



Robust fundamentals
Sustained growth

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For more information about Capital Small Finance Bank, visit us online at: www.capitalbank.co.in

Robust fundamentals Sustained growth

The pandemic tested our capacities and grit, and we managed to stride ahead with resilience and agility. Leapfrogging forward, battling the Covid- induced disruptions, we are now on a springboard, raring towards accelerated growth.

Our history of healthy growth in top and bottom lines stayed on course in the last two years, owing to the trust we built among clients, while they were navigating through the most arduous periods of their lives during the pandemic.

We have now shifted gears as we move ahead of the transition phase of converting to a Small Finance Bank from a Local Area Bank (LAB).

On the asset side, we will continue to strategies and grow our loan portfolio, with an emphasis on asset quality. This will help us bolster our operational and professional metrics. Alongside, we will continue to strengthen our liability franchise, increase fee-based income and leverage cross selling opportunities.

As we move forward, we will continue to leverage our brand outreach, digital capabilities, local insights, balance sheet strength and pricing power to optimise the risk-return metrics and generate positive outcomes for all our stakeholders.

FY22 KEY HIGHLIGHTS

₹4,688.70 cr

Loan Book

₹6,046.36 cr

Total Deposits

42.16%

CASA Ratio

53.42%

PAT Growth Y-o-Y to ₹62.57 cr

12.95%

Return on Equity

₹255.28 cr

Net Interest Income

99.70%

Secured Loan Book

18.63%

CAR

2.50% & 1.36%

Gross NPA & Net NPA

Awards



Great Place to Work
(Certified for 6 years in a row)



Platinum award in 2020-21 Vision Awards LACP for excellence within the industry on development of the organisation's annual report



Acknowledged as Promising Brand 2021 by the Economic Times

Corporate Profile

Embarking on a Holistic Service Journey

Having started as a local area bank (LAB) in 2000, Capital Small Finance Bank Limited (Capital SFB), stands tall as India's first Small Finance Bank (SFB). Culture of transparency and deep understanding of the target customer segment, developed over the years has helped us in steering our steady growth. Our learning as LAB, our IT backbone, prudent risk management framework, our human resource and codified processes & policies aided us to be amongst the leading SFBs in terms of CASA ratio, cost of deposit, asset quality and secured diversified advance portfolio.

We have completed six years as a Small Finance Bank and has successfully navigated challenges posed in FY 2021-22 in the shape of COVID and related economic turbulences. Our philosophy of having primary banking relationship, single window service, holistic suit of product offering, deeper understanding of our target customer segment of middle income group help us to grow in more efficient way. Our strong presence in rural and semi-urban markets enables us to deliver banking services to the last-mile customer and our urban branches act as a catalyst for bringing efficiency in intermediation between savers and borrowers.



42.16%
CASA

5.02%
Cost of Deposit

1.36%
Net NPA

161
Branches

1,644
Employees

6.46 lakhs
Customer base

OUR VISION



To provide superior Banking Service, focused on customers' needs



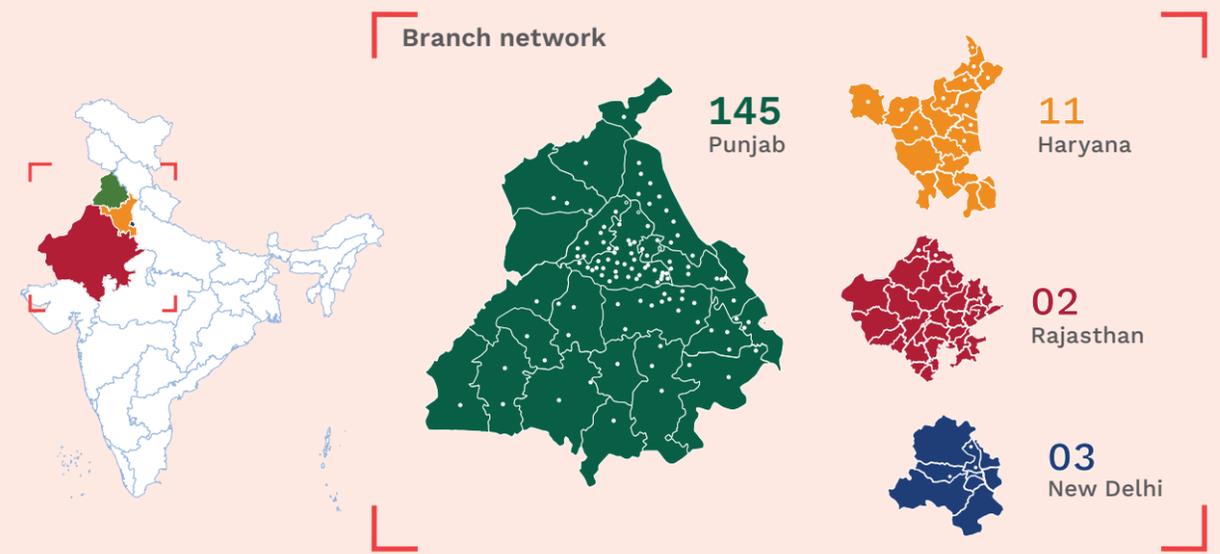
To maintain a long-lasting and trustworthy relationship with the local community



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

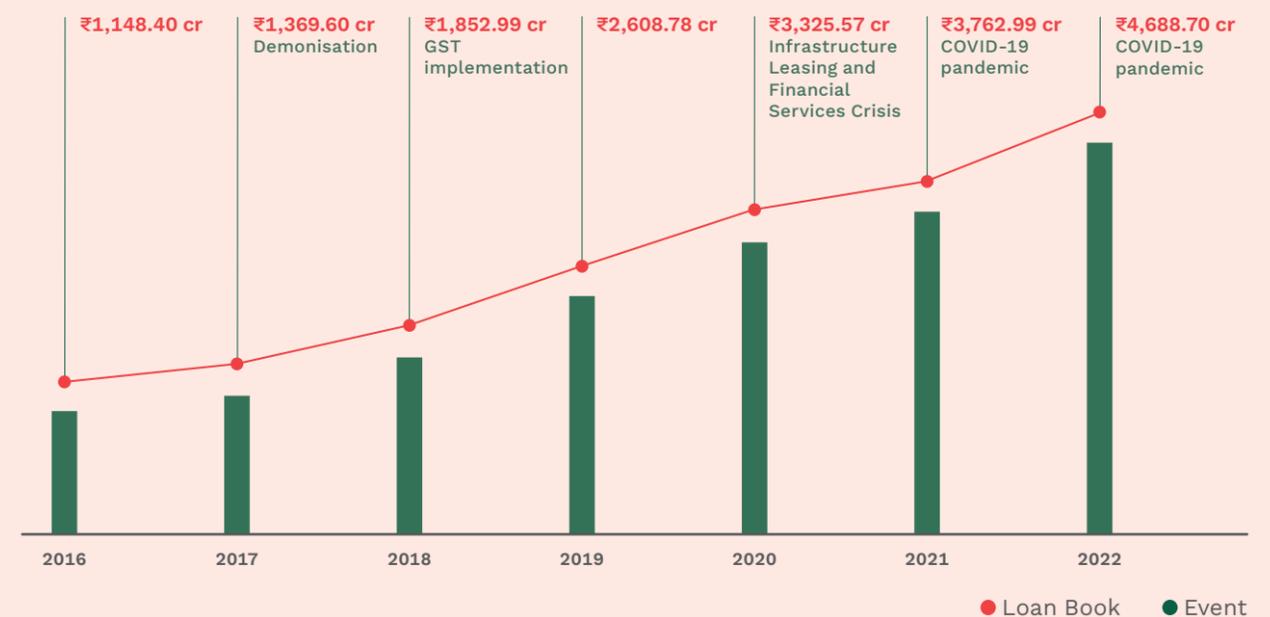
Our Presence

We continue to serve the deep pockets of Punjab, including the innermost rural areas and ever-growing towns and cities. We have established ourselves in the state with the fourth largest branch network among private sector banks in Punjab. We are ready to further penetrate in existing geographies and expand in neighbouring states of Punjab i.e. Haryana, Rajasthan, NCR and Himachal Pradesh, with equal measures of caution and aggression.



Marching ahead with Vigor

We have a strong track record of creating value for our stakeholders throughout various economic cycles, significant policy changes, demonetisation, a crisis in the sector and a once-in-a-century pandemic.



Board of Directors

Steered by a Fortified Board

**Mr. Navin Kumar Maini**

Part-Time Chairman & Non-Executive Independent Director

Mr. Navin Kumar Maini is an Independent Director of our Bank. He holds a Bachelors' degree in law and a Bachelors' degree in science (honours) from the University of Delhi. Further, he holds a post-graduate diploma in international trade from the Indian Institute of Foreign Trade, a certificate of participation in the NIBM-Stanford Advanced Management Programme presented by the Stanford University Graduate School of Business and a post-graduate diploma in management from the Management Development Institute. He has also completed the executive course on Financial Institutions for Private Enterprise Development, conducted by Harvard Law School and the International institute for Advanced Studies. He is also a certified associate of the Indian Institute of Bankers. He has over four decades of experience in the banking industry. He has previously served as the deputy managing director of SIDBI and has also previously been associated with Industrial Development Bank of India and United Commercial Bank and has served as a Director of various entities, including SIDBI Trustee Company Limited, SIDBI Venture Capital Limited, National Credit Guarantee Trustee Company Limited, India SME Asset Reconstruction Company Limited, Bhartiya Samruddhi Finance Limited and Acuite Ratings & Research Limited. He currently serves as a Director on various entities including Ananya Finance for Inclusive Growth Private Limited, AYE Finance Private Limited and NSE Clearing Limited.

**Mr. Sarvjit Singh Samra**

Managing Director & CEO

Mr. Sarvjit Singh Samra is the Managing Director and Chief Executive Officer of our Bank. He holds a Bachelor's degree in Arts and a Master's degree in Business Administration from Guru Nanak Dev University. He has over 35 years of experience in the banking and financial industry spread over various roles, comprising leadership and senior decision making positions. He has been associated with our Bank since its inception and has been instrumental in the conversion of our Bank from a local area bank to an SFB. He has previously served as the Managing Director of various asset financing companies. He has also previously served as our part-time Chairman for over three years and has been serving as our Managing Director and Chief Executive Officer since 2003, as a LAB and SFB.

**Mr. Dinesh Gupta**

Non-Executive, Non-Independent Director

Mr. Dinesh Gupta is a Non-Executive Director of our Bank. He holds a Bachelor's degree in commerce and a Bachelor's degree in law from Guru Nanak Dev University. He is also a fellow member of the Institute of Company Secretaries of India. He has also received the Lean Six Sigma Green Belt Certificate from Benchmark Six Sigma. He also currently serves as a director of DSB Law Group Private Limited and DSB Edutech Private Limited. He is a Practising Company Secretary and currently Managing Partner of M/s Dinesh Gupta & Co., Company Secretaries. He has over 34 years of experience in, among others, finance, taxation, corporate laws, corporate restructuring, commercial laws, banking and business process management. He also practised as an Advocate with Punjab & Haryana High Court from 1988 to 1992. He previously remained as the Director of Capital Local Area Bank Limited from 2007 to 2015. He also currently serves as a director of DSB Law Group Private Limited and DSB Edutech Private Limited.

**Mr. Srinath Srinivasan**

Non-Executive Non-Independent (Nominee Director – Oman India Joint Investment Fund - II)

Mr. Srinath Srinivasan is a Non-Executive Director of our Bank and a nominee of Oman India Joint Investment Fund II on our Board. He holds a Bachelor's degree in Engineering (electronics and communication) from the National Institute of Technology, Karnataka, Mangalore University and a Master's degree in Business Management from the Asian Institute of Management. Further, he has completed an executive education programme on leadership skills for top management from the Indian School of Business, the Blue Ocean Strategy Programme – India Edition from INSEAD, the executive programme in luxury brands from the SDA Bocconi School of Management and the Independent Directors Certification programme conducted by Hunt Partners and Board Evaluation. He has previously served as the country head for the private equity business of Rand Merchant Bank in India and has been associated with Reliance Capital Asset Management Limited. In 2011, he was appointed as the Chief Investment Officer of Oman India Joint Investment Fund Management Company Private Limited. He has been serving as the Chief Executive Officer of Oman India Joint Investment Fund Management Company Private Limited since 2012. He was also elected to the executive council of the Indian Venture Capital Association in 2015 and has served two consecutive terms thereon.

Board of Directors



Mr. Mahesh Parasuraman
Non-Executive Non-Independent
(Nominee Director - AMICUS)

Mr. Mahesh Parasuraman is a Non-Executive Director of our Bank and a nominee of Amicus Capital Private Equity I LLP and Amicus Capital Partners India Fund I on our Board. He holds a Bachelor's degree in commerce from the Bangalore University and is an associate member of the Institute of Chartered Accountants of India. He is also a member of the Institute of Cost and Works Accountants of India. He is currently also a director of AAUM Investment Advisers Private Limited and a designated partner in Amicus India Capital Partners LLP and Amicus Capital Private Equity I LLP. He has over 21 years of experience and was previously associated with Carlyle India Advisors Private Limited (an affiliate of the Carlyle Group), Ernst & Young LLP and Arthur Andersen & Associates.



Mr. Balbir Singh
Additional Director

Mr. Balbir Singh, is a Non-Executive Director of the Bank and nominee of SIDBI. He is currently designated as General Manager, Small Industries Development Bank of India. He has total experience of over 25 years with almost 20 years of vast experience in Promotion and Development of Micro Small Medium Enterprises (MSMEs). He has also served on many Senior Positions and also designated as Nominee Director on the Board of various Companies.



Mr. Gurpreet Singh Chug
Non-Executive Independent Director

Mr. Gurpreet Singh Chug is an Independent Director of our Bank. He holds a Bachelor's degree in Arts and a Bachelor's degree in law from the Guru Nanak Dev University. He also holds the qualification of Licentiate from the Insurance Institute of India. He has previously served as an independent director of S.R. Impex Private Limited and has been associated with Global Financial Services as its President, M/s. Steel Products (India) as its Proprietor and presently serves as the Managing Director of Pioneer Assurance Consultants Limited.



Mrs. Harmesh Khanna
Non-Executive Independent Director

Mrs. Harmesh Khanna is an Independent Director of our Bank. She holds a Bachelor's degree in Science (honours) and a Master's degree in Science, both with a specialisation in zoology, from the University of Delhi. She also holds a Master's degree in Business Administration with a specialisation in public system management, and (iii) a Bachelor's degree in Education, from the University of Delhi. She has previously been associated with the Reserve Bank of India for over 27 years and retired as general manager.



Mr. Rakesh Soni
Non-Executive Independent Director

Mr. Rakesh Soni is an Independent Director of our Bank. He holds a Bachelor's degree in Commerce from the Panjab University and is a qualified chartered accountant. He is currently a practicing chartered accountant and a member of the Institute of Chartered Accountants of India. He currently serves as a partner of M/s. Dass Khanna & Co., Chartered Accountants. He has previously been an auditor for entities in several sectors including real estate, textile, tyres and tubes and banking, including entities such as Indian Overseas Bank, Avon Cycles Limited, Nucon Power Controls Private Limited, Garg Acrylics Limited, Tilda Riceland Private Limited, Ralson (India) Limited and Eastman Cast and Forge Limited.



Mr. Sham Singh Bains
Non-Executive Independent Director

Mr. Sham Singh Bains is an Independent Director of our Bank. He holds a Bachelor's degree in Arts from the Guru Nanak Dev University, Amritsar. He has vast experience in agriculture.



Mr. Gurdeep Singh
Non-Executive Independent Director

Mr. Gurdeep Singh is an Independent Director of our Bank. He has completed his higher secondary from Guru Nanak College, Phagwara. He has previously served as assistant manager (engineering and tool room), personnel officer and deputy manager of G N A Axles Limited. Presently, he is the president of GNA University and director of GNA Gears Limited.

Corporate Information

Chairman (Part – Time)

Mr. Madan Gopal Sharma (till April 23, 2022)
Mr. Navin Kumar Maini (w.e.f. April 24, 2022)

Managing Director & Chief Executive Officer

Mr. Sarvjit Singh Samra

Chief Operating Officer & Chief Financial Officer

Mr. Munish Jain

Company Secretary

Mr. Amit Sharma

Directors

Mr. Madan Gopal Sharma¹
Mr. Sarvjit Singh Samra
Mrs. Harmesh Khanna
Mr. Rakesh Soni
Mr. Sham Singh Bains
Mr. Gurdeep Singh
Mr. Navin Kumar Maini
Mr. Dinesh Gupta
Mr. Gurpreet Singh Chug
Mr. Rahul Priyadarshi²
Mr. Mohit Verma³
Mr. Mahesh Parasuraman
Mr. Srinath Srinivasan
Mr. Balbir Singh⁴
Mr. Gurdeep Singh

Statutory Auditors

M/S T. R. Chadha & Co. LLP
Chartered Accountants B-30
Kuthiala Building
Connaught Place
New Delhi 110 001, India
Tel: +91 11 4325 9900
Email: delhi@trchadha.com
Firm Registration Number: 006711N/N500028
Peer Review Certificate Number: 011934

RTA

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

Debenture Trustee

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

NSDL

Trade World, Wing, 4th Floor
Kamla Mills Compound, Lower Parel
Mumbai – 400013

CDSL

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

Our Esteemed Investors and Partners

Tied with Faith

Our Investors



Our Partners



¹ ceased to be Director w.e.f April 23, 2022

² ceased to be Director w.e.f. January 12, 2022

³ ceased to be Director w.e.f. September 16, 2021

⁴ appointed w.e.f. March 09, 2022

MD and CEO's Message

Growing from Strength to Strength



The growing medium-income group in rural and semi-urban areas, is a source of immense opportunities.

Sarvjit Singh Samra

Dear Stakeholders,

The year began with the Delta wave induced disruptions, following apprehensions surrounding a possible third wave. In the face of these challenges, the year ended with notes of optimism and fortitude. The world is slowly but steadily recovering from the trauma. The advent of various vaccines across the globe have signalled some relief and hope, mitigating the impact of any potential relapses and virus mutations. The successful vaccination rollouts have given governments the chance to transition from 'lives over livelihood' to 'lives and livelihood'.

India, too, has vaccinated a significant portion of the population. Lockdowns have curtailed, making way for economies to heal from the pandemic woes. The dynamic fiscal response through moratoriums, initiated as early as April 2020, gave the population breathing space to recover from the losses of earnings during the early lockdown days. As a community, we are now at a point, from where we can look forward to bouncing back to normalcy.

At Capital SFB, we benefitted from our robust Business Continuity Plan and its effective implementation. Our learnings from two decades of experience have allowed us to build a sound business plan, from identifying credit growth drivers, to increasing customer connection and improving market penetration through digital channels.

Moreover, we have identified the growing medium-income group in rural and semi-urban areas as our target market. We believe it is an untapped market and a source of immense opportunities on both, asset and liability sides. Our plan to make use of the opportunity is based on our growth strategy

Expanding Geographical Footprint

Our business derives resilience from organic growth, with special emphasis on secured lending. This strategy includes offering added services to existing customers, based on an understanding of their needs. Insights gained from experience with these customers help us in widening our target market. This also helps us in diversifying our geographical presence, and tapping relevant demographics and cultures while maintaining high asset quality.

We plan to penetrate deeper into existing markets and expand into newer territories with our range of loan products as an entry strategy. We want to capitalise on the enormous tailwinds of growth in the target middle-income population.

There is massive scope of credit and deposit penetration in other Northern regions. We will leverage on our strong brand in Punjab to expand to the adjacent states of Haryana, Rajasthan, NCR and Himachal Pradesh. We are utilizing data analytics for zeroing in on new branches, in addition to identifying the product-customer match for potential clients.

With continued attention to the existing lending segments of agriculture, MSME and trading, and mortgages, we are set to forge more partnerships and synergies.

Uptrend in Profitability, Enhanced Operations

We aim to fast-track growth by targeting various aspects of the profitability equation. Improvement and optimisation in the operational and profitability ratios, accompanied with enhanced cross selling through multiple delivery channels will target margin expansion through better economies of scale, higher credit to deposit ratio, improved loan book, and increasing fee-based income.

Optimising costs will come through improved operating efficiency and an increased proportion of mature branches resulting in economies of scale. Our ever-expanding customer base, owing to deeper and wider geographical reach, has led to consistent growth in the credit-to-deposit ratio.

It has grown from 65.01% in FY18 to 77.55% in FY22. The opex cost to average assets has reduced from 3.16% during FY18 to 2.90% during FY22. The Cost to Income ratio has reduced from 74.37% during FY18 to 63.42% during FY22.

In addition to the said income fortifying measures, we will also seek to increase the share of fee income. This caters to one of our fundamental aims of becoming the primary banker for our customers, paving the way for cross-selling other relevant products.

Enhancing Relationships, Adding Value

Owing to our legacy as a local area bank, we are at a vantage point, poised to leverage our strong brand. The focus will be on a granular, retail-focused deposit base by deepening existing customer relationships, and strengthening trust. This relationship-based banking will help us cross-sell CASA products. Our engagement practices and holistic product offerings will allow us to target new customers within existing geographies, gaining valuable learnings about entry strategies for new geographies.

Ushering in the Phygital

Focus on 'phygital' distribution of our products and services to cater to the banking needs of rural and semi-urban population, which includes an optimum mix of physical and digital presence to scale our operations in a profitable manner. Digitisation benefits us through improved processes, increased productivity, reduced costs, improved collections through data-driven early warning system, and better cross-selling opportunities.

Our digital transition helped us effect a wider outreach, which grew at a CAGR of 57.00% resulting in 5.97 million digital transactions during FY22 which increased from 1.49 million in FY19 and 0.98 million in FY18. Further, the digital transactions share in non-cash transactions increased from 39.68% in FY19 to 71.18% in FY22.

Analysing Competition, Gaining Edge

We commissioned a report on small finance banks and various loan products from CRISIL in August 2021. Since this was done in FY22, the data used for the research was from FY21. However, I would like to highlight some of the report's key findings:

- Our growth in overall deposits has consistently been better than the banking sector at 17.4% versus 12.3% for overall banks. Likewise, our growth in overall credit has been better than the banking sector consistently since FY17 and is at 13.1% compared to 5.6% of overall banks.
- On the liability side too, our CASA deposits have grown by 29.6%, while public sector banks' CASA deposits have grown by 14.9% and private sector banks by 24.4%.
- The growth has come while maintaining superior asset quality. We have the best asset quality among the SFBs, represented by the lowest GNPA of 2.08% compared to 5.4% of the overall SFB industry.
- Our cost of funds is the lowest amongst SFBs at 5.8%. Our bulk deposits are only 2% of total deposits, the lowest proportion amongst all SFBs.
- Our deposit to loan book ratio is at 138.7%, the highest amongst our SFB players.
- 99% of our loan book is secured, the highest of other SFB peers.

Unshaking Support from Employees across the Board

The growth, so far and in future, is unthinkable without the invaluable role of the Capital SFB team. I would like to thank everyone, working towards making sure our strategies are implemented like a well-oiled machine. From developing and maintaining customer relationships on the ground, to the guiding force of the senior management and my fellow Board of Directors, the relentless efforts are seeing fruition through excellent and improved performance metrics year-over-year. It is my privilege to lead such a diligent and enthusiastic team.

As a member of the Board, I would like to express gratitude on behalf of the Directors to our customers, government officials and every stakeholder of Capital SFB. Their trust and confidence in our capabilities have kept us on course and are ever-zealous to do more. We look forward to your continued support and inspiration.

Regards,

Sarvjit Singh Samra

Managing Director & Chief Executive Officer



COO and CFO's Communique

Marking a Resolute and Comprehensive Performance



Diversification and granularity put together help us focus on our middle-income target segment.

Munish Jain

Dear Stakeholders,

I am delighted to share that we continue to stride toward a consistent growth path. This trajectory is a result of a virtuous circle that begins with a growth strategy that emphasises risk assessment and management, making of a diversified advance portfolio and a retail-focused liability franchise. This, in turn led us to improve our operational and profitability metrics. This becomes possible consequent to our customer-driven approach, continuous focused efforts by professional and experienced leaders, and effective implementation by our workforce on the ground.

The year 2022 marks the 22nd year of our journey, during which we have won multiple accolades. The year 2022 is characterised by lots of adversities. The advantage of adversity is, it tests character. We

continue relying on a combination of prudence and pragmatism during the year. I would like to take this opportunity to highlight a few of our strengths and related metrics.

A Diversified, Secured Loan Basket

Our loan book is diversified across a holistic group of loan products with 38% in agricultural segment at ₹1,781 crores, 23% in MSME and trading segment at ₹1,094 crores, 24% in mortgage loans at ₹1,128 crores and 15% in other loans comprising consumption, and corporate loans of ₹686 crores. Bank has witnessed multiple cycles in each of these segments and has avoided over-reliance on any one segment.

Further, the loan book is granular, with loans less than ₹25 lakhs at 65% of the total loan book. Our diversified asset book has zero direct MFI exposure, and ~99% of the loan book is secured with an average ticket size of ₹0.13 crores. This diversification and granularity put together highlight our focus on our middle-income target segment.

A Trusted Retail Liability Franchise

We are reaping the benefits of our 20+ years of experience and enjoying a huge competitive advantage. This is a direct result of our relationship-based approach. Akin to the loan book, our liability franchise also, is retail-driven, and focused on diversification. Our depositors' faith in us is demonstrated by the consistent rollover ratio of term deposits ~90%, including the volatile COVID months.

Our liabilities consist of 42% CASA deposits. We have a consistently increasing CASA base, despite one of the lowest deposit rates compared to our SFB peers. The cost of funds was reduced by 66 basis points to 5.02% in FY22. Further, the top 20 of our depositors account for only 4.73% of total deposits.

Consistently Improving Performance Metrics

The low deposit rates, lowering operational costs, improving net interest margin is contributing to improving profitability metrics, thereby PAT grown by 53% to ₹62.58 crores. FY22 saw our net total income grow by 27%, reaching ₹309 crores, within which, the net interest income grew by 29% to ₹255 crores, resulting in stronger performance ratios.

Our Net Interest Margins have seen growth by 38 basis points despite all odds. Both, CRAR and LCR have stayed strong and stable at ~19% and ~229%, respectively. Despite tough external factors consequent to COVID-19, our NPAs haven't suffered. Our GNPA was at 2.50%, and NNPA at 1.36%. We owe this success to our strong customer connection.

Our balance sheet continues to be strong, with our net worth at ₹516 crores and an ROE of ~13%. Our cost to income ratio continue to slide and during the year improved by 7% to 63%.

Customer-Centricity at the Core

The guiding philosophy of our growth story and strategy is keeping the customer at the centre, right from understanding our customers' needs to holding their hands through financial processes that they are sceptical about, in addition to making them comfortable enough to come back to us with repeat business. Our aim to make ourselves their primary banker, our phygital effort, and our local hiring policy, are all navigated towards a more fruitful customer experience.

