-section (1), do not apply to a loan made, guarantee given or security provided or any investment made by a banking company in the ordinary course of business. 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 2019-20 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- E** in the prescribed format AOC-2 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. All such Related Party Transactions are being placed before the Board/Audit Committee for approval, wherever applicable.

Moreover, the disclosures required under Regulation 53(f) of SEBI (Listing Obligations and Disclosures Requirement), 2015 is not applicable on Banking Companies.

Disclosure regarding Employee Stock Option and Employee Stock Purchase scheme

Capital Small Finance Bank Limited – Employees Stock Option Plan 2018 (“CSFB ESOP 2018”) was approved by the shareholders of the Bank, in the Annual General Meeting held on September 27, 2019, for granting equity stock options to its employees and directors (other than independent directors).

1. The details of the Plan are as under :-

Scheme	Date of Grant	Vesting	Exercise Period	Exercise Price per option	Method of Settlement
CSFB ESOP 2018	April 30, 2019	Graded Vesting: April 30, 2020- 25% April 30, 2021- 30% April 30, 2022- 45%	Twelve months from the date of vesting	Rs. 98	Equity

The Options have been granted basis fair value calculated as per Discounted Cash Flow Method.

2. The status of the Options is as under:

Particulars	March 31, 2020 (No. of Options)	March 31, 2019 (No. of Options)
Options outstanding, beginning of year	-	NA
Granted during the year	650496	NA
Vested during the year	-	NA
Exercised during the year	-	NA
Forfeited / Lapsed during the year	-	NA
Options outstanding, end of year	650496	NA
Options exercisable	-	NA

3. Details of Options granted to Key Managerial Personnel;

Sr. No	Name of KMP	Designation	No. of Option Granted	No. of Option Vested
1	Mr. Munish Jain	CFO	64,283	-
2	Mr. Amit Sharma	CS	312	-

4. Details of any other employee who have received a grant of options in any one year of options amounting to five percent or more of total options granted during that year - Nil.
5. Details of identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital, excluding outstanding warrants and conversions, of the company at the time of grant - Nil
6. in case of a company whose shares are listed:- NA

Change in Nature of Business

Pursuant to the relevant provision of Rule 8(5) of the Company (Accounts) Rules, 2014, there is no 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.

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

The Bank does not have any holding or subsidiary companies, therefore no disclosure is required to be made pursuant to the provisions of Section 197(14) of the Companies Act, 2013 and as per the relevant rules thereunder.

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:

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 the Bank has not granted any loan, guarantee, the provision of security or otherwise, any financial assistance to any person for the purchase of its own securities, therefore no disclosure is required to be made under this section.

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 India Private Limited having Registered office at 03rd Floor, Raj Alkaa Park, 29/3 & 32/2 Kalena Agrahara, Bennerghatta Road, Bengaluru – 560076. During the year credit Ratings of the Bank for Upper tier II instruments enhanced the credit rating of the instruments from “BWR A (Outlook: Stable)’ to “BWR A+ (Outlook Stable)”. As per the rating agency

“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-400001.

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 and the Bank is making all possible efforts to make the security holders aware and get their securities converted into Dematerialized form.

Auditors & Auditors' Report

Statutory Auditors

The members at the 19th Annual General Meeting (AGM) of the Bank held on August 18, 2018 had, subject to the approval of RBI, 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. However, their appointment was subject to the approval from Reserve Bank of India as per the resolution passed in the AGM every year. The Reserve Bank of India gave approval of appointment for Financial Year 2018-19. Further the Reserve Bank of India did not approve their appointment for the Financial Year 2019-20 that created a casual vacancy.

The Board in its meeting held on November 08, 2019 filled the casual vacancy by appointing M/s R. K. Kumar & Co. (Presently known as MSKC & Associates) as Statutory auditors of the Bank. M/S MSKC & Associates (Formerly known as R.K Kumar & Associates) Chartered Accountants have audited the accounts of the bank for the Financial Year ending March 31, 2020 as per the accounting standards followed in India.

The appointment of Auditors requires confirmation at the forthcoming Annual General Meeting.

Secretarial Auditors

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 through its partner Mr. Brijeshwar Dayal Mathur (FCS No.5734 and COP No. 5334) to conduct Secretarial Audit of the Bank.

The Secretarial Audit Report is annexed herewith as **Annexure-F** 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

The Board of Directors acknowledge the responsibility for ensuring compliance with the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, in preparation of annual accounts for the financial year ended 31st March, 2020 and state that:

1. In the preparation of the annual accounts for the financial year ended 31st March, 2020 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, 2020 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.

Details in respect of frauds reported by auditors under sub-section (12) of section 143 other than those which are reportable to the Central Government;

There are no frauds reported by Auditors under sub section (12) of section 143 of the Companies Act, 2013

Compliance with Secretarial Standards

The Bank has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India on regular basis.

Green Initiatives

“Unite to make this planet green and clean”

Deforestation is one of the most pressing environmental issue and a harsh reality of the present times. Large-scale deforestation and various other human activities have drastically added to the Global warming and further has badly affected the weather facing 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.

Also, registering your e-mail address with us will ensure that we can directly connect with you and no important communication from our side is missed by you as a shareholders of the Bank.

Acknowledgment

The Board of Directors is grateful to the Government of India, the Reserve Bank of India, various State Governments, SEBI, IRDA 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 Directors look forward to their continued contribution in realization of the corporate goals in the years ahead.

For and on behalf of the Board of Directors

Date:

Place:

**Madan Gopal Sharma
Part- Time Chairman
DIN: 00398326**

**Sarjit Singh Samra
Managing Director
DIN: 00477444**

REMUNERATION DETAILS

ANNEXURE - A

Details of Remuneration

Statement under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for year ended March 31, 2020

Persons in service for the whole year and drawing emoluments more than Rs.10200000/- per annum

S. No.	Name of the Employee	Designation	Date of Joining the Bank	Qualification	Age (Yrs)	Experience (Yrs)	Total (Rs.)	Last employment
1	Sarjit Singh Samra	Managing Director & CEO	21/07/2003	B.A., M.B.A.	56	20	10705231	-
2	Munish Jain	Chief Financial Officer and Chief Operating Officer	09/10/2000	B.COM, FCA, FCS	44	20	12703688	-

1. The total Remuneration shown above includes basic salary, allowances, performance bonus, cash allowances in lieu of perquisites or taxable value of perquisites, if availed as computed as per Income-tax rules.
2. All appointments are terminable by one / three month's notice as the case may be on either side.
3. The above value does not include the number of ESOPs granted during the year.
4. Mr. Sarjit Singh Samra, Managing Director holds 11.76% of the paid up share capital of the Bank.
5. Other than Mr. Sarjit Singh Samra, none of the employee listed above holds 2% or more of the paid-up share capital of the Bank as at March 31, 2020.
6. None of the employees listed above is a relative of any director of the Bank

REMUNERATION DETAILS

ANNEXURE - B

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 2019-20, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2019-20 are as under:

S. No.	Name Director/KMP	Designation	Remuneration Director / KMP for the Financial Year 2019-20	Remuneration of Director / KMP for the Financial Year 2018-19	% increase in Remuneration in the Financial Year 2019-20	% increase in Remuneration in the Financial Year 2018-19	Ratio of Remuneration of each Director to median remuneration
1.	Sarvjit Singh Samra	Managing Director	10705231	4833552	121.48	121.48	35.59
2.	Munish Jain	CFO	12703688	9831759	29.21	29.21	42.23
3.	Sahil Vijay	Company Secretary (Till May 16, 2019)	1574739	1440314	9.33	9.33	5.24
4.	Dinesh Gupta	Director	675000*	-	-	-	2.24
5.	Amit Sharma	Company Secretary (From May 17, 2019)	688788	-	-	-	2.29

* Non Executive Directors have received only sitting fees except Mr. Dinesh Gupta who has been paid remuneration of Rs. 6.75 Lakhs as Profit based Commission besides sitting fees for attending the Board Meetings and Committee meetings

Note:

1. For the position held for current year or part thereof, the consideration paid during the complete financial year has been disclosed above.
2. The above value does not include the number of ESOPs granted during the year.

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 Rs. 3,00,797 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.

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

In the Financial Year, there was an increase of 25.22% in the median remuneration of employees.

II. The number of permanent employees on the rolls of Bank:

There were 1646 permanent employees on the rolls of the Company as on 31st March, 2020.

III. 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. 2019-20 was 47.43% whereas the increase in the managerial remuneration for the Financial Year 2019-20 was 59.40%. The remuneration of the Non - 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.

IV. Affirmation that the remuneration is as per the remuneration policy of the Bank:

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

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN As on Financial Year ended on 31.3.2020

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 :

i	CIN	U65110PB1999PLC022634
ii	Registration Date	31-05-1999
iii	Name of the Company	Capital Small Finance Bank Limited formerly known as Capital Local Area Bank Limited
iv	Category/Sub-category of the Company	Company Limited by Shares/Indian Non-Government Company
v	Address of the Registered office & Contact Details	MIDAS Corporate Park, 3rd Floor, 37 G.T. Road, Jalandhar.
vi	Whether listed company	Listed (Debt Segment)
vii	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.

S. No.	Name & Description of main products / services	NIC Code of the Product / Service	% to total turnover of the company
1	Banking & Financial Services	64191	100%

3. PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

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

4 (i) 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	7067851	472347	7540198	26.47	8696246	231627	8927873	26.41	18.40%
b) Central Govt.or State Govt.	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	-	-	-	-	-	-	-	-	-
d) Bank/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL-(A)(1)	7067851	472347	7540198	26.47	8696246	231627	8927873	26.41	18.40%
(2) Foreign									
a) NRI- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL (A)(2)	0	0	0	0.00	0	0	0	0.00	0.00%
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	7067851	472347	7540198	26.47	8696246	231627	8927873	26.41	18.40%
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	1349650	-	1349650	4.74	1349650	-	1349650	3.99	-
c) Central govt	-	-	-	-	5733	-	5733	0.02	-
d) State Govt.	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	175445	-	175445	0.52	-
f) Insurance Companies	1394400	1322400	2716800	9.54	2716800	-	2716800	8.04	-
g) FIs	-	-	-	-	3346914	-	3346914	9.90	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1):	2744050	1322400	4066450	14.28	7594542	0	7594542	22.46	86.76%
(2) Non Institutions									
a) Bodies corporates									
i) Indian	655597	1365158	2020755	7.10	1937602	1322400	3260002	9.64	61.33%
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakhs	258703	1966596	2225299	7.81	626422	1607127	2233549	6.61	0.37%
ii) Individuals shareholders holding nominal share capital in excess of Rs.1 lakhs	530859	12082871	12613730	44.29	3227347	8516926	11744273	34.74	-6.89%
c) Others (Partnership Firm and HUF)	3600	10711	14311	0.05	36267	10711	46978	0.14	228.26%
SUB TOTAL (B)(2):	1448759	15425336	16874095	59.25	5827638	11457164	17284802	51.13	2.43%
Total Public Shareholding (B)= (B)(1)+(B)(2)	4192809	16747736	20940545	73.53	13422180	11457164	24879344	73.59	18.81%
C. Shares held by Custodian for GDRs & ADRs									
Non-Promoters	4192809	16747736	20940545	73.53	13422180	11457164	24879344	73.59	18.81%
Grand Total (A+B+C)	11260660	17220083	28480743	100.00	22118426	11688791	33807217	100.00	18.70%

(II) SHAREHOLDING OF PROMOTERS

SI No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding 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)	6251521	21.95		7687396	22.74		22.96
1.1	Sarvjit Singh Samra	1742904	6.12	NIL	3974619	11.76	NIL	128.05
1.2	Navneet Kaur Samra	858400	3.01	NIL	884800	2.62	NIL	3.08
1.3	Amarjit Singh Samra	1640864	5.76	NIL	1640864	4.85	NIL	-
1.4	Surinder Kaur Samra	936486	3.29	NIL	936486	2.77	NIL	-
1.5	Amardeep Singh Samra	790240	2.77	NIL	0	0.00	NIL	(100.00)
1.6	Gagan Samra	132000	0.46	NIL	0	0.00	NIL	(100.00)
1.7	Kuljit Singh Hayer	106627	0.37	NIL	206627	0.61	NIL	93.78
1.8	Amarpreet Kaur	44000	0.15	NIL	44000	0.13	NIL	-
2	Brig. Swaran Singh Saini (Retd.) (Promoter)	475513	1.67	NIL	475513	1.41	NIL	-
3	Gursharan Kaur Dhillon (Promoter Group)	359920	1.26		311720	0.92		(13.39)
3.1	Gursharan Kaur Dhillon	240720	0.85	NIL	230720	0.68	NIL	(4.15)
3.2	Randeep Singh Dhillon	81000	0.28	NIL	81000	0.24	NIL	-
3.3	Tanveer Singh Dhillon	38200	0.13	NIL	0	0.00		(100.00)
4	Dinesh Gupta (Promoter Group)	325253	1.14		325253	0.96		-
4.1	Dinesh Gupta	295920	1.04	NIL	295920	0.88	NIL	-
4.2	Dinesh Gupta HUF	29333	0.10	NIL	29333	0.09	NIL	-
5	Bhagwant Singh Sangha (Promoter)	39600	0.14	NIL	39600	0.12	NIL	-
6	Parkash Kaur Pooni (Promoter)	88391	0.31	NIL	88391	0.26	NIL	-
	Total	7540198	26.47		8927873	26.41		18.40