Our Best is Yet to Come

What about the future? Let me start by reiterating where we stand today. We as a bank have:

- Strong retail liability franchise with a high share of CASA
- Secured and diversified advances portfolio
- Robust credit assessment processes and risk management practices
- Customer-centric approach and deep understanding of target customers
- Consistent track record of growth with constantly improving operational and profitability metrics
- Professional and experienced leadership team backed by reputed shareholders with strong corporate governance
- A commitment to society that is second to none

With optimism, we are also aware of the changing scenario affecting every sector,

including ours. We intend no compromise on the high ethical standards we have set for ourselves. Being adjudged as the 'Promising Brand of the Year' at the Economic Times Awards reaffirms our faith in our prudent approach.

Our performance has made all our stakeholders optimistic and this reputation to deliver time and again, holds a place of pride for us. At Capital SFB, our team members are willing to go beyond excelling in their roles and take that extra step required to do consistently well in the coming times.

I take this opportunity to thank our leadership team, who guides our workforce towards continuously working on bringing in new customers and keeping them happy.

Munish Jain

Chief Operating Officer & Chief Financial Officer

Key Performance Indicators

On an Upward Growth Trajectory



Loan book (₹ in cr)

FY21-22	4,688.70
FY20-21	3,762.99
FY19-20	3,325.57
FY18-19	2,608.78
FY17-18	1,852.99

⬆️ **24.60 %** ⬆️ **26.12 %**

Total Deposits (₹ in cr)

FY21-22	6,046.36
FY20-21	5,221.07
FY19-20	4,446.62
FY18-19	3,667.26
FY17-18	2,850.52

⬆️ **15.81 %** ⬆️ **20.68 %**

Net Worth (₹ in cr)

FY21-22	515.78
FY20-21	450.79
FY19-20	406.78
FY18-19	250.32
FY17-18	233.58

⬆️ **14.42 %** ⬆️ **21.90 %**

Profit After Tax (₹ in cr)

FY21-22	62.57
FY20-21	40.78
FY19-20	25.38
FY18-19	19.42
FY17-18	19.02

⬆️ **53.42 %** ⬆️ **34.68 %**

Loan Disbursement (₹ in cr)

FY21-22	1,842.63
FY20-21	1,344.22
FY19-20	1,340.00
FY18-19	1,193.42
FY17-18	779.36

⬆️ **37.08 %** ⬆️ **24.00 %**

Balance Sheet Size (₹ in cr)

FY21-22	7,153.92
FY20-21	6,371.24
FY19-20	5,329.88
FY18-19	4,321.20
FY17-18	3,351.83

⬆️ **12.28 %** ⬆️ **20.87 %**

Net Total Income (₹ in cr)

FY21-22	309.47
FY20-21	244.47
FY19-20	215.59
FY18-19	166.66
FY17-18	127.53

⬆️ **26.59 %** ⬆️ **24.81 %**

⬆️ Y-o-Y growth ⬆️ 5-year CAGR (FY18-22)

Yield on Advances (YoA) (in %)

FY21-22	10.89
FY20-21	11.26
FY19-20	11.57
FY18-19	11.45
FY17-18	11.92

Return on AUM* (in %)

FY21-22	1.56
FY20-21	1.23
FY19-20	0.89
FY18-19	0.92
FY17-18	1.27

Capital Adequacy Ratio (CAR) (in %)

FY21-22	18.63
FY20-21	19.80
FY19-20	19.11
FY18-19	16.40
FY17-18	19.66

Earnings Per Share (EPS) (in ₹)

FY21-22	18.41
FY20-21	12.04
FY19-20	8.18
FY18-19	6.82
FY17-18	6.86

⬆️ **52.91 %** ⬆️ **27.99 %**

*calculated on average advances

Cost of Funds (CoF) (in %)

FY21-22	5.20
FY20-21	5.83
FY19-20	6.30
FY18-19	6.04
FY17-18	6.06

Net Non-Performing Assets (NPA) (in %)

FY21-22	1.36
FY20-21	1.13
FY19-20	1.25
FY18-19	0.93
FY17-18	0.84

Return on Equity (in %)

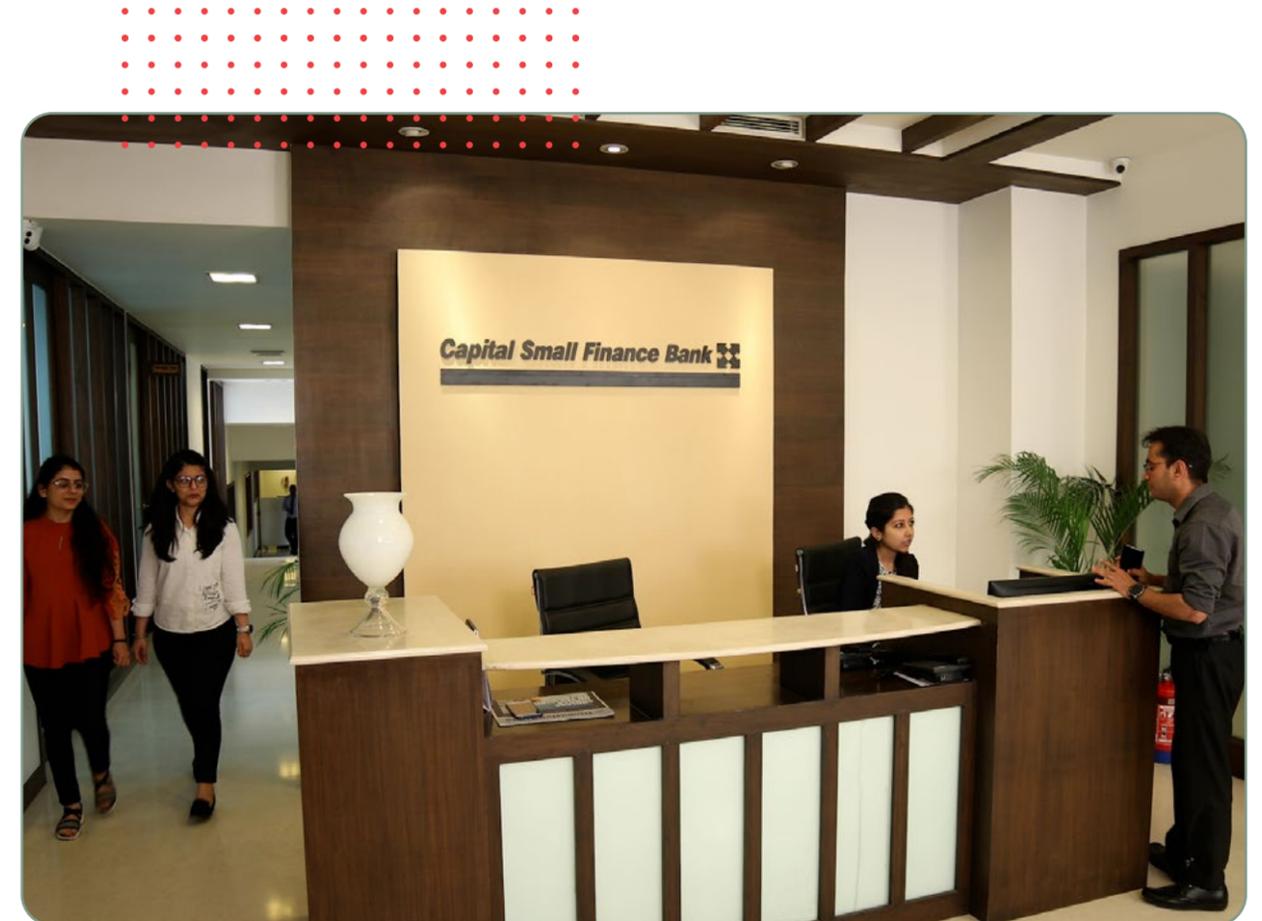
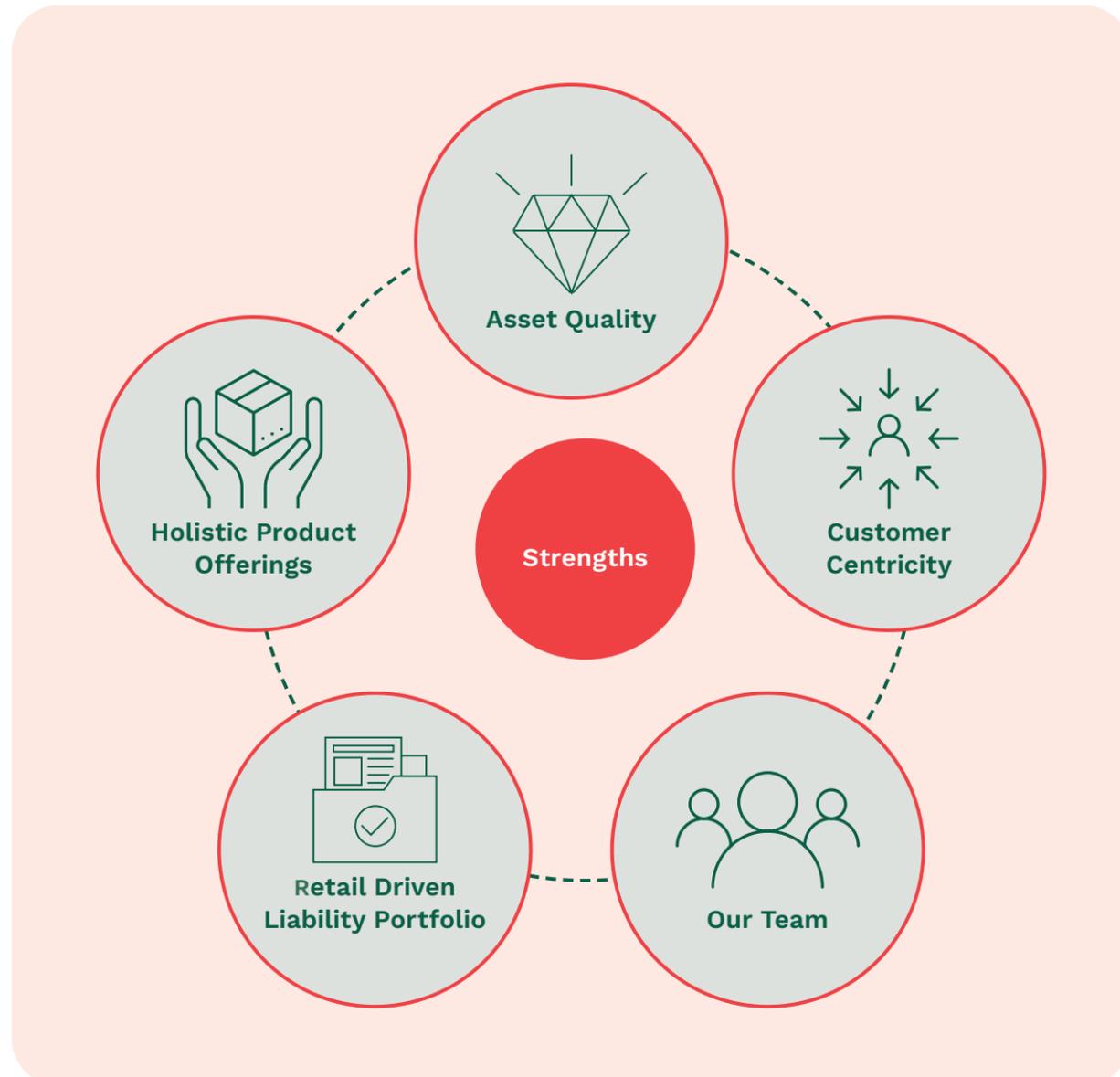
FY21-22	12.95
FY20-21	9.51
FY19-20	7.72
FY18-19	8.03
FY17-18	8.98

⬆️ Y-o-Y growth ⬆️ 5-year CAGR (FY18-22)

Our Strengths

A Multitude of Dynamics

We commenced operations as India’s first small finance bank in 2016, and are among the leading SFBs in India in terms of asset quality, cost of funds, retail deposits and CASA deposits for Fiscal 2021. We have the most diversified portfolio with sizeable book in multiple asset classes as compared to other SFBs with a highest proportion of secured lending of 99% as of Fiscal 2021 among the SFBs. We have the best asset quality among the SFBs represented by lowest GNPA and NNPA as of Fiscal 2021. Further, we have the highest CASA ratio in Fiscal 2021 as compared with other SFBs and are amongst the top 10 banks vis a vis the private sector banks. We also have the highest retail deposits per branch as of Fiscal 2021. and have the lowest cost of funds among the SFBs as of Fiscal 2021. (Source: CRISIL Research Report)



Our core strategy is to build a robust retail focused banking franchise by enabling access to affordable credit in the states we operate with special emphasis on rural and semi-urban areas. We focus primarily on the middle-income customer segments. We target to be the primary banker to our customers and endeavour to achieve this objective through a mix of (i) suite of our product offerings; (ii) customer service orientation; (iii) deeply entrenched physical branch network ; and (iv) evolving digital channels of service delivery. We offer a range of banking products on the asset and liability side. Our Board is supported by an experienced and qualified management team which comprises individuals having diverse experience across the banking and financial services sector.

Holistic Product Offerings

A Wholesome Bouquet of Services

We target to be the primary banker to our customers and endeavour to achieve this objective through a mix of (i) suite of our product offerings; (ii) customer service orientation; (iii) deeply entrenched physical branch network ; and (iv) evolving digital channels of service delivery. We offer a range of banking products on the asset, liability side. Further, we have also collaborated with our partners to cater to insurance, money transfer and other financial needs of our customers.



I was maintaining multiple banking relationships for similar and varied products like current account, savings account and loan accounts separately for my business and personal requirements primarily because I was not getting any one banker servicing all my needs efficiently rather a few were not willing to. But, since I entered into banking relationship with Capital SFB, their approach and systems are so customer friendly and response time is so quick that over the last five years, I have shifted all my banking relationship to them. Now, I feel at ease, as at a click of a button, I am able to manage all my banking needs through Capital Small Finance Bank Mobile App and moreover, it's a pleasure to visit their lush branches and ever pleasing staff. The query handling and resolution is efficient and clear which has made banking a happy experience for me and my family.

Agya Pal Singh, Vishal Oil Traders, Hoshiarpur



Deposit Products

We offer our customers a one-stop-solution for their financial needs, providing an a range of diverse offerings with a strong technology linking.

Saving Accounts

Normal Savings | Capital Savings | Capital Sr. Citizen Savings Account | Capital Saver Savings Accounts | Capital Super Saver Savings Account | Basic Savings Bank Account

₹2,316.50 cr

Saving Bank Deposits

with ATS of ₹41,000

Current Accounts

Normal Current | Capital Current | Capital Plus Current | Capital Premium Current Account | Flexi Current Account

₹232.90 cr

Current Deposits

with ATS of ₹1,28,000

Term Deposit

Short Term | QIDS | MIDS | Cumulative Deposit | Recurring Deposit | Tax Saver Fixed Deposit

₹3,496.96 cr

Term Deposits

with ATS of ₹3,61,000



Third Party Offerings

Our collaborations with various leading distribution channels make sure our clients don't have to go elsewhere for their banking and related needs.

Life Insurance

Traditional Life Insurance | Term Insurance

HDFC Life Insurance Co Ltd

ICICI Prudential Life Insurance Co Ltd

General Insurance & Health Insurance

Motor Insurance | Property Insurance | Personal Accident Insurance | Health Insurance | Travel Insurance

Bajaj Allianz General Insurance Co Ltd



Loan Portfolio

We continue to grow, tapping the potential of the long tail in the rural underserved population, while catering to our goal of financial inclusion.

Agriculture

Kisan Credit Card | Agri Term Loans

₹1,780.74 cr

Book size

with ATS of ₹1.22 mn

MSME and Trading

Working Capital Limits | Machinery Loans | Project Financing

₹1092.62 cr

Book size

with ATS of ₹1.83 mn

Mortgages

Housing Loans | Loan against Property | OD against Property

₹1,128.45 cr

Book size

with ATS of ₹ 1.13 mn

Forex Authorised Dealer Category II

Inward and Outward
Non Trade - Remittances

AD 1 Banks

MTSS

Moneygram

Western Union

Ria Money

3 in 1 Demat cum Trading Account

Motilal Oswal Financial Services Limited

ATS represents Average Ticket Size

ATS represents Average Ticket Size

Retail Driven Liability Portfolio

Granular, Cost-efficient

Our strong and stable retail liability franchise has some of the sector's best parameters in terms of CASA and low cost deposit. More than 90% retail deposit, gives us stable source of funding, mitigates liability risk and provide higher cross selling opportunities.



We believe that our experience of operating as a local area bank provides us a competitive edge with respect to our understanding on growing our deposit base. We believe that our strong brand equity associated with our name in our areas of operation has also aided the growth of our liability franchise coupled with our marketing efforts which have improved visibility of our brand. Our proportion of retail deposits to total deposits is 97.40%. We believe that retail deposits have significant advantages including stability in deposit, greater customer retention, enhanced cross-selling opportunities in addition to supporting the low cost of funds.

Top 20 Depositors
4.73%
of Deposit

5.20%
Cost of Funds

Reduced by 63 bps

5.02%
Cost of Deposit

Reduced by 66 bps

Total Deposits	(₹ in cr)	Cost of Deposit	(in %)
FY21-22	6,046.36	FY21-22	5.02
FY20-21	5,221.07	FY20-21	5.68
FY19-20	4,446.62	FY19-20	6.10
FY18-19	3,667.26	FY18-19	5.85
FY17-18	2,850.52	FY17-18	5.85

High CASA Share

We had the second-highest proportion of CASA deposits at 40.07% vis-a-vis other SFBs, resulting in the lowest cost of funds among the SFBs for FY21. The corresponding number for FY22 is 42.16%. We are able to uphold this CASA share, with a growing deposit base, owing to our well-diversified retail franchise model.

Current and Savings Account Ratio (in %)

FY21-22	42.16
FY20-21	40.07
FY19-20	36.31
FY18-19	38.39
FY17-18	39.99

Growing Deposit Base

We believe that our holistic suite of banking products, deeply relationship-based banking approach, entrenched branch network, single window service, customer friendly practices and brand equity has aided strong and retail centric deposit profile.

Growth in Deposit Base (₹ in cr)

15.81% Y-o-Y growth
20.68% CAGR 2018-22

~90%
Rollover Term deposits



Asset Quality

Granular, Diversified and Secured Asset Portfolio

The granular and diversified loan book with more than 99% of secured portfolio has helped us build an all weather portfolio with sustained margins.

We have consciously focused on building a well-diversified loan portfolio with strong focus on income generation and secured lending. The same along with continuous customer engagement and structured underwriting practices has contributed to our growth and superior asset quality. We focus on the middle-income group segment and aim to be the primary banker of our customers.

5.80%+
Interest Spread
(Yield on Advances less Cost of Deposit)

Diversified Portfolio

We have a well-diversified portfolio across products (agricultural, MSME and trading, mortgage lending and other products) which helps us to mitigate risk and optimise our resources. This also helps us fulfil our priority sector lending requirements. Our endeavour is to take it beyond our regulatory obligation to serve our aim of financial inclusion.

Agriculture	MSME & Trading	Mortgages	Others
Loan Book			
₹1,780.74 cr	₹1,092.62 cr	₹1,128.45 cr	₹686.89 cr
Average Ticket Size (ATS)			
₹1.22 mn	₹1.83 mn	₹1.13 mn	₹1.10 mn

Optimising Credit Deposit Ratio

We have been consistently improving our credit to deposit ratio since our conversion into an SFB. We have focused on contiguous branch expansion across Punjab, Haryana, Delhi and Rajasthan. We believe that as we expand our geographical presence, we will be able to cater to a larger customer base. We will also continue to expand our loan book in the new locations with an objective to improve our credit to deposit ratio. In new geographies we use loan products as entry strategy which will further improve credit to deposit ratio.



Prudently Assessing and Mitigating Risks

Our credit assessment processes and risk management practices enables us to maintain good asset quality and low delinquencies. Our strategy of secured lending, primarily for productive purposes and conservative loan to value ratio contributes towards lower delinquencies and credit losses.

Our positioning as the primary banker to most of our customers enables us to have a comprehensive view of and control over their cash flows contributing towards effective credit assessment. Our credit assessment involves multiple levels of independent review of information.



Lower Net NPA

Secured lending goes arm-in-arm with improved asset quality and lowered NPA. This has been true throughout the COVID-19 journey. Our dedicated customer relationship team, customer-centric approach and continuous customer engagement, have gone a long way in ensuring our NNPA stays on course. With the buildout phase now behind us, we are well positioned to continue strengthening our credit quality.

1.36%
Net NPA



Robust Recoveries

The healthy customer relationship and engagement, led to better recoveries and created high-quality assets. We have been able to maintain high collection efficiencies despite some headwinds during the year.

99.70%
Secured loans with
86.57% collateralised with
immovable properties

99.19%*
Collection efficiency
for FY22

*For standard assets

Operating Efficiency

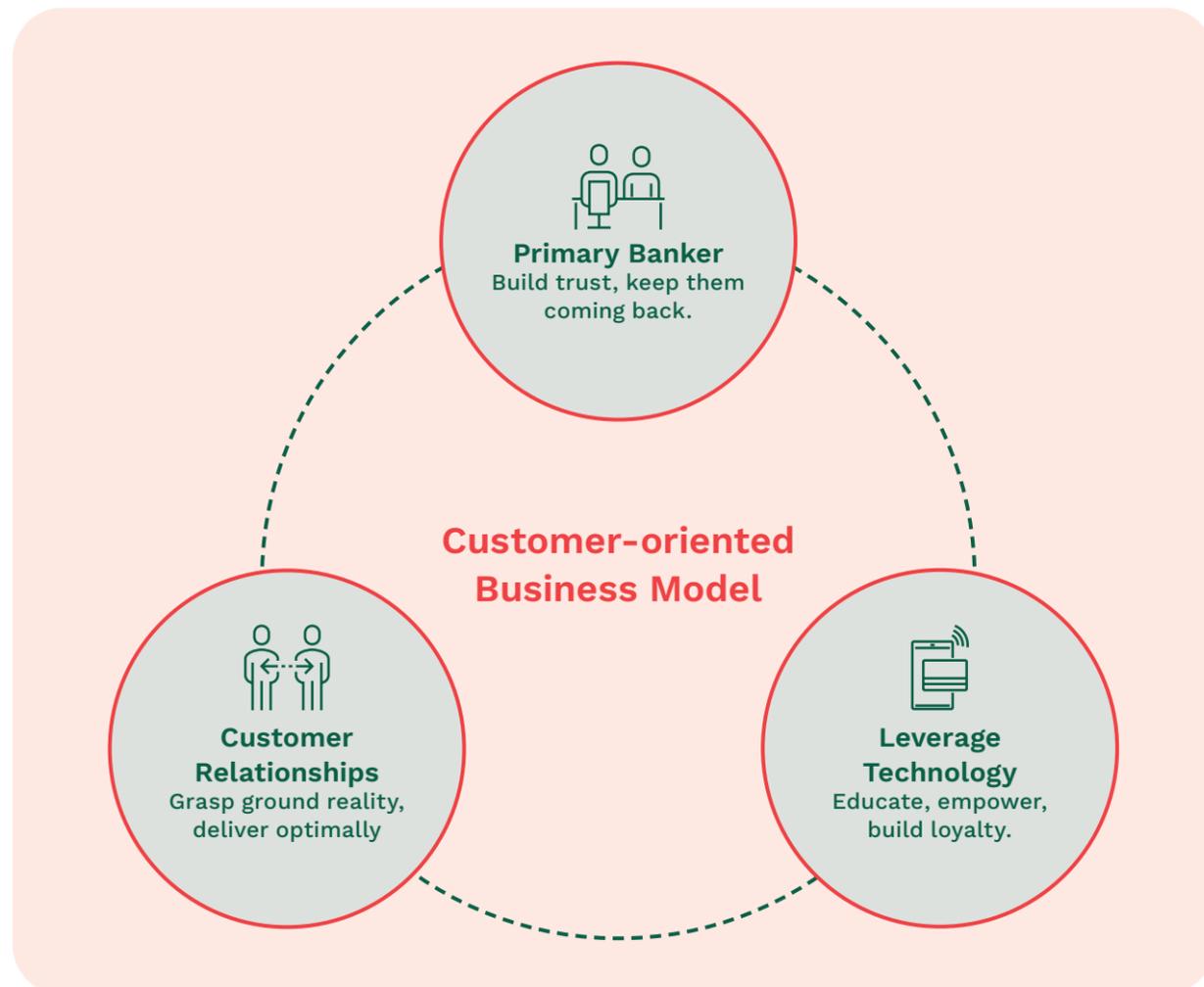
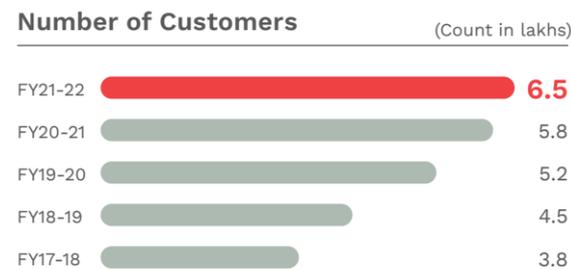
Our persistent efforts to improve our operational efficiency include process reviews, digital interface to automate repetitive, time-consuming tasks, efficient delivery channels, robust collection efficiencies and, of course, a product design that caters to the end users' needs

Customer Centricity

Building client relationship with a deep focus mindset

The emphasis is always on staying close to the customer, understanding his/her financial requirements, and then providing services that help build trust. Our systems and processes are built to pursue quality growth that is customer-centric, scalable and sustainable.

Our compassionate team is on the ground, continuously working to making our clients' lives easier. Our reach has helped us understand the day-to-day, and overall financial requirements of our target market, enabling need-based offerings.



Build trust, keep them coming back

We have gained a deep understanding of our market and customer base over the years that enables us to meet the financial requirements of our existing and potential customers. We believe customers prefer a single source for multiple financial services, and accordingly offer a range of credit and non-credit products and services to address a variety of financing requirements of the customer through our branch network. We strategically follow branch network driven business acquisition strategy which helps us to identify the customer needs effectively and respond with solutions. We have designed our products in a manner such that they are simple to understand, which we believe contributes to their popularity amongst customers.



Grasp ground reality, deliver optimally

We have groomed a culture of 'understand first, then serve,' as a clear understanding of customers' needs is imperative for effective delivery. Towards this end, we also encourage local hiring to enable better understanding of the local practices, as well as the pulse of the masses in that locale. Moreover, our product design is guided by principles of simplicity, with a focus on inclusivity, especially in the rural pockets, where the underserved client's exposure to financial products is rather limited.



Educate, empower, build loyalty

Having technology is fruitful only when the end customer can use it effectively and that he sees value in it. We have been able to create engagement and stickiness, while strengthening our digital capabilities, and making banking an approachable, and 'any-time any-where' accessible service.

Our Team

Leading with Experience and Discernment

Our professional and experienced senior management, supported by a dedicated and passionate team with extensive ground knowledge and connections, makes us a formidable force. It allows us to maintain our growth trajectory and strategically steer through any external challenges.

Performance-based Employee Benefits

We are a performance-driven bank with sharp focus incentivising high performers as we believe 'a happy team is a winning team'. Along with the other benefits, we have an employee stock option plan in place to reward our employees, including our management and leadership team, for their performance. We believe the ESOPs incentivise our employees to not only stay with us for the long term, but also to actively contribute to the growth and in creating wealth for the employee.

Our Leadership Team

Our leadership team has an extensive and deep understanding of the industry, having navigated businesses and interest cycles over the decades. The diverse team is responsible for executing strategy, launching new products and services, and managing contingencies.



Mr. Sarvjit Singh Samra
Managing Director & CEO



Mr. Munish Jain
Chief Operating Officer & Chief Financial Officer



Mr. S.K. Dhawan
Head of Credit



Mrs. Richa Mahajan
Chief Compliance Officer



Mr. Raghav Aggarwal
Chief Risk Officer



Mr. Anuraj K. Bhardwaj
Head of Credit (Retail)



Mr. Aseem Mahajan
Deputy Chief Financial Officer



Mr. Sahil Vijay
Chief Treasury Officer



Mr. Harvinder Singh
Chief Information Officer



Mr. Parun Gupta
Chief Marketing Officer



Mr. Kamal Tandon
Regional Business Head



Mr. Varinder Shoor
Regional Business Head

● Number of years with Capital SFB

● Number of years with Capital SFB

Our People

Spreading cheer among our workforce

We believe that an organisation filled with satisfied and motivated employees yields the best results. Our human resource policies, based on our guiding principles, help build self-driven and highly motivated human capital. We have been certified as Great Place to Work for six years in a row, which is a testimony to our efforts and policies.



1,644
Employees

83.34%
Retention rate

21.10%
Female employees

16.70%
Staff from underprivileged sections

Our Guiding Principles



Celebrating Together

Our engagement with the communities we serve begins with hiring from amongst local candidates. It creates opportunities for the society we work in. This of course, builds trust and relationship in the community.



Career Development, Planning and Self-learning

We believe in empowering our employees through professional development, mentoring and training programmes. Numerous in-house and off-shore training programmes and workshops allow for employee growth, both professionally and personally.



Balancing Work and Life

Work-from-home, proximity to offices from homes, are our contributions to our employees' work-life balance. Moreover, we discourage working after hours and also have employee-friendly leave rules. We believe that regular breaks from work rejuvenate the workforce, and we support claiming downtime. We initiated an Employee Well-Being & Assistance Program (EWAP) to address any personal and work challenges that may affect employees' wellbeing or work performance.



Objective Assessment

Our appraisal system is geared towards aligning individual performance with organisational goals. We believe we can achieve strategic objectives only if we match an employee's abilities, competencies and merit, with job requirements, while using training as a bridge. For us, employee growth translates into our growth.



360° Communication

A culture of open-mindedness allows employees to unhesitatingly approach their seniors with ideas and suggestions. We get employees from different verticals and levels to interact with one another, to foster interdisciplinary learning and collaborations.



Grievance Redressal

We believe in a proactive resolution of employee concerns. Therefore, we seek to address grievances within appropriate time frames as a part of our organisational responsibility. We also have feedback mechanisms in place. Moreover, we work towards learning from past experiences to minimise complaints in the future.



Thanking our Employees

Above and beyond rewards and celebrations, we believe our employees need to know their worth on an ongoing basis. With easy access and open door policy, the senior management and managers have built an atmosphere of gratitude in the day-to-day working environment.



Welcoming with Warmth

Our induction programme ensures a sensitive and affectionate welcome to our new employees. This aligns with our open and trustworthy culture that strives to make fresh hires a part of 'us'.



Celebrating Together

Celebrating festivals and other occasions during the year, brings us together to create a bond. We also celebrate personal achievements and organisational milestones to demonstrate our appreciation for the employees' contributions. Together, these events show gratitude, and are necessary to build individual confidence, in addition to helping employees value one another better. This also creates a team atmosphere that brings a sense of ownership.



Unity in Diversity

Representation is key to our progress, as a society. Moreover, the very diversity of our clientele can be served better by appropriate representation in our workforce, in terms of gender, age, ethnicity, and community, and so on. Diversity helps us build an atmosphere of trust, internally and externally.



Contributing to Sustainable Growth

An organisation cannot work on its sustainability values if the employees are not sensitised enough. Our aim to expand, while being environmentally friendly, starts with our employees. We train them to be our ambassadors of sustainable growth.



"I would like to share my experience as an internal customer of the Bank. I started my career as a marketing executive and over my journey with the Bank, I have risen to the Head of Operations of the Bank, having been posted at different locations with varied roles over the years. I joined the Bank as a fresher and have first-hand experience of handholding, coaching and mentoring at various levels. The Management is easily approachable and they understand ground realities. The HR practices and policies are well designed to provide a clear and promising career development path, developing a performance-driven culture along with well managed work-life balance. We take pride and satisfaction of genuine advice and serving the varied clientele.

Mr. Bisampal Singh, Head of Operations"

Our Strategy

Driven by a Four-Pronged Approach Discernment

Our strategy to continue to create significant value for our stakeholders relies on four foundation stones: quality-based loan portfolio, strong liability franchise, robust use of technology and data, and boosting operational metrics. Going forward, we will work on strengthening these four levers to keep the growth momentum on a northward trajectory.



Grow Loan Portfolio with Focus on Asset Quality

The potential to organically grow our loan portfolio without compromising on asset quality is manifold:

- Demographic dividend:** India is expected to see a dramatic growth in the middle-class, from 5 to 10% of the population in 2005 to 90% in 2039. By 2035, one in four middle-class consumers are expected to reside in India. The Bank has identified the middle-income group having humongous growth potential as its target niche and is well positioned to cater to the diverse needs of the middle-income group.
- Increased market share of SFBs:** With licensing of Small Finance banks to cater to the rural and semi-urban populations and further with the on tap licensing guidelines, the share of private sector banks specially the small finance banks is going to increase in both deposit mobilisation and asset creation, at the cost of downward trend in PSB's market share. With vintage of over two decades, Capital Small Finance Bank is positioned to exponentially grow in terms of business and expand margins as well.
- The Northern region's deposit penetration at 21%, lower than the Southern and Western regions. The low penetration of banking and formal channels of credit provides huge opportunity to Capital Small Finance Bank to serve the purpose of financial inclusion as well as grow sustainable and profitable business as it is positioning itself in rich agricultural, retail trader and MSME belt of North India.

24.60%

FY22 Y-o-Y growth in the Loan book

37.08%

FY22 Y-o-Y growth in the disbursement of loans

Way Forward

Our strategy to scale-up our operations is aimed at developing a deeply entrenched geographical presence which will put us in a position to service a larger market for credit and effectively grow our advances. We have been able to successfully grow our loan book over the years which remains a key growth driver for us. We are well positioned to take advantage of the tailwinds and intend to continue to grow our portfolio with focus on secured lending which we believe will provide us a competitive edge over our competitors. We also plan to enter into business partnerships in the states where we do not have strong presence currently to gain an understanding of the new markets we intend to penetrate. We also intend to open targeted branches in urban/ metro areas in order to grow our business.

- Asset-first strategy for newer areas
- Business partnerships in states with low presence
- Phygitisation and data analytics to enhance business in new and existing areas and abate Risks



Strengthen our Liability Franchise

Our continued focus on a granular, retail-focused deposit base, is backed by a range of reasons.

- Lower cost
- Retail depositors are more likely to rollover multiple times and for longer periods
- Helps maintain high levels of CASA
- Accords economies of scale since they are inexpensive sources of funds

97.37%

Proportion of retail deposits

42.16%

CASA ratio

5.20%

Cost of Funds

Way Forward

Our road ahead is aimed at maintaining our CASA and retail deposit ratios. This involves targeting new and existing customers by cross-selling our deposit products to customers, who do not have a deposit account, in addition to offering additional benefits to existing CASA account holders through high levels of customer service across channels.

Also, we will use our current knowledge to penetrate existing geographies and expand into new ones. Moreover, we will target the new government and institutional banking groups to become a banker for government departments, agencies, other banks, trusts and NBFCs.

- Cross-sell products
- Penetrate and expand geographically
- Relationship-based customer service
- Target government departments and agencies

Boosting Operational and Profitability Metrics

We have come a long way since our conversion into an SFB, adding branches and expanding to new geographies. Our performance metrics, operational and profit-related, have been reaching new milestones with each passing year.

36.42%

Operating profit 5-year CAGR

34.68% (with 53.42% increase in FY22 from FY21)

Increase in PAT over the last 5-year CAGR

10.83%

Reduction in cost-to-income ratio over last 5 years

84.47%

% of branches reached break-even

25.05%

Increase in interest income over last 5-year CAGR

Way Forward

We target to further improve these through the key focus areas including (i) improved credit to deposit ratio, (ii) optimising cost (iii) improving share of fee income and leverage cross selling opportunities.

- Increase credit-to-deposit ratio
- Optimise costs
- Boost fee income

Leverage Technology and Data Analytics

The hallmark of our technology solutions lies in our multiple channels that consistently have been making way for a seamless experience across the board: website, internet banking and mobile application. Such digitisation has benefitted us through:

More efficient processes

- Higher productivity
- Reduced costs
- Effective collections, owing to data-driven early warning systems
- Finer cross-selling opportunities

Way Forward

We intend to invest in augmenting our technology infrastructure to provide smooth customer experience and ensure that our operations are nimble and efficient to service our customers in an economical manner. We also intend to leverage data analytics for targeting specific customer profiles and develop customized and tailor-made products to suit the diverse requirements of our customers and improve customer satisfaction. Our digital strategy will be to increase cashless banking, deepen automation and enhance customer connect through digital channels.

5.97 mn in FY22 from **2.87 mn** in FY21

Digital transactions growing by 108%

71%

Share in Non-cash Transactions up from 54% in FY21



Techonology solution

- New and alternate delivery channels
- Smoothen experience
- Move towards cashless banking

Data analytics

- Targeted outreach
- Customised products
- Risk assessment and monitoring



Environmental, Social and Governance

Becoming Sustainable and Equitable

Imbibing a culture of sustainability in every department of the institution is of utmost importance in being a responsible corporate citizen. At Capital SFB, we aim to stay abreast with the world's environmental and social needs as laid out in the UN Sustainable Development Goals (SDGs). The emphasis is on developing processes that can be effectively implemented through the value chain, with particular attention to the SDG 8 initiative (Decent Work and Economic Growth). This effort translates to embedding ESG values across the length and breadth of business operations. This includes strategising, investments and credit decisions, risk analysis, employee management, and stakeholder reporting, among others.

This endeavour makes us appreciate the implications of the SDGs framework, since they align with some of our core values—being respectful of the planet's environment and

its needs, having a healthy and safe working environment, respecting human rights, and complying with regulatory requirements.

At the same time, we understand that even for the most progressive and well-meaning institutions, it may not always be possible to adhere to all the ESG principles. In such cases, while acknowledging the need for ESG principles and their meticulous implementation, we prioritise, based on the materiality of the case in question, given its context.

Building on our ESG management through the first year of the pandemic, we continued with the appropriate implementation through the Delta and Omicron waves. In every sense, ESG has become integral to our organisational strategy.

Integrating ESG Values into Business

As a socially responsible corporate citizen, we emphasise our core values as related to professional ethics, compassion and trust, conscientious corporate governance, and compliance-oriented culture while cultivating and sustaining relationships with all stakeholders.

We attempt to make credit approachable by making it inexpensive. Our focus on local and equitable employment allows us to build social capital within the community we serve.

We are able to contribute to the country's need for financial inclusivity and work towards our fundamental objective of augmenting social and economic development. Our technological capabilities go a long way in helping us work towards this goal.

We are also vigilant about our carbon footprint, and have vowed to maintain high levels of ethics, integrity and governance.

We would like to share some of our endeavours towards our ESG goals and relevant outcomes:



Environment

In an attempt to keep our operations as green as possible, each employee understands the mechanisms they can employ to reduce their own contribution to the effort, from creating waste to disposing it responsibly.

- Firstly, try not to create waste at all
 - Towards that end, amongst other efforts, we encourage digital communication with all our stakeholders, including customers
- We segregate and dispose e-waste through vendors, registered with the Pollution Control Board



Social

Serving the Under-served: We see ourselves as stimulants in the economy to make financial products accessible to one and all. Making affordable financial services available in rural and semi-urban regions has been a challenge, but we have been able to mitigate to the best of our capacity. And our efforts towards that end will continue. At the end of FY22, we had 120 branches in rural and semi-urban areas. These make for 74.53% of our total branches, of which, 27.33% are located in Unbanked Rural Centres (URC). Our focus on agriculture and MSME makes financial inclusion an integral part of our operations, contributing to the economic growth and agricultural productivity of these regions.

Customer Service: Our dedicated customer service teams constantly pay attention to improving efficiencies in processes. Moreover, their hand-holding efforts to create awareness, onboard and smoothen technological interfaces, augment customer experience. This empowers customers in rural regions by making not only financial services available, but also by bringing technology and financial knowledge to the customers' fingertips.

	Number	Amount (₹ in cr)
New Loans in URC and Rural Branches	5,397	465.25
New Loans in Agricultural Sector	6,081	577.45
New Loans in SME Sector	2,496	317.20
New Deposits in URC and Rural Branches	36,178	500.74

Environmental, Social and Governance

Taking Care of our Employees

Compassionate People-centric Policies:

Apart from considering the operational and profitability metrics, we also examine the economic and social welfare of our employees to map performance. Not only do we deploy time, energy and other resources in accelerating career growth of our employees, but we also seek their holistic development. These efforts include opportunities to learn on their job, and upskilling avenues that help their career trajectory. Competitive compensation and other benefits, such as health insurance and retirement benefits lead to our employees' wellbeing. Our ESOP pool allows our employees to generate wealth for themselves as the organisation grows. We also seek to be transparent and keep communication channels open across the organisation to foster a conducive work environment.

Employment Generation and Qualified Human Capital:

Our employment efforts are geared towards giving local skill and talent a chance. We are also hiring qualified candidates and grooming them for the skills needed on the job.

Equal Working Opportunities: We believe in the economic empowerment of women, which leads to our conviction of equal pay for equal work. We invest in our women workforce to upskill and provide opportunities that augment their careers. We make consistent efforts to be a great place to work for female recruits. This also contributes to understanding and serving our female clients' lives better and bringing financial advancement to their lives.

Human Capital As on March 31, 2022

Male Employees	1,297
Female Employees	347
Graduates and Below	42.88%
Post Graduates and Professionals	57.12%

Community Development

Local Community: Our Corporate Social Responsibility (CSR) activities include encouraging education, promoting sports and improving health care. During the year, to help our communities combat the pandemic, we organised vaccination drives and distributed sanitisers, masks and gloves while undertaking awareness campaigns and supporting the government's inoculation drive. We are managing education centres for underprivileged children.

Charitable Activities: We also allocated funds to address socio-economic gaps through CSR related activities and social initiatives. We believe in making a meaningful impact within the community. Towards this end, we have deployed financial aid to various projects with the aim of contributing to education, rural sports and health care.



₹1.38 cr
Employee Insurance

₹0.77 cr
CSR Activities



Governance

Our stringent governance standards are aimed at developing and implementing policies and processes that are in the best interests of our employees, clients, and the community. The objective is to promote a culture of owning responsibility and maintaining ethical conduct. Our wide range of policies and procedures seek to create a safe and dignified work environment for each employee. While they are strict, these policies are dynamic and vigilant of current needs. We keep an eye on necessary changes and update the standards regularly.

We believe in creating an intrinsic sense of responsibility and ethical conduct, along with having a transparent environment. Our corporate governance framework includes several policies and procedures such as Code of Conduct and Ethics, Anti-Bribery and Anti-Corruption Policy, POSH Policy, Staff Accountability Policy, Whistle Blower Policy, Employee Separation Policy, and Anti Money Laundering Policy, among others.

Our firm internal control mechanism ensures that our financial information is accurate and that we adhere to statutory compliances and governance protocols. An internal auditor scrutinises and keeps check on these control mechanisms. Discrepancies are attended to with immediate effect. These mechanisms are also reviewed regularly, keeping the ever-changing business conditions in mind.

We are in continuous touch with regulators and ensure compliance without being prompted. Our organisational culture, guided by our experienced leadership, views governance as a necessity rather than a mere obligation.

COVID Support to Customers

Credit and Other Assistance: We are aware of our role in the economy and society as the last-mile reach to our customers' financial needs. Our social responsibility is woven into the very nature of our business, and we see ourselves as critical players in the recovery from the pandemic, both socially and financially.

Personal loans and depositors, MSMEs, and government departments need our continued support to deal with the after-effects of the pandemic's impacts. This essential support takes the form of credit or other social assistance required to re-establish the debilitating impact of the last two years.

Digitisation: Technology continued to play a critical role in our Business Continuity Plan during the pandemic. We could maintain

uninterrupted services and customer connection, owing to our digital platforms.

COVID Support to Employees: We continued to support our human resources with health and wellness benefits.

- WFH facility to employees
- Carried branch banking operations with limited staff presence and on a rotational basis
- Delivered COVID protection essential commodities like sanitisers, masks, gloves etc. to the staff regularly
- Arranged timely COVID test camps
- Extended special leave facility to staff members
- Circulated precautionary guidelines to staff on a regular basis
- Office working hours/days stands regulated
- Vaccination camps organised for the staff
- Partnered with Silver Oak which provides employee wellbeing and assistance programmes to companies

In Conclusion

Our priority to contribute towards the wellbeing of the planet and its people ensures that we embed ESG goals into our business operations. We know that financial inclusivity is the panacea to many a problem we face as a global community. Making credit and financial services affordable and accessible to the unbanked and under-banked corners of the country, and creating employment in rural and semi-urban areas, will help us achieve our ambition. Our confidence in our integrity and ethical compass will be the guiding force backing our business performance. As an organisation, we will continue to be a part of the social and economic development of the communities we serve, and the planet we live on.

Management Discussion and Analysis

INDIAN ECONOMY

The global economy is bouncing back to normalcy and India is leading the pack with fast-tracked growth trajectory. This is despite the sluggishness induced by the Delta-variant in the first half of the year, and the fast-spreading Omicron wave in the last quarter. Owing to the decentralised nature of Covid combat action plan, and relatively relaxed lockdown measures, the overall economic activity did not suffer as much as it did in the FY21 lockdowns, reflecting the resilience of the economy.

The economic contraction of 7.2% in FY21, followed by a growth rate of 9%, aligns with the Y-o-Y percentage change in Gross Value Added (GVA). Sector wise economic impacts of the initial lockdown in FY21 are reflected in the negative GVA growth in the manufacturing and construction sectors, whereas the agricultural and finance sectors kept afloat. FY22, in the face of the two waves and global uncertainty, is on the recovery path across sectors.

Advance Estimates of GVA at basic prices (at 2011-2012 prices)

	Percentage Change over Previous Year	
	2020-21	2021-22
Agriculture and Allied Activities	3.3	3.3
Manufacturing	-0.6	10.5
Construction	-7.3	10
Finance, Insurance, Real Estate and Business Services	2.2	4.3
GVA at Basic Prices	-4.8	8.3

The rural economy has thrived through these unprecedented last two years. Good monsoons and increased spending under various health and agricultural schemes, such as MNREGA and other irrigation programmes, direct benefit transfer (DBT), the PM-Kisan scheme, PM Ujjwala Yojana for cooking gas, PM Awas Yojana for housing, and Ayushman Bharat scheme for healthcare. Constant improvement in rural infrastructure, such as electricity and roads, and fewer leakages in direct transfers, leading to higher incomes in the hands of the rural populace, have enhanced their capacity and willingness to spend on non-essential products and services.

ECONOMIC OUTLOOK

FY23 GDP growth is expected to remain strong and more broad-based at 8%. Considering that the Indian economy recorded the worst ever contraction in documented history in the first quarter of FY21, these projections reflect a sense of optimism. The union budget also encourages capital expenditure to fuel medium-term growth.

On the supply side, from agricultural to industrial sectors, the economy is recovering. The sectors that were negatively impacted during the FY21 lockdowns,

are now returning gradually towards normalcy. The demand side pressure, too, is finding a steady release. These macro-economic factors, along with a healthy and balanced GDP growth expectation, point to overall economic revival.

In addition, vaccine penetration and a close-to-zero trend of daily new Covid cases despite a third global variant, shifts focus from health management to economic matters. Even as it is likely that more variants will reach the country from around the world, the business-as-usual attitude will negate any potential drastic impact of such variants. In addition, over 70% of India's almost 140 crore population has been vaccinated, and is on its way to booster doses. The shift from 'lives over livelihood' to 'lives and livelihood' signals economic growth.

BANKING SECTOR

In line with a well-regulated banking system, the Reserve Bank of India (RBI) continues to follow and expect global gold standards for corporate governance and risk management practices. From moratoriums on instalments, to liquidity measures, the central bank initiated prudent banking measures to help citizens grapple with their new economic conditions.

While subdued capital expenditure having led to a drop in demand for financing from large industries, the retail, agriculture and service segments' credit requirements continue to rise rapidly.

	Credit Growth	
	February 2022	February 2021
Agriculture and Allied Activities	10.4	8.6
Services (Total)	5.6	8.8
Services (NBFC)	14.6	7
Industry (Total)	1	6.5
Industry (Medium)	71.4	30.6
Industry (Micro and small)	19.9	3.1
Industry (Large)	0.5	-0.6
Personal Loans	12.3	9.6

With support from the RBI, the banking sector is ready to provide the impetus required by the economy to get back on its feet. Indeed, the well-capitalised banking sector is back to the growth phase, owing to a range of factors., the NPA has been lower than expected. Further, the expansion in the Net Interest Margin and a rising interest rate environment favours the sector, considering assets are repriced at a quicker pace than liabilities. In addition, the RBI has taken steps to harmonise regulatory arbitrage, giving equal footing to other banks and NBFCs.

BANKING SECTOR OUTLOOK

The rising middle-income group signals significant opportunity in the banking sector. MSME credit gap between total demand and formalised supply alone, is estimated at ₹ 79 trillion (FY21), and Covid-19 has further widened the credit gap. This, along with the deep penetration of mobile phones, and easy-to-use online payment systems, are avenues, up for taking.

While rural households are willing to spend and have the capacity to do so, too, the banking infrastructure in these regions is relatively inferior. This gap between the supply and demand of financial services is waiting to be bridged by the banking sector.



Opportunities for the Sector:

- × **Middle-Income Group:** A significant section of the middle income population avails high-cost credit because they borrow from informal sources. This remains an untapped avenue, which, when catered to, specially SFB's designed to penetrate deep and augment on technology front will bode well for the banking sector.
- × **Digitisation:** The success of UPI and ease-of-use fintech solutions, have created the ground work that the banking sector can use to reach, onboard, and service their customers efficiently and enhance their customer base..
- × **Asset Quality:** Accessing an untapped market doesn't mean that it will be at the cost of asset quality. The sector's focus will stay on risk assessment and maintaining the quality of assets.
- × **Product Mix:** Since mortgage, MSME and agricultural loans, have immense potential for growth, a balanced mix, and a diversified portfolio are possible, reducing risk.

Management Discussion and Analysis

SMALL FINANCE BANKS (SFBs)

SFBs, an initiative by RBI in 2013, are now seeing fruition in reaching out to the diverse needs of low-and-medium income groups. Since their launch, SFBs have not only reached the unbanked corners of the country, but have also increased financial awareness. While the public and private sector banks had this reach, it wasn't deep. SFBs stronghold will increase their share against the public and private sector banks. Additionally, the localised context gives SFBs, the unique ability to serve regional stakeholders, while maintaining operational efficiency more effectively.

Small Finance Banks Outlook

The optimistic macroeconomics and the structural changes through the establishment of SFBs, give rural businesses a chance of entering the banking and financial services sector. This will drive the long-term growth of the overall economy. In addition, the falling PSB share, and rising SFB and private banks share mentioned above, are indicative of a growth trend and potential.

While the market share of SFBs and their share in deposits and credit has doubled in the three years between March 2018 and March 2021, it is still much lower than the informal sector. Since they are in direct touch with their customers at the ground level, they can offer targeted services to existing customers. There is a massive potential for increasing their customer base. This is only a tiny glimpse into the magnitude of the potential.

India's credit-to-GDP ratio is among the lowest when compared to various economies, and the retail credit-to-GDP is even lower. While a very high ratio might not necessarily be healthy, India's SFBs have a lot of room to explore, especially considering that rural India accounts for 47% of the GDP, but only about 9% of total credit and 11% of total deposits.

	2020	
	Credit-to-GDP Ratio	Retail credit-to-GDP Ratio
India	70	22
Brazil	91	37
China	222	62
Germany	132	59
South Africa	74	36
United Kingdom	170	90
United States	164	79

Note: Data is represented for calendar years for all countries except India. For India, the numbers are for the fiscal year

CAPITAL SMALL FINANCE BANK

What is true for SFBs, generally holds valid for Capital SFB, too. The combination of an already large underserved rural base, and a rural economy that fared relatively better compared to its urban counterpart in the last two years, is a fertile ground. Capital SFB's robust fundamentals accord it a position to sow and reap benefits. Its strong and stable business model has led to superior performance. Continued strong CASA, which helps the bank keep its cost of funds low, granular advances to a diversified customer base, healthy credit assessment, and recovery mechanism, contribute to its exemplary asset quality.

Furthermore, a moderate-to-low NPA ratio has been a core feature that it has been able to stick to, since inception, reflecting appropriate credit risk management. The Bank has the lowest write-offs amongst SFBs and private sector banks. Customised products, driven by technology, have simplified operations from onboarding to servicing, making for a loyal and satisfied customer base. In addition, the bank has maintained and improved on these parameters through Covid-19, wave after wave.

When the credit-to-GDP ratio is drilled down further, only the western and southern regions of India have credit penetration above 50%. The northern region, which is the area that Capital SFB serves, has a substantial opportunity for business and retail customers. Within the northern region, Punjab, where Capital SFB predominantly operates, has 48% penetration, which means there is a greater untouched client base to explore. In addition, the areas that Capital SFB wishes to expand in, have a plethora of opportunities. Punjab and Haryana also have high agricultural yields, making a case for the northern regions' potential for growth in the financial sector.

Capital SFB's unique position as a new-age SFB, with over 20 years of experience in the sector, has earned goodwill through relationship-based banking, high-quality leadership, committed and trustworthy human capital, and a full range of product offering through both physical and digital means.

BUSINESS REVIEW

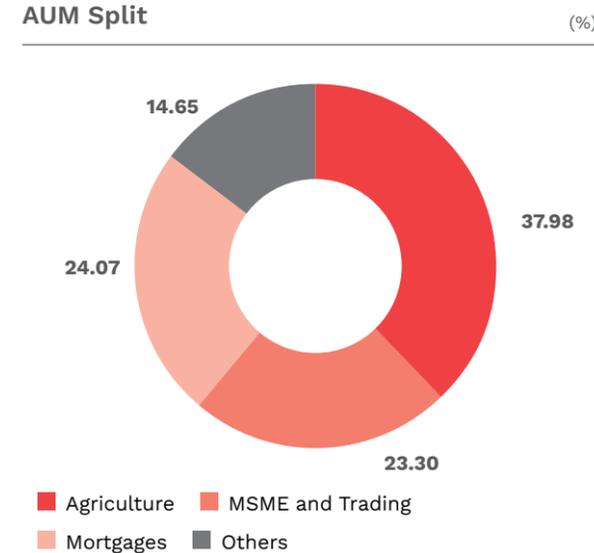
Advances

Capital SFB thrived through one of the roughest years that any financial institution could possibly envision. Not only was it able to maintain its disbursements, but it also saw significant growth in overall Assets Under Management. The bank holds an almost 100% secured loan book, while continuing to focus on a granular retail asset portfolio. The advances section

of the business continues to have agricultural, MSME, trading and mortgage lending as its main pillars.