(iii) CHANGE IN PROMOTERS' SHAREHOLDING

Particulars		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 Sarjit Singh Samra (Promoter Group)	At the beginning of the year	6251521	21.95	6251521	21.95
	Changes during the year	1435875	22.97	1435875	22.97
	At the end of the year	7687396	22.74	7687396	22.74
2 Brig. Swaran Singh Saini (Retd.) (Promoter)	At the beginning of the year	475513	1.67	475513	1.67
	Changes during the year	Nil	Nil	Nil	Nil
	At the end of the year	475513	1.41	475513	1.41
3 Chanan Singh Dhillon (Promoter Group)*	At the beginning of the year	359920	1.26	359920	1.26
	Changes during the year	-48200	-13.39	-48200	-13.39
	At the end of the year	311720	0.92	311720	0.92
4 Dinesh Gupta (Promoter Group)	At the beginning of the year	325253	1.14	325253	1.14
	Changes during the year	Nil	Nil	Nil	Nil
	At the end of the year	325253	0.96	325253	0.96
5 Bhagwant Singh Sangha (Promoter)	At the beginning of the year	39600	0.14	39600	0.14
	Changes during the year	Nil	Nil	Nil	Nil
	At the end of the year	39600	0.12	39600	0.12
6 Parkash Kaur Pooni (Promoter)	At the beginning of the year	88391	0.31	88391	0.31
	Changes during the year	Nil	Nil	Nil	Nil
	At the end of the year	88391	0.26	88391	0.26

(iv) SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS

(other than Directors, Promoters & Holders of GDRs & ADRs)

Sl. No.	Name	Share holding at the beginning of the Year		Change in Shareholding during the year		Share holding 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	Oman India Joint Investment Fund II	0		3346914	9.90	3346914	9.90
2	Santokh Singh Chhokar	1760000	6.18	0	0.00	1760000	5.21
3	Pi Ventures LLP	1394400	4.90	292580	0.87	1686980	4.99
4	HDFC Standard Life Insurance Co. Ltd.	1394400	4.90	0	0.00	1394400	4.12
5	Small Industries Development Bank of India	1349650	4.74	0	0.00	1349650	3.99
6	ICICI Prudential Life Insurance co. Ltd.	1322400	4.64	0	0.00	1322400	3.91
7	Amicus Capital Private Equity I LLP	0	0.00	1511535	4.47	1511535	4.47
8	Rashpal Singh Virk	897729	3.15	0	0.00	897729	2.66
9	Balbir Singh	862400	3.03	-66000	-0.20	796400	2.36
10	Gurinder Mann	391111	1.37	0	0.00	391111	1.16
	Total	9372090	32.91	1738115	5.14	11110205	32.86

(v) SHAREHOLDING OF DIRECTORS & KMP

Particulars	For Each of the Directors & KMP	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 Madan Gopal Sharma	At the beginning of the year	22100	0.08	22100	0.08
	Change during the year	NIL	NIL	NIL	NIL
	At the end of the year	22100	0.07	22100	0.07
2 Sarvjit Singh Samra (MD)	At the beginning of the year	1742904	6.12	1742904	6.12
	Change during the year	2231715	6.60	2231715	6.60
	At the end of the year	3974619	11.76	3974619	11.76
3 Dinesh Gupta	At the beginning of the year	295,920	1.04	295920	1.04
	Change during the year	NIL	NIL	NIL	NIL
	At the end of the year	295,920	0.88	295920	0.88
4 Munish Jain (CFO)	At the beginning of the year	153251	0.54	153251	0.54
	Changes during the Year	-20000	(13.05)	-20000	(13.05)
	At the end of the year	133251	0.39	133251	0.39
5 Amit Sharma* (CS)	At the beginning of the year	769	0.00	769	0.00
	Change during the year	(769)	(100.00)	(769)	(100.00)
	At the end of the year	0	0	0	0
6 Gurpreet Singh Chug	At the beginning of the year	29300	0.10	29300	0.10
	Change during the year	NIL	NIL	NIL	NIL
	At the end of the year	29300	0.09	29300	0.09
7 Sahil Vijay *	At the beginning of the year	8226	0.03	8226	0.03
	Change during the year	NIL	NIL	NIL	NIL
	At the end of the year	8226	0.02	8226	0.02

Note: * Mr. Sahil Vijay Resigned from the post of CS and Mr. Amit Sharma was appointed as CS of the Bank w.e.f May 17, 2019.

5. INDEBTNESS

(Rs. In Crores)

Indebtedness of the Company including interest outstanding/accrued but not due for payment				
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtness at the beginning of the financial year				
i) Principal Amount	180.70	177.68	0.00	358.38
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.50	0.01	0.00	0.51
Total (i+ii+iii)	181.20	177.69	0.00	358.89
Change in Indebtedness during the financial year				
Additions	133.70	0.00	0.00	133.70
Reduction	54.20	16.96	0.00	71.16
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount	260.20	160.72	0.00	420.92
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.83	0.00	0.00	0.83
Total (i+ii+iii)	261.03	160.72	0.00	421.75

6. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl.No	Particulars of Remuneration	Name of the MD/WTD/Manager	Total Amount
1	Gross salary	Sarjit Singh Samra (Managing Director)	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	10627537	10627537
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	77694	77694
	(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	0	0
	as % of profit		
	others (specify)		
5	Others, please specify	0	0
	Total (A)	10705231	10705231

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							
		M.G Sharma	Rakesh Soni	Harmesh Khanna	Sham Singh Bains	Gurdeep Singh	Gurpreet Singh Chug	Navin Kumar Maini	Total Amount
1	Independent Directors								
	(a) Fee for attending Board meeting, Committee meetings	160000	320000	240000	310000	400000	370000	180000	1980000
	(b) Commission	0	0	0	0	0	0	0	0
	(c) Others, please specify	0	0	0	0	0	0	0	0
	Total (1)	160000	320000	240000	310000	400000	370000	180000	1980000
2	Other Non Executive Directors								
	(a) Fee for attending Board meeting, Committee meetings	90000	90000	0	60000	450000	-	-	-
	(b) Commission	0	0	0	0	0	-	-	-
	(c) Others, please specify. (Remuneration)	0	0	0	0	1125000	-	-	-
	Total (2)	90000	90000	0	60000	1575000	-	-	1815000
	Total (B)=(1+2)	-	-	-	-	-	-	-	3795000

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 (Amit Sharma)	Company Secretary (Sahil Vijay)	CFO	Total
1	Gross Salary					
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	#	688788	1565122	12642000	14895910
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961		0	9617	61688	71305
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961		0	0	0	0
2	Stock Option		0	0	0	0
3	Sweat Equity		0	0	0	0
4	Commission		0	0	0	0
	as % of profit		0	0	0	0
	others, specify		0	0	0	0
5	Others, please specify		0	0	0	0
	Total		688788	1574739	12703688	14967215

Covered in Managing Director Salary disclosed above.

7. 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

ANNEXURE - D

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 to 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. The Bank has formed a society named "CAPITAL FOUNDATION" which takes care of all the spending of CSR on behalf of Capital Small Finance Bank Limited. The CSR policy and programs are aligned to comply with the requirements of Section 135 of the Companies Act, 2013 and are monitored by a board level committee. The overview of the projects and programs are mentioned below.

The details on CSR activities taken by the Bank is available on www.capitalbank.co.in

- The Composition of the CSR Committee :-
 - Mr. Sarvjit Singh Samra (Chairman)
 - Mr. Sham Singh Bains (Member)
 - Mr. Rakesh Soni (Member)
 - Mr. Gurdeep Singh (Member)
- Average net profit of the Company for last three financial years: 2622.45 lakhs
- Prescribed CSR expenditure (i.e. 2% of the amount as mentioned above): 52.44 lakhs
- Detail of CSR spend during the financial year
 - Total amount to be spent for FY 2019-20 52.44 lacs as against the Bank has spent Rs. 52.50 Lakhs through Capital Foundation
 - Amount unspent, if any – NIL
- **In case company has failed to spend the two percent of the average net profit for the last three financial years or any part thereof, the reasons for not spending the amount: NA**
- **A responsibility statement of CSR Committee:**

The CSR Committee confirms that the implementation and monitoring of the CSR activities of the Bank are in compliance with the CSR objectives and CSR Policy of the Bank.

For and on behalf of the Board of Directors

Date:

Place:

Madan Gopal Sharma
Part- Time Chairman
DIN: 00398326

Sarvjit Singh Samra
Managing Director
DIN: 00477444

Detail on CSR Projects undertaken by Capital Foundation

SPORTS DEVELOPMENT



Detail on CSR Projects undertaken by Capital Foundation

SHIKSHA ABHIYAAN



Detail on CSR Projects undertaken by Capital Foundation

RELIEF FOR COVID-19 SPREAD



ANNEXURE - E

Related Parties

AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis - **NIL**
2. Details of material contracts or arrangement or transactions at arm's length basis - **NIL**

For and on behalf of the Board of Directors

Date:

Place:

**Madan Gopal Sharma
Part-Time Chairman
DIN: 00398326**

**Sarjit Singh Samra
Managing Director
DIN: 00477444**

SECRETARIAL AUDIT REPORT

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020

[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. However, in the backdrop of COVID-19, the physical possession of the documents/ data could not be handed over to us for the purpose of Secretarial Audit. In order to provide accessibility, data sharing arrangements were bought in place to provide us an electronic record of the documents.

Based on our virtual 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 electronically through data sharing arrangements, 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, 2020 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, 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) 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;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; **Not Applicable**
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **Not Applicable**
 - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; **Not Applicable**
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - f. 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; **Not Applicable**
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and **Not Applicable**
 - h. 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.

(viii) 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:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (SS-1 and SS-2).
- (ii) The Listing Agreements entered into by the Company with Stock Exchange(s);
- (iii) 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, Standards, 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.

Majority decisions has been carried through while the dissenting members' views are captured and 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: -

- (i) The Company has appointed Mr. Srinath Srinivasan having DIN: 00107184 as a Non-Executive Additional Director of the Company.

(ii) The Company has appointed Mr. Mahesh Parasuraman having DIN: 00233782 as a Non-Executive Additional Director of the Company.

(iii) The Company has appointed Mr. Mohit Verma having DIN: 02647080 as a Non-Executive Nominee Director - PI Ventures LLP of the Company.

(iv) The Company has appointed Mr. Rahul Priyadarshi having DIN: 06835372 as a Non-Executive Nominee Director - SIDBI of the Company.

(v) The Company has re-appointed Mr. Sarvjit Singh Samra having DIN: 00477444 as the Managing Director & CEO of the Company.

(vi) The Company has re-appointed Mr. Madan Sharma Gopal having DIN: 00398326 as a Non – Executive Independent Director of the Company. This is his second term as an Independent Director.

(vii) The Company has appointed Mr. Gurpreet Singh Chug having DIN: 01003380 as a Non-Executive Independent Director of the Company.

(viii) The Company has appointed Mr. Navin Kumar Maini having DIN: 00419921 as a Non-Executive Independent Director of the Company.

(ix) The Company has appointed Mr. Dinesh Gupta having DIN: 00475319 as a Non-Executive Director of the Company.

(x) Mr. Sahil Vijay Singh ceased from the position of the Company Secretary of the Company and in his place Mr. Amit Sharma was appointed as the new Company Secretary of the Company.

(xi) On completion of the tenure and attaining retirement Mr. Inder Krishan Sardana stepped down from the position of the part-time Chairman of the Company.

(xii) During the year under review, M/s R. K. Kumar & Co., Chartered Accountants [FRN: 001595S] were appointed as the Statutory Auditor of the Company against the casual vacancy caused due to non – approval from the Reserve Bank of India for appointment of M/s MSKA & Associates, Chartered Accountants.

(xiii) During the year under review, the Company executed a Shareholder's Agreement ("SHA") between Amicus

Capital Private Equity I LLP, Amicus Capital Partners India Fund I, PI Ventures LLP, Small Industries Development Bank of India ("SIDBI") and Oman India Joint Investment Fund II dated 7th November, 2019.

- (xiv) During the under review, the Board altered the Articles of Association of the Company pursuant to the said SHA, which is subject to the approval of the Shareholders', Registrar of Companies and the Reserve Bank of India ("RBI") *albeit* as informed, the RBI approval was received till the date of the report.
- (xv) During the year under review and in accordance with the provisions of Section 180 (1) (c) of the Companies Act, 2013 read with relevant rules and all other applicable provisions, if any, the Company increased their borrowing power with a cap of Rs. 750/- crores (Rupees Seven Hundred and Fifty Crore Only) outstanding at any point of time over and above the aggregate of the Paid-up Capital of the Bank and its free reserves which shall exclude all deposits received from Public, temporary loans obtained by the Bank from other banks in the ordinary course of its business, and such other exclusions as may be provided under the law on such terms and conditions as the Board may consider necessary and expedient in the best interest of the Bank.
- (xvi) The Company vide Special Resolution passed by the members of the Company in

an Extra Ordinary General Meeting dated 18th June, 2019 has approved issuance of shares up to 16,98,307 Equity Shares of the Bank having face value of Rs. 10/- (Rupee Ten Only) each and each at a premium of Rs. 242/- (Rupees Two Hundred Forty Two Only) on a private placement basis aggregating to Rs. 42,79,73,364/- (Rupees Forty Two Crore Seventy Nine Lakhs Seventy Three Thousand Three Hundred and Sixty Four Only) out of which the Company has issued and allotted 16,08,508 Equity Shares of the Bank aggregating to Rs. 40,53,44,016/- (Forty Crore Fifty Three Lakhs Forty Four Thousand and Sixteen Only) to the respective Financial Investors on 25th June, 2019.