The Bank's conscious effort to balance granular loans with security, continued through FY22. Its disbursements increased from ₹ 1344.22 crores for FY21 to ₹ 1843 crores for FY22. As on March 31, 2022, not only was 99.70% of its loan book secured, 86.57% of the loans were secured with immovable properties. Its diversified loan portfolio mitigates exposure as it comprises agricultural, MSME and trading, retail, and mortgage loans.

AUM Split



Unit	₹ in crores	₹ in crores	In%
	FY22	FY21	Y-o-Y Growth
Agriculture	1,780.74	1,423.21	25.12%
MSME and Trading	1,092.62	973.04	12.29%
Mortgages	1,128.45	809.65	39.38%
Others	686.89	557.09	23.30%

Note: Others includes loans to NBFCs for On-lending and loans for consumption purposes. client to confirm information on other products description

AGRICULTURE

Traditionally, to align with pillars of advances, a large part of the bank's loans has been disbursed on agriculture or related loans. These loans fall into three categories, Kisan Credit Card (KCC), agri-term loans, and commission agent financing. It focuses on mid-sized agriculturalists with an average landholding of five acres or more. The bank's crop loans have limited price risk, owing to the minimum guaranteed price, and better cash flows for farmers in case of higher production. The agricultural loans contributed to 37.98% of the bank's loan book as

on March 31, 2022, with a gross advances size of ₹ 1780.74 crores and average ticket size of ₹ 0.12 crores as on March 31, 2022.

FY22 Highlights

37.98%

Share in Loan Book

₹1,780.74 crores

AUM

₹0.12 crores

ATS at Portfolio

₹594.70 crores

Disbursements

₹0.09 crores

ATS at Disbursements

2.45%

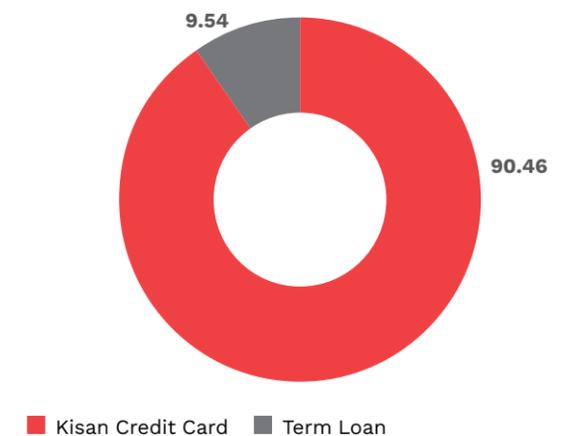
NPA

99.85%

Secured Portfolio

Agri-Finance

(%)



Management Discussion and Analysis

MSME AND TRADING

The bank provides both, short-term and long-term financing requirements for clients. The loan products under this category are targeted toward small and medium enterprises, small traders and the service segment. Though the bank primarily offers working capital financing, they also provide other products like machinery loans and project financing.

FY22 Highlights

23.30%

Share in Loan Book

₹1,092.62 crores

AUM

₹0.18 crores

ATS at Portfolio

₹363.78 crores

Disbursements

₹0.14 crores

ATS at Disbursements

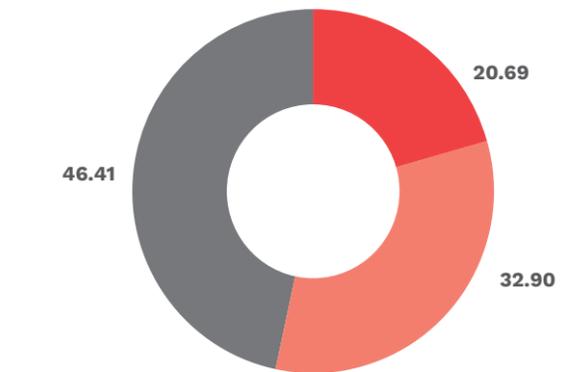
4.93%

NPA

99.98%

Secured Portfolio

MSME-Finance (%)



■ Manufacturing ■ Services
■ Trading

MORTGAGES

Meeting the loan requirements of middle-income individuals continues to be the bank's focus, especially for small ticket assets. This aligns with our goal of maintaining a granular loan book. Since FY19, our loans with ticket size of less than ₹ 25 lakhs, have increased from 54.10% of our total loan book to 62.88% in FY22. In addition, the bank also provides loans for the purchase, construction, expansion, and renovation of house property. These loans fuel the overall demand side of the economy. Another offering in this category is loans against properties, for financing viable economic activities or to meet the personal needs of the property holder.

FY22 Highlights

24.07%

Share in Loan Book

₹1,128.45 crores

AUM

₹0.11 crores

ATS at Portfolio

₹542.18 crores

Disbursements

₹0.11 crores

ATS at Disbursements

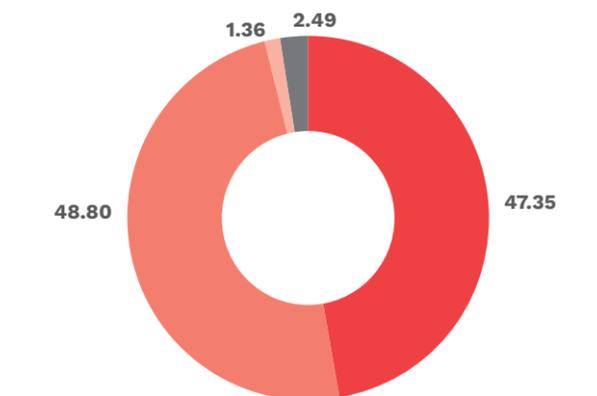
0.69%

NPA

100.00%

Secured Portfolio

Mortgage- Finance (%)



■ Housing Loan ■ Loan against Property
■ OD against Property ■ Others

OTHERS

Even as the bank caters to middle income population in both, rural and semi-urban regions, we continue to serve the underserved above and beyond our call of duty, as dictated by the regulatory Priority Sector Lending (PSL) targets. We crossed the RBI targets yet again, with PSL advances of ₹ 3229.96 crores, clocking an increase of 26.28% as on March 31, 2022, as against as ₹ 2557.76 crores as on March 31, 2021. Average achievement of Advances to weaker sections, including small and marginal farmers and scheduled castes, stands at ₹ 345.98 crores as on March 31, 2022, which is 105 basis points higher than the regulatory benchmark of 10% (including PSLC).

	as on March 31, 2022	
	RBI target*	Capital SFB*
PSL Target	75%	78.85%
Weaker Sub-sections	10%	11.05%
*% of Adjusted Net Bank Credit		3132.21

LIABILITIES

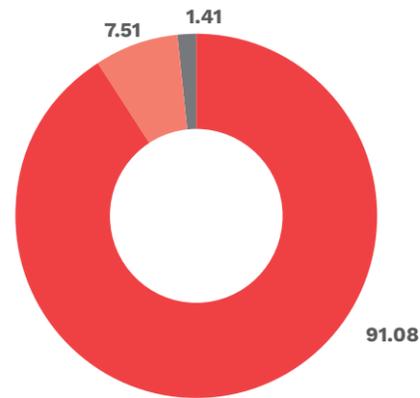
The bank's low-cost deposits come from a diverse customer base through retail deposits and CASA, substantially making for its funding requirements. Another source of funding is borrowings, including tier 2 bonds. The savings bank deposits, current deposits, and term deposits, stood at ₹ 2316.50 crores, ₹ 232.90 crores, and ₹ 3496.96 crores, respectively, as on March 31, 2022. The bank also serves NRI customers and offers NRE and NRO accounts.

The bank's deposits have grown by 15.81% from ₹ 5221.07 crores as of March 31, 2021, to ₹ 6046.36 crores as of March 31, 2022. On the same date, it had 97.37% of retail deposits as a percentage of total deposits. Its entire deposit base was spread over 681731 deposit accounts, increasing by 10.06% since March 31, 2021. The average ticket size of deposits has also increased from ₹84,000 to ₹89,000 over the year. Further, roll over ratio for term deposits has remained around 89% on average basis during the year, confirming that the bank has a loyal depositor base.

Management Discussion and Analysis

Liability Profile

(% Share)



■ Deposits ■ Borrowing
■ Other Liabilities

Type of Deposits

₹ in crores

	FY22	FY21
CASA	2,549.40	2,092.63
Term Deposits	3,496.96	3,128.44
Retail Term Deposit	3,337.92	3,002.96
Bulk Deposit	159.04	125.48
Deposits	6,046.36	5,221.07

Panel

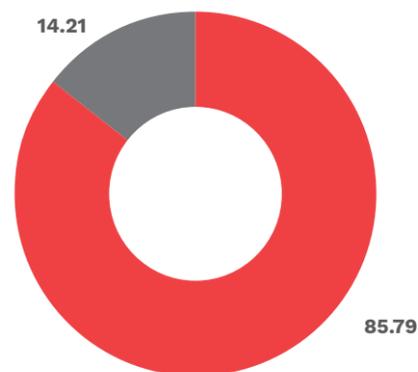
FY22 Highlights- Deposits

97.37%

Share of Retail Deposit

Customer Distribution

(%)



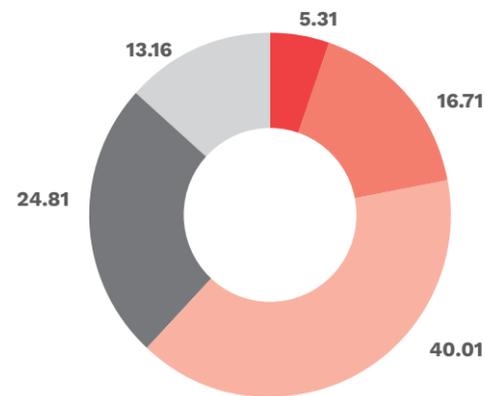
■ CASA Accounts ■ Term Deposits

Customers maintaining accounts with us as of

March 31, 2022

Pop-Group Wise Deposit

(%)



■ Metropolitan ■ Urban ■ Semi Urban
■ Rural ■ Unbanked Rural

THIRD-PARTY AND OTHER PRODUCTS

Aiming to be the primary banker for its customers, the bank offers third-party products for financial needs outside its core business. This includes insurance, locker services, and foreign exchange services, such as remittances. The bank also cross-sells its insurance products to borrowers, safeguarding their families in case of an unforeseen event. The bank's strong collaborations with a range of leading insurance companies, and AD-1 bankers and other foreign exchange service providers, allow it to offer a holistic service portfolio to its clients.

The bank is a corporate agent for ICICI Prudential Life Insurance Company Limited and HDFC Life Insurance Company Limited for life insurance products, and Bajaj Allianz General Insurance Company Limited for general insurance and health insurance products. The products on offer include traditional life insurance, term insurance, motor insurance, property insurance, personal accident insurance, health insurance, and travel insurance.

The bank is an RBI authorised dealer with a category II license and provides inward and outward non-trade remittance facilities. It provides money remittance services in partnership with Western Union Financial Services Inc., Money Gram Inc., and Ria Money Transfer. The bank also has safe deposit lockers for customers to store their valuables for a fee.

The bank's non-interest income accounted for 17.51% of the bank's Net total income for FY22 at ₹ 54.18 crores, which is an increase of 18.14% over last year.

FY22 HIGHLIGHTS

Life Insurance

₹ in crores

New Policies	NOPs	Amount	Profit
FY22	7,806	30.91	7.28
FY21	5,890	22.26	5.39

General Insurance

₹ in crores

New Policies	NOPs	Amount	Profit
FY22	29,527	17.99	2.56
FY21	30,151	15.41	2.20

Foreign Exchange

₹ in crores

Profit	Money Exchange	Money Transfer
FY22	2.75	0.36
FY21	2.08	0.44

FINANCIAL HIGHLIGHTS

Profit and Loss Summary

₹ in crores

	FY 21-22	FY 20-21	Change y-o-y %
Income			
Interest Earned	578.22	511.44	13.06
Interest Expended	322.94	312.83	3.23
Net Interest Income	255.28	198.61	28.53
Other Income	54.18	45.83	18.22
Net Total Income	309.46	244.44	26.60
Expenses			
Operating Expenses	196.25	172.96	
Employee Cost	106.56	90.43	17.84
Other Operating Expenses	89.69	82.53	8.68
Operating Profit before Provisions and Contingencies	113.21	71.48	58.38
Provisions (other than tax) and Contingencies	28.72	17.75	61.80
Profit Before Tax	84.49	53.73	57.25
Tax Expenses	21.92	12.95	69.27
Profit After Tax	62.57	40.78	53.42

Management Discussion and Analysis

Asset and Liability Composition

	₹ in crores		
	FY 21-22	FY 20-21	Change y-o-y %
Liability			
Capital	34.04	33.91	0.39
Reserves and Surplus	481.74	416.88	15.56
Deposits	6,046.36	5,221.07	15.81
Borrowings	498.43	616.72	(19.18)
Other Liabilities and Provisions	93.35	82.66	12.94
Total Liabilities	7,153.92	6,371.24	12.28
Assets			
Cash and Balances with Reserve Bank of India	363.99	721.72	(49.57)
Balances With Banks and Money at Call and Short Notice	655.06	568.70	15.19
Investments	1,357.06	1,212.25	11.95
Advances	4,634.80	3,726.89	24.36
Fixed Assets	83.59	86.56	(3.43)
Other Assets	59.42	55.12	7.79
Total Assets	7,153.92	6,371.24	12.28

Key Ratios

	in %	
	FY 21-22	FY 20-21
Net Interest Margin	3.78	3.40
Gross NPAs	2.50	2.08
Net NPAs	1.36	1.13
Return on Assets	0.93	0.70
Return on Equity	12.95	9.51
Return on AUM	1.56	1.23
Cost of Deposits	5.02	5.68
CRAR	18.63	19.80

SCOT Analysis

Strengths

- × Strong and growing retail liability franchise with a high share of CASA (42.16%).
- × Secured and diversified advances portfolio laterally, across types of advances, and vertically, across the client base.
- × Robust credit assessment processes and risk management practices that lead to continued superior asset quality.
- × Customer-centric approach and deep understanding of target customers with a whole range of offerings as one-window services.
- × Consistent track record of growth with constantly improving operational and profitability metrics leading to unshaken stakeholder trust.
- × Strong corporate governance.
- × Professional and experienced leadership team with expertise.
- × Reputed shareholders.

Opportunities

- × Potential to reach deeper into the pockets of current geographies.
- × Geographical expansion opportunities in more underserved regions make a powerful case for a universal banking license.
- × Huge profit potential by expanding product profile, customer base and distribution channels.
- × Tapping the far reach of mobile penetration, digitisation and the growing ubiquity of systems, such as UPI and other customised solutions.
- × Grooming more business partners to include more products offered with the aim of improving efficiencies, customer base, and customer experience.

Challenges

- × Scaling up in new geographies and distribution channels
- × Maintaining high asset quality at fast paced growth momentum
- × Employee retention in order to cultivate future leaders.

Threats

- × Increasing cyber security threat with ever-growing internet web.
- × Existing players and new competitors, and targeting the same markets and services, leading to lowered prices, and increased costs, such as marketing.
- × Unexpected alterations in government and regulatory guidelines may negatively impact margins.

Management Discussion and Analysis

INFORMATION TECHNOLOGY

Efficiencies brought about by digitisation, mobile penetration, and ease of use are being experienced by the entire financial sector. On the asset side, technology has been effectively used to get customers on board and assess credit. On the liability side, digitisation lowers operational costs by automating repetitive, time-consuming processes. Various other essential functions, such as customer experience, online tax payments, and human resources, process management, and governance, are supported by the bank's technology, too.

The bank encourages the use of digital banking channels, particularly educating individuals in unbanked and underbanked segments, to advance on its goal of financial inclusion. Its digital facilities include mobile banking, corporate banking, bill payments, and debit cards. The core banking system is from a Chennai-based service provider, which provides 2 mobile banking applications—Capital Bank Mobile+ and Capital Bank Mobile Connect. This offers clients multiple ways to access their accounts and transact, depending on their convenience.

Capital SFB has leveraged technology to increase the number of transactions and reduce the time needed to conduct them. Our digital transition is growing stronger by the day, with digital transactions going from 28.74 lakhs in FY21 to 59.71 lakhs in FY22. Moreover, the share of digital transactions in non-cash transactions increased from 54.48% to 71.18% in the same period. This is the result of a consistent effort to hand-hold rural clients during their digital journey, while building trust.

The bank continues to invest in its technology platforms because it is a clear win-win for both, the bank and its customers. Having said that, the bank believes in a 'phygital' approach to distribution. This balances a strong presence of branches with customised, easy, digital banking solutions.

Safe and seamless solutions will lead to a quality customer experience. The bank continuously works toward keeping its customer data and transactions secure. Alongside, it ensures seamless integration across all channels—branch banking, website, internet banking, and mobile applications. This ensures consistency and anytime-anywhere banking to its clients.

These steps towards efficient technology usage will also allow us to use data analytics for targeted customer outreach, and customised product offerings to suit diverse client requirements.

TREASURY OPERATIONS

The Bank's treasury department ensures efficient management of liquidity, funding, and investments, and acts as liaison between the head office and branches, and while earning higher risk-adjusted returns. The department, thus, is the bridge between the head office and the branches for settlement processes, fund transfers, and various other related activities. Safety, liquidity, and superior risk-adjusted returns are the treasury operation's fundamental principles.

The department is therefore accountable for Asset Liability Management (ALM), to comply with statutory requirements as per RBI's guidelines. It is also responsible for minimising the cost of borrowing and managing interest rate risks. This requires competent fund management, planning, managing day-to-day liquidity, and prudent and compliant portfolio management across long-term and short-term investments. Over and above external regulatory requirements, the treasury operations also comply with internal policy frameworks.

The bank maintained high liquidity and a healthy portfolio, by spreading investments across short-term government instruments, long-maturity government securities and other government backed instruments and avenues. This combination took advantage of interest rate changes. The treasury investment portfolio earns lucrative risk-adjusted returns and maintains a rational spread over the cost of deposits, contributing positively to the bank's bottom line.

RISK MANAGEMENT

As a banking institution, the bank understands its fiduciary responsibility toward managing public money. Keeping public money safe is our topmost priority. In our day-to-day operations, the bank is exposed to numerous risks, such as credit risks, liquidity risks, interest rate risks, market risks, technology risks, and macro-economic risks. Internal policies have been designed to build systems and processes that continuously keep an eye on these risks, and take necessary actions as and when needed.

The bank's fundamental model sets up processes that follow an integrated approach to managing risks. The process covers the various stages of its business from identifying, assessing, measuring, managing, controlling, and reporting risk concerns across all risk classes.

The Board, as a part of its responsibility toward overall governance and core risk management, has delegated authority to the Risk Management Committee of the Board. This committee oversees and reviews the processes and practices involved, including the implementation of procedures and tools for risk monitoring. The Risk Management Committee makes policy, strategy, and risk management framework recommendations to the Board. The Board, in turn, reviews and approves the recommendations.

Through this process, the bank ensures the independence of the risk management function. Further, functional departments devise and implement suitable policies and processes relevant to them in consultation with the Risk Management Department. Business units are responsible for compliance with various policies and procedures stipulated by the corporate office.

Further, the Credit Risk Management Committee executes and ensures the implementation of credit risk management. It ensures implementation of policies and recommends changes thereto, in line with any changes in the regulatory instructions, business or economic conditions. It also monitors loan portfolio quality, identifies problem areas, and instructs business units with directions for rectifications.

In addition, internal financial controls are implemented to ensure adherence to policies, safeguarding assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, and timely preparation of reliable financial information. The entire setup is geared towards monitoring the changing dynamics in the industry and evolving the risk appetite, risk assessment and risk mitigation strategy.

COMPLIANCE

Everything the bank does is bound by rules and principles, either external or internal. The implications of such compliance requirements vary with the area of application. Like any financial institution, compliance is assessed under four key areas—RBI Compliance, Corporate Compliance, KYC and AML Compliance, and Information Technology Compliance.

The Bank adheres to the best practices and market standards for accountability, transparency and business ethics, to achieve excellent standards of corporate governance. In accordance, the bank has an objective, and robust and alert compliance functions, covering every aspect of the business from the statutory guidelines, and best business practices' points of view.

The compliance function also ensures strict observance of all statutory provisions contained in various legislations, such as the Banking Regulation Act, Companies Act, Reserve Bank of India Act, Foreign Exchange Management Act, Prevention of Money Laundering Act etc., as well as other regulatory guidelines issued such as IBA, FEDAI, FIMMDA etc. This is over and above the bank's own internal policies and fair practices code.

This function understands the need for compliance from top to bottom, and works on the fundamental principles of integrity, impartiality, accountability, discretion, and respect.

HUMAN RESOURCES

The Bank believes that happy employees lead to satisfied customers. It, therefore, continues to invest in its employees, and seeks to provide a conducive work environment. The early months of FY22 imposed unprecedented challenges, owing to the Delta wave of Covid-19. The human resources function at Capital SFB adapted to whatever was posed by the ever-changing uncertainty of the pandemic. The function continued to prove its agility, creativity, and flexibility through and through.

Management Discussion and Analysis

Please refer to page 30 of the Annual Report for a detailed discussion on Capital SFB's HR policies. As a brief glimpse, the bank strives to offer work-life balance for our employees, be it the day-to-day working hours or the number of annual leaves. The work towards career development and planning begins with trying to hire locally. Our assessment processes are objective and transparent.

RESPONSE TO COVID-19

In FY21, The RBI had issued guidelines to help mitigate the impact of the pandemic. Under these guidelines, all loans were eligible for a moratorium, and then an extension on the moratorium. Capital SFB was keen on playing its role in helping with the situation. In the first opt-out moratorium, Capital SFB was able to fully or partially recover 75.82% of accounts, representing 83.04% of the loan book. In the second moratorium, 48.80% of the loan book was opted in, and the bank saw a full or partial recovery from 64.85% of the customers, representing 69.60% of the loan book. To mitigate the impact of the moratoriums, the bank focussed on more granularity, in terms of both, credit growth drivers and deposit profiles.

On the employee side, the bank continued with its Business Continuity Plan that was established in FY21. The primary concern remained to maintain the health and well-being of its employees, and the mitigation of any possible disruption, while serving its customers.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Capital SFB's sustained growth over two decades has allowed it to participate in the economic and social development of the region, in which it operates. The bank believes in progressing along with the communities it serves, and thus focuses on holistic community development. Capital SFB, therefore, thinks of CSR beyond a mere regulatory requirement. It passionately works towards benefitting the unprivileged, downtrodden, and low-income sections of society.

Instead of treating the CSR function as a separate entity, the bank works diligently towards integrating all its activities with social and environmental responsibilities. This is done by encouraging each business unit/ function to include these considerations in its operations. The bank's CSR Committee is responsible for administering and executing the CSR policy. It identifies focus areas and recommends them for implementation, and reviews these activities at regular intervals.

The bank also runs a trust, Capital Foundation, through which, it undertakes its CSR activities. This foundation aspires to address socio-economic gaps, and conduct social initiatives that have a meaningful impact on the community.

The bank spent ₹ 0.77 crores on the CSR initiatives in FY22. It has also adopted a CSR policy in compliance with the Companies Act, 2013, and the Companies (Corporate Social Responsibility) Rules, 2014, as notified by the central government.

KEY AREAS OF OPERATIONS

COVID-19 initiatives

To support and save lives, the Bank offered every possible help to the authorities, including undertaking

the distribution of sanitisers, gloves, masks & other protective gear and conducting vaccination drives.

Education

The Bank provides educational sponsorships to students belonging to economically, socially, and physically challenged categories. It also aims to improve the quality of education by supporting infrastructure, such as libraries, supportive classes, computers, and science laboratories. The overall drive is to create a conducive learning environment and promote enthusiasm in learning.

The Bank also runs programmes that bridge skill gaps, especially in the banking industry, and also groom candidates to make them job-ready.

Rural sports development

Capital SFB wishes to revive local sports. Towards this end, it mobilises resources to rural communities, so that they can nurture and develop local talents in sports. The bank also organises and sponsors tournaments for social categories in need.

The journey ahead

The year under review was yet another year of challenges, and Capital SFB resiliently emerged successful. This was without compromising on the goals of achieving the best for its stakeholders, while balancing financial discretion with watchful fortitude. It is this ever-vigilant attitude that has led the bank from strength to strength

The Bank's beaming top and bottom lines are testaments to its inherent strength. Not only can it withstand the many challenges that the external environment throws its way, but it also achieves its financial, social, and environmental goals.

Capital SFB now expects a shift of attitude towards the coronavirus from both, the government and the citizens. Accepting it as the new normal, the bank is equipped to handle the uncertainties, battled with the help of its adaptation plans, and lessons it has learned over the last two years. The Bank expects economic activity to bounce back with the central bank, continuing to support liquidity and stability in the markets. The government is also likely to provide relief, especially to the priority sectors, allowing the bank and the customer base it serves, to grow onward and upward.

The Bank will continue to be alert towards the ever-changing economic landscape, and build on its agility to change course, while keeping the core values

intact. The resilience and commitment shown by the bank and its teams showcase its capacity to survive and overpower any obstacles that come along its path for growth.

The Bank's journey ahead will look at building on its brand value, to spread its operations towards adjacent geographies. The Bank is confident that it will continue to grow with fervour and sincerity. It will maintain its superior asset quality, while it continues its goal of financial inclusion across the country. The Bank firmly believes that it will continue to deliver high-quality performance based on trust and growth, the benefits of which will accrue to society at large.

CAUTIONARY STATEMENT

Statements made in this MD&A describing the bank's objectives, projections, estimates, general market trends, expectations, etc., may constitute 'forward looking statements' within the ambit of applicable laws and regulations. Actual results could differ materially from those suggested by the 'forward looking statements' as those statements involve a number of risks, uncertainties and other factors. These risks and uncertainties include, but are not limited to, the bank's ability to successfully implement its strategies, future levels of non-performing advances, growth and expansion, the adequacy of its allowance for credit losses, its provisioning policies, technological changes, regulatory changes, investment income, cash flow projections, its exposure to market risks, uncertainties arising out of COVID-19 pandemic or other risks.

Directors' Report

DEAR SHAREHOLDERS,

The Directors of the Capital Small Finance Bank Limited ("Bank" or "Company") have great pleasure in presenting the 23rd Annual Report on the business and operations of the Bank along with the audited accounts for the year ended March 31, 2022.

Despite the disruption created by the pandemic, the Country waded through the troubled times owing to combined efforts from all stakeholders. The world is now rearing to back to normal and forge beyond.

Owing to a robust Business Continuity Plan, the Bank has sustained its holistic growth by pursuing its tradition of trust and performance. At the Bank, the relationship-centric approach continues to be the centre of operations and the very basis of its brand loyalty. The Bank continues to build upon a robust retail franchisee business model, which has "sustained and growth-oriented performance with stable and sound fundamentals" at its heart.

PERFORMANCE

With the pandemic related disruptions receding, thanks to massive vaccination drives, 'to live with it' attitude and macro and micro level adjustments, economic growth is reviving world over. India has come out as the leading economic power and is considered as the 'next global manufacturer' and 'start-up hub'. The banking sector is poised to contribute to this resurgence as well as become a direct beneficiary of economic growth.

Having said that, the macroeconomic headwinds of geo-political tensions, soaring inflation, spike in crude oil, supply chain bottlenecks and global interest rate hike cycle could put some pressure on growth / Net Interest Margin (NIM) in the near term but unlikely to alter the improving balance sheet trajectory of banks.

The well capitalized banks with retail centric approach having well diversified portfolios with high asset quality & stable and low cost deposit base shall witness sustainable and profitable growth.

Capital Small Finance Bank Limited has come up with stellar all round performance depicting consistent track record of growth with constantly improving operational and profitability metrics. The Bank is marching ahead on its strong retail liability franchise with a high share of CASA and low cost stable deposit base and secured, granular and diversified advances portfolio with high asset quality built over two decades of relationship based banking model and customer centric approach.

The Bank primarily focuses on the middle-income customer segment, we believe that our full suite of products and services on the asset and liability side provides us an opportunity to serve more customers spread across rural and semi-urban areas.

Since our conversion into a Small Finance Bank ("SFB"), we have invested in expanding our branch network which has in turn enabled us to grow our loan book. We have opened 113 branches since our conversion into an SFB. The Bank is pursuing contiguous expansion plan of penetrating into existing geographies and expanding into new geographies including Haryana, Rajasthan, NCR and Himachal Pradesh to serve the target customer segments. We also intend to open targeted branches in urban/ metro areas in order to grow our business in these areas.

On liabilities front, we are focusing on deepening our existing relationships to continue maintaining high levels of CASA. Our CASA Ratio for the past three financial years ending March 31, 2022, March 31, 2021, and March 31, 2020 stood at 42.16%, 40.07% and 36.31% respectively. Our cost of funds stood at 5.20% and 5.83% for the Fiscal ended March 31, 2022 and Fiscal ended March 31, 2021 respectively. Further, our proportion of retail deposits at 97.37% as at March 31, 2022. We plan to continue to increase our CASA and retail deposits in order to optimise our cost of funds.

On assets front, we have a high proportion of secured lending of 99% of our loan book. The salient feature of strong asset quality as depicted by low GNPA of 2.50% & NNPA of 1.36% as on March 31, 2022, is the result of robust credit assessment processes and risk management practices adopted by the Bank based on strong understanding of the target customer base as well as previous experience of several business cycles over the past two decades of banking.

Our advances as of March 31, 2022 for agriculture, MSME & trading and mortgages segments were ₹ 1,780.74 crores, ₹ 109.62 crores, ₹ 1,128.45 crores respectively, and as of March 31, 2021 were ₹ 1,423.21 crores, ₹ 973.04 crores, ₹ 809.65 crores respectively, with an average ticket size of ₹ 1.22 million, ₹ 1.83 million and ₹ 1.13 million as on March 31, 2022.

We also plan to enter into business partnerships in the states where we do not have deep branch network currently to gain an understanding of the new markets we intend to penetrate. We believe that such partnerships will help us in mitigating the associated risks and will enable us to diversify our products and services as well as enhance our geographical presence.

Our profitability and operational metrics have been on the rise as depicted from their upward trend. Our operating profit before provisions has grown at a CAGR of ~49% from ₹34.28 crore in Fiscal 2019 to ₹113.21 crore in Fiscal 2022. Our profit before taxes during the year ended March 31, 2019 was ₹ 26.92 crore which has grown to ₹ 84.49 crore as on March 31, 2022. Our profit after taxes during the year ended March 31, 2019 was ₹ 25.38 crore which has grown to ₹ 62.57 crore as on March 31, 2022. The credit for stupendous performance built on trust over the years is guided by professional and experienced leadership team backed by reputed shareholders with strong corporate governance.

Going forward, the focus is on strengthening our operational and profitability metrics through: (1) optimizing asset liability mix in favour of asset creation and increasing credit to deposit ratio, (2) focus on optimising costs and improving efficiencies, and (3) focus on improving share of fee income and leverage cross-selling opportunities.

We are focusing on optimizing costs, our opex ratio as a percentage of average assets which has improved to 2.90% FY22 over 3.33% in FY20, cost income ratio will continue to show improving trajectory and expected to be around ~60% in FY23. The same was 63% in FY22 and 71% in FY21.

The below table shows improving profitability ratios as a result of margin expansion and improved efficiencies:

	FY20	FY21	FY22
Return on Assets	0.52%	0.70%	0.93%
RoAUM	0.89%	1.23%	1.56%
Return on Equity	7.72%	9.51%	12.95%

The Bank believes future of banking is digital. We are moving towards digital onboarding of our customers, that will help widen our customer base, increased productivity, reduced costs and better cross-selling opportunities. We are also continuously exploring new delivery channels to enhance our customer outreach. We believe that tapping cross-selling potential will favourably increase our fee income. Being the primary banker to the local communities, gives us visibility of the customer cash flows providing us an opportunity to increase cross-selling. The way forward on digitization is Simplified Apps, improved product design and focus on the customer experience along with increased Innovation in savings, loans, third party products and wealth management.

Leverage our brand to build our presence in the banking sector and enhance customer trust and

recognition by relationship-based banking, customer engagement practices and holistic product offerings is the hallmark for sustainable and accelerated growth for us.

DIVIDEND

The Board assessed the performance of the Bank during the year under review in light of the on-going pandemic. The Board recognised the need to strike a balance between being prudent and conserving capital in the Bank, whilst also meeting expectations of the shareholders. The Board after assessing the capital buffers, operations and liquidity levels of the Bank, recommended payment of dividend for the financial year ended March 31, 2022 of ₹1 per equity share of face value of ₹10 each.

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 avenues 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 CAR of 18.63% as on March 31, 2022 as compared to 19.80% as on March 31, 2021. 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 with the provisions of the guidelines issued by the Reserve Bank of India ('RBI'), has maintained the capital adequacy ratio at the desired level and has planned to maintain the same comfortably in future also.

Directors' Report

CAPITAL AND DEBT STRUCTURE

The Bank had authorised Capital of ₹50.00 crores and Issued, Subscribed and paid up Capital of ₹34.04 crores as on March 31, 2022. The Bank during the current year has issued and allotted 1,33,410 equity shares to the employees detailing 16,421 Employee Stock Options on May 7, 2021, 75,865 Employee Stock Option on June 29, 2021 and 41,124 Employee Stock Option on December 14, 2021 of ₹10/- each at a premium of ₹88/- (i.e. at the total issue price of ₹98/-) per share. The details of the same as required under Rule 12 (9) of the Companies (Share Capital and Debentures) Rules, 2014 is as under:

Scheme	CSFB ESOP Plan 2018	CSFB ESOP Plan for MRTs
Date of Shareholder's approval	August 18, 2018	July 13, 2020
Total Number of options approved	8,54,720	1,00,000
Exercise price per option	₹ 98	₹ 10
Total No. of options outstanding at the beginning of the year	4,65,509	Nil
Total options granted during the year	3,26,750	19,251
Total options Vested during the year	1,63,902	Nil
Total options exercised and shares allotted during the year	1,33,410	Nil
Options forfeited/lapsed	86,412	Nil
Total options in force as on March 31, 2022	5,72,437	19,251
Variation in terms of Options	Nil	Nil
Money realised by exercise of Options	₹ 1,30,74,180	Nil
I Details of Stock Options granted to Directors & KMPs during the year	KMP Mr. Amit Sharma 3,750 Mr. Santosh Kumar Dhawan 2,000 Mr. Raghav Aggarwal 4,500 Ms. Richa Mahajan 4,500	KMP Mr. Munish Jain 19,251
II Any other employee who receives a grant of options in any one year of options amounting to five percent or more of total options granted during that year	Nil	Nil
III 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 Bank at the time of grant	Nil	Nil

Disclosure regarding Employee Stock Option and Employee Stock Purchase scheme

Capital Small Finance Bank Limited – Employees Stock Option Plan 2018 (“CSFB ESOP Plan 2018”) was approved by the shareholders of the Bank in the Annual General Meeting held on August 18, 2018, for granting equity options to its employees.

1. The details of the Plan as under:

Scheme	Date of Grant	Vesting	Exercise Period	Exercise Price per Option	Method of Settlement
CSFB ESOP Plan 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

The options have been granted basis fair value calculated as per Discounted Cash Flow Methods

Further, during the current year, the Bank has issued and allotted 3,135 Unsecured Redeemable Non-Convertible Lower Tier II Basel-II Compliant Bonds 2021-22 in the nature of debentures (**Series – XIX**) on June 29, 2021 of ₹1,00,000 each aggregating

to ₹31.35 crores on private placement basis with coupon rate of 9.25% p.a. quarterly payout (simple interest) and redemption date of June 29, 2031.

The above capital raised puts the Bank in a comfortable position to withstand any challenges caused by the outbreak of COVID-19 pandemic as well as has ample ammunition to propel its expansion.

Advance to Priority Sector, Weaker Section

Lending is one of the primary objectives of any Bank. 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.

Lending to Weaker Sections is another focus area of the Bank. Since inception, the Bank has always endeavoured to surpass the minimum defined targets for Lending to Priority Sector including Weaker Sections. Priority sector advances of the Bank increased to ₹2,469.62 crores (Net amount after sale of PSLC of ₹657.50 crores and Purchase of PSLC of ₹235 crores) as on March 31, 2022 (quarterly average) as against ₹2,035.51 crores as on March 31, 2021, registering a growth of 21.33%. The Priority Sector Lending achievement of the Bank is 78.85% calculated as % to Adjusted Net Bank Credit of previous year ended March 31, 2021 and is well above the 75% benchmark set by the RBI.

The advances to Weaker Section including Small and Marginal Farmers, Scheduled Castes, etc. stood at ₹345.98 crores as on March 31, 2022 with an achievement of 11.05% of Adjusted Net Bank Credit of previous year i.e. March 31, 2021 as against the regulatory benchmark of 11%.

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 Sector has increased to ₹1,780.74 crores as on March 31, 2022 as against ₹1,423.21 crores as on March 31, 2021 showing a growth of 25.12%.

The Bank is aggressively funding the MSME and Trading sector, which forms the backbone of the economy. Capital Small Finance Bank Limited 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 ₹1,092.62 crores as on March 31, 2022 as against ₹973.04 crores as on March 31, 2021 registering a growth of 12.29%.

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, 2022, advances up to ₹25 Lakhs account for 65.49% of total loan book of the Bank.

The Bank has always been active in contributing towards the social objectives. Lending to Priority Sector is one of the means. The strategies of the Bank are focused on achieving the commercial targets without compromising on the growth of this sector.

In order to ensure a more extensive coverage of these segments, the Bank keeps on devising new strategies and tries to extend its outreach to the rural and unbanked areas as well. Measures like imparting training to officers on rural lending, customer centric approach, 7 days banking and single window concept enable the customers to avail fullest benefit of the Bank's services.

STATUTORY DISCLOSURES

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

We've made statutory compliances with respect to all the applicable rules/ regulations/ guidelines/ notifications issued by the Reserve Bank of India and the Government of India.

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

(i) The information with regard to employees who are in receipt of remuneration in excess of ₹102.00 Lakhs per annum or ₹8.50 Lakhs per month for a part of the year is enclosed as **Annexure - A**.

(ii) No employee in the Bank was in receipt of the remuneration in excess of that drawn by the Managing Director and holds by himself or along with his spouse and dependent children 2% or more equity shares of the Bank.

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

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

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

Pursuant to the relevant provisions of Section 125 of the Companies Act, 2013 and the relevant rules made thereunder, the amount of unpaid dividends that are lying unclaimed for a period of 7 years from the date of its transfer

Directors' Report

to the unpaid dividend account, is liable to be transferred to Investor Education and Protection Fund (IEPF).

Accordingly, Dividends for and up to the financial year ended March 31, 2014 have already been transferred to the IEPF. Further, please note that the Unclaimed Dividend in respect of the financial year ended March 31, 2015 must be claimed by the concerned Shareholders on or before October 26, 2022 failing which it will be transferred to IEPF in accordance with the Rules. The data for the same is available on the website of the Bank at www.capitalbank.co.in.

The details of Unclaimed Dividends as on March 31, 2022 and the last date for claiming the same, prior to its transfer to the IEPF, are as under:

Dividend for the year ended	Date of declaration of Dividend	Last date claiming Dividend
March 31, 2015	September 19, 2015	October 26, 2022
March 31, 2016	September 23, 2016	October 30, 2023
March 31, 2017	July 22, 2017	August 28, 2024
March 31, 2018	August 18, 2018	September 24, 2025
March 31, 2019	September 27, 2019	November 03, 2026
March 31, 2020	-	-
March 31, 2021	August 20, 2021	September 26, 2028

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 2013-14 (in case where the Dividend for subsequent 7 consecutive financial years have not been claimed by the concerned Shareholder), were liable to be transferred by the Bank to IEPF Authority and the same has been transferred, pursuant to the notification issued by the Ministry of Corporate Affairs (MCA) Dated October 16, 2017.

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

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

6. 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 Annual Return of the Bank in prescribed Form MGT – 7 is available on the website of the Bank at www.capitalbank.co.in.

7. Requirement for maintenance of cost records

The cost records as specified by the Central Government under Section 148(1) of the Companies Act, 2013, are not required to be maintained by the Bank.

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

Energy Conservation:

The Company being Banking Company, the energy consumed by the bank during this period is only in the form of electricity and diesel used in generators. The Company has allocated specific cost budgets for the same in Head Office and all its branches to reduce electric waste and the same is monitored on periodical basis. Other measures like use of LEDs, power saver air conditioning equipment's 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.

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.

Core Banking:

The Bank is using Core 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.

Foreign exchange earnings and outgo:

There was no foreign exchange earnings inflow or outflow during the year under review.

9. Disclosures under Section 134(3)(l) of the Companies Act, 2013

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

The outbreak of COVID-19 pandemic led to nation-wide lockdown in 2020 which was followed by localised lockdown and significant COVID-19 cases. India has experienced two more waves of the pandemic in 2022. Since the number of cases have reduced significantly, the Government of India has withdrawn most of the COVID-19 related restrictions, however the extent to which any new wave of COVID-19 may impact the financial position of the Bank is uncertain and depends upon future trajectory of the pandemic.

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 134(3) (j) of the Companies Act, 2013

For the financial year ended March 31, 2022, the Bank had transferred ₹15.64 crores to the Statutory Reserve Fund (maintained under Section 17(1) of RBI Act, 1934) and ₹1.80 crores 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 the Companies Act, 2013

The Bank has formulated and adopted a robust risk management framework. Whilst the Board is responsible for framing, implementing and monitoring the said risk management framework, it has delegated its powers relating to monitoring and reviewing of risk associated with the business of the Bank to the Risk Management Committee.

The Bank follows an integrated approach for managing risks and the processes which are embedded in the fundamental business model. The Risk Management Landscape in the Bank covers the stages of identifying, assessing, measuring, managing, controlling and reporting risk concerns across all the risk classes viz. Credit, Market and Operational Risks and Liquidity 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 globalisation 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. The 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 optimising 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

Directors' Report

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. It is recommended by ALCO to Risk Management Committee of Board (RMCB) on annual basis for approval and is reviewed quarterly by the ALCO. In case, any review by the ALCO results in the funding gap, ALCO will be responsible to establish an action plan on the same which shall be approved by the RMCB. Further the decision to use the lines of defense as per the CFP lies with the ALCO. The contingency is defined in various scenarios. The comprehensive CFP endeavours 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 realised 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); Section 149(6) of the Companies Act, 2013

The composition of Board of Directors of the Bank is governed by the provisions of the Companies Act, 2013 and the Banking Regulation Act, 1949. The Board of the Bank as on March 31, 2022 consisted of twelve Directors, out of which seven (7) Directors were independent.

The Bank has obtained declaration of Independence from all the independent director that 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 Companies Act, 2013. The separate meeting of Independent Directors was conducted on July 08, 2021.

The Board is of the opinion that the Independent Directors of the Bank possess requisite qualifications, experience and expertise and they hold highest standards of integrity.

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

Basis the 'Fit and Proper' criteria laid down by the RBI, 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 RBI 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.

The Bank has put in place the Compensation Policy for employees including MD & CEO, WTD and other Material Risk Takers (MRTs) and Comprehensive Compensation policy for Non-Executive Directors with a key objective to support organisation strategy by helping to build a competitive, high performance and accompany with an entrepreneurial culture that attracts, retains, motivates and rewards high performing employees as well as properly compensate the employees vis-à-vis their risk and performance involvement. The policies are available on the website of the Bank at www.capitalbank.co.in.

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

Nomination and Remuneration Committee (NRC) and the Board has approved the evaluation process for evaluating the performance of the Board and Committees as whole and individually.

A separate meeting of Independent Directors was held on July 08, 2021 which carried out the annual evaluation of the performance of Non-Executive Non-Independent Directors, Executive Directors, Chairperson, Board as a Whole and Board Committees. Further the Board of Directors in its meeting held on February 04, 2022 had also conducted the Annual evaluation of performance of Board as a whole, Board Committees, Chairperson, Managing Director, Non-Executive Directors.

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 Directors' Report and also under Management Discussion and Analysis Report. There was no change in status of the Bank during the year ended March 31, 2022.

17. Name of the companies which have become or ceased to be Subsidiaries/Associates or Joint Ventures during the year in terms of Section 134(3)(q) of the Companies Act, 2013 read with Rule 8(5)(iv) of the 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 following is the summary of the complaints received and disposed off during the Financial Year 2021-22:

In Head Office

- No. of complaints received: Nil
- No. of complaints disposed off: Nil

In Branches:

- No. of complaints received: Nil
- No. of complaints disposed off: Nil

The Committee believes in ethics and 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.

Directors' Report

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) of the Companies Act, 2013 has adopted the policies and procedures to ensure orderly and efficient conduct of its business, including adherence to its 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, the Companies Act, 2013 and other applicable law/guidelines.

Mr. Sarvjit Singh Samra has held the office as Managing Director & CEO of the Bank w.e.f. April 24, 2019 for a period of three years. He has been further re-appointed as Managing Director and CEO of the Bank w.e.f. April 24, 2022 for a period of three years. Mr. Sarvjit Singh Samra has been instrumental in taking key decisions from day one that have contributed to the Bank emerging as the most preferred Bank in its area of operation. His vision to serve common man and the local touch has given the Bank a competitive edge over other banks operating in the area and the Bank is able to provide 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.

Appointment of Part-time Chairman

The RBI 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.

The Board of Directors of the Bank in its meeting held on December 9, 2021, on the recommendation of Nomination and Remuneration Committee and subject to the approval of RBI, had approved the appointment of Mr. Navin Kumar Maini (DIN: 00419921) as Non-Executive Part-Time Chairman of the Bank for a period of three years, with effect from April 24, 2022. The RBI vide letter dated April 21, 2022 approved the appointment.

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, the 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), Nominee of PI ventures LLP and Mr. Rahul Priyadarshi (DIN: 06835372), Nominee of Small Industries Development Bank of India (SIDBI) ceased to be Directors on the Board of the Bank w.e.f. September 16, 2021 and January 12, 2022 respectively.

Mr. Madan Gopal Sharma, part-time chairman (Independent Director) ceases to be a director w.e.f. April 23, 2022 on completion of his tenure.

Further the Board of Directors of the Bank in its meeting held on March 9, 2022, on the recommendation of Nomination and Remuneration Committee and pursuant to the nomination received from SIDBI, had appointed Mr. Balbir Singh (DIN: 02284941) as Additional Director (Nominee of SIDBI) w.e.f. March 9, 2022.

On the recommendation of Nomination and Remuneration Committee ('NRC'), the Board of Directors in its meeting held on November 12, 2021 had approved the re-appointment along with the remuneration of Mr. Sarvjit Singh Samra as Managing Director and CEO, for a period of three years with effect from April 24, 2022 and

the same was approved by the RBI vide their letter dated April 4, 2022.

Directors Retiring by Rotation

In terms of Section 152 of the Companies Act, 2013, Mr. Srinath Srinivasan (DIN: 00107184), director being longest in the office shall retire at the forthcoming Annual General Meeting and being eligible for re- appointment, has offered 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 existing Key Managerial Personnel of the Bank as per the provisions of the Companies Act, 2013. Further during the year under review the Board of Directors of the Bank had identified Mr. Santosh Kumar Dhawan, HOD-Retail, Mrs. Richa Mahajan, Chief Compliance Officer and Mr. Raghav Aggarwal Chief Risk Officer as Key Managerial Personnel of the Bank. Accordingly, as on March 31, 2022, the Bank has following Key Managerial Personnel:

Name	Designation
Mr. Sarvjit Singh Samra	Managing Director and Chief Executive Officer
Mr. Munish Jain	Chief Financial Officer and Chief Operating Officer
Mr. Amit Sharma	Company Secretary
Mr. Santosh Kumar Dhawan	Head of Credit
Mr. Raghav Aggarwal	Chief Risk Officer
Mrs. Richa Mahajan	Chief Compliance Officer

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.

The 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, 2022 comprised of majority of Independent directors.

The Board presently comprises of eleven Directors including one-woman independent director and it provides diverse combination of professionalism, knowledge, expertise and experience as required in the banking business. The Board has six (6) Independent Directors constituting more than one-half of its total membership strength including one (1) Women Director and three (3) Nominee Directors. 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 ten (10) times during the year under review. The details of the meetings of the Board are as follows:

Board of Directors

Total Meetings	10
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Dates of Meetings

May 11, 2021	June 15, 2021	July 22, 2021
August 18, 2021	September 23, 2021	October 22, 2021
November 12, 2021	December 09, 2021	February 04, 2022
March 09, 2022		

Directors' Report

No. of meetings attended by Directors

Sr. No.	Name of Members	No. of Meetings Attended
1	Mr. Madan Gopal Sharma ¹	8
2	Mr. Sarvjit Singh Samra	10
3	Mr. Dinesh Gupta	10
4	Mr. Rakesh Soni	10
5	Mrs. Harmesh khanna	10
6	Mr. Sham Singh Bains	10
7	Mr. Gurdeep Singh	4
8	Mr. Rahul Priyadarshi ²	4
9	Mr. Gurpreet Singh Chug	10
10	Mr. Navin Kumar Maini	10
11	Mr. Mohit Verma ³	2
12	Mr. Mahesh Parasuraman	10
13	Mr. Srinath Srinivasan	9
14	Mr. Balbir Singh ⁴	NA

¹ceased to be Director w.e.f. April 23, 2022

²ceased to be Director w.e.f. January 12, 2022

³ceased to be Director w.e.f. September 16, 2021

⁴appointed w.e.f. March 09, 2022

A meeting of Independent Directors was convened on July 08, 2021.

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. Nomination and Remuneration Committee
2. Securities Committee
3. Audit Committee
4. Corporate Social Responsibility Committee
5. Stakeholders Relationship Committee
6. Management Committee
7. Risk Management Committee
8. IT Strategy Committee
9. Special Committee on frauds
10. IPO Committee

Nomination and Remuneration Committee

During the period under review the Board had reconstituted the Nomination and Remuneration Committee and as on March 31, 2022, the Committee had four members consisting of Mr. Gurpreet Singh Chug (Chairperson), Mr. Sham

Singh Bains (Member) and Mr. Gurdeep Singh (Member) and Mr. Rakesh Soni (Member). All members of the Committee are independent non executive directors.

Brief Terms of Reference and Responsibilities are as under:

1. To consider 'Fit and proper' criteria for directors at the time of appointment / renewal of appointment of the Bank
2. To consider the remuneration proposed to be paid to Managing Director/Whole Time Director as per Compensation Policy of the Bank and recommendation of same to the Board.
3. To take into account, financial position of the company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.
4. To consider to be in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Bank and the shareholders.

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

Total Meetings	6
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Dates of meetings

May 06, 2021	August 17, 2021	November 11, 2021
December 07, 2021	January 29, 2022	March 08, 2022

Number of Meetings attended by Members

Sr. No.	Name of Members	No. of Meetings Attended
1	Mr. Gurpreet Singh Chug	6
2	Mr. Sham Singh Bains	6
3	Mr. Gurdeep Singh	2
4	Mr. Rakesh Soni	6

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

Securities Committee

As on March 31, 2022 Securities Committee consists of Mr. Dinesh Gupta (Chairperson),

Mr. Sham Singh Bains (Member) and Mr. Gurdeep Singh (Member).

Brief Terms of Reference and Responsibilities are as under:

1. To consider and approve the share/bond transfers lodged by the members with the Bank.
2. To verify the compliance of RBI and other legal regulations for allotment of securities
3. To consider manner, holding and other credentials of holder of securities
4. To consider the basis of allotment of securities as per authorization of the Board and all other aspects with regard to the Issue.

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

Total Meetings	5
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Dates of meetings

May 07, 2021	June 29, 2021	October 04, 2021
December 14, 2021	March 15, 2022	

Number of Meetings attended by Members

Sr. No.	Name of Members	No. of Meetings Attended
1	Mr. Dinesh Gupta	4
2	Mr. Sham Singh Bains	5
3	Mr. Gurdeep Singh	5

Audit Committee

During the period under review the Board had reconstituted the Audit Committee and the members of the Committee as on March 31, 2022 are Mr. Rakesh Soni (Chairperson), Mrs. Harmesh Khanna (Member), Mr. Gurpreet Singh Chug (Member), Mr. Dinesh Gupta (Member) and Mr. Sham Singh Bains (Member). The committee met five times in a year.

Brief Terms of Reference and Responsibilities are as under:

1. The Audit Committee has the powers to: investigate any activity, seek information

from any employee of the Bank, obtain outside legal or other professional advice; Such powers as may be prescribed under the Companies Act, 2013 (together with the rules thereunder) and SEBI Listing Regulations.

2. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
3. Recommendation for appointment, replacement, reappointment and approval for remuneration and terms of appointment of statutory auditors of the Bank.
4. Monitoring the end use of funds raised through public offers and related matters.
5. Evaluation of internal financial controls and risk management systems.
6. Approval or any subsequent modification of transactions of the Bank with related parties.
7. To formulate, review and make recommendations to the Board to amend the Audit Committee charter from time to time.
8. To review the functioning of the whistle blower mechanism.
9. To review the working of compliance and Vigil Department division.
10. Carrying out any other function as may be required / mandated as per the provisions of the Companies Act, 2013, the SEBI Listing Regulations, any directions, circulars, notification issued by the Reserve Bank of India and/or any other applicable laws.

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

Total Meetings	5
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Dates of meetings:

May 08, 2021	June 14, 2021	September 13, 2021
November 10, 2021	February 03, 2022	

Directors' Report

Number of meetings attended by Members

Sr. No.	Name of Members	No. of Meetings Attended
1	Mr. Madan Gopal Sharma ¹	1
2	Mr. Rakesh Soni	5
3	Mrs. Harmesh Khanna ²	4
4	Mr. Gurpreet Singh Chug	5
5	Mr. Dinesh Gupta	5
6	Mr. Sham Singh Bains	5

¹ceased to be a members of the Committee w.e.f. May 11, 2021

²appointed as member of the Committee w.e.f. May 11, 2021

Corporate Social Responsibility Committee and Statutory Disclosure

During the year under review the Board had reconstituted Corporate Social Responsibility (CSR) Committee and the composition of the CSR Committee as on March 31, 2022 comprises of Mr. Sarvjit Singh Samra (Chairperson), 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 as **Annexure - C** which forms part of the Directors' Report.