- (xvii) Further, the Company vide Special Resolution passed by the members of the Company in the 20th Annual General Meeting of the Company dated 27th September, 2019 has also issued 39,38,462 Equity Shares of the Bank having face value of Rs. 10/- (Rupees Ten Only) each and each at a premium of Rs. 242/- (Rupees Two Hundred Forty Two Only) by way of Preferential Issue on private placement basis aggregating to Rs. 99,24,92,424/- (Rupees Ninety Nine Crore Twenty Four Lakhs Ninety Two Thousand Four Hundred and Twenty Four Only) which was allotted to the respective Financial Investors on 22nd November, 2019.

For B Mathur & Co.,
Company Secretaries

Date: May 15, 2020
Sonakshi Chaurasia
Place: New Delhi
(Partner)
ACS: 58636
COP No.: 22578

MANAGEMENT DISCUSSION & ANALYSIS

India's Economic Performance in 2019-20

The discussion is divided in two parts as pre and post outbreak of pandemic. The pre outbreak events are lined up as:

- India's GDP growth moderated to 4.8 % in H1 of 2019-20, amidst a weak environment for global manufacturing, trade and demand.
- Real consumption growth has recovered in Q2 of 2019-20, cushioned by a significant growth in government final consumption.
- Growth for 'Agriculture and allied activities' and 'Public administration, defense, and other services' in H1 of 2019-20 was higher than in H2 of 2018-19.
- India's external sector gained further stability in H1 of 2019-20:
- Current Account Deficit (CAD) narrowed to 1.5 % of GDP in H1 of 2019-20 from 2.1 % in 2018-19.
- Impressive Foreign Direct Investment (FDI).
- Accretion of foreign exchange reserves.
- Deceleration in GDP growth can be understood within the framework of a slowing cycle of growth.

Monetary Management and Financial Intermediation

- Monetary policy
- Remained accommodative in 2019-20.
- Repo rate was cut by 110 basis points in four consecutive MPC meetings in the financial year due to slower growth and lower inflation.
- However, it was kept unchanged in the fifth meeting held in December 2019.
- In 2019-20, liquidity conditions were tight for initial two months; but subsequently it remained comfortable.
- The Gross Non Performing Advances ratio
- Remained unchanged for Scheduled Commercial banks at 9.3% between March and September 2019
- Increased slightly for the Non-Banking Financial Corporations (NBFCs) from 6.1% in March 2019 to 6.3% in September 2019.
- Credit growth

- The financial flows to the economy remained constrained as credit growth declined for both banks and NBFCs.
- Bank Credit growth (YoY) moderated from 12.9% in April 2019 to 7.1% as on December 20, 2019.
- Capital to Risk-weighted Asset Ratio of SCBs increased from 14.3% to 15.1% between March 2019 and September 2019.

Prices and Inflation

- Inflation Trends:
 - Inflation witnessing moderation since 2014
 - Consumer Price Index (CPI) inflation increased from 3.7 per cent in 2018-19 (April to December, 2018) to 4.1 per cent in 2019-20 (April to December, 2019).
 - WPI inflation fell from 4.7 per cent in 2018-19 (April to December, 2018) to 1.5 per cent during 2019-20 (April to December, 2019).

Banking

In 2019, India completed the 50th anniversary of bank nationalization. India's banking sector is disproportionately under-developed given the size of its economy. With the cleaning up of the banking system and the necessary legal framework such as the Insolvency and Bankruptcy Code (IBC), the banking system must focus on scaling up efficiently to support the economy.

"It is not by augmenting the capital of the country, but by rendering a greater part of that capital active and productive than would otherwise be so, that the most judicious operations of banking can increase the industry of the country." Adam Smith.

Banking industry is an engine of economic growth and the present times require the banking industry to come up as a catalyst of financial stability and economic growth by multi-dimensional approach by efficiently managing multiple risks such as liquidity, solvency, capital adequacy, asset quality, prudent decision making, transparency, highest standards of corporate governance, regulatory compliances, high standards to ethical behavior with stronger than ever impetus on technological developments to adapt and develop resilient business models to partner in growth of the society as well as to build their own brand equity.

Covid 19 pandemic and its Impact

1. Global Impact

As the businesses lose revenue, unemployment is likely to increase sharply, transforming a supply-side shock to a wider demand-side shock for the economy. A sharp decline in consumer spending in the European Union and the United States will reduce imports of consumer goods from developing countries. Further, developing countries, particularly those dependent on tourism and commodity exports, face heightened economic risks. The collective goal must be a resilient recovery which puts the planet back on a sustainable track. A well-designed fiscal stimulus package, prioritizing health spending to contain the spread of the virus and providing income support to households most affected by the pandemic would help to minimize the likelihood of a deep economic recession.

2. The learning curve

Every crisis serves as a learning opportunity for organizations, and this pandemic is proving to be quite the lesson. Here's how organizations are figuring out their next moves.

3. Remote working

Ever since the first COVID-19 case was confirmed in India, numerous companies have instituted a 'work from home' drill using critical resources to understand whether remote working conditions are feasible

4. Safety measures for employees

Some organizations are implementing measures like temperature screening, disinfection of office premises, setting up COVID-19 response teams, distribution of COVID-19 precautionary packages.

5. Opportunity in a crisis

Like India, several international economies are becoming cognizant of the risk they face by being overly dependent on one market. Making the current situation a learning opportunity, we believe this is the time India can promote Make in India campaign with greater vigil and enthusiasm.

Impact on India and impetus on Make in India

The COVID-19 pandemic has set foot in India as across the globe and is likely to impact the

country's economy across industries and business formats. The coronavirus pandemic is a "severe demand shock" for the Indian economy and could lead to moderation in the country's GDP growth as the coronavirus-induced lockdown is causing significant disruption across multiple sectors.

Having said that, the impact so far looks muted and government has acted swiftly which seems to be working well for the medium to long term prospects of the economy. Although there is no room for complacency and neither the government is getting any bit complacent, the central government, state governments and the industry groups are joining hands to subside the impact of the pandemic and to boost post facto recovery and normalization in the economic activity.

The fast changing global socio political scenario can provide once in a lifetime opportunity to India to take global center stage in business and political linkages. India can grab this golden opportunity by provide ease of business for global business houses and encourage make in india campaign with a renewed vigor and vision.

Impact on BFSI

The Government of India and RBI has introduced various economic and fiscal stimulus measures to tide over the COVID-19 crisis. To navigate through these unprecedented times, the BFSI needs to focus on liquidity, credit risk, well-being of its employees along with the quality of financial reporting and disclosures. As Coronavirus continues to spread, and more information comes to light, the BFSI sector with 31 March 2020 year-end, needs to consider this impact on their business and business prospects.

Impact on banks

The Reserve Bank of India has taken certain measures to give relief to the lending institutions in the areas of liquidity, regulation and supervision, and financial markets. In light of these measures, banks need to consider on aspects such as business continuity, liquidity and credit risk assessment etc.

While banks are not as exposed as the corporate sector during the initial stage of the pandemic, the strain on lenders could ultimately be profound. Banks face a second-order hit compared with the corporate and

household sectors. The economic storm created by COVID-19 will test the ratings resilience of the region's 20 banking sectors. Banks in the country are likely to witness a spike in their non-performing assets ratio by 1.9 per cent and credit cost ratios by 130 basis point in 2020, following the economic slowdown on account of COVID-19 crisis.

The resilience of banks' asset quality in 2020 hinges in part on the success of governments' and regulators' policy responses. These measures are in early stages. Some have started, some are in planning, and we suspect many more may be in the wings.

Response to Covid-19 and Way Forward for Banking Sector

When the COVID-19 situation is past us, it is expected that the Indian Banks will shift gears to move away from traditional forms of banking. The traditional banks will stand the opportunity to leapfrog adopting cutting edge banking technologies and blaze the digital transformation trail. Currently, 27 of Indian public sector (PSU) banks are on a path of consolidation to 10 large banks. It is an opportune time for the PSU's to explore better technology integration and customer adoption. Other Indian banks (both public and private) which are already online with some core banking functions will focus on a complete transition by digitization of all their functions, processes and systems. Legacy Indian banks and financial institutions will also look at collaboration with the new entrants and fintechs. Such necessity-driven partnerships will drive innovation and jointly reap the benefits of the large customer base of the banks and the new technologies of the fintechs. The COVID-19 situation will not only accelerate the adoption of technology, but will renew focus on the following four key areas of banking:

1. Discretionary Spending

- a. For individuals, health and safety will become No.1 on their agenda from the 3rd of 4th place. There will be more spending on this area and

reduction in other discretionary spends.

- b. The ticket size of spending will drop for a while. People will spend on cheaper goods than on expensive goods, or delay spending for a while.
- c. Extreme acceleration in digital economy. I.e. Home education, home entertainment, home fitness, etc.
- d. General Trust deficit. There will be trust deficit amongst stakeholders like vendors, customers, employees, borrowers, banks, etc.

2. Liquidity and P&L

- a. Segregate Good Costs and Bad Costs
- b. Good costs (Eg. Digitization, tech costs, digital marketing, best employees, etc) need to be insulated and protected
- c. Bad Costs (Eg. Fancy office, unnecessary spending, bad performers, traditional working methods) need to be ruthlessly eliminated. Don't be emotional about non-core businesses. Concentrate on core business.

3. Maintain Good behaviour – Have frank and open conversation with all stakeholders like suppliers, employees, etc and try to find the middle ground, so that the burden can be shared justly.

4. Government Stimulus

- a. Economy was in poor shape even before Covid. The govt has little leeway to provide large stimulus.
- b. Government earns about \$60-70 billion a week from taxes. Imagine what a hit a 5-week lockdown will have. Size of Indian economy is about \$3 Trillion. In some scenarios, it is predicted that Government could take a hit of nearly \$1 Trillion.
- c. Government needs to concentrate on mass health and mass welfare.

For and on behalf of the Board of Directors

Date:

Place:

**Madan Gopal Sharma
Part-Time Chairman
DIN: 00398326**

**Sarvjit Singh Samra
Managing Director
DIN: 00477444**

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, 2020, the Profit and Loss Account, 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 Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("the Act") 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, 2020 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.

Emphasis of Matter

We draw attention to Schedule 18(3.1) to the financial statements, which describes that the extent to which the COVID-19 Pandemic will impact the Bank's financial statements will depend on future developments, which are highly uncertain. Considering the circumstances as described in Schedule 18(3.1) to the financial statements, the Bank has made a provision of Rs. 7.7 Crores for the year ended March 31, 2020.

Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. This matter was 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 this matter.

Identification of Non-Performing Asset ('NPA') and Provision on Advances

Total Loans and Advances (Net of Provision) as at March 31, 2020: Rs. 3,308.31 crores

Gross NPA as at March 31, 2020: Rs. 58.51 crores

Provision for NPA as at March 31, 2020: Rs. 17.26 crores

Refer Schedule 9, Schedule 17(7), and Schedule 18(3.2) to the financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Identification of NPA and measurement of provision on account of NPA is made based on the assessment of various criteria stipulated in the Reserve Bank of India ("the RBI") guidelines on 'Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances' ("IRACP"). The Bank is required to have in place a Board approved policy as per the IRACP guidelines for NPA identification and provision.	Our audit procedures in respect of this area included: 1. Verified the design and operating effective-ness of key internal controls (including application controls) over approval, recording and recovery of loans, monitoring process for overdue/ stressed accounts, identification of NPA, measurement of provision on account of NPA and valuation of security and collateral against loans.

<p>The IRACP guidelines stipulate the requirement to identify NPA through defined criteria such as past due status, out of order status etc. Provisions in respect of such NPAs are made based on minimum provisioning levels prescribed under the IRACP and Bank's internal credit policy. The provision for NPAs are also based on the valuation of the security available. Further, NPA classification is made borrower wise whereby if one facility to the borrower becomes NPA, then all facilities to such a borrower will be treated as an NPA.</p> <p>The Bank is also required to apply its judgement to determine the identification and provision required against NPA by applying quantitative as well as qualitative factors. The risk of identification of NPA is affected by factors like stress and liquidity concerns in certain sectors.</p> <p>The Bank has framed policies in line with the RBI's guidelines vide 'COVID-19 – Regulatory Package' and 'COVID-19 Regulatory Package - Asset Classification and Provisioning' thereby providing moratorium as a relief measure to the borrowers and creating required provisions against these reliefs.</p> <p>We have identified 'Identification of NPA and Provisioning on Advances' as a key audit matter in view of the significant level of estimation involved, as well as the stringent compliances laid down by the RBI in this regard</p>	<p>Verified application controls includes testing of automated controls, reports and system reconciliations.</p> <p>2. Evaluated the governance process and review of controls over identification of NPA, measurement of provision and basis of provisioning in accordance with the Bank's policy.</p> <p>3. An inclusive list of substantive procedures performed is as below:</p> <ul style="list-style-type: none"> • For borrowers, assessed the appropriateness of asset classification and adequacy of related provisioning by performing procedures such as computation of overdue ageing, assessment of borrower level NPA identification and verification of applicable provision rates as per IRACP norms and Bank's Policy on test check basis; • Verified performing loans on test check basis to assess whether they should be classified as NPA; • Reviewed the valuation of collateral as carried out by the Bank on test check basis; • Performed inquiries with the Management of the Bank to ascertain if there were indicators of stress, perceived credit risk or occurrence of an event of default in any particular class of borrowers, product category or loan account that warrants NPA assessment; • Verified standard and overdue accounts on test check basis to assess compliance with the RBI guidelines vide its circulars 'COVID-19 – Regulatory Package' and 'COVID-19 Regulatory Package - Asset Classification and Provisioning'. <p>4. Verified the disclosures in accordance with relevant accounting standards and the RBI requirements relating to NP</p>
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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 but does not include the financial statements and our auditors' report thereon.

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 financial statements, our responsibility is to read the other

information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Responsibilities of the 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, guidelines and directions issued by the Reserve Bank of India from time to time as applicable to Bank. 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 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 statements 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.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism 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 the Management.
- Conclude on the appropriateness of the 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The financial statements of the Bank for the year ended March 31, 2019, were audited by another auditor whose report dated May 17, 2019 expressed an unmodified opinion on those financial statements. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
2. As required by sub-section 3 of 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 purpose of our audit and have found them to be satisfactory;
 - 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) 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. However, during the course of our audit we visited 12 branches.
3. As required by Section 143(3) of the Act, 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) 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;
 - c) 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;
 - d) 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 the Reserve Bank of India;
 - e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
 - f) 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 A";
 - g) With respect to the other matters to be included in the Auditors' Report in accordance with the requirements of section 197(16) of the Act, as amended;
The Bank is a Banking Company as defined under Banking Regulation Act, 1949. Accordingly, the requirements

prescribed under section 197 of the Companies Act, 2013 do not apply; and

h) 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 knowledge and belief and according to the information and explanations given to us:

- i. The Bank does not have any pending litigations which would impact its financial position;
- ii. The Bank has made provision as

at March 31, 2020, as required under the applicable law or accounting standard, for material foreseeable losses, if any, on long term contracts. The Bank does not have any derivative contracts as at March 31, 2020;

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

**For MSKC & Associates (Formerly known as R. K. Kumar & Co.)
Chartered Accountants**

ICAI Firm Registration Number: 001595S

Tushar Kurani
Partner
Membership No. 118580

UDIN: 20118580AAAABH7065
Mumbai
May 16, 2020

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF CAPITAL SMALL FINANCE BANK LIMITED

[Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of Capital Small Finance Bank Limited on the Financial Statements for the year ended March 31, 2020]

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, 2020 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 ("the 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 the 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 internal 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 auditors' 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 the Management and the 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.

Opinion

In our opinion, the Bank has, in all material respects, an adequate 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, 2020, 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.

For MSKC & Associates (Formerly known as R. K. Kumar & Co.) Chartered Accountants

ICAI Firm Registration Number: 001595S

Tushar Kurani
Partner
Membership No. 118580

UDIN: 20118580AAAABH7065
Mumbai
May 16, 2020

ANNUAL ACCOUNTS

BALANCE SHEET AS ON MARCH 31, 2020

(₹ IN THOUSANDS)

Particulars	Schedule	As on March 31, 2020	As on March 31, 2019
<u>CAPITAL AND LIABILITIES</u>			
Capital	1	338,072	284,807
Reserves and Surplus	2	3,729,729	2,218,412
Deposits	3	44,466,233	36,672,580
Borrowings	4	4,209,200	3,583,800
Other Liabilities and Provisions	5	555,532	452,445
Total		<u>53,298,766</u>	<u>43,212,044</u>
<u>ASSETS</u>			
Cash and Balances with Reserve Bank of India	6	2,212,330	2,148,643
Balances with Banks and Money at Call and Short Notice	7	5,945,162	4,967,638
Investments	8	10,518,746	8,625,797
Advances	9	33,083,085	25,990,453
Fixed Assets	10	906,236	835,189
Other Assets	11	633,207	644,324
Total		<u>53,298,766</u>	<u>43,212,044</u>
Contingent Liabilities	12	370,710	420,934
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 the Banking Regulation Act, 1949.

As per our report of even date

For MSKC & Associates
(Formerly known as R.K.Kumar & Co.)
Chartered Accountants
Firm Registration Number: 001595S

Tushar Kurani
Partner
Membership No.: 118580

Date : May 16, 2020
Place : Mumbai

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

Sarvjit Singh Samra
Managing Director
DIN: 00477444

Dinesh Gupta
Director
DIN: 00475319

Gurpreet Singh Chug
Director
DIN: 01003380

Munish Jain
Chief Operating Officer &
Chief Financial Officer

Date : May 16, 2020
Place : Jalandhar

Amit Sharma
Company Secretary
Mem. No. ACS38217

ANNUAL ACCOUNTS

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2020

(₹ IN THOUSANDS)

Particulars	Schedule	Year Ended March 31, 2020	Year Ended March 31, 2019
INCOME			
Interest Earned	13	4,581,348	3,462,913
Other Income	14	429,550	313,067
Total		5,010,898	3,775,980
EXPENDITURE			
Interest Expended	15	2,855,120	2,111,511
Operating Expenses	16	1,633,331	1,321,699
Provisions and Contingencies (Refer Note 10-Schedule 18)		268,626	148,629
Total		4,757,077	3,581,839
PROFIT			
Net Profit for the year		253,821	194,141
Profit brought forward		837,669	731,555
Total		1,091,490	925,696
APPROPRIATIONS			
Transfer to Statutory Reserve		63,455	48,535
Transfer to Special Reserve		1,119	695
Transfer to/(from) Investment Reserve Account		-	(35)
Transfer to Investment Fluctuation Reserve		31,937	12,074
Dividend		6,018	22,196
Tax on Dividend		1,237	4,562
Balance carried over to Balance Sheet		987,724	837,669
Total		1,091,490	925,696
EARNINGS PER SHARE			
Basic (₹)		8.18	6.82
Diluted (₹)		8.16	6.82
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 Balance Sheet. The Balance Sheet has been prepared in conformity with Form A to the Third Schedule of the Banking Regulation Act, 1949.

As per our report of even date
For MSKC & Associates
(Formerly known as R.K.Kumar & Co.)
Chartered Accountants
Firm Registration Number: 001595S

Tushar Kurani
Partner
Membership No.: 118580

Date : May 16, 2020
Place : Mumbai

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

Sarvjit Singh Samra
Managing Director
DIN: 00477444

Dinesh Gupta
Director
DIN: 00475319

Gurpreet Singh Chug
Director
DIN: 01003380

Munish Jain
Chief Operating Officer &
Chief Financial Officer

Amit Sharma
Company Secretary
Mem. No. ACS38217

Date : May 16, 2020
Place : Jalandhar

ANNUAL ACCOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

(₹ IN THOUSANDS)

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Taxes	345,822	269,245
Adjustment For:		
Depreciation Charge on Fixed Assets	153,373	117,658
Loan Loss Provision	176,690	66,137
(Profit)/Loss on Sale of Fixed Assets	175	2,050
Employee Stock Option Expense	16,125	-
Depreciation on Investments	(65)	7,388
	692,120	462,478
Adjustment For:		
(Increase)/Decrease in Term Deposits with other Banks	(144,891)	(966,443)
(Increase)/Decrease In Investments	(1,907,454)	338,706
(Increase)/Decrease In Advances	(7,167,852)	(7,557,922)
Increase/(Decrease) In Deposits	7,793,653	8,167,380
(Increase)/Decrease In Other Assets	46,493	(222,670)
Increase/(Decrease) In Other Liabilities and Provisions	1,617	(28,588)
	(686,314)	192,941
Direct Taxes Paid (net of refunds)	(112,807)	(110,228)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	(799,121)	82,713
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(225,631)	(310,396)
Proceeds from Sale of Fixed Assets	1,036	1,222
NET CASH FLOW USED IN INVESTING ACTIVITIES	(224,595)	(309,174)
CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds from equity shares issued on private placement basis under preferential allotment	1,301,891	-
Net Proceeds from the issue of Unsecured Redeemable Non Convertible Bonds/(Redemption of Bonds)	(169,600)	614,500
Net Increase/(Decrease) in Borrowings / Refinance	795,000	747,292
Dividend Payment (Including Tax on Dividend)	(7,255)	(26,758)
NET CASH FLOW FROM FINANCING ACTIVITIES	1,920,036	1,335,034
Net Increase / (Decrease) In Cash & Cash Equivalents	896,320	1,108,573
Cash & Cash Equivalents in the beginning of the year	2,927,844	1,819,271
Cash & Cash Equivalents at the end of the year	3,824,164	2,927,844

NOTES :

- 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.
- Figures in bracket indicates cash outflow.

As per our report of even date
For MSKC & Associates
(Formerly known as R.K.Kumar & Co.)
Chartered Accountants
Firm Registration Number: 001595S

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

Tushar Kurani
Partner
Membership No.: 118580

Sarvjit Singh Samra
Managing Director
DIN: 00477444

Dinesh Gupta
Director
DIN: 00475319

Gurpreet Singh Chug
Director
DIN: 01003380

Date : May 16, 2020
Place : Mumbai

Munish Jain
Chief Operating Officer &
Chief Financial Officer

Amit Sharma
Company Secretary
Mem. No. ACS38217

Date : May 16, 2020
Place : Jalandhar

ANNUAL ACCOUNTS

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2020

(₹ IN THOUSANDS)

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
<u>SCHEDULE - 1 CAPITAL</u>		
<u>Authorised Capital</u>	<u>350,000</u>	<u>350,000</u>
35,000,000 equity shares of Rs. 10 each		
<u>Issued, Subscribed and Paid-up Capital</u>		
33,807,217 equity shares issued of Rs. 10 each fully paid-up (Previous year 28,480,743 equity shares of Rs. 10 each) (Of the above shares 2,769,543 shares are allotted as fully paid-up equity shares by way of bonus shares)	338,072	284,807
Total	<u>338,072</u>	<u>284,807</u>
<u>SCHEDULE 2 - RESERVES AND SURPLUS</u>		
I Statutory Reserve		
Opening Balance	407,769	359,234
Additions during the year	63,455	48,535
Total	<u>471,224</u>	<u>407,769</u>
II Capital Reserve		
Opening Balance	159	159
Total	<u>159</u>	<u>159</u>
III Special Reserve		
Opening Balance	10,334	9,639
Additions during the year	1,119	695
Total	<u>11,453</u>	<u>10,334</u>
IV Investment Reserve Account		
Opening Balance	13,142	13,177
Deductions during the year	-	(35)
Total	<u>13,142</u>	<u>13,142</u>
V Investment Fluctuation Reserve		
Opening Balance	12,074	-
Additions during the year	31,937	12,074
Total	<u>44,011</u>	<u>12,074</u>
VI Securities Premium Account		
Opening Balance	937,265	937,265
Additions during the year	1,289,007	-
Deductions during the year	(40,381)	-
Total	<u>2,185,891</u>	<u>937,265</u>
VII Revenue and Other Reserve Account		
Opening Balance	-	-
Additions during the year	16,125	-
Total	<u>16,125</u>	<u>-</u>
VIII Balance in Profit & Loss Account	<u>987,724</u>	<u>837,669</u>
Grand Total	<u>3,729,729</u>	<u>2,218,412</u>

(₹ IN THOUSANDS)

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
<u>SCHEDULE 3 - DEPOSITS</u>		
A I Demand Deposits		
i) From Banks	2,200	1,341
ii) From others	1,330,971	1,436,920
II Saving Bank Deposits	14,813,572	12,640,095
III Term Deposits		
i) From Banks	1,722,667	618,444
ii) From others	26,596,823	21,975,780
Total	<u>44,466,233</u>	<u>36,672,580</u>
B I Deposits of branches in India	44,466,233	36,672,580
II Deposits of branches outside India	-	-
Total	<u>44,466,233</u>	<u>36,672,580</u>
<u>SCHEDULE 4 - BORROWINGS</u>		
I Borrowings in India		
i) Reserve Bank of India	810,000	-
ii) Other Banks	-	-
iii) Other Institutions and Agencies	1,792,000	1,807,000
iv) Unsecured Redeemable Non-Convertible Bonds (Subordinated debt - Tier II Capital)	1,217,200	1,386,800
v) Hybrid Debt Capital instrument issued as Debentures	390,000	390,000
II Borrowings outside India	-	-
Total	<u>4,209,200</u>	<u>3,583,800</u>
<u>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</u>		
I Bills Payable	179,627	215,403
II Inter-office adjustments (net)	362	115
III Interest accrued	56,323	41,490
IV Others (including provisions)	133,452	111,139
V Contingent provision against standard assets	185,768	84,298
Total	<u>555,532</u>	<u>452,445</u>
<u>SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA</u>		
I Cash in hand (including Cash at ATM)	610,171	430,776
II Balance with Reserve Bank of India		
a) In current accounts	1,602,159	1,717,867
b) In other deposits accounts	-	-
Total	<u>2,212,330</u>	<u>2,148,643</u>

(₹ IN THOUSANDS)

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
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SCHEDULE 7 - BALANCE WITH BANKS AND MONEY AT CALL & SHORT NOTICE**I. In India**

I) Balance with Banks		
a) In current accounts	112,189	299,580
b) In other deposit accounts	4,333,328	4,188,437
II) Money at call and short notice		
a) With Banks	-	-
b) With other Institutions	1,499,645	479,621
Total (I)	<u>5,945,162</u>	<u>4,967,638</u>

II Outside India

a) In current accounts	-	-
b) In other deposit accounts	-	-
c) Money at call and short notice	-	-
Total (II)	-	-

Grand Total(I+II)

<u>5,945,162</u>	<u>4,967,638</u>
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SCHEDULE 8 - INVESTMENTS**I Investments in India in**

i) Government securities	10,518,746	8,595,797
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and bonds	-	30,000
v) Subsidiaries and/or joint ventures	-	-
vi) Others (Certificate of deposits, money market based mutual Funds)	-	-
Total (I)	<u>10,518,746</u>	<u>8,625,797</u>

II Investments outside India in

i) Government securities	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Other Investments	-	-
Total (II)	-	-
Grand Total(I+II)	<u>10,518,746</u>	<u>8,625,797</u>