Brief Terms of Reference and Responsibilities are as under:

- To formulate and recommend to the Board of Directors, the CSR Policy, indicating the CSR activities to be undertaken as specified in Schedule VII of the Companies Act, 2013, as amended.
- To recommend to the Board of Directors, the amount of expenditure to be incurred on the CSR activities.
- To monitor the CSR Policy and its implementation by the Bank from time to time.
- To approve the CSR projects of the Bank.
- To perform such other functions or responsibilities and exercise such other powers as may be conferred upon the CSR Committee in terms of the provisions of Section 135 of the Companies Act, 2013, as amended and the rules framed thereunder.

The Bank's CSR mission is to contribute to economically, physically and socially challenged groups and to draw them into the cycle of growth and development. The Bank's strategy is to integrate its activities in community development, social responsibility and environmental responsibility and encourage each business unit or function to include these considerations into its operations. For the Bank it is of paramount importance that the funds of the Bank are utilised prudently to ensure maximum social benefit and development.

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

Total Meetings	1
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Dates of meetings:

May 06, 2021

Number of meetings attended by Members

Sr. No.	Name of Members	No. of Meetings Attended
1	Mr. Sarvjit Singh Samra	1
2	Mr. Rakesh Soni	1
3	Mr. Sham Singh Bains	1
4	Mr. Gurdeep Singh	1

Stakeholders' Relationship Committee

During the year under review the Board had reconstituted Stakeholders' Relationship Committee and the composition of the Committee as on March 31, 2022 comprises of Mr. Dinesh Gupta (Chairperson), Mr. Navin Kumar Maini (Member), Mr. Sham Singh Bains (Member) and Mr. Gurdeep Singh (Member). The committee met once during the year under review.

Brief Terms of Reference and Responsibilities are as under:

- Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time;
- Review of adherence to the service standards adopted by our Bank in respect of various services being rendered by the Registrar and Share Transfer Agent;
- Consider and resolve grievances of security holders of our Bank.

- Review of measures taken for effective exercise of voting rights by shareholders.
- Review of the various measures and initiatives taken by our Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of our Bank;
- Carrying out any other functions contained in the Companies Act, 2013 and/or equity listing agreements (if applicable).

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

Total Meetings	1
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Dates of meetings:

June 11, 2021

Number of meetings attended by Members

Sr. No.	Name of Members	No. of Meetings Attended
1	Mr. Dinesh Gupta	1
2	Mr. Navin Kumar Maini	1
3	Mr. Sham Singh Bains	1
4	Mr. Gurdeep Singh	1

Details of other committees of Board:

Management Committee

The members of the Committee as on March 31, 2022 are Mr. Sarvjit Singh Samra (Chairperson), Mr. Rakesh Soni (Member), Mr. Gurpreet Singh Chug (Member), Mrs. Harmesh Khanna (Member) and Mr. Dinesh Gupta (Member).

Brief Terms of Reference and Responsibilities are as under:

- To consider and review the Financial Statements.
- To review the performance of the Bank against projections as per Business Plan.
- To review and approve the business plan.
- To consider and approve Half yearly budget.
- To review non performing borrower accounts.

- To review the operations/ payment channels/ issue of debit cards.
- To review investment portfolio of the bank as well as Investment Exposure Norms.
- To reviews limits of Money Market Instruments (Call/Term/Notice) Limits as per the RBI guidelines.
- To approve yearly Investment Strategy, appointment of Investment Officers and approve Securities Brokers.
- To review Internal Auditors remarks in Concurrent Audit of Investments.

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

Total Meetings	4
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Dates of meetings

May 08, 2021	August 17, 2021	November 10, 2021
February 03, 2022		

Number of meetings attended by Members

Sr. No.	Name of Members	No. of Meetings Attended
1	Mr. Sarvjit Singh Samra	4
2	Mrs. Harmesh Khanna	4
3	Mr. Rakesh Soni	4
4	Mr. Gurpreet Singh Chug	4
5	Mr. Dinesh Gupta	4

Risk Management Committee

During the period under review the Board has reconstituted the Risk Management Committee and the members of the Committee as on March 31, 2022 are Mrs. Harmesh Khanna (Chairperson), Mr. Rakesh Soni (Member), Mr. Gurpreet Singh Chug (Member) and Mr. Dinesh Gupta (Member).

Brief Terms of Reference and Responsibilities are as under:

- To review the Credit Risk Management System – Exposure Norms, Concentration of Advances, Credit wise & segment wise classification of Advances, Quality of Loan

Directors' Report

- Portfolio, independent validation of credit rating, risk pricing of assets.
- To review the Market Risk – present market positions, liquidity risk, interest rate risk and minutes of ALCO, Review and approval of market risk limits.
 - To review the report on Internal Capital Adequacy Assessment.
 - To review IT risk assessment.
 - To review operation Risk assessment with special attention to KYC, Re KYC, AML aspects.
 - To Review the Risk Management and Asset & Liability Policy.
 - To review the Contingency Plan.
 - To review the Risk Appetite Statement.

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

Total Meetings	4
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Dates of meetings

May 08, 2021	August 17, 2021	November 10, 2021
February 03, 2022		

Number of meetings attended by Members

Sr. No.	Name of Members	No. of Meetings Attended
1	Mr. Dinesh Gupta	4
2	Mr. Rakesh Soni	4
3	Mrs. Harmesh Khanna	4
4	Mr. Gurpreet Singh Chug	4

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, 2022 are Mr. Gurpreet Singh Chug (Chairperson), Mr. Sarvjit Singh Samra (Member), Mr. Munish Jain (Non-Director: Member), Mr. Vimal Kumar Kamal (Non-Director: IT Expertise) and Mr. Harvinder Singh (Non-Director: IT Expertise)

Brief Terms of Reference and Responsibilities are as under:

- Perform oversight functions over the IT Steering Committee (at a senior management level).
- Investigate activities within this scope.
- Seek information from any employee.
- Obtain outside legal or professional advice.
- Secure attendance of outsiders with relevant expertise, if it considers necessary.
- Work in partnership with other Board committees and Senior Management to provide input, review and amend the aligned corporate and IT strategies.

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

Total Meetings	4
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Dates of meetings

June 29, 2021	August 4, 2021	December 28, 2021
March 29, 2022		

Number of meetings attended by Members

Sr. No.	Name of Members	No. of Meetings Attended
1	Mr. Gurpreet Singh Chug	4
2	Mr. Sarvjit Singh Samra	4
3	Mr. Munish Jain	4
4	Mr. Vimal Kumar Kamal	4
5	Mr. Harvinder Singh	4

Vigil Mechanism

The Bank has implemented a Whistle-blower Policy, which is periodically reviewed, pursuant to which safeguards are being provided against victimisation of employees and directors. The Policy allows to raise concerns on 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 is available on the Bank's intranet and website of the Bank. The Whistle-blower Policy complies with all the requirements of Vigil mechanism as stipulated under Section 177 of the Companies Act, 2013, and other applicable laws, rules and regulations, as may be applicable. The updated Whistle-blower Policy

is also available on the website of the Bank at the link www.capitalbank.co.in.

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. During the review period, no concern has been reported in accordance with the said policy. Neither 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 any 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.

The details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year alongwith their status as at the end of the financial year:

During the year, no application was made/proceeding is pending against the Bank.

The details of difference between amount of valuation done at the time of one time settlement done while taking loan from the banks or financial institutions along with the reason thereof:

There was no instance of one time settlement with any other bank/financial institution during the year ended March 31, 2022.

Contracts or Arrangements with Related Parties

All related party transactions that were entered during the Financial Year 2021-2022 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 – D** 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.

Members can also refer the disclosure of transactions with related parties during the financial year under review as set out in the note no. 12 of the Schedule 18 of the Financial Statements of the Bank.

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

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.

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 the Companies (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.

Change in Nature of Business

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

Issue of Equity Shares with Differential Rights

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

Directors' Report

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 BSE Limited and detail of the same is as under:

NCD Series	Coupon Rate	ISIN No.
Unsecured Redeemable Non-Convertible (Upper Tier II), Basel I compliant Bonds 2014-15 (Series - XI)	11.75%	INE646H08012
Unsecured Redeemable Non-Convertible (Upper Tier II), Basel I Compliant Bonds 2015-16 (Series - XIII)	11.75%	INE646H08020

Credit rating agency of the Bank is Brickwork Ratings India Private Limited having Registered office at 03rd Floor, Raj Alkaa Park, 29/3 & 32/2 Kalena Agrahara, Bennerghatta Road, Bengaluru - 560 076. During the year, Credit Ratings of the Bank for Upper tier II instruments is "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 - 400 001.

Dematerialisation of Securities

The Bank has been issued ISIN for equity and all debt securities. The equity securities of all the Directors, KMPs and Promoters have been dematerialised and the Bank is making all possible efforts to make the security holders aware and get their securities converted into Dematerialised form.

Auditors & Auditors' Report

Statutory Auditors

The members at the 22nd Annual General Meeting (AGM) of the Bank held on August 20, 2021 had, subject to the approval of RBI, had appointed M/s. T.R Chadha & Co. LLP, Chartered Accountants as Statutory Auditors for a period of three (3) years to hold office till the conclusion of 25th AGM in connection with the audit of the books of account 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 2021-22.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank has appointed M/s. B. Mathur & Co., Company Secretaries in Practice through its partner Mr. Brijeshwar Dayal Mathur (FCS No. 5734 and COP No. 5334) to conduct Secretarial Audit of the Bank for the F.Y. 2021-22.

The Secretarial Audit Report is annexed herewith as **Annexure- E** 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 March 31, 2022 and state that:

1. In the preparation of the annual accounts for the financial year ended March 31, 2022 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 judgements 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 March 31, 2022 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. The 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.

Acknowledgement

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

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

For and on behalf of the Board of Directors

Sarvjit Singh Samra
Managing Director & CEO
DIN: 00477444

Gurpreet Singh Chug
Independent Director
DIN: 01003380

Date: May 13, 2022
Place: Jalandhar

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, 2022

Persons in service for the whole year and drawing emoluments more than ₹1,02,00,000/- per annum

Name of the Employee	Mr. Sarvjit Singh Samra	Mr. Munish Jain
Designation	Managing Director & CEO	CFO & COO
Remuneration received	₹ 0.90 crores	₹ 1.64 crores
Nature of employment, whether contractual or otherwise;	Permanent	Permanent
Qualifications and Experience of the employee	Qualification: B.A., M.B.A. (Marketing and Finance), Experience: over 35 years of experience in the banking and financial industry spread over various roles, including senior positions.	Qualification: B.COM, FCA, FCS, Experience: over 21 years of experience in the banking sector, including in finance, compliance, treasury, strategic decision making and execution of strategic decisions
Date of commencement of employment	July 20, 2003	October 09, 2000
Age of employee	58 years	47 years
Last employment held by employee before joining the company	Business	Practicing
The percentage of equity shares held by the employee along with his spouse and dependent children, if such shareholding is not less than two percent of the total equity shares;	Mr. Sarvjit Singh Samra holds 14.86% of the total equity shares of the Bank along with his spouse.	Mr. Munish Jain does not hold 2% or more of the paid-up share capital of the Bank as at March 31, 2022.
Whether any such employee is a relative of any Director or Manager of the company and if so, the name of such Director or Manager	Nil	Nil

Notes:

- Remuneration shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed, computed as per Income-tax rules but excludes gratuity, PF settlement, perquisite on ESOPs & super annuation perquisites.
- All appointments are terminable by one / three month's notice as the case may be on either side.
- The above value does not include the number of ESOPs granted during the year.

ANNEXURE - B Details of Remuneration

I. 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 2021- 2022, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2021- 2022 are as under:

S. No.	Name of Director/CFO/CS	Designation	Remuneration for the Financial Year 2021- 22 (₹ in crores)	Remuneration for the Financial Year 2020- 21 (₹ in crores)	% increase in Remuneration in the Financial Year 2021- 22	% increase in Remuneration in the Financial Year 2020- 21	Ratio of Remuneration to median remuneration of the employees of the company for the financial year
1.	Mr. Sarvjit Singh Samra	Managing Director & CEO	0.90	1.01	(10.84)%	(5.58)%	25.81
2.	Mr. Munish Jain	CFO & COO	1.64	1.27	29.24%	13.11%	46.92
3.	Mr. Dinesh Gupta	Non-Executive Director	0.11	0.11	-	66.67%	3.01
4.	Mr. Navin Kumar Maini	Independent Director	0.03	Nil	-	-	0.86
5.	Mr. Amit Sharma	Company Secretary	0.11	0.07	44.37%	8.85%	3.07

Notes:

- All the employees of the Bank have been considered.
- Remuneration shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed, computed as per Income-tax rules but excludes gratuity, PF settlement, perquisite on ESOPs & super annuation perquisites.
- Non-Executive Directors have received only sitting fees except Mr. Dinesh Gupta and Mr. Navin Kumar Maini, who have been paid remuneration of ₹0.11 crore and ₹0.03 crore respectively. Sitting fees paid to the Non-Executive directors have not been considered.
- Mr. Navin Kumar Maini has been appointed as Part Time Chairman of the Bank w.e.f April 24, 2022.

II. 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 Bank during the Financial Year was ₹3,49,188 and ratio of the remuneration of each Director to the median remuneration of the employees of the Bank for the Financial Year is provided in the above table.

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

In the Financial Year, there was an increase of 1.24% in the median remuneration of employees.

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

There were 1,644 permanent employees on the roll of the Bank as on March 31, 2022.

V. 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:

The average percentage increase for Key Managerial Personnel: 13.54%

The average percentage increase for Non Managerial Staff: 9.45%

The average percentage increase in the salaries is primarily on account of annual fixed pay increase and promotions. The remuneration of the Managing Director & CEO and other KMPs is decided based on the individual performance, inflation, prevailing industry trends and benchmarks.

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

It is hereby affirmed that the remuneration paid is as per the Compensation Policy of the Bank put in place for remuneration payable to the Directors, Key Managerial Personnel and other employees.

ANNEXURE - C

Annual Report on Corporate Social Responsibility (CSR) for the FY 2021-22

1. Brief outline on CSR Policy of the Company: The Company's CSR policy and programs are in accordance of Section 135 of Companies Act, 2013, the Bank takes multiple initiatives in the areas of education, Rural Sports Development and health. The Bank's CSR policy can be found on the website of the Bank at www.capitalbank.co.in

2. Composition of CSR Committee:

S. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Sarvjit Singh Samra	Chairperson/ Managing Director & CEO	1	1
2	Mr. Rakesh Soni	Member/ Independent Director	1	1
3	Mr. Sham Singh Bains	Member/ Independent Director	1	1
4	Mr. Gurdeep Singh	Member/ Independent Director	1	1

3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company: www.capitalbank.co.in

4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report):

Not Applicable

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any: Nil

S. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be setoff for the financial year, if any (in ₹)
		Nil	

6. Average net profit of the company as per section 135(5): ₹ 38,48,80,868

7. (a) Two percent of average net profit of the company as per section 135(5): ₹ 76,97,618

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil

(c) Amount required to be set off for the financial year, if any : Nil

(d) Total CSR obligation for the financial year (7a+7b-7c): ₹ 76,97,618

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
₹ 9,47,803	₹ 67,49,815*	April 28, 2022	NIL	NIL	NIL

*the Bank had transferred ₹ 67,96,530 including the interest thereon.

(b) Details of CSR amount spent against ongoing projects for the financial year:

1	2	3	4	5	6	7	8	9	10	11
S. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No)	Location of the project. State District	Project duration.	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency Name CSR Registration number
1.	Sarv Shiksha Abhiyan	promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Yes	Punjab Jalandhar	3 Years	Upto 25% of Total Budget i.e. ₹ 19,24,405	₹ 7,47,803	₹ 11,76,602	No	Capital Foundation CSR00025876
2.	Rural Sports Development	Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports	Yes	Punjab Jalandhar	3 years	Upto 25% of Total Budget i.e. ₹ 19,24,404	₹2,00,000	₹ 17,24,404	No	Capital Foundation CSR00025876
3	Healthcare/ Donation under Covid-19	Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water	Yes	Punjab, Haryana, Rajasthan, Delhi	3 Years	Upto 50% of Total Budget i.e. ₹ 38,48,809	NIL	₹ 38,48,809	No	Capital Foundation CSR00025876

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

1	2	3	4	5	6	7	8
S. No.	Name of the Project.	Item from the list of activities in schedule VII to the Act.	Local area (Yes/No).	Location of the project. State/District	Amount spent for the project (in Rs.).	Mode of Implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency Name/CSR Registration Number
NIL							

(d) Amount spent in Administrative Overheads: Nil

(e) Amount spent on Impact Assessment, if applicable: Not Applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹ 9,47,803
(Note: this amount excludes ₹ 21,93,744 spent during the Financial Year from the unspent account of the previous Financial Year. Details of the same has been given under Point 9)

(g) Excess amount for set off, if any: NA

Sl. No.	Particular	Amount (in ₹)
1	Two percent of average net profit of the company as per section 135(5)	₹ 76,97,618
2	Total amount spent for the Financial Year	₹ 9,47,803
4	Excess amount spent for the financial year [(ii)-(i)]	Nil
5	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
6	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

9. (a) Details of Unspent CSR amount for the preceding three financial years:

S. No	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in Lakhs)	Amount spent in the reporting Financial Year (in Lakhs)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer.	
1	2020- 2021	₹ 35.47 Lakhs	₹ 21.93 Lakhs	-	-	-	₹13.53 Lakhs
2	2019- 2020	-	₹ 52.50 Lakhs	-	-	-	-
3	2018 - 2019	-	₹ 13.04 Lakhs	-	-	-	₹34.58 Lakhs

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

1	2	3	4	5	6	7	8	9
S. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project Duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year (in ₹)	Status of the project - Completed / Ongoing.
1	FY31.03.2021_2	Healthcare/ Donation under Covid-19	2020-21	3 Years	NA	₹ 21,93,744	₹ 31,41,547	Ongoing

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year: NA

- (a) **Date of creation or acquisition of the capital asset(s):** NA
- (b) **Amount of CSR spent for creation or acquisition of capital asset:** NA
- (c) **Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc :** NA
- (d) **Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset):** NA

11 Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5): NA

For and Behalf of Board of Directors

Sarvjit Singh Samra
 Managing Director & CEO
 Chairman, CSR Committee
 DIN: 00477444

Date: May 13, 2022
 Place: Jalandhar

ANNEXURE - D

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

- (a) Name(s) of the related party and nature of relationship
- (b) Nature of contracts/arrangements/transactions
- (c) Duration of the contracts/arrangements/transactions
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any
- (e) Justification for entering into such contracts or arrangements or transactions
- (f) Date of approval by the Board
- (g) Amount paid as advances, if any:
- (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188

2. Details of material contracts or arrangement or transactions at arm's length basis - NIL

- (a) Name(s) of the related party and nature of relationship
- (b) Nature of contracts/arrangements/transactions
- (c) Duration of the contracts/arrangements/transactions
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any:
- (e) Date(s) of approval by the Board, if any:
- (f) Amount paid as advances, if any:

For and on behalf of the Board of Directors

Date: May 13, 2022
 Place: Jalandhar

Sarvjit Singh Samra
 Managing Director & CEO
 DIN: 00477444

Gurpreet Singh Chug
 Independent Director
 DIN: 01003380

ANNEXURE - E

Form NO. MR-3

Secretarial Audit Report

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2022

[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,
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 **Capital Small Finance Bank Limited** (hereinafter called the "Company") for the Financial Year ended March 31, 2022. Secretarial Audit was conducted in manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company electronically through data sharing arrangements, its officers, agents and authorized representatives which were relied upon for 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, 2022 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, 2022 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; - **Not Applicable as there was no Foreign Direct Investment, Overseas**

Direct Investment and External Commercial Borrowings during the period under review.

- (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 except to the extent of filing DRHP with SEBI**
 - 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) The Management has informed that following laws are specifically applicable to the Company:-
 - a. Reserve Bank of India Act, 1934 and applicable guidelines;
 - b. Banking Regulation Act, 1949;

- c. IRDAI (Registration of Corporate Agents) Regulations

Bank of India, IRDA including initiating actions for corrective measures, wherever found necessary.

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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Listing Agreements entered into by the Bank with BSE Limited. - **To the extent applicable to the listed debt securities of the Bank.**

Due to COVID 19 situation, all the meetings were conducted through Video Conferencing and minutes thereof were being circulated over emails. As per the duly recorded minutes of the Board Meetings, Committee Meetings and General Meetings convened through e-voting, majority decisions have been carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes and scrutinizer reports.

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

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 along with agenda and detailed notes on agenda were given to all directors to schedule the Board/Committee Meetings through video conferencing which were sent at least seven days in advance, except for the second Board Meeting convened on June 15, 2021 and second Audit Committee Meeting which was convened on June 14, 2021, which were called at shorter notice with Independent Directors in attendance, in accordance with section 173(3) of the Companies Act, 2013. Further, 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.

We further report that based on a) review of compliance mechanism established by the Company, b) compliance status taken on record by the Board of Directors at their meeting from time to time, and b) efforts made by the Company to further strengthen the compliance mechanism, we are of the opinion that the Company has systems and processes that commensurate with the size and operations of the Company, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines;

As informed by the Management, the Company has responded appropriately to notices received from various statutory/regulatory authorities like Reserve

- (i) As per the provisions of the Companies Act, 2013, the Board of Directors is empowered to recommend the dividend to shareholders, if distributable profits are there. Accordingly, the shareholders in the Annual General Meeting dated August 20, 2021 had approved to pay a dividend of ₹ 0.80 per equity shares of ₹ 10/- to its shareholders.

- (ii) Subject to the approval of Reserve Bank of India, the Company vide Special Resolution passed by the members of the Company through e-voting dated October 22, 2021 had adopted new set of Articles of Association of the Company. The Reserve Bank of India vide its letter dated February 04, 2022 advised changes in the Articles of Association of the Company and pursuant to which the Company again vide Special Resolution passed by the members of the Company through e-voting dated March 31, 2022 adopted new set of Articles of Association of the Company incorporating the amendments as proposed by the Reserve Bank of India.

- (iii) The Company vide Special Resolution passed by the members of the Company through e-voting dated October 22, 2021 had approved raising of capital through an Initial Public Offer ("IPO") of its Equity Shares and consequently the Company, pursuant to the approval of the Boards of Directors in its meeting dated October 22, 2021, had filed Draft Red Herring Prospectus ("DRHP") with Securities Exchange Board of India on October 30, 2021 for making IPO of its equity shares of face value of ₹ 10/- for cash aggregating up to ₹ 4500 million and an offer for sale upto 38,40,087 equity shares, at a price to be determined as per applicable rules and regulations.

- (iv) The Company vide Ordinary Resolution passed by the members of the Company through e-voting dated August 20, 2021 had re-appointed Mr. Mahesh Parasuraman (DIN:00233782) as a Nominee Director (Nominee - Amicus Capital Private Equity I LLP and Amicus Capital Partners India Fund I).
- (v) The Company vide Ordinary Resolution passed by the members of the Company through e-voting dated August 20, 2021 had re-appointed Mr. Mohit Verma (DIN: 02647080) a Nominee Director (Nominee - PI Ventures LLP) however, Mr. Mohit Verma resigned from the position of Nominee Director w.e.f from September 16, 2021 and the Board of Directors took note of the same in its meeting dated September 23, 2021.
- (vi) The Board of Directors of the Company in its meeting dated March 09, 2022 had appointed Mr. Balbir Singh (DIN:02284941) as Additional Director (Nominee - Small Industrial Development Bank of India) w.e.f March 09, 2022 in place of Mr. Rahul Priyadarshini (DIN: 06835372) whose nomination was withdrawn by the Small Industrial Development Bank of India w.e.f. January 12, 2022 and the same was taken on record in Board Meeting dated February 04, 2022.
- (vii) The Company vide Special Resolution passed by the members of the Company through e-voting dated March 31, 2022 has re-appointed Mr. Sarvjit Singh Samra (DIN: 00477444) as Managing Director & CEO for a period of 3 years w.e.f. April 24, 2022.
- (viii) The Company vide Special Resolution passed by the members of the Company through e-voting dated October 22, 2021 approved the amendment to CSFB Limited –Employees Stock Option Plan for Material Risk Takers (CSFB ESOP for MRTs) and CSFB Limited – Employees Stock Option Plan 2018 (ESOP Plan) to meet the regulatory requirement in terms of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 once the Company is listed.
- (ix) The Company has allotted following number of fully paid-up equity shares each having a face value ₹ 10/- and premium of ₹ 88/-, to some of its employees (as per the list circulated to the Securities Committee of the Company) as per the Employee Stock Option Plan, 2018 of the Company (“ESOP Plan 2018”):
- (a) 16,421 (Sixteen Thousand Four Hundred and Twenty-One) fully paid up equity shares were allotted in the Securities Committee meeting dated May 07, 2021. Out of total eligible employees, 54 employees exercised their right of ESOP first tranche of 25%;
- (b) 75,865 (Seventy Five Thousand Eight Hundred and Sixty Five) fully paid up equity shares were allotted in the Securities Committee meeting dated June 29, 2021. Out of total eligible employees, 91 employees exercised their right of ESOP second tranche of 30%.
- (c) 41,124 (Forty-One Thousand One Hundred and Twenty Four) fully paid up equity shares were allotted in the Securities Committee meeting dated December 14, 2021. Out of total eligible employees, 76 employees exercised their right of ESOP second tranche of 30%.
- (x) The Company in its Securities Committee meeting dated June 29, 2021 made an allotment of 3135 UNSECURED REDEEMABLE SUBORDINATED NON-CONVERTIBLE LOWER TIER-II BASEL II COMPLIANT BONDS 2021-22 (SERIES XIX) on private placement basis in DEMAT form upon terms and conditions as mentioned in the Private Placement Offer cum Application Letter dated May 11, 2021. The said securities were offered at a face value of ₹ 1,00,000/- (Rupees One Lakh only) each for cash at par aggregating to ₹ 20.00 Crores (Rupees Twenty Crores only) with Green Shoe Option of ₹ 20.00 Crores (Rupees Twenty Crores only) total aggregating up to ₹ 40.00 Crores (Rupees Forty Crores only) on terms and conditions stipulated in the Private Placement Offer Letter cum Application Form as approved by the Securities Committee on June 29, 2020.
- (xi) The Company vide Ordinary Resolution passed by the members of the Company in its 22nd Annual General Meeting dated August 20, 2021 appointed M/s T.R. CHADHA & CO LLP, Chartered Accountants (Registration No.: 006711N/N500028), as the Auditors of the Company from the conclusion of the said meeting to hold such office for a period of three year till the conclusion of the 25th Annual General Meeting, to conduct the audit for three financial years starting from 2021-22.
- (xii) The Company vide Special Resolution passed by the members of the Company in its 22nd Annual General Meeting dated August 20, 2021 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, increased the borrowing power of the Company with a cap of ₹ 1200 crores (Rupees Twelve Hundred crores only) outstanding at any point of time over and above the aggregate of the Paid-up Capital of the Company and its free reserves which shall exclude all deposits received from Public, temporary loans obtained by the Company from other banks in the ordinary course of its business, and such other exclusions as provided under the law on such terms and conditions as the Board might consider necessary and expedient in the best interest of the Company.
- (xiii) The Company had made certain allotments of Equity Shares in the past and these allotments were made to more than 49 investors during the Financial Year 2004-2005, These allotments (on a consolidated basis) were considered not in compliance with the then applicable laws relating to issuance and allotment of securities. The Company filed a compounding application before the National Company Law Tribunal, Chandigarh bench (NCLT) on June 2, 2021 (re-filed on July 5, 2021), for any deemed breach of the threshold undertaken by the Company erroneously and under a bona fide mistake, and a settlement application before the SEBI on September 2, 2021 (which was physically submitted on September 8, 2021), voluntarily. The Company pursuant to its compounding application filed before NCLT received an order from the NCLT dated November 26, 2021 wherein the compounding fees of ₹ 8,00,000/- (Indian Rupees Eight Lakhs) was levied by NCLT against ₹ 32,00,000/- (Indian Rupees Thirty-Two Lakhs) which was proposed by Registrar of Companies (Order number: NCLT/Chd/Reg/627). The Company has paid the said compounding fees and e-Form INC 28 has been filed with respect to order passed by NCLT with Ministry of Corporate Affairs. We have been informed that, pursuant to the settlement application before SEBI, the Company has paid the settlement fees of ₹ 5,80,000/- (Indian Rupees Five Lakhs Eighty Thousand Only) to SEBI on April 22, 2022, however the disposal order of settlement application from SEBI is pending.
- (xiv) The Company at the Extraordinary General Meeting held on October 22, 2021 vide special resolution approved and permitted for investment by Non Resident Indians and Overseas Citizen of India in the Equity shares of the Company on repatriation basis, subject to the condition that the aggregate holdings shall not exceed 24 % of the total paid up capital of the Company, provided however that the shareholding of each NRI or OCI in the Company shall not exceed 5% of the total paid-up equity share capital of the Company on a fully diluted basis on repatriation basis.
- (xv) Insurance Regulatory and Development Authority of India (“IRDAI”) issued a show cause notice (“SCN”) dated June 22, 2021 against the Company for violation of certain provisions of the IRDAI (Registration of Corporate Agents) Regulations, 2015 (“CA Regulations”) in relation to incomplete information in the proposal forms and appointment of untrained and unauthorised persons to bring general insurance business for the Company. We have been informed that the Company has responded to the SCN on July 13, 2021 pursuant to which the IRDAI issued an advisory letter dated April 19, 2022. We have been further informed that the company vide its letter dated May 02, 2022 has responded and undertaken to IRDAI that it will comply with the advisories issued by IRDAI.