III Gross value of Investments

	10,518,746	8,625,862
Less : Provision for Depreciation	-	65
Net Value of Investments	<u>10,518,746</u>	<u>8,625,797</u>

(₹ IN THOUSANDS)

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
<u>SCHEDULE 9 - ADVANCES</u>		
A i) Bills Purchased and Discounted	4,923	4,557
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	18,670,928	15,522,345
iii) Term Loans	14,407,234	10,463,551
Total	<u>33,083,085</u>	<u>25,990,453</u>
B i) Secured by Tangible Assets	32,783,732	25,702,052
ii) Covered by Bank / Government Guarantees	-	-
iii) Unsecured	299,353	288,401
Total	<u>33,083,085</u>	<u>25,990,453</u>
C I) Advances in India		
i) Priority Sector (Refer Note 8.7 of Schedule 18)	22,913,646	18,141,697
ii) Public Sector	-	-
iii) Banks	106	-
iv) Other	10,169,333	7,848,756
Total (I)	<u>33,083,085</u>	<u>25,990,453</u>
II) Advances outside India		
i) Due from Banks	-	-
ii) Due from Others	-	-
a) Bills Purchased & Discounted	-	-
b) Syndicated Loans	-	-
c) Others	-	-
Total (II)	<u>-</u>	<u>-</u>
Grand Total (I+II)	<u>33,083,085</u>	<u>25,990,453</u>

SCHEDULE 10 - FIXED ASSETS**I. Premises**

At cost as on 31st March of the preceeding year	64,524	64,524
Add : Additions during the year	-	-
Less : Deductions during the year	-	-
Total	<u>64,524</u>	<u>64,524</u>
Depreciation	-	-
As at 31st March of the preceeding year	-	-
Charge for the year	-	-
Total	<u>-</u>	<u>-</u>
Net Block I	<u>64,524</u>	<u>64,524</u>

II. Other Fixed Assets (including furniture & fixtures)

At cost as on 31st March of the preceeding year	1,308,523	1,011,061
Add : Additions during the year	225,631	310,396
Less : Deductions during the year	3,527	12,934
Total	<u>1,530,627</u>	<u>1,308,523</u>

(₹ IN THOUSANDS)

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
<u>Depreciation</u>		
As at 31st March of the preceeding year	537,858	429,862
Charge for the year	153,373	117,658
Less : Reversed on sale	2,316	9,662
Total	688,915	537,858
Net Block II	841,712	770,665
Total (I & II)	906,236	835,189
<u>SCHEDULE 11 - OTHER ASSETS</u>		
I Inter-office adjustments (net)	-	-
II Interest accrued	491,132	502,166
III Taxes paid in advance/TDS (net of provision for taxes)	14,800	14,947
IV Stationary & Stamps	2,494	7,351
V Others	124,781	119,860
Total	633,207	644,324
<u>SCHEDULE 12 - CONTINGENT LIABILITIES</u>		
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	321,331	373,916
(b) Outside India	-	-
V Acceptances, endorsements and other obligations	13,559	12,510
VI Other items for which Bank is contingently liable	35,820	34,508
Total	370,710	420,934
<u>SCHEDULE 13 - INTEREST EARNED</u>		
I Interest/discount on advances/bills	3,306,594	2,416,786
II Income on investments	729,051	643,421
III Interest on balance with Reserve Bank of India and inter-bank funds	545,673	402,674
IV Others	30	32
Total	4,581,348	3,462,913
<u>SCHEDULE 14 - OTHER INCOME</u>		
I Commission, exchange and brokerage	288,410	237,148
II Profit/(Loss) on sale of investments (Net)	57,125	32,077
III Profit/(Loss) on revaluation of investments (Net)	-	-

(₹ IN THOUSANDS)

Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
IV Profit/(Loss) on sale of land, building & other assets(Net)	(175)	(2,050)
V Profit/(Loss) on Exchange Transactions(Net)	35,800	28,082
VI Income earned by way of dividends etc.	-	-
VII Miscellaneous income	48,390	17,810
Total	429,550	313,067
<u>SCHEDULE 15 - INTEREST EXPENDED</u>		
I Interest on Deposits	2,538,390	1,912,270
II Interest on Reserve Bank of India/Inter-Bank Borrowings	6,436	12,564
III Others	310,294	186,677
Total	2,855,120	2,111,511
<u>SCHEDULE 16 - OPERATING EXPENSES</u>		
I Payments to and provisions for employees	846,420	652,833
II Rent, Taxes and Lighting	249,650	215,337
III Printing and Stationery	31,459	24,305
IV Advertisement and Publicity	3,822	7,480
V Depreciation on Bank's property	153,373	117,658
VI Directors Fees, Allowances & Expenses	2,670	1,165
VII Auditors' Fees and Expenses	4,875	1,805
VIII Law charges	16	-
IX Postage, Telegrams, Telephones etc.	25,570	21,069
X Repairs and Maintenance	52,178	24,678
XI Insurance	57,461	48,232
XII Other expenditure	205,837	207,137
Total	1,633,331	1,321,699

ANNUAL ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

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 and the Companies Act, 2013. The name of the Bank has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide Reserve Bank of India ('the RBI' or '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 ("Indian 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) read with Rule 7 of the Companies (Accounts) Rules, 2014 and The 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 liabilities) 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 the year in which the results are known/materialised.

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 to 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 & System	20.00%

Development Expenditure

4.5 All other Assets are depreciated on the rates, calculated on the basis of useful life specified in the Schedule II to 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 & 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 & Loss account in the year of disposal or retirement.

5 IMPAIRMENT OF ASSETS

The carrying amount of assets is reviewed at the Balance Sheet date to determine whether 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 & 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 the 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 the 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/or 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 & 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 the Primary Dealers Association of India (PDAI) jointly with the 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 the 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 & Loss 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 the 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 the 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 the RBI circulars issued from time to time. Further the same is shown under the head 'Other Liabilities and Provisions'. In respect of accounts in default but standard as on the date of the balance sheet & where asset classification benefit has been extended for the moratorium/ deferral period in accordance with the guidelines issued by the Reserve Bank of India, provision of 10 per cent of the outstanding of such accounts is/will be created in phased manner i.e. 5% for the quarter ended March 31, 2020 and remaining 5% will be created during the quarter ending June 30, 2020.

7.4 Amounts recovered during the year against bad debts written off in earlier years are credited to the Profit & 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 & Loss account to the extent such provisions were charged to the Profit & 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 for 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 the 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 the 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 the 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 main-tained 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.

10.4 Share-based payments: The measurement and disclosure of Employee Stock Options offered by the Bank is as per the Guidance Note on Accounting for Employee Share-based Payments issued by the Institute of Chartered Accountants of India.

The cost of equity-settled transactions is measured using the intrinsic value method and recognized, together with a corresponding increase in the 'Stock options outstanding account' in reserve. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

11 LEASE

11.1 Lease arrangements where risk and

rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating leases.

11.2 Lease rentals under operating lease are charged to the Profit & 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 the Reserve Bank of India.

13 EARNINGS PER SHARE

Earnings 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 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 is 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. Current tax assets and liabilities and deferred tax assets and liabilities are calculated at the revised rates u/s section 115BAA of the Income Tax Act, 1961. Accordingly, as per Section 115JB, Minimum Alternate Tax (MAT) is not applicable.

15 PROVISIONS AND CONTINGENT LIABILITIES & CONTINGENT ASSETS

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, 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 the 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 the 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

ANNUAL ACCOUNTS

SCHEDULE 18: NOTES ON ACCOUNTS APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

1. CAPITAL

1.1. Capital to risk-weighted asset ratio ('Capital Adequacy Ratio') of the Bank, as on March 31, 2020 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 the 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 the 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 (%)	19.11%	16.40%
ii) CRAR - Tier I Capital (%)	14.00%	10.51%
iii) CRAR - Tier II Capital (%)	5.11%	5.89%
iv) Leverage Ratio	7.27%	5.56%

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

(Rs. in Thousands)

Particulars	Current Year	Previous Year
i) Amount of equity (Face Value) raised on private placement under preferential allotment	53,265	Nil
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)	Nil	614,500

1.3. Tier I Capital Infusion

During the current year, the Bank has issued and allotted 1,608,508 Equity Shares on June 25, 2019 and 3,717,966 Equity Shares on November 22, 2019 of ₹10/- each at a premium of ₹242/- (i.e. at the total issue price of ₹252/-) per Equity Share aggregating to ₹1,342,271 thousand on a private placement basis under preferential allotment to Financial Institutional Investors i.e. Amicus Capital Private Equity I LLP, Amicus Capital Partners India Fund I, Pi Ventures LLP and Oman India Joint Investment Fund II.

During the previous year, the Bank has not issued any equity shares.

Movement in the paid-up equity share capital of the Bank is as below:

(Rs. in Thousands)

Particulars	Current Year	Previous Year
i) Opening Balance	284807	284807
ii) Addition pursuant to Amount of equity raised on private placement basis under preferential allotment	53265	Nil
iii) Closing Balance	338072	284807

1.4. Proposed Dividend

As per the circular issued by the Reserve Bank of India dated April 17, 2020, the banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until

further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. Accordingly, no dividend has been recommended by the Board of Directors for the year ended March 31, 2020 (March 31, 2019: `0.20 per equity share).

1.5. Tier 2 Capital

During the current year, the Bank has not raised Tier 2 Capital.

During the previous year, the Bank has raised Unsecured Redeemable Non-Convertible Lower Tier II Bonds, mentioned as below:

(₹ in Thousands)

Series	Date of Allotment	Coupon (%)	Tenure	Amount
Series XV	15-May-18	9.25%	10 years	209,500
Series XVI	28-Feb-19	10.00%	10 years	180,000
Series XVII	31-Mar-19	10.00%	10 years	225,000

During the current year, the Unsecured Redeemable Non-Convertible Lower Tier II Bonds have matured, mentioned as below:

(₹ in Thousands)

Series	Date of Allotment	Coupon (%)	Amount
Series I	17-Sep-19	11.00%	50,300
Series II	29-Sep-19	11.00%	36,000
Series III	24-Oct-19	11.00%	27,800
Series IV	27-Mar-20	10.00%	55,500

During the previous year, there has been no maturity under the Tier 2 Capital.

Maturity Profile of total debentures outstanding as on March 31, 2020:

Unsecured Redeemable Non-Convertible Lower Tier II Bonds:

(₹ in Thousands)

Series	Amount	Maturity Date
11% Tier II Bonds Series V	57100	4-Jun-21
1% Tier II Series VI	30200	18-Jun-21
11% Tier II Bonds Series VII	60400	25-Aug-22
11% Tier II Bonds Series VIII	50300	4-May-23
11% Tier II Bonds Series IX	31000	20-May-23
11% Tier II Bonds Series X	94700	24-May-24
10.50% Tier II Bonds Series XII	120000	17-Feb-26
9.75% Tier II Bonds Series XIV	159000	25-Nov-26
9.25% Tier II Bonds Series XV	209500	15-May-28
10% Tier II Bonds Series XVI	180000	28-Feb-29
10% Tier II Bonds Series XVII	225000	31-Mar-29
TOTAL	1217200	

Unsecured Redeemable Non-Convertible Upper Tier II Bonds:*(₹ in Thousands)*

Series	Amount	Maturity Date
11.75% Upper Tier II Bonds Series XI	140000	31-Mar-30
11.75% Upper Tier II Bonds Series XIII	250000	30-Mar-31
Total	390000	

1.6. Creation/Reversal of Investment Reserve Account

During the current year, the Bank has not transferred any amount to/from Investment Reserve Account.

During the previous year, the Bank has reversed an amount of ₹35 thousand 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 previous year.

1.7. Creation of Investment Fluctuation Reserve

During the current year, in terms of circular number RBI/2017-18/147.DBR.No. BP.BC.102/21.04.048/2017-18 dated April 02, 2018, the Bank has appropriated the amount of ₹31,937 thousand (previous year ₹12,074 thousand) to Investment Fluctuation Reserve. The total amount appropriated to Investment Fluctuation Reserve as on March 31, 2020 is ₹44,011 thousand (previous year ₹12,074 thousand).

(₹ in Thousands)

Particulars	Current Year	Previous Year
1) Value of Investments		
(i) Gross Value of Investments		
a) In India	10,518,746	8,625,862
b) Outside India	Nil	Nil
(ii) Provision for Investments		
a) In India	Nil	(65)
b) Outside India	Nil	Nil
(iii) Net Value of Investments		
a) In India	10,518,746	8,625,797
b) Outside India	Nil	Nil
2) Movement of Provision for Depreciation held towards Investments		
(i) Opening Balance	65	8
(ii) Provisions made during the year	705	61,989
(iii) Write-off/(write-back) of excess provisions during the year	(770)	(61,932)
(iv) Closing Balance	Nil	65

2.1 Repo/Reverse Repo

During the Current Year

The Bank has undertaken MSF, Tri-party repo/reverse repo and Long Term Repo transactions during the year with Clearing Corporation of India Ltd. (CCIL) and the RBI as part of money market operations.

Tri-party repo / reverse repo transactions are repo / reverse repo transactions where a tri-party agent acts as an intermediary between the two parties to the repo / reverse repo to facilitate services such as collateral selection, payment and settlement and custody and management during the life of the transaction.

(₹ in Thousands)

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, 2020 (Face Value)
Securities sold under repo:				
1. Government Securities	-	1,159,885	113,046	810,000
2. Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo:				
1. Government Securities	-	3,798,431	854,957	1,499,645
2. Corporate Debt Securities	-	-	-	-

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

During the Previous 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.

(₹ in Thousands)

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)
Securities sold under repo:				
1. Government Securities	-	966,513	176,332	-
2. Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo:				
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 previous year.

2.2 Non-SLR Investment Portfolio

i) Issuer composition of Non-SLR investments as on last date of the year

Current Year

The Bank does not hold any investment in Non-SLR category as on March 31, 2020.

Previous Year

(₹ in Thousands)

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	Nil	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

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

The Bank has not shifted any investment during the current year.

During the Previous Year

At the beginning of the previous 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

(₹ in Thousands)

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

2.4 Derivatives

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

2.5 Security Receipts

The Bank does not hold any investment in Security Receipts during the current year and the previous year.

3. Asset Quality

3.1 Impact on account of COVID-19 on Advances

The pandemic due to COVID-19 continues to spread across the globe. This has deaccelerated economic activity and has increased volatility in the financial markets. Many organizations, including the Bank, have introduced various containment measures since it was declared as a pandemic by the World Health Organization (WHO) on March 11, 2020.

The Government of India, on March 24, 2020, introduced a strict 21-day lockdown which subsequently got increased to 19 days more to contain the community spread of the catastrophic virus. The extent to which the COVID-19 pandemic will affect the Bank's earning capacity will depend upon future developments, which are highly uncertain.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium of three months on the payment of all installments and/or interest as applicable falling due between March 1, 2020 and May 31, 2020 to the eligible borrowers classified as standard, even if overdue, as on February 29, 2020. For all such accounts where the moratorium is granted, the asset classification will remain standstill during the moratorium period. In respect of accounts in default but standard as on the date of the balance sheet and where asset classification benefit has been extended for the moratorium/deferral period in accordance with the guidelines issued by the Reserve Bank of India, provision of 10 per cent of the outstanding of such accounts is/will be created in phased manner i.e. 5% for the quarter ended March 31, 2020 and remaining 5% will be created during the quarter ending June 30, 2020.

The Bank has created general provision of ₹7.70 Crores for the quarter ended March 31, 2020 in respect to impact due to COVID-19 which is in excess of the provision required as per the RBI guidelines. The details are as under:

(Rs. In Crores)

1	Respective amount in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the circular	513.68
2	Respective amount where asset classification benefits is extended	64.10
3	Provisions made during the quarter ended March 31, 2020 in terms of paragraph 5 of the circular	7.70
4	Provisions adjusted during the respective accounting periods against slippages in terms of paragraph 6 of the circular.	-
5	Residual provision as on March 31, 2020 in terms of paragraph 6 of the circular.	7.70

3.2 Non-Performing Asset

(Rs. in Thousands)

Particulars		Current Year	Previous Year
(i)	Net NPAs to Net Advances (%)	1.25%	0.93%
(ii)	Movement of NPAs (Gross)		
	Opening balance	339,556	211,286
	Additions during the year	421,900	278,447
	Reductions during the year	176,387	150,177
	Closing balance	585,069	339,556
(iii)	Movement of NPAs (Net)		
	Opening balance	242,204	154,314
	Additions during the year	310,070	215,246
	Reductions during the year	139,777	127,356
	Closing balance	412,497	242,204
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	Opening balance	97,352	56,972
	Provisions made during the year	111,830	63,201
	Write-off/ write-back of excess provisions	36,610	22,821
	Closing balance	172,572	97,352

3.3 Technical Write-Offs

There were nil technical write-offs during the current year and previous year.

3.4 Restructuring

The Bank has not restructured any account during the current year and previous year.

3.5 Disclosure resolution of Stressed Assets

The Reserve Bank of India has issued guidelines on Prudential Framework on Resolution of Stressed Assets, dated June 07, 2019. The Bank has not restructured any account under the framework during the current year.

3.6 Sale of Financial Asset under Securitization/Asset Reconstruction

The Bank has not sold any financial asset during the year to Securitization/ Reconstruction Company for Asset Reconstruction during the current year and previous year.

3.7 Sale/Purchase of Non-performing financial assets

The Bank has not purchased/sold any Non-performing financial assets from/to other banks during the Current Year and Previous Year.

3.8 Provision on Standard Asset

(Rs. in Thousands)

Particulars	Current Year	Previous Year
Provisions towards Standard Assets	101,470*	25,757

The cumulative provision towards standard assets held by the Bank as at the year-end amounts to ₹185,768 thousand (previous year ₹84,298 thousand).

*General provision against standard assets includes provision of Rupees 7.70 crores created in accordance with RBI Circular 'COVID19 Regulatory Package - Asset Classification and Provisioning' and 'COVID-19 – Regulatory Package'.

1. Business Ratios

Particulars	Current Year	Previous Year
(i) Interest Income as a percentage to Working Funds*	9.24%	9.03%
(ii) Non-interest income as a percentage to Working Funds*	0.87%	0.82%
(iii) Operating Profit** as a percentage to Working Funds*	1.05%	0.89%
(iv) Return on Assets@	0.51%	0.51%
(v) Business (Deposits plus advances) # per employee^ (₹ in '000)	48,424	47,219
(vi) Profit per employee (Operating Profit)^(₹ in '000)	333	260

*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, 2020

(₹ in Thousands)

	Next Day	2-7 Days	8-14 days	15 to 30 Days	31 days and Upto 2 Months	over 2 months and upto 3 months	over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Above 5 Years	Total
CY	-	-	-	-	-	5121253	1234731	2532910	19245184	3532990	1416017	33083085
Loans & Advances PY	4341868	41513	63588	173855	311060	305044	904728	1800008	14987856	2214870	846063	25990453
CY	2632901	37518	21157	71915	183558	246677	356898	769661	2821629	72814	3304018	10518746
Investment PY	324561	118117	269044	98941	249276	90889	654964	563739	3302188	62702	2891376	8625797
CY	1713062	215693	116795	413438	1055271	1389073	2044791	4199653	15387893	244318	17706246	44466233
Deposits PY	1488592	110972	152354	565045	1407624	503087	1266721	2565056	13343874	216646	15052609	36672580
CY	-	-	110000	-	26000	26000	678000	566000	1343700	176000	1283500	4209200
Borrowing PY	-	-	-	-	16000	16000	234300	379300	1418300	141700	1378200	3583800
CY	7276	-	-	-	-	-	-	-	-	-	-	7276
Foreign Currency Assets PY	-	-	-	-	-	-	-	-	-	-	-	-

Classification of Assets and Liabilities under the maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the Reserve Bank of India.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium of three months on the payment of all installments and/or interest as applicable falling due between March 1, 2020 and May 31, 2020 to the eligible borrowers classified as standard, even if overdue, as on February 29, 2020 and has incorporated the effect of moratorium in the respective maturity buckets.

6 Exposures

6.1 Exposure to Real Estate Sector

(₹ in Thousands)

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 ★ Others	1,891,007 2,564,978	1,079,585 1,793,403
(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.). Exposure would also include non-fund based (NFB) limits;	1,940,899	1,295,755
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures	Nil	Nil
a. Residential	Nil	Nil
b. Commercial Real Estate		
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	131,225	146,640
Total Exposure to Real Estate Sector	6,528,109	4,315,383

6.2 Exposure to Capital Market

(₹ in Thousands)

Particulars	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 operating in the state of Punjab, Union Territory of Chandigarh, Haryana, Rajasthan and Delhi. Hence, the Bank does not have country risk exposure as on March 31, 2020 and March 31, 2019.

6.4. Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the Bank

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

6.5. Unsecured Advances against Intangible Assets

The Bank has not extended any advance against intangible securities such as charge over the rights, licenses, authority etc. during the current year and previous year.

6.6. Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2020 is NIL (previous year - NIL).

7. Accounting for employee share based payments

- Capital Small Finance Bank Limited – Employees Stock Option Plan 2018 (“CSFB ESOP 2018”) was approved by the shareholders of the Bank, in the Annual General Meeting held on September 27, 2019, for granting equity stock options to its employees and directors (other than independent directors).
- The stock options will be equity settled.
- The accounting for stock options is in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by the Institute of Chartered Accountants of India.
- The Nomination and Remuneration Committee of the Bank is empowered to administrate, implement and superintend the plan. Its powers include determination of eligible employees, determine the parameters for grant of options, vesting conditions, determination of exercise period, among others.
- The details ESOP scheme of the Bank are as under:

Scheme	Date of Grant	Vesting	Exercise Period	Exercise Price per option	Method of Settlement
CSFB ESOP 2018	April 30, 2019	Graded Vesting: April 30, 2020- 25% April 30, 2021- 30% April 30, 2022- 45%	Twelve months from the date of vesting	₹98	Equity

- Activity in the options outstanding under the CSFB ESOP 2018 plan:

Particulars	March 31, 2020 (Number of Options)	March 31, 2019 (Number of Options)
Options outstanding, beginning of year	-	NA
Granted during the year	6,50,496	NA
Exercised during the year	-	NA
Forfeited / Lapsed during the year	-	NA
Options outstanding, end of year	6,50,496	NA
Options exercisable	-	NA

- The fair value of stock option granted was ₹212.63/-. Discounted cash flow method has been used for computing the fair value.
- The Bank measures the cost of ESOP using the intrinsic value method. Had the Bank used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed as indicated below:

Particulars	Amount
Profit after tax as reported	253,821
Add: ESOP cost using intrinsic value method (net of tax)	12,067
Less: ESOP cost using fair value method (net of tax)	(22,383)
Profit after tax (adjusted)	243,505
Earnings Per Share -	
Basic	
- As reported	8.18
- Adjusted for ESOP using fair value method	7.84
Diluted	
- As reported	8.16
- Adjusted for ESOP using fair value method	7.81

8. Concentration of Deposits, Advances, Exposures and NPAs

8.1 Concentration of Deposits

(₹ in Thousands)

Particulars	Current Year	Previous Year
Total Deposits of twenty largest depositors	3,399,372	2,595,820
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	7.64%	7.08%

8.2 Concentration of Advances

(₹ in Thousands)

Particulars	Current Year	Previous Year
Total Advances to twenty largest borrowers	2,680,616	2,416,079
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	6.81%	8.22%

8.3 Concentration of Exposures

(₹ in Thousands)

Particulars	Current Year	Previous Year
Total Exposure to twenty largest borrowers/customers	2,680,616	2,416,079
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the Bank on Borrowers/customers	6.81%	8.08%

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

8.4 Concentration of NPAs

(₹ in Thousands)

Particulars	Current Year	Previous Year
Total Exposure to top four NPA accounts	224,603	86,406

8.5 Movement of NPAs

(₹ in Thousands)

Particulars	Current Year	Previous Year
Gross NPAs as on first day of the year	339,556	211,286
Additions (fresh NPAs) during the year	421,900	278,447
Sub Total (A)	761,456	489,733
Less:		
(i) Upgradations	144,269	116,770
(ii) Recoveries(excluding recoveries made from upgraded accounts)	32,055	33,277
(iii) Write-offs	63	130
Sub Total (B)	176,387	150,177
Gross NPAs as on last day of the year	585,069	339,556

8.6 Sector-wise Advances

(₹ in Thousands)

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	% of Gross NPAs to Total Advances in that sector
A) Priority Sector							
1	Agriculture & allied activities	12,744,444	204,510	1.60	9,856,361	176,117	1.79
2	Industry(Micro & small, Medium and large)	1,956,418	32,901	1.68	1,739,897	3,435	0.20
3	Services	6,410,995	71,397	1.11	5,520,493	90,962	1.65
4	Personal Loans	-	-	-	-	-	-
5	Others	1,907,649	4,853	0.25	1,097,275	614	0.06
	Sub-Total (A)	23,019,506	313,661	1.36	18,214,026	271,128	1.49
B) Non - Priority Sector							
1	Agriculture & allied activities	-	-	-	-	-	-
2	Industry(Micro & small, Medium and large)	114,205	-	-	-	-	-
3	Services	951,263	200,063	21.03	966,621	-	-
4	Personal Loans	216,669	2,511	1.16	210,255	2,101	1.00
5	Others	8,954,014	68,834	0.77	6,696,903	66,327	0.99
	Sub-Total (B)	10,236,151	271,408	2.65	7,873,779	68,428	0.87
	TOTAL (A+B)	33,255,657	585,069	1.76	26,087,805	339,556	1.30

8.7 Details of Priority Sector Lending Certificates (PSLC)

(₹ in Thousands)

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	-	5,200,000	-	2,500,000
Small and Marginal Farmers	700,000	-	-	-
Micro enterprises	-	-	-	-
General	-	-	300,000	1,000,000
Total	700,000	5,200,000	300,000	3,500,000

8.8 Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas asset/NPA as at March 31, 2020 and March 31, 2019. No overseas operations were undertaken during the year ended March 31, 2020 and March 31, 2019, hence revenue from overseas operations is Nil.

8.9 Off Balance Sheet SPVs sponsored

The Bank does not hold any sponsored off balance sheet SPVs during the current year and previous year.