For B Mathur & Co., Company Secretaries
Mr. Brijeshwar Dayal Mathur
 (Partner)

FCS: F5734
 COP No.: 5334
 UDIN: F005734D000312348
 Date: May 12, 2022
 Place: New Delhi

ANNEXURE-I TO FORM MR-3

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

Our Secretarial Audit Report for the Financial Year ended March 31, 2022, of even date, is to be read along with this letter.

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. Wherever required, we have obtained the managements representation about the compliance of laws, rules and regulations and happening of events etc.
7. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For B Mathur & Co., Company Secretaries
Mr. Brijeshwar Dayal Mathur
(Partner)
FCS: F5734
COP No.: 5334
UDIN: F005734D000312348

Date: May 12, 2022
Place: New Delhi

Independent Auditor's Report**The Board of Directors
Capital Small Finance Bank Limited****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****OPINION**

We have audited the accompanying Financial Statements of **CAPITAL SMALL FINANCE BANK LIMITED** ("the Bank"), which comprise the Balance sheet as at March 31, 2022, the Statement of Profit and Loss and the 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 (hereafter referred to as the "Financial Statements").

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 Regulations Act, 1949 as well as Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under Section 133 of the Act read with Companies (Accounts) Rules, 2014 as amended and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2022, and profit, and its cash flows for the year ended on that date

BASIS FOR OPINION

We conducted our audit of the Financial Statements in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Act. Our

responsibilities under those Standards are further described in the 'Auditor's 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 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 audit opinion.

EMPHASIS OF MATTER

We draw attention to Note 4.6 to the financial statement, which describes that the extent to which any new wave of COVID-19 impact the Bank's results is uncertain as it depends upon the future trajectory of the pandemic.

Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Description of KAM	Auditor's Response
1	Identification of non-performing advances and provisioning for advances Advances form a material portion of the Bank's assets, and the quality of the Bank's loan portfolio is measured in terms of the proportion of non-performing assets (NPAs) to the total loans and advances. Identification, classification and provisioning of NPAs are governed by the prudential norms on Income Recognition and Asset Classification ("IRAC") issued by the Reserve Bank of India (RBI) which include rule-based and judgmental factors. Management is also required to make estimates of stress, recoverability issues, and security erosion in respect of specific borrowers or groups of borrowers, on account of specific factors that may affect such borrowers/group.	We considered the Bank's accounting policies for NPA identification, and provisioning and assessing compliance with the IRAC norms prescribed by the RBI read with the RBI guidelines relating to COVID-19 Regulatory Packages. We tested the operating effectiveness of the controls (including application and IT dependent controls, NPA automation) for borrower wise classification of loans in the respective asset classes viz., standard, sub-standard, doubtful and loss with reference to their days-past-due (DPD) status (including consideration of the moratorium on loans offered under the Regulatory Package). We have considered the "SMA" reports submitted by the Bank to the RBI's (CRILC) and made inquiries of personnel in the Bank's credit and risk departments regarding indicators of stress or the occurrence of specific event(s) of default or other factors affecting the loan portfolio / particular loan product category, that may affect NPA identification and/or provisioning.

Independent Auditor's Report

Sr. No.	Description of KAM	Auditor's Response
	<p>A material error or omission in the process of NPA identification or provisioning may result in a material misstatement of the financial statements, and also potentially result in a non-compliance of applicable regulatory guidelines. In view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter.</p>	<p>We performed test of details on the provisioning made against respective asset classes as at balance sheet date, and consistency of such provisioning with the Bank's accounting policies and applicable regulatory provisioning requirements.</p> <p>We made inquiries of management regarding any effects considered on the NPA identification and / or provisioning, resulting from observations raised by the RBI during their annual inspection of the Bank's operations.</p> <p>We performed analytical procedures which considered both financial and non-financial parameters, in relation to identification of NPAs and provisioning there against.</p> <p>We tested the arithmetical accuracy of computation of provision for advances.</p>
2	<p>IT systems and controls</p> <p>The reliability and security of IT systems plays a key role in the business operations of the Bank. Large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These systems also play a key role in the financial accounting and reporting process of the Bank.</p> <p>Due to the pervasive nature and complexity of the IT environment and considering that changes in key processes have been implemented in recent past, we have ascertained IT systems and controls as a key audit matter.</p>	<p>Our audit procedures included the following, among others:</p> <ul style="list-style-type: none"> • Testing of IT general controls, application controls and IT dependent manual controls. • Tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. • We considered the control environment relating to various interfaces, configuration and other application controls identified as key to our audit. • In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting. • Where deficiencies were identified, we tested compensating controls or performed alternate procedures.

Information Other than the Financial Statements and Auditor's 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 auditor's report thereon. The Director's Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

When we read the Director's Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Those Charged with Governance.

Responsibilities of Management and Those Charged with Governance for the 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 read with Rule 7 of the Companies

(Accounts) Rules, 2014 in so far as they apply to the Bank and provisions of Section 29 of the Banking Regulation Act, 1949, and circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act and RBI Guidelines 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 judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management 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.

Auditor's 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 auditor's 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, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- × Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- × Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 of the current period and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation

Independent Auditor's Report

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 Matters

The Financial Statement for the corresponding year ended 31st March 2021 was audited by M/s MSKC and Associates, Chartered Accountants, then statutory auditors of the bank, who expressed unmodified opinion on such financial statement.

Our opinion is not modified in 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 the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with 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, have been within the powers of the Bank;
 - c) 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. We have visited 20 branches for the purpose of our Audit covering 38.70% of the gross advances as on March 31, 2022, as required under the relevant RBI Circular in this regard.
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 RBI.
- e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2022 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 Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) The Bank does not have any material pending litigations which would impact its financial position;
 - (ii) The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. The Bank does not have any derivative contracts as at March 31, 2022;
 - (iii) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.
 - (iv) (a) The Management has represented that, to the best of it's knowledge

- and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other persons / entities, including foreign entities ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- (b) The Management has represented that, to the best of it's knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Bank from any persons/entities, including foreign entities ("Funding Parties"), that the company shall directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

- (c) Based on the audit procedures which we have considered reasonable and appropriate in the circumstances and according to the information and explanations provided to us by the Management in this regard, nothing has come to our notice that has caused us to believe that the representations made by the Management under sub-clause (a) and (b) above contain any material misstatement.
 - (v) The dividend declared or paid by the Company during the year is in accordance with Section 123 of the Companies Act, 2013.
- h) With respect to the other matters to be included in the Auditor's 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 Act do not apply.

For **T R Chadha & Co LLP**
Chartered Accountants
Firm's Registration No.: 006711N/ N500028

Hitesh Garg
Partner
Membership No.: 502955
UDIN: 22502955AIXMXQ2014

Place: New Delhi
Date: 13th May 2022

“ANNEXURE A” AS REFERRED TO IN PARAGRAPH 3(f) OF OUR REPORT OF EVEN DATE**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 31 March 2022 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 with reference to financial statements based on the internal controls over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by The Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate 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 on Audit of Internal Financial Controls over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. 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 adequate 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 control system with reference to financial statements and their operating effectiveness. Our audit of internal financial control with reference to financial statements included obtaining an understanding of internal financial control with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls Over Financial Reporting

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:

- a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank;
- b) 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 company are being made only in accordance with authorizations of management and directors of the company; and
- c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’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 over financial reporting, 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, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal

financial controls system with reference to financial statements and such internal financial controls with respect to financial statements were operating effectively as at 31 March 2022, based on the internal controls over financial reporting criteria established by the Bank considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India..

For **T R Chadha & Co LLP**
Chartered Accountants
Firm Regn No. 006711N / N500028

Hitesh Garg
(Partner)

M. No. 0502955

Place: New Delhi
Date: 13th May 2022
UDIN: 22502955AIXMQ2014

Balance Sheet

as on March 31, 2022

Particulars	Schedule	(₹ in thousands)	
		As on March 31, 2022	As on March 31, 2021
CAPITAL & LIABILITIES			
Capital	1	3,40,441	3,39,107
Reserves and Surplus	2	48,17,374	41,68,797
Deposits	3	6,04,63,591	5,22,10,700
Borrowings	4	49,84,300	61,67,200
Other Liabilities and Provisions	5	9,33,506	8,26,578
Total		7,15,39,212	6,37,12,382
ASSETS			
Cash and Balances with Reserve Bank of India	6	36,39,949	72,17,237
Balances With Banks and Money at Call and Short Notice	7	65,50,617	56,86,994
Investments	8	1,35,70,627	1,21,22,519
Advances	9	4,63,48,002	3,72,68,860
Fixed Assets	10	8,35,866	8,65,540
Other Assets	11	5,94,151	5,51,232
Total		7,15,39,212	6,37,12,382
Contingent Liabilities	12	4,56,217	3,83,508
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 **TR Chadha & Co. LLP** For and on behalf of The Board of
Chartered Accountants **Capital Small Finance Bank Limited**
FRN: 006711N/N500028

Hitesh Garg **Sarjit Singh Samra** **Dinesh Gupta** **Gurpreet Singh Chug**
Partner Managing Director & Chief Executive Officer Director Director
Membership No.:502955 DIN: 00477444 DIN: 00475319 DIN: 01003380

Munish Jain
Chief Financial Officer & Chief Operating Officer
Date : May 13, 2022
Place : Jalandhar

Date : May 13, 2022
Place : New Delhi

Profit & Loss Account

for the year ended March 31, 2022

Particulars	Schedule	(₹ in thousands)	
		Year ended March 31, 2022	Year ended March 31, 2021
INCOME			
Interest Earned	13	57,82,177	51,14,388
Other Income	14	5,41,853	4,58,333
Total		63,24,030	55,72,721
EXPENDITURE			
Interest Expended	15	32,29,361	31,28,278
Operating Expenses	16	19,62,529	17,29,589
Provisions and Contingencies (Refer Note 25 of Schedule 18)		5,06,451	3,07,011
Total		56,98,341	51,64,878
PROFIT			
Net profit for the year		6,25,689	4,07,843
Profit brought forward		12,62,883	9,87,724
Total		18,88,572	13,95,567
APPROPRIATIONS			
Transfer to Statutory Reserve		1,56,422	1,01,961
Transfer to Special Reserve		18,043	6,923
Transfer to/(from) Revenue and Other Reserves (Investment Reserve Account)		138	(138)
Transfer to Revenue and Other Reserves (Investment Fluctuation Reserve)		16,556	23,938
Dividend		27,202	-
Balance carried over to Balance sheet		16,70,211	12,62,883
Total		18,88,572	13,95,567
EARNINGS PER SHARE			
Basic (₹)		18.41	12.04
Diluted (₹)		18.22	11.98
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 **TR Chadha & Co. LLP** For and on behalf of The Board of
Chartered Accountants **Capital Small Finance Bank Limited**
FRN: 006711N/N500028

Hitesh Garg **Sarjit Singh Samra** **Dinesh Gupta** **Gurpreet Singh Chug**
Partner Managing Director & Chief Executive Officer Director Director
Membership No.:502955 DIN: 00477444 DIN: 00475319 DIN: 01003380

Munish Jain
Chief Financial Officer & Chief Operating Officer
Date : May 13, 2022
Place : Jalandhar

Date : May 13, 2022
Place : New Delhi

Amit Sharma
Company Secretary
Mem. No. FCS10888

Cash Flow Statement

for the year ended March 31, 2022

Particulars	(₹ in thousands)	
	Year ended March 31, 2022	Year ended March 31, 2021
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Taxes	8,44,893	5,37,368
Adjustment For:		
Depreciation Charge on Fixed Assets	1,61,160	1,64,924
Loan Loss Provision	2,87,247	1,77,486
(Profit)/Loss on Sale of Fixed Assets	57	(16)
Employee Stock Option Expense	38,350	22,121
Depreciation on Investments	(245)	245
	13,31,462	9,02,128
Adjustment For:		
(Increase) in Term Deposits with other Banks	(7,22,312)	(11,59,628)
(Increase) in Investments	(14,47,863)	(16,04,019)
(Increase) in Advances	(92,57,161)	(43,74,216)
Increase in Deposits	82,52,891	77,44,467
(Increase)/Decrease in Other Assets	(28,135)	81,024
(Decrease)/Increase in Other Liabilities & Provisions	(28,390)	2,82,000
	(18,99,508)	18,71,756
Direct Taxes Paid (net of refunds)	(2,07,899)	(1,28,575)
NET CASH FLOW FROM OPERATING ACTIVITIES	(21,07,407)	17,43,181
CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,34,935)	(1,29,261)
Proceeds from Sale of Fixed Assets	3,392	5,051
NET CASH FLOW (USED IN) INVESTING ACTIVITIES	(1,31,543)	(1,24,210)
CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds from equity shares issued under preferential allotment on private placement basis / ESOP allotment	13,075	10,140
Net proceeds from the new issue of Unsecured Redeemable Non-Convertible Bonds/ (Redemption of Bonds)	2,26,200	3,14,000
Net Increase/(Decrease) in Borrowings/Refinance	(14,09,100)	16,44,000
Dividend Payment	(27,202)	-
NET CASH FLOW FROM/ (USED IN) FINANCING ACTIVITIES	(11,97,027)	19,68,140
Net Increase / (Decrease) in Cash & Cash Equivalents	(34,35,977)	35,87,111
Cash & Cash Equivalents in the Beginning of the year	74,11,275	38,24,164
Cash & Cash Equivalents at the End of the year	39,75,298	74,11,275

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 brackets indicate cash outflow.

As per our report of even date

For **TR Chadha & Co. LLP** Chartered Accountants
FRN: 006711N/N500028

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

Hitesh Garg
Partner
Membership No.:502955

Sarvjit Singh Samra
Managing Director & Chief Executive Officer
DIN: 00477444

Dinesh Gupta
Director
DIN: 00475319

Gurpreet Singh Chug
Director
DIN: 01003380

Date : May 13, 2022
Place : New Delhi

Munish Jain
Chief Financial Officer & Chief Operating Officer
Date : May 13, 2022
Place : Jalandhar

Amit Sharma
Company Secretary
Mem. No. FCS10888

Schedules forming part of the Financial Statements

as on March 31, 2022

SCHEDULE - 1 CAPITAL

Particulars	(₹ in thousands)	
	As on March 31, 2022	As on March 31, 2021
Authorised Capital	5,00,000	5,00,000
5,00,00,000 equity shares of Rs. 10 each		
Issued, Subscribed and Paid-up Capital		
3,40,44,091 equity shares issued of Rs. 10 each fully paid-up (Previous year 3,39,10,681 equity shares of Rs. 10 each)	3,40,441	3,39,107
Total	3,40,441	3,39,107

SCHEDULE 2 - RESERVES AND SURPLUS

Particulars	(₹ in thousands)	
	As on March 31, 2022	As on March 31, 2021
I. Statutory Reserves		
Opening Balance	5,73,184	4,71,223
Additions during the year	1,56,422	1,01,961
Deductions during the year	-	-
Total	7,29,606	5,73,184
II. Capital Reserve		
Opening Balance	159	159
Additions during the year	-	-
Deductions during the year	-	-
Total	159	159
III. Special Reserve		
Opening Balance	18,376	11,453
Additions during the year	18,042	6,923
Deductions during the year	-	-
Total	36,418	18,376
IV. Share Premium		
Opening Balance	22,06,855	21,85,890
Additions during the year	27,033	20,965
Deductions during the year	-	-
Total	22,33,888	22,06,855
V. Revenue and Other Reserves		
Opening Balance	1,07,340	73,279
Additions during the year	55,044	46,059
Deductions during the year	(15,292)	(11,998)
Total	1,47,092	1,07,340
VI. Balance in Profit & Loss Account	16,70,211	12,62,883
Grand Total	48,17,374	41,68,797

Schedules forming part of the Financial Statements

as on March 31, 2022

SCHEDULE 3 - DEPOSITS

Particulars	(₹ in thousands)	
	As on March 31, 2022	As on March 31, 2021
A I Demand Deposits		
i) From Banks	21	647
ii) From others	23,28,957	20,72,016
II Saving Bank Deposits	2,31,65,032	1,88,53,682
III Term Deposits		
i) From Banks	8,09,361	5,65,446
ii) From others	3,41,60,220	3,07,18,909
Total (I+II+III)	6,04,63,591	5,22,10,700
B I Deposits of branches in India	6,04,63,591	5,22,10,700
II Deposits of branches outside India	-	-
Total	6,04,63,591	5,22,10,700

SCHEDULE 4 - BORROWINGS

Particulars	(₹ in thousands)	
	As on March 31, 2022	As on March 31, 2021
I. Borrowings in India		
i) Reserve Bank of India	-	-
ii) Other Banks	-	-
iii) Other Institutions and Agencies	28,36,900	42,46,000
iv) Unsecured Redeemable Non-Convertible Bonds (Subordinated debt - Tier II Capital)	17,57,400	15,31,200
v) Hybrid Debt Capital instrument issued as Debentures	3,90,000	3,90,000
II. Borrowings outside India	-	-
Total (I+II)	49,84,300	61,67,200
Secured Borrowings included in I & II above	28,36,900	42,46,000

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

Particulars	(₹ in thousands)	
	As on March 31, 2022	As on March 31, 2021
I. Bills Payable	3,33,769	4,19,056
II. Inter-office adjustments (net)	3,977	-
III. Interest accrued	55,514	53,591
IV. Provision for taxes (net of taxes paid in advance/TDS)	26,089	-
V. Others (including provisions)	2,30,117	1,79,119
VI. Contingent provision against standard assets	2,84,040	1,74,812
Total	9,33,506	8,26,578

SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA

Particulars	(₹ in thousands)	
	As on March 31, 2022	As on March 31, 2021
I. Cash in hand (including Cash at ATM)	5,52,569	5,79,611
II. Balance with Reserve Bank of India		
a) in current accounts	25,17,380	19,17,626
b) in other accounts	5,70,000	47,20,000
Total (I+II)	36,39,949	72,17,237

Schedules forming part of the Financial Statements

as on March 31, 2022

SCHEDULE 7 - BALANCE WITH BANKS AND MONEY AT CALL & SHORT NOTICE

Particulars	(₹ in thousands)	
	As on March 31, 2022	As on March 31, 2021
I. In India		
I) Balance with Banks		
a) in current accounts	3,35,349	1,94,038
b) in other deposit accounts	62,15,268	54,92,956
II) Money at call and short notice		
a) With Banks	-	-
b) With other Institutions	-	-
Total (I)	65,50,617	56,86,994
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)	65,50,617	56,86,994

SCHEDULE 8 - INVESTMENTS

Particulars	(₹ in thousands)	
	As on March 31, 2022	As on March 31, 2021
I Investments in India in		
i) Government securities	1,35,55,223	1,21,07,360
ii) Other approved securities	-	-
iii) Shares	15,404	15,404
iv) Debentures and Bonds	-	-
v) Subsidiaries and/or joint ventures	-	-
vi) Others	-	-
Total (I)	1,35,70,627	1,21,22,764
II Investments outside India in		
i) Government securities (including Local Authorities)	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Other Investments	-	-
Total (II)	-	-
Grand Total (I+II)	1,35,70,627	1,21,22,764
III Gross value of Investments	1,35,70,627	1,21,22,764
Provision for Depreciation	-	(245)
Net value of Investments	1,35,70,627	1,21,22,519

Schedules forming part of the Financial Statements

as on March 31, 2022

SCHEDULE 9 - ADVANCES

Particulars	(₹ in thousands)	
	As on March 31, 2022	As on March 31, 2021
A		
i) Bills Purchased and Discounted	-	-
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	2,30,48,886	1,94,38,516
iii) Term Loans	2,32,99,116	1,78,30,344
Total	4,63,48,002	3,72,68,860
B		
i) Secured by Tangible Assets	4,52,58,791	3,62,31,282
ii) Covered by Bank / Government Guarantees	9,72,508	8,39,907
iii) Unsecured	1,16,703	1,97,671
Total	4,63,48,002	3,72,68,860
C		
I) Advances in India		
i) Priority Sector (Refer Note 4.2 of Schedule 18)	3,22,99,603	2,55,77,631
ii) Public Sector	-	-
iii) Banks	-	-
iv) Other	1,40,48,399	1,16,91,229
Total (I)	4,63,48,002	3,72,68,860
II) Advances outside India		
i) Due from Banks	-	-
ii) Due from Others	-	-
a) Bills Purchased & Discounted	-	-
b) Syndicated Loans	-	-
c) Others	-	-
Total (II)	-	-
Grand Total (I+II)	4,63,48,002	3,72,68,860

SCHEDULE 10 - FIXED ASSETS

Particulars	(₹ in thousands)	
	As on March 31, 2022	As on March 31, 2021
I. Premises		
At cost as on 31 st March of the preceding year	64,524	64,524
Additions during the year	43,117	-
Deductions during the year	-	-
Total	1,07,641	64,524
Depreciation		
As at 31 st March of the preceding year	-	-
Charge for the year	723	-
Total	723	-
Net Block I	1,06,918	64,524
II. Other Fixed Assets (including furniture & fixtures)		
At cost as on 31 st March of the preceding year	16,46,161	15,30,627
Additions during the year	91,817	1,29,261
Deductions during the year	(9,283)	(13,727)
Total	17,28,695	16,46,161
Depreciation		
As at 31 st March of the preceding year	8,45,145	6,88,913
Charge for the year	1,60,437	1,64,924
Reversed on sale	(5,835)	(8,692)
Total	9,99,747	8,45,145
Net Block II	7,28,948	8,01,016
Total (I & II)	8,35,866	8,65,540

Schedules forming part of the Financial Statements

as on March 31, 2022

SCHEDULE 11 - OTHER ASSETS

Particulars	(₹ in thousands)	
	As on March 31, 2022	As on March 31, 2021
I Inter-office adjustments (net)	-	-
II Interest accrued	3,91,535	4,07,867
III Taxes paid in advance/TDS (net of provision for taxes)	-	15,694
IV Stationery & Stamps	3,638	2,909
V Non-banking assets acquired in satisfaction of claims	-	-
VI Others (includes deposits placed with SIDBI & NABARD on account of shortfall in priority sector target amounting to Rs. 2400 (Thousands) as on March 31, 2022 & NIL as on March 31, 2021)	1,98,978	1,24,762
Total	5,94,151	5,51,232

SCHEDULE 12 - CONTINGENT LIABILITIES

Particulars	(₹ in thousands)	
	As on March 31, 2022	As on March 31, 2021
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	3,70,491	3,27,140
(b) Outside India	-	-
V Acceptances, endorsements and other obligations	13,643	13,160
VI Other items for which Bank is contingently liable.	72,083	43,208
Total	4,56,217	3,83,508

SCHEDULE 13 - INTEREST EARNED

Particulars	(₹ in thousands)	
	Year ended March 31, 2022	Year ended March 31, 2021
I Interest/discount on advances/bills	43,73,015	37,24,312
II Income on investments	8,60,235	8,46,810
III Interest on balance with Reserve Bank of India and inter-bank funds	5,48,880	5,43,266
IV Others	47	-
Total	57,82,177	51,14,388

SCHEDULE 14 - OTHER INCOME

Particulars	(₹ in thousands)	
	Year ended March 31, 2022	Year ended March 31, 2021
I Commission, exchange and brokerage	4,26,341	2,95,523
II Profit on sale of investments (Net)	29,500	83,993
III Profit/(Loss) on revaluation of investments (Net)	245	(245)
IV Profit/(Loss) on sale of land, building & other assets (Net)	(57)	16
V Profit on Exchange Transactions (Net)	27,488	20,760
VI Income earned by way of dividends etc.	-	-
VII Miscellaneous income	58,336	58,286
Total	5,41,853	4,58,333

Schedules forming part of the Financial Statements

as on March 31, 2022

SCHEDULE 15 - INTEREST EXPENDED

Particulars	(₹ in thousands)	
	Year ended March 31, 2022	Year ended March 31, 2021
I Interest on Deposits	28,54,207	27,83,139
II Interest on Reserve Bank of India/ Inter-Bank Borrowings	1,225	20,031
III Others	3,73,929	3,25,108
Total	32,29,361	31,28,278

SCHEDULE 16 - OPERATING EXPENSES

Particulars	(₹ in thousands)	
	Year ended March 31, 2022	Year ended March 31, 2021
I Payments to and provisions for employees	10,65,603	9,04,305
II Rent, Taxes and Lighting	2,59,095	2,58,649
III Printing and Stationery	24,017	21,987
IV Advertisement and Publicity	3,807	1,757
V Depreciation on Bank's property	1,61,160	1,64,924
VI Directors Fees, Allowances & Expenses	4,950	3,220
VII Auditors Fees and Expenses	8,272	4,890
VIII Law charges	-	50
IX Postage, Telegrams, Telephones etc.	32,899	28,566
X Repairs and Maintenance	76,300	61,380
XI Insurance	82,897	70,718
XII Other expenditure	2,43,529	2,09,143
Total	19,62,529	17,29,589

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

1 CORPORATE INFORMATION

Capital Small Finance Bank Limited ('the Bank') a banking company incorporated under The Companies Act, 1956, is engaged in providing a wide range of banking and financial services including retail & commercial banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949. The name of the Bank has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide 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/ materialized.