9. Bancassurance Business

(₹ in Thousands)

Particulars	Current Year	Previous Year
Fee/remuneration received:		
(a) Life insurance	52,811	42,289
(b) General Insurance	20,086	14,977

10. Provisions and Contingencies

(₹ in Thousands)

Particulars	Current Year	Previous Year
Provisions towards Taxes	92,001	75,104
Provisions towards Standard Assets	101,470	25,757
Provision towards Non-performing Advances	75,220	40,380
Depreciation on Investments	(65)	7,388
Total	268,626	148,629

11. Staff Retirement Benefits

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for the Gratuity Benefit of the Bank is as below:

(₹ in Thousands)

Particulars	Current Year	Previous Year
Defined benefit obligation liability		
Opening Obligations	40,533	32,483
Service Cost	8,771	6,712
Interest Cost	3,113	2,547
Actuarial (Gain)/Loss	3,117	(193)
Liabilities extinguished on settlement	-	-
Benefits Paid	(2,424)	(1,016)
Obligations at last date of the year	53,110	40,533
Plan Assets at fair value		
Opening Plan Assets, at fair value	40,736	32,734
Expected return on plan assets	2,994	2,619
Actuarial Gain/(Loss)	1,111	4
Assets distributed on settlement		
Contributions	11,858	6,395
Benefits Paid	(2,424)	(1,016)
Plan Assets at fair value at last date of the year		
Fair Value of Plan Assets at the end of the year	54,275	40,736
Present Value of the defined benefit obligation at the end of the year	53,110	40,533
Asset/(Liability) at last date of the year	1,165	203
Experience adjustments on Plan Liabilities	(2,480)	1,103
Experience adjustments on Plan Assets	1,111	(197)
Cost for the year		
Service Cost	8,771	6,712
Interest Cost	3,113	2,547
Expected Return on Plan Assets	(2,994)	(2,619)
Actuarial (Gain)/Loss	2,006	(197)
Net Cost	10,896	6,443
Investment details of Plan Assets		
Plan assets are invested in insurer managed funds.		
Assumptions		
Interest Rate	6.87%	7.68%
Salary escalation rate	5.25%	6.00%
Estimated rate of return on plan assets	7.25%	7.75%

The actuarial liability of compensated absences of accumulated earned and sick leaves of the employees of the Bank is as below:

<i>(₹ in Thousands)</i>		
Particulars	Current Year	Previous Year
Earned Leaves	35,038	24,505
Sick Leaves	8,882	6,823
Total Actuarial Liability	43,920	31,328
Assumptions		
Discount Rate	6.87%	7.68%
Salary Escalation Rate	5.25%	6.00%

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

12 Miscellaneous

12.1 Amount of Provisions made for Income tax during the year

<i>(₹ in Thousands)</i>		
Particulars	Current Year	Previous Year
Income Tax	112,954	85,076
Deferred Tax	(20,953)	(9,972)

12.2 Disclosure of Penalties Imposed by the RBI

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

13. Divergence in Asset Classification and Provisioning for NPAs

The Off-Site Assessment and Inspection for Supervisory Evaluation (ISE) was conducted by the Reserve Bank of India under Section 35 of the Banking Regulation Act, 1949, for reference period of March 31, 2018. The details relating to divergence between the non-performing advances reported by the Bank, and as assessed by the Reserve Bank of India during 2018-19 in their Supervisory Programme for Assessment of Risk and Capital pertaining to the year ended March 31, 2018, in the format as prescribed by the Reserve bank of India, are as below

<i>(₹ in Thousands)</i>		
Sr. No.	Particulars	Amount
1	Gross NPAs as on March 31, 2018 as reported by the Bank	211,286
2	Gross NPAs as on March 31, 2018 as assessed by the RBI	333,398
3	Divergence in Gross NPAs (2-1)	122,112
4	Net NPAs as on March 31, 2018 as reported by the Bank	154,314
5	Net NPAs as on March 31, 2018 as assessed by the RBI	258,109
6	Divergence in Net NPAs (5-4)	103,795
7	Provisions for NPAs as on March 31, 2018 as reported by the Bank	56,972
8	Provisions for NPAs as on March 31, 2018 as assessed by the RBI	75,289
9	Divergence in provisioning (8-7)	18,317
10	Reported Net Profit after Tax (PAT) for the year ended March 31, 2018	190,202
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2018 after taking into account the divergence in provisioning	163,431

Consequentially, there was no impact on the Gross NPA of March 31, 2019 due to above divergence, since, all the accounts have been already either recovered or marked to NPA by March 31, 2019 by the Bank.

12 Segment Reporting

Segment details in compliance with AS-17 and pursuant to the Reserve Bank of India guidelines, are as under:

(₹ in Thousands)

Business Segments	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	1331849	1078172	386187	256771	3178101	2345058	114761	95979	5010898	3775980
Result	269296	206040	4499	24812	465430	394819	102261	82993	841486	708664
Unallocated Expenses									495664	439419
Operating Profit									345822	269245
Income Taxes									92001	75104
Extra-ordinary Profit/Loss	-	-	-	-	-	-	-	-	-	-
Net Profit									253821	194141
Other Information :										
Segment Assets	16848301	13801371	3796551	2912082	32337702	26179043	15681	14556	52998235	42907052
Unallocated Assets									300531	304992
Total Assets									53298766	43212044
Segment Liabilities	813448	-	3293954	2634330	43415093	36207373	-	-	47522495	38841703
Unallocated Liabilities									1708470	1867122
Total Liabilities									49230965	40708825

Note:

- The Bank is operating in Domestic Segment so there is only one Geographic Segment.
- Inter Segment transactions are based on transfer pricing as determined by the Management consent

15. 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. Amit Sharma** – Company Secretary (with effect from May 17, 2019)
- 4) **Mr. Sahil Vijay** – Company Secretary (Resigned on May 17, 2019)

- 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 and Sarvjit Singh Samra HUF.

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 and Munish Jain HUF.

Mr. Amit Sharma: Mr. Mangal Chand Sharma, Mrs. Bimla Sharma, Mrs. Gitika Sharma, Mr. Kunal Sharma, Miss Amayra Sharma, Mrs. Poonam Sharma, Mrs. Seema Sharma, Mr. Ajay Sharma and Mrs. Sheetal Sharma.

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

- Associates/ Joint Ventures/ Others:

Capital Foundation Trust

- Enterprises where KMP/relatives of KMP have significant control/influence

Midland Microfin Limited

a) The balances payable to/receivable from the related parties of the Bank as on March 31, 2020 are given below:

(Rs. in Thousands)

Items/ Related Party	Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	CY	-	-	1,000	12,700	13,700
	PY	-	-	1,400	10,700	12,100
Deposits	CY	-	1,878	5,548	30,310	37,736
	PY	-	500	4,070	41,342	45,912
Placement of Deposits	CY	-	-	-	-	-
	PY	-	-	-	-	-
Advances	CY	-	-	91	-	91
	PY	-	-	3,206	2	3,208
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, 2020 are given below:

(Rs. in Thousands)

Items/ Related Party	Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	CY	-	-	1,500	15,100	16,600
	PY	-	-	1,400	10,700	12,100
Deposits	CY	-	4,558	65,092	123,129	192,779
	PY	-	500	88,502	101,914	190,916
Placement of Deposits	CY	-	-	-	-	-
	PY	-	-	-	-	-
Advances	CY	-	-	4,346	113	4,459
	PY	-	-	4,025	2	4,027
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, 2020 are given below:

(Rs. in Thousands)

Items/ Related Party	Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Purchase of fixed assets						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
Sale of fixed assets						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
Interest paid						
CY	-	-	56	774	3,581	4,412
PY	-	-	-	824	3,034	3,858
Interest received						
CY	-	-	-	64	1	65
PY	-	-	-	194	0	194
Rendering of Services						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
Receiving of Services						
CY (Lease Rent)	-	-	-	4,477	15,752	20,229
CY (Salary)	-	-	-	25,672	1,274	26,946
PY (Lease Rent)	-	-	-	4,228	16,068	20,296
PY (Salary)	-	-	-	16,106	-	16,106
Management Contracts						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
CSR Expense						
CY	-	-	5,250	-	-	-
PY	-	-	500	-	-	-

For a person being a KMP for the current year or part thereof, the consideration paid during the complete financial year has been disclosed. In accordance with paragraph 5 of AS-18, the Bank has not disclosed certain transactions with entities related to the relatives of KMPs as they are in the nature of banker-customer relationship.

16 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.

(Rs. in Thousands)

Particulars	Current Year	Previous Year
Not later than one year	15,486	8,303
Later than One year and not later than five years	24,864	24,522
Later than five years	29,780	33,737
Total Minimum lease rental commitments	70,130	66,562

Total lease rental expenditure under cancellable and non-cancellable operating leases debited to Profit & Loss Account in the current year is ₹169,400 thousand (Previous Year ₹141,998 thousand)

Finance Lease

The Bank has not taken any asset under finance lease.

17 Earnings Per Share

Particulars	Current Year	Previous Year
Net profit after tax available for equity shares (₹ '000)	253,821	194,141
Weighted average number of equity shares	31,046,437	28,480,743
Weighted average number of equity shares for diluted earnings	31,116,679	28,480,743
Basic Earnings per share (₹)	8.18	6.82
Diluted Earnings per share (₹)	8.16	6.82
Face Value per share (₹)	10	10

18 Deferred Tax Asset

Other Assets include deferred tax asset of an amount equal to ₹39,482 thousand (Previous Year ₹18,529 thousand) as detailed below:

(Rs. in Thousands)

Particulars	Current Year	Previous Year
Deferred Tax Liabilities	19,318	23,733
Depreciation on Fixed Assets	16,436	20,122
Special Reserve under section 36(i) (viii)	2,882	3,611
Deferred Tax Assets	58,800	42,262
Loan Loss Provisions	46,754	29,457
Others	12,046	12,805
Deferred Tax Liabilities/(Assets) (Net)	(39,482)	(18,529)

19 Provision Coverage Ratio

Particulars	Current Year	Previous Year
Ratio of Provisioning to Gross Non Performing Assets	29.50%	28.67%

20 Disclosure of Complaints

a) Customer Complaints pertaining to Retail Payment Channels (Automated Teller Machine (ATM)/Point of Sale (POS) Transactions/Ecommerce Transactions, BBPS, IMPS, etc.)

Particulars	Current Year	Previous Year
(a) No. of Complaints pending at the beginning of the year	15	1
(b) No. of Complaints received during the year	630	544
(c) No. of Complaints redressed during the year	641	530
(d) No. of Complaints pending at the end of the year	4	15

Out of the above complaints, 600 complaints (542 previous year) are related to acquiring banks during the current year ending March 31, 2020.

b) Customer Complaints other than above:

Particulars	Current Year	Previous Year
(a) No. of Complaints pending at the beginning of the year	6	Nil
(b) No. of Complaints received during the year	159	63
(c.) No. of Complaints redressed during the year	164	57
(d) No. of Complaints pending at the end of the year	1	6

c) 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

21 Drawdown from Reserves

(Rs. in Thousands)

Particulars	Current Year	Previous Year
Investment Reserve Account	Nil	35
Securities Premium Account	40,381*	Nil

*The drawdown from the Securities Premium is against the share issue expenses incurred on the equity capital raised during the year.

22 Transfer to Depositor Education and Awareness Fund (DEAF)

The Bank has transferred `8,451 thousand (Previous Year ₹8,052 thousand) to the Depositor Education and Awareness Fund (DEAF) during the year ended March 31, 2020 as per the details below:

(Rs. in Thousands)

Particulars	Current Year	Previous Year
Opening balance of amount transferred to DEAF	25,849	19,710
Add: Amount transferred to DEAF during the year	8,451	8,052
Less: Amounts reimbursed by DEAF towards claims	275	1,913
Closing balance of amounts transferred to DEAF	34,025	25,849

23 Movement in Floating provisions

The Bank has not created or utilized any floating provisions during the year ended March 31, 2020 and March 31, 2019. The floating provisions were nil as on March 31, 2020 and March 31, 2019.

24 Securitization transactions

The Bank has not done any securitization transactions during the year ended March 31, 2020 and March 31, 2019.

25 Letter of comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2020 and March 31, 2019.

26 Intra group exposure

The Bank has no intra group exposure during the year ended March 31, 2020 and March 31, 2019.

27 Unhedged Foreign currency exposure

The Bank does not have any unhedged foreign currency exposure as on March 31, 2020 and March 31, 2019.

28 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.

29 Unamortized Pension and Gratuity Liabilities

The Bank does not have any unamortized liability against pension and gratuity during the current year and previous year.

30 Remuneration

Qualitative Information with reference to Whole Time Directors / Managing Director & Chief Executive Officer/ Other Risk Takers

a. Nomination and Remuneration Committee

The Bank has constituted Nomination and Remuneration Committee (NRC) for overseeing and governing the compensation policies of the Bank. The committee oversees 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.

The Board of Directors in the meeting held on May 17, 2019 reconstituted the Nomination and Remuneration Committee. The Committee has four members including two members 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:

- Mr. Rakesh Soni, Chairman
- Mr. Sham Singh Bains, Member
- Mr. Gurdeep Singh, Member
- Mr. Gurpreet Singh Chug, Member

b. Compensation Policy of the Bank

• Philosophy and Key Objectives

The Compensation Policy (“the Policy”) of the Bank aims at the Bank’s philosophy to recruit, motivate, reward and retain employees who believe in, and live by, our culture and values. The Bank endeavors to encourage entrepreneurship by creating a working environment that motivates high performance so that all employees can positively contribute to the strategy, vision, goals and values of the Bank. The key objectives of the Policy are:

- To support the organization’s strategy by helping to build a competitive, high performance and innovative company with an entrepreneurial culture that attracts, retains, motivates and rewards high-performing employees;
- To promote the achievement of strategic objectives within the company’s risk appetite;
- To promote / support positive outcomes across the economic and social context in which the company operates and
- To promote an ethical culture and responsible corporate citizenship.
- To ensure that the remuneration of “MD & CEO”, “Whole Time Directors” & Other Risk Takers is fair and reasonable in the context of overall Bank’s remuneration.
- Adherence to principles of good corporate governance, as depicted in “best practice” and regulatory frameworks
- Make a clear distinction between levels of accountability and pay package.

• Structure

The Policy defines the structure of the compensation into guaranteed (fixed) remuneration and variable remuneration.

- The guaranteed remuneration is the base element of the remuneration that reflects the employee’s role or position in the Bank and is payable for doing the expected job, including but not limited to basic salary, statutory bonus, allowances, perquisites, profit in lieu of salary and any other component paid, measured on the cost to company basis. Guaranteed remuneration is paid on monthly basis and is normally benchmarked against the financial services market and is aligned to the expected operational performance.
- The variable remuneration is the reward element of the remuneration, focused to create a performance culture in the Bank, is payable as a reward to individuals or teams for achieving strong results in terms of pre-determined goals. The variable remuneration is paid in 2 forms:
 - Short Term Variable Remuneration payable on not greater than yearly frequency and will be paid on the basis of performance based scorecard or individual employee rating, where the performance targets are set in terms of threshold, target and outperformance levels.
 - Long Term Variable Remuneration only in the form of ESOPs payable on more than annual frequency on the basis of longevity and long-term performance of the employee.

• Appropriate Mix

The endeavor of the Policy is to ensure that there is a proper balance between the fixed pay and variable pay. The variable pay is considered to be substantial if the variable pay as a percentage to the fixed pay exceeds the ceiling as enumerated below:

Sr. No.	Level	Variable Pay as percentage to Fixed Pay
1	Employees other than Risk Takers	35.00%
2	Risk Takers Other than KMP and Chief Operating Officer	37.50%
3	KMP and Chief Operating Officer, not being MD & CEO /WTD	40.00%
4	“MD & CEO” and “WTDs”	47.50%

The ESOPs are excluded from the component of variable pay for the calculation of the above ceiling.

- **Special Adjustments for the salary payable to Managing Director & CEO and Whole Time Directors**

- The Short Term Variable Pay for Managing Director & CEO and Whole Time Directors for the year should not exceed 50% of the fixed pay. Within the said range and as per the above ceiling, the NRC decides the short term variable pay %age for the year keeping in the view the various factors including but not limited to present and prospective capital position, present and budgeted Profit After Tax (PAT) numbers, market dynamics and risk position of the Bank. Short-term Variable Remuneration, if not substantial, is paid on yearly basis. Short-term Variable pay is paid in the form of cash only.
- Long term variable remuneration of the MD & CEO/WTD are determined or paid on the basis of ESOP Policy. As per the extant provisions of the Companies Act 2013, MD & CEO or WTD's from the promoter group are not eligible for the ESOPs.
- On the basis of above, the variable pay is further linked with the performance of the Bank during the year and accordingly the performance measurement is done basis various key performance indicators including:
 - Profitability Achievement
 - Business Growth Achievement (Advances and Deposits)
 - Credit Risk (SMA 2 position)
 - Market Risk (LCR, Duration gap Analysis)
 - Solvency Risk (Leverage Ratio, Capital Adequacy Ratio)
- Where the Variable Pay constitutes substantial portion of the fixed pay, then 40% of the variable pay is deferred over a period of 3 years. Compensation payable under the deferral arrangement rests on pro rata basis. Further, in the event of negative contributions of the Bank (i.e CRAR < 15% and/or negative PAT), the deferred compensation is subject to the malus arrangement. A malus arrangement permits the Bank to prevent vesting of upto 40% of the amount of the deferred remuneration as decided by the NRC. It is hereby clarified that the Malus arrangement will not be reverse vesting after it has already occurred.

- **Special Adjustments for the salary payable to KMPs and Other Risk Takers**

- Short Term Variable Remuneration, if not substantial, as per the ceiling detailed above, is payable on half yearly or yearly basis. Where the short term variable pay constitutes a substantial portion of the fixed pay, then 40% of the variable pay is deferred over a period of 3 years. Compensation payable under the deferral arrangement will rest on pro rata basis. Short term variable pay will be paid out in the form of cash only.
- Long Term Variable Remuneration is determined and payable on the basis of ESOP Policy of the Bank. As per the extant provisions of the Companies Act, 2013, KMP and other Risk Takers not being MD & CEO/WTD from the promoter group are not eligible for ESOPs.
- In the event of negative contributions of the Bank (i.e CRAR < 15% and/or negative PAT), the deferred compensation is subject to the Malus arrangement. A Malus arrangement permits the Bank to prevent vesting of upto 40% of the amount of the deferred remuneration as decided by the NRC. It is hereby clarified that the Malus arrangement does not reverse vesting after it has already occurred.

- **Guaranteed Bonus**

The Bank does not allow any guaranteed bonus except bonus payable under the Payment of Bonus Act. Further, the Joining/Signing bonus is permissible in the context of hiring of new staff in the form of ESOPs only and be limited to the first year. Further, the Bank will not grant severance pay other than accrued benefits (gratuity, retiral benefits, etc.) except in case where it is mandatory by any statute.

- **Hedging**

The Bank does not provide any facility or funds or permit employees to insure or hedge their compensation structure to offset the risk alignment effects embedded in their compensation arrangement.

Quantitative Information with reference to Whole Time Directors/Managing Director & Chief Executive Officer/Other Risk Takers

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	Number of Meetings: 5 No remuneration is being paid to members except the sitting fees.	Number of Meetings: 6 No remuneration is being paid to members except the sitting fees.
B(i) Number of employees having received a variable remuneration award during the financial year.	8	NIL
B(ii) Number and total amount of sign-on awards made during the financial year.	Nil	NIL
B(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	NIL
B(iv) Details of severance pay, in addition to accrued benefits, if any.	Nil	NIL
C(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Nil	NIL
C(ii) Total amount of deferred remuneration paid out in the financial year.	Nil	NIL
D Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	1. Short Term Variable Remuneration Fixed Pay- ₹91.95 Lacs Variable Pay- ₹15.11 Lacs 2. Long Term Variable Remuneration- No. ESOPs granted- 101,183	Not Applicable
E(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil	Nil
E(ii) Total amount of reductions during the financial year due to ex-post explicit adjustments.	Nil	Nil
E(iii) Total amount of reductions during the financial year due to ex-post implicit adjustments.	Nil	Nil

31 Disclosure on remuneration to Non-Executive Directors

Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees during the year ended March 31, 2020 amounted to ₹2,670 thousand (Previous Year ₹1,165 thousand).

Further, during the current year, the Bank has paid the remuneration amounting to ₹675 thousand (Previous Year: Nil) in the form of profit based commission to the Non-Executive Directors other than the Chairperson.

32 Credit Default Swaps

The Bank has not entered into any Credit Default Swaps (CDS) during the year ended March 31, 2020 and March 31, 2019.

33 Corporate Social Responsibility

(Rs. in Thousands)

Particulars	Current Year	Previous Year
Total amount to be spent	5,245	4,763
Amount spent	5,250	1,304
Amount unspent	Nil	3,459

The Bank has formulated a trust in the name of Capital Foundation. The CSR expenses are taken care by the Capital Foundation. The above expenditure of ₹5,250 thousand (previous year ₹500 thousand) has been contributed to the Capital Foundation Trust during the year.

34 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).

35 Investor Education and Protection Fund

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

36 Other Expenditure

Other expenditure includes amount paid for security & service charges amounting to ₹89,774 thousand (Previous Year ₹92,348 thousand) exceeding 1% of the total income of the Bank.

37 Payment to Auditors

(Rs. in Thousands)

Particulars	Current Year	Previous Year
Audit Fees	3,400	1,400
Out of Pocket Expenses	1,475	405

38 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, the Banks are prescribed to maintain minimum LCR as per the following time frame:

Particulars	By Sept 30, 2020	By March 31, 2021	April 1, 2021 onwards
Minimum LCR	80%	90%	100%

The table below sets out the average LCR of the Bank for all the four quarters of financial year 2019-20

(Rs. in Crores)

Liquidity Coverage Ratio (LCR)	Quarter Ended June 30, 2019		Quarter Ended September 30, 2019		Quarter Ended December 31, 2019		Quarter Ended March 31, 2020		
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)	913.97		942.57		1,046.76		1040.39	
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:								
(i)	Stable deposits	806.06	40.30	826.24	41.31	859.74	42.99	850.85	42.54
(ii)	Less stable deposits	2,496.79	249.68	2,651.28	265.13	2,768.09	276.81	2859.65	285.97
3	Unsecured wholesale funding, of which:								
(i)	Operational deposits (all counterparties)	0.01	0.0	0.13	0.03	0.11	0.02	0.36	0.02
(ii)	Non-operational deposits (all counterparties)	305.42	69.46	270.26	74.87	459.15	108.59	275.24	112.25
(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 and liquidity facilities	219.18	18.60	189.87	15.28	210.32	14.78	193.95	16.10
6	Other contractual funding obligations	30.53	30.53	51.04	51.04	36.94	36.94	66.55	66.55
7	Other contingent funding obligations	36.31	1.17	32.90	1.07	32.34	1.05	29.59	0.95
8	Total Cash Outflows		409.74		448.73		481.18		524.38
Cash Inflows									
9	Secured lending (e.g. reverse repos)	82.72	82.72	37.07	37.07	198.33	198.33	34.42	34.42
10	Inflows from fully performing exposures	25.78	25.78	28.76	28.76	45.14	45.14	56.46	56.46
11	Other cash inflows	34.17	23.57	42.44	31.84	128.91	118.32	153.11	142.54
12	Total Cash Inflows	142.67	132.07	108.27	97.67	372.38	361.79	243.99	233.42
13	Total HQLA		913.97		942.57		1,046.76		1040.39
14	Total Net Cash Outflows		277.67		351.06		119.39		290.96
15	Liquidity Coverage Ratio (%)		329.16%		268.49%		870.16%		357.57%

The Bank during the quarter ended March 31, 2020 maintained average HQLA of ₹1040.39 crores against the average net cash outflows of ₹290.96 crores. The entire HQLA was Level 1 HQLA. The average LCR of the Bank for the quarter ended March 31, 2020 was 357.57%, 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 1 HQLA.

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 average weighted and unweighted amounts have been calculated considering simple average.

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

(Rs. in Crores)

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 Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total 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 and 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%

39. Comparative Figures

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

OUR PARTNERS

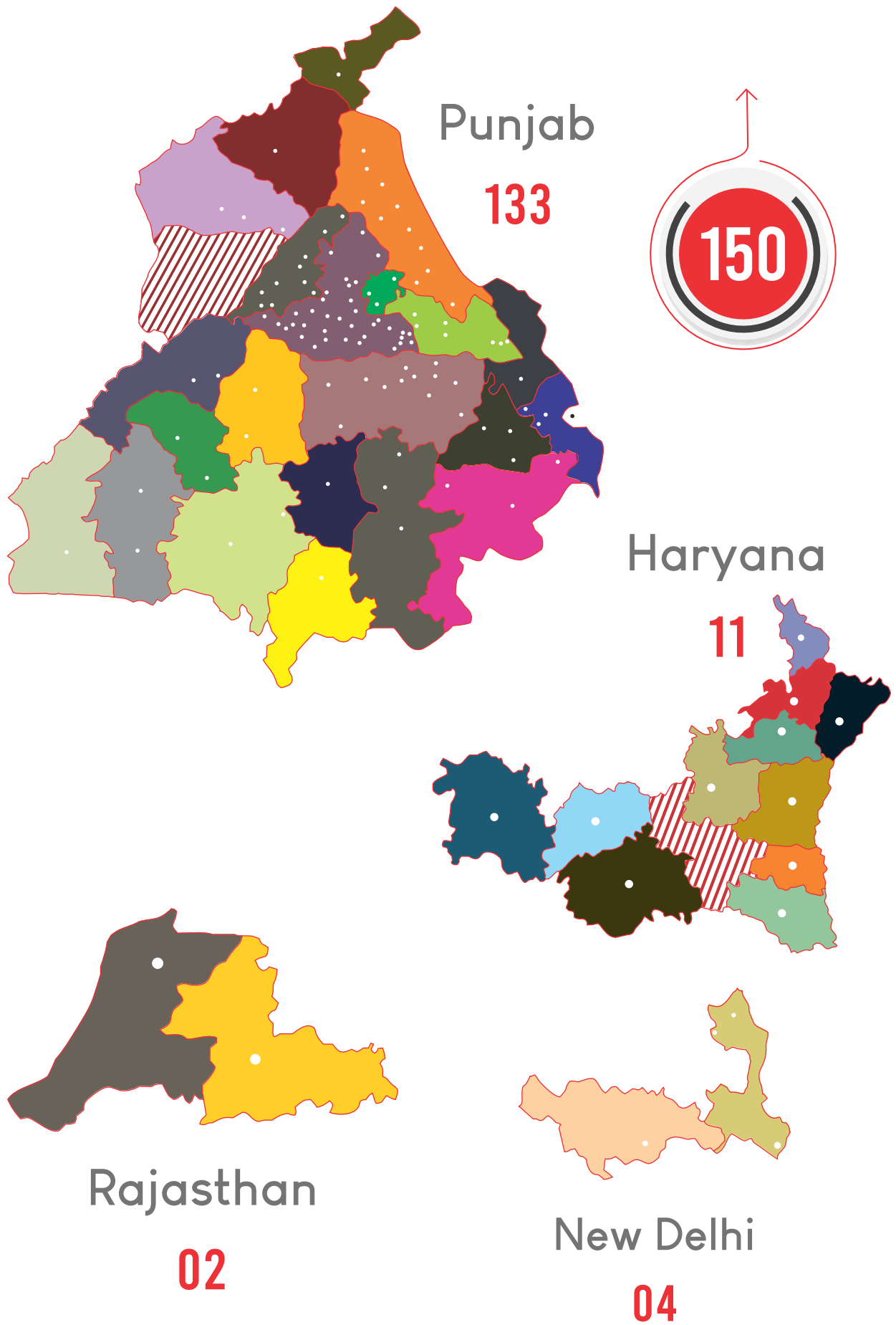


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