Schedules forming part of the Financial Statements

as on March 31, 2022

4 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

4.1 Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment if any. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on fixed assets after its purchase is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

4.2 Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Leasehold improvements are amortized over the duration of the primary lease period or useful life whichever is less.

4.3 Intangible assets are amortized on a straight line basis over their estimated useful life. The amortization period is reviewed at the end of each financial year and the amortization period is revised to reflect the changed pattern, if any.

4.4 The rates of depreciation for key fixed assets, which are not lower than the rates, calculated on the basis of the useful life specified in the Schedule II of the Companies Act 2013, is as follows:

Asset	Depreciation rate per annum
Computers	33.33%
Mobile Phones	33.33%
Cash Sorting Machines	33.33%
Software and System Development Expenditure	20%

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

Asset	Depreciation rate per annum
Plant and Machinery including 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 de-recognition is recognized in the Profit and Loss account.

4.8 Gains or losses arising from disposal or retirement of tangible fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized on net basis, within "Other Income" as Profit/(Loss) on sale of fixed assets, as the case maybe, in the Profit and Loss account in the year of disposal or retirement.

4.9 In case of the Bank, assets individually costing up to ₹ 5,000/- are depreciated fully in the year of acquisition. Further, profit on sale of premises by the Bank is appropriated to capital reserve, net of transfer to Statutory Reserve and taxes, in accordance with RBI guidelines.

Schedules forming part of the Financial Statements

as on March 31, 2022

5 IMPAIRMENT OF ASSETS

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

6 INVESTMENTS

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

6.1 Categorization of Investments

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

- × Held to Maturity (HTM) – Securities acquired with the intention to hold till maturity.
- × Held for Trading (HFT) – Securities acquired with the intention to trade.
- × Available for Sale (AFS) – Securities which do not fall within the above two categories.

6.2 Classification of Investments

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

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

6.3 Acquisition cost

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

6.4 Valuation of Investments

- 6.4.1 Held to Maturity – Each security in this category is carried at its acquisition cost or amortized 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.
- 6.4.2 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.
- 6.4.3 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.
- 6.4.4 Market value of government securities (excluding treasury bills) is determined on the basis of the prices / YTM declared by Primary Dealers Association of India (PDAI) jointly with Financial Benchmark India Private Limited (FBIL).

Schedules forming part of the Financial Statements

as on March 31, 2022

- 6.4.5 Treasury bills are valued at carrying cost, which includes discount amortized over the period to maturity.
- 6.4.6 Unquoted equity shares are valued at the break-up value, if latest balance sheet is available or at ₹1 as per the RBI guidelines.
- 6.4.7 Security purchase and sale transactions are recorded under Settlement Date method of accounting.
- 6.4.8 Provision for non-performing investments is made in conformity with RBI guidelines.
- 6.4.9 Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account.
- 6.4.10 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.
- 6.4.11 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.
- 6.4.12 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.
- 6.4.13 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 as per the RBI guidelines 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.
- 7.3 In addition, the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

Schedules forming part of the Financial Statements

as on March 31, 2022

- 7.4** 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'.
- 7.5** Amounts recovered during the year against bad debts written off in earlier years are credited to the Profit and Loss account.
- 7.6** Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.
- 7.7** The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. Restructuring of an account is done at a borrower level.
- 7.8** 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:

- × Provisions for Income Tax in accordance with the statutory requirements.
- × Provisions on Advances
- × Adjustments to the value of Investments
- × Other usual and necessary provisions.

9 REVENUE RECOGNITION

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

- × Income on Non-Performing Assets is recognized on realization basis as per the RBI guidelines.
- × Interest which remains overdue for 90 days on securities not covered by Government Guarantee is recognized on realization basis as per RBI guidelines.
- × Commission (other than on Deferred Payment Guarantees and Government Transactions), Exchange and Brokerage are recognized on realization basis. However, Commission, Exchange and Brokerage on loan accounts is recognized as and when charged to the borrower account.
- × Interest on Overdue Bills is recognized on Realization Basis as per the RBI guidelines.

Schedules forming part of the Financial Statements

as on March 31, 2022

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 Bank or retirement, whichever is earlier. The benefits vest after five years of continuous service.

The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the period is recognized on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial losses/ gains are recognized in the Profit and Loss Account in the year in which they arise. Payment obligations under the Group Gratuity scheme are managed through a fund maintained by ICICI Prudential Life Insurance under separate Trust set up by the Bank.

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

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 for stock options granted after the period ending March 31, 2021 is measured using the fair value method and for stock options granted prior to such period, is measured using the intrinsic value method. The costs are recognized, together with a corresponding increase in the 'Stock options outstanding account' under Schedule 2- Revenue & Other Reserves Account. 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.

10.5 The Code on Social Security, 2020: relating to employee benefits during employment and post-employment benefits has received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified.

11 LEASE

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

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

Schedules forming part of the Financial Statements

as on March 31, 2022

12 SEGMENT REPORTING

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

Business Segment

The Bank's business has been segregated into four segments namely Treasury, Wholesale Banking, Retail Banking and other Banking Operations.

Geographical Segment

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

13 EARNINGS PER SHARE

13.1 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.

13.2 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 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:

- × 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
- × 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.

Schedules forming part of the Financial Statements

as on March 31, 2022

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.

15.5 In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made in the financial statements. In case of remote possibility, neither provision nor disclosure is made in the financial statements.

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

17.1 All transactions in foreign currency are recognized at the exchange rate as notified by the Foreign Exchange Dealers Association of India (FEDAI).

17.2 Foreign currency monetary items are reported using the exchange rate prevailing at the Balance Sheet date.

17.3 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.

17.4 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.

Schedules forming part of the Financial Statements

as on March 31, 2022

SCHEDULE 18 - NOTES ON ACCOUNTS APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

1 CAPITAL

1.1 Capital to risk-weighted asset ratio ('Capital Adequacy Ratio') of the Bank, as on March 31, 2022 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.

1.2 Regulatory Capital

(a) Composition of Regulatory Capital

S. No. Particulars	Year ended	
	March 31, 2022	March 31, 2021
	(₹ in crores)	
1. Common Equity Tier 1 Capital (CET 1)	490.86	433.58
2. Additional Tier 1 Capital	-	-
3. Tier 1 Capital (1+2)	490.86	433.58
4. Tier 2 Capital	201.70	168.07
5. Total Capital (Tier 1 + Tier 2)	692.56	601.65
6. Total Risk Weighted Assets (RWAs)	3,716.90	3,038.02
7. CET 1 Ratio (CET 1 as a percentage of RWAs)	13.21%	14.27%
8. Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	13.21%	14.27%
9. Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	5.42%	5.53%
10. Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	18.63%	19.80%
11. Leverage Ratio	6.73%	6.67%
12. Percentage of the shareholding of		
(a) Government of India		
(b) State Government	-	-
(c) Sponsor Bank		
13. Amount of paid-up equity capital raised during the year	0.13	0.10
14. Amount of non-equity Tier 1 capital raised during the year of which		
(a) Basel III compliant Perpetual Non-Cumulative Preference Shares	-	-
(b) Basel III compliant Perpetual Debt Instruments	-	-
15. Amount of Tier 2 capital raised during the year	31.35	31.40

1.3 Movement in capital during the year is as below:

Particulars	Year ended	
	March 31, 2022	March 31, 2021
	(₹ in crores)	
1. Amount of equity (Face Value) raised on private placement under preferential allotment/ allotment of employee stock options	0.13	0.10
2. Amount of debt raised as Upper Tier-II capital	-	-
3. Amount of subordinated debt raised as Tier-II capital (Lower Tier-II capital)	31.35	31.40

1.4 Tier I Capital Infusion

During the year ended March 31, 2022, the Bank has allotted 1,33,410 equity shares to employees of the Bank in form of employee stock option as per the ESOP plan of the Bank.

Schedules forming part of the Financial Statements

as on March 31, 2022

1.4 Tier I Capital Infusion (Contd.)

During the year ended March 31, 2021, the Bank has allotted 1,03,464 equity shares to employees of the Bank in form of employee stock option as per the ESOP plan of the Bank.

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

Particulars	Year ended	
	March 31, 2022	March 31, 2021
	(₹ in crores)	
Opening Balance	33.91	33.81
Addition pursuant to Amount of equity raised on private placement basis under preferential allotment	0.13	0.10
Closing Balance	34.04	33.91

1.5 Tier 2 Capital

Issue

During the year ended March 31, 2022, the Bank has raised Unsecured Redeemable Non-Convertible Lower Tier II Bond, detailed as below:

Series	Date of Allotment	Coupon (%)	Tenure	Year ended
				March 31, 2022
	(₹ in crores)			
Series XIX	June 29, 2021	9.25%	10 Years	31.35

During the year ended March 31, 2021, the Bank has raised Unsecured Redeemable Non-Convertible Lower Tier II Bond, detailed as below:

Series	Date of Allotment	Coupon (%)	Tenure	Year ended
				March 31, 2021
	(₹ in crores)			
Series XVIII	November 18, 2020	9.25%	10 Years	31.40

Maturity

During the year ended March 31, 2022, the following Unsecured Redeemable Non-Convertible Lower Tier II Bonds have matured:

Series	Date of Maturity	Coupon (%)	Year ended
			March 31, 2022
	(₹ in crores)		
Series V	June 04, 2021	11.00%	5.71
Series VI	June 18, 2021	11.00%	3.02

During the year ended March 31, 2021, there has been no maturity under the Tier 2 Capital.

Maturity Profile of total bonds outstanding as on March 31, 2022:

Unsecured Redeemable Non-Convertible Lower Tier II Bonds

Series	Amount	Maturity Date
		(₹ in crores)
11% Tier II Bonds Series VII	6.04	August 25, 2022
11% Tier II Bonds Series VIII	5.03	May 04, 2023
11% Tier II Bonds Series IX	3.10	May 20, 2023
11% Tier II Bonds Series X	9.47	May 24, 2024
10.50% Tier II Bonds Series XII	12.00	February 17, 2026
9.75% Tier II Bonds Series XIV	15.90	November 25, 2026
9.25% Tier II Bonds Series XV	20.95	May 15, 2028
10% Tier II Bonds Series XVI	18.00	February 28, 2029
10% Tier II Bonds Series XVII	22.50	March 31, 2029
9.25% Tier II Bonds Series XVIII	31.40	November 18, 2030
9.25% Tier II Bonds Series XIX	31.35	June 29, 2031
TOTAL	175.74	

Schedules forming part of the Financial Statements

as on March 31, 2022

2 ASSET LIABILITY MANAGEMENT (Contd.)

The table below sets out the average LCR of the Bank for year ended March 2022 and all the four quarters of financial year 2021-22:

	Quarter Ended June 30, 2021			Quarter Ended Sept 30, 2021			Quarter Ended Dec 31, 2021			Quarter ended March 31, 2022		
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Value (average)
Liquidity Coverage Ratio (LCR)			1,837.75			1,640.69			1,937.52			1,701.93
High Quality Liquid Assets												
1 Total High Quality Liquid Assets (HQLA)												
Cash Outflows												
2 Retail deposits and deposits from small business customers, of which:												
(i) Stable deposits	1,567.26	78.36		1,674.95	83.75		1,715.93	85.80		1,739.71	86.99	
(ii) Less stable deposits	3,175.68	317.57		3,193.76	319.38		3,456.83	345.68		3,534.13	353.41	
3 Unsecured wholesale funding, of which:												
(i) Operational deposits (all counterparties)	-	-		-	-		-	-		-	-	
(ii) Non-operational deposits (all counterparties)	314.49	131.18		319.21	141.92		540.75	303.08		742.42	417.38	
(iii) Unsecured debt	-	-		-	-		-	-		-	-	
4 Secured wholesale funding	0.38	-		1.08	-		0.84	-		1.06	-	
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	227.23	16.20		228.13	15.29		239.76	16.81		234.99	16.31	
6 Other contractual funding obligations	50.45	50.45		36.64	36.64		33.52	33.52		45.79	45.79	
7 Other contingent funding obligations	36.84	1.19		34.18	1.12		34.34	1.13		39.91	1.30	
8 Total Cash Outflows		594.95			598.10			786.02			921.16	
Cash Inflows												
9 Secured lending (e.g. reverse repos)	567.82	-		343.69	-		619.64	-		343.84	-	
10 Inflows from fully performing exposures	71.63	42.53		80.49	47.01		81.82	48.72		91.83	54.54	
11 Other cash inflows	80.83	70.24		77.01	66.42		76.75	66.16		134.63	124.04	
12 Total Cash Inflows		112.77			113.43			114.88			178.58	
13 Total HQLA		1,837.75			1,640.69			1,937.52			1,701.93	
14 Total Net Cash Outflows		482.18			484.67			671.15			742.58	
15 Liquidity Coverage Ratio (%)		381.14%			338.52%			288.69%			229.19%	

2 ASSET LIABILITY MANAGEMENT (Contd.)

The table below sets out the average LCR of the Bank for year ended March 2021 and all the four quarters of financial year 2020-21:

	Quarter Ended June 30, 2020			Quarter Ended Sept 30, 2020			Quarter Ended Dec 31, 2020			Quarter Ended March 31, 2021		
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Value (average)
Liquidity Coverage Ratio (LCR)			1,294.38			1,503.30			1,870.08			1,825.41
High Quality Liquid Assets												
1 Total High Quality Liquid Assets (HQLA)												
Cash Outflows												
2 Retail deposits and deposits from small business customers, of which:												
(i) Stable deposits	2,072.75	103.64		2,155.91	107.80		2,345.39	117.27		2,562.42	78.12	
(ii) Less stable deposits	1,770.08	177.01		1,852.28	185.23		2,339.39	233.94		2,970.58	297.06	
3 Unsecured wholesale funding, of which:												
(i) Operational deposits (all counterparties)	0.01	-		0.01	-		0.01	-		-	-	
(ii) Non-operational deposits (all counterparties)	359.14	129.07		307.47	132.97		173.59	123.20		332.36	144.49	
(iii) Unsecured debt	-	-		-	-		-	-		-	-	
4 Secured wholesale funding	0.11	0.11		-	-		1.52	-		1.94	-	
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	204.99	15.33		229.64	17.94		243.07	18.18		233.31	17.40	
6 Other contractual funding obligations	41.90	41.90		51.36	51.36		37.80	37.80		50.55	50.55	
7 Other contingent funding obligations	36.40	1.16		31.27	1.02		33.65	1.09		37.44	1.20	
8 Total Cash Outflows		468.22			496.32			531.48			588.82	
Cash Inflows												
9 Secured lending (e.g. reverse repos)	148.46	108.80		271.19	-		536.23	-		521.98	-	
10 Inflows from fully performing exposures	27.31	27.31		57.96	43.98		72.93	42.34		69.95	40.84	
11 Other cash inflows	98.73	88.18		109.83	99.27		51.51	41.02		145.11	134.53	
12 Total Cash Inflows		224.29			143.25			83.36			175.37	
13 Total HQLA		1,294.38			1,503.30			1,870.08			1,825.41	
14 Total Net Cash Outflows		243.93			353.07			448.11			413.47	
15 Liquidity Coverage Ratio (%)		530.64%			425.78%			417.32%			441.49%	

Schedules forming part of the Financial Statements

as on March 31, 2022

2.3 Net Stable Funding Ratio (NSFR)

The Bank pursuant to the RBI guidelines on NSFR has been subjected to the Basel III NSFR standards from 1st October 2021. The Bank at March 31, 2022 maintained Available Stable Funding (ASF) of ₹6210.87 Crore against the RSF requirement of ₹5247.93 Crore. NSFR aims to improve the resiliency of banks by promoting long-term funding stability. It mandates banks to maintain a stable funding profile vis-à-vis the composition of their assets and off-balance sheet activities. It reduces the probability of erosion of a bank's liquidity position due to disruptions to its regular sources of funding. The NSFR guidelines of RBI stipulates the applicable Required Stable Funding ("RSF") factor for each category of asset and Available Stable Funding ("ASF") factor for each type of funding source. NSFR represents the ratio of the bank's ASF to RSF. The table below sets out the NSFR position of the Bank as on March 31, 2022:

NSFR	Unweighted value by residual maturity				Weighted Value
	No maturity	< 6 months	6 months to < 1 year	>= 1 year	
(₹ in crores)					
ASF item					
1 Capital: (2+3)	539.24	-	-	208.70	747.94
2 Regulatory Capital	539.24	-	-	183.70	722.94
3 Other Capital Instruments	-	-	-	25.00	25.00
4 Retail deposits and deposits from small business customers: (5+6)	2,363.20	1,299.27	1,312.48	543.26	5,100.52
5 Stable Deposits	658.28	514.40	423.32	141.89	1,658.09
6 Less Stable Deposits	1,704.92	784.87	889.16	401.38	3,442.43
7 Wholesale funding: (8+9)	186.20	138.73	141.45	61.77	195.59
8 Operational deposits	-	-	-	-	-
9 Other Wholesale funding	186.20	138.73	141.45	61.77	195.59
10 Other Liabilities: (11+12)	69.89	87.62	70.58	131.53	166.82
11 NSFR Derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	69.89	87.62	70.58	131.53	166.82
13 Total ASF (1+4+7+10)					6,210.87
RSF Item					
14 Total NSFR high-quality liquid assets (HQLA)					1,056.95
15 Deposits held at other financial institutions for operational purposes	33.54	18.26	14.71	2.15	34.32
16 Performing loans and securities: (17+18+19+21+23)	34.14	557.08	366.43	3,613.92	3,569.10
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18 Performing loans to financial institutions secured by non- Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	34.14	556.41	365.08	2,748.30	2,875.06
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	0.41	0.27
21 Performing residential mortgages, of which:	0.00	0.67	1.35	865.62	694.04
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for Credit Risk	-	-	0.03	510.36	389.28
23 Securities that are not in default and do not qualify as HQLA, including exchanges traded equities	-	-	-	-	-
24 Other assets: (sum of rows 25 to 29)	183.22	359.43	381.62	63.65	551.76
25 Physical traded commodities, including gold	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	1.00	-	-	4.80	4.93
27 NSFR Derivative assets	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29 All other assets not included in the above categories	182.23	359.43	381.62	58.85	546.84
30 Off- Balance sheet items	0.52	208.82	115.94	405.91	35.79
31 Total RSF	251.42	1,143.59	878.70	4,085.63	5,247.93
32 Net Stable Funding Ratio (%)					118.35%

Schedules forming part of the Financial Statements

as on March 31, 2022

2.3 Net Stable Funding Ratio (NSFR) (Contd.)

The table below sets out the NSFR position of the Bank as on December 31, 2021:

NSFR	Unweighted value by residual maturity				Weighted Value
	No maturity	< 6 months	6 months to < 1 year	>= 1 year	
(₹ in crores)					
ASF item					
1 Capital: (2+3)	519.34	-	-	208.70	728.04
2 Regulatory Capital	519.34	-	-	183.70	703.04
3 Other Capital Instruments	-	-	-	25.00	25.00
4 Retail deposits and deposits from small business customers: (5+6)	2,425.98	1,214.03	1,359.67	534.63	5,115.55
5 Stable Deposits	695.22	487.24	441.56	145.55	1,688.37
6 Less Stable Deposits	1,730.76	726.79	918.11	389.09	3,427.18
7 Wholesale funding: (8+9)	180.64	162.33	118.95	62.95	200.84
8 Operational deposits	-	-	-	-	-
9 Other Wholesale funding	180.64	162.33	118.95	62.95	200.84
10 Other Liabilities: (11+12)	56.89	80.78	71.74	156.86	192.73
11 NSFR Derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	56.89	80.78	71.74	156.86	192.73
13 Total ASF (1+4+7+10)					6,237.16
RSF Item					
14 Total NSFR high-quality liquid assets (HQLA)					1,057.67
15 Deposits held at other financial institutions for operational purposes	46.82	20.27	14.90	0.06	41.03
16 Performing loans and securities: (17+18+19+21+23)	82.80	435.25	333.66	3,225.95	3,188.61
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18 Performing loans to financial institutions secured by non- Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	82.50	434.43	333.05	2,450.79	2,554.96
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	0.41	0.27
21 Performing residential mortgages, of which:	0.30	0.82	0.60	775.16	633.65
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for Credit Risk	-	0.05	0.02	443.49	349.01
23 Securities that are not in default and do not qualify as HQLA, including exchanges traded equities	-	-	-	-	-
24 Other assets: (sum of rows 25 to 29)	214.03	626.64	119.54	29.44	560.94
25 Physical traded commodities, including gold	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	0.92	-	-	4.80	4.86
27 NSFR Derivative assets	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29 All other assets not included in the above categories	213.11	626.64	119.54	24.64	556.08
30 Off- Balance sheet items	18.70	158.52	104.71	373.94	32.15
31 Total RSF	362.35	1,240.69	572.81	3,629.40	4,880.40
32 Net Stable Funding Ratio (%)					127.80%

Schedules forming part of the Financial Statements

as on March 31, 2022

3 Investments
3.1 Composition of Investment Portfolio

As at March 31, 2022

Particulars	Investments in India						Investments outside India				Total Investments	
	Investments in India						Investments outside India					
	Government Securities	Other Approved Securities	Shares	Debtentures and Bonds	Subsidiaries and/or joint ventures	Others	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India		
Held to Maturity												
Gross	989.28	-	-	-	-	-	-	-	-	-	-	989.28
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	989.28	-	-	-	-	-	-	-	-	-	-	989.28
Available for Sale												
Gross	366.24	-	1.54	-	-	-	-	-	-	-	-	367.78
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	366.24	-	1.54	-	-	-	-	-	-	-	-	367.78
Held for Trading												
Gross	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-	-
Total Investments	1,355.52	-	1.54	-	-	-	-	-	-	-	-	1,357.06
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	1,355.52	-	1.54	-	-	-	-	-	-	-	-	1,357.06

Schedules forming part of the Financial Statements

as on March 31, 2022

3 Investments (Contd.)
As at March 31, 2021

Particulars	Investments in India						Investments outside India				Total Investments	
	Investments in India						Investments outside India					
	Government Securities	Other Approved Securities	Shares	Debtentures and Bonds	Subsidiaries and/or joint ventures	Others	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India		
Held to Maturity												
Gross	872.53	-	-	-	-	-	-	-	-	-	-	872.53
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	872.53	-	-	-	-	-	-	-	-	-	-	872.53
Available for Sale												
Gross	338.20	-	1.54	-	-	-	-	-	-	-	-	339.74
Less: Provision for depreciation and NPI	-	-	(0.02)	-	-	-	-	-	-	-	-	(0.02)
Net	338.20	-	1.52	-	-	-	-	-	-	-	-	339.72
Held for Trading												
Gross	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-	-
Total Investments	1,210.73	-	1.54	-	-	-	-	-	-	-	-	1,212.27
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	(0.02)	-	-	-	-	-	-	-	-	(0.02)
Net	1,210.73	-	1.52	-	-	-	-	-	-	-	-	1,212.25

Schedules forming part of the Financial Statements

as on March 31, 2022

3.2 Movement of Provisions for Depreciation and Investment Fluctuation Reserve

Particulars	(₹ in crores)	
	Year ended March 31, 2022	Year ended March 31, 2021
i. Movement of provisions held towards depreciation on investments		
a) Opening balance	0.02	-
b) Add: Provisions made during the year	0.02	0.04
c) Less: Write off/ write back of excess provisions during the year	(0.04)	(0.02)
d) Closing balance	-	0.02
ii. Movement of Investment Fluctuation Reserve		
a) Opening balance	6.79	4.40
b) Add: Amount transferred during the year	1.66	2.39
c) Less: Drawdown	-	-
d) Closing balance	8.45	6.79
iii. Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/ Current category	2.30%	2.00%

3.3 Sale and Transfer of Investments

During the year ended March 31, 2022 and March 31, 2021, there is no sale/transfer of securities to/from HTM categories exceeding 5% of the book value of the investments held in HTM category at the beginning of the year, which requires the disclosure as per the RBI guidelines.

However the Bank, after approval of the Board of Directors at the beginning of the accounting year, has transferred government securities within the categories as stated below:

During the year ended March 31, 2022

Category		(₹ in crore)	
From	To	Book Value of Securities transferred	Market Value of Securities transferred
Available for Sale	Held to Maturity	25.98	27.01
Held to Maturity	Available for sale	91.38	96.74
Total		117.36	123.75

The Bank has not sold any security from HTM category during the year.

During the year ended March 31, 2021

Category		(₹ in crore)	
From	To	Book Value of Securities transferred	Market Value of Securities transferred
Held to Maturity	Available for sale	116.79	126.34
Total		116.79	126.34

The Bank has not sold any security from HTM category during the year.

3.4 Non-SLR Investment Portfolio

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

As at March 31, 2022

S. No. Issuer		(₹ in crores)				
1.	2.	3. Amount	4. Extent of Private Placement	5. Extent of 'Below Investment Grade' Securities	6. Extent of 'Unrated' Securities	7. Extent of 'Unlisted' Securities
i.	PSUs	-	-	-	-	-
ii.	FIs	-	-	-	-	-
iii.	Banks	-	-	-	-	-
iv.	Private Corporates	1.54	1.54	-	-	1.54
v.	Subsidiaries/ Joint Ventures	-	-	-	-	-
vi.	Others	-	-	-	-	-

Schedules forming part of the Financial Statements

as on March 31, 2022

3.4 Non-SLR Investment Portfolio (Contd.)

S. No. Issuer		(₹ in crores)				
1.	2.	3. Amount	4. Extent of Private Placement	5. Extent of 'Below Investment Grade' Securities	6. Extent of 'Unrated' Securities	7. Extent of 'Unlisted' Securities
vii.	Provision held towards depreciation	-	-	-	-	-
Total		1.54	1.54	-	-	1.54

As at March 31, 2021

S. No. Issuer		(₹ in crores)				
1.	2.	3. Amount	4. Extent of Private Placement	5. Extent of 'Below Investment Grade' Securities	6. Extent of 'Unrated' Securities	7. Extent of 'Unlisted' Securities
i.	PSUs	-	-	-	-	-
ii.	FIs	-	-	-	-	-
iii.	Banks	-	-	-	-	-
iv.	Private Corporates	1.54	1.54	-	-	1.54
v.	Subsidiaries/ Joint Ventures	-	-	-	-	-
vi.	Others	-	-	-	-	-
vii.	Provision held towards depreciation	(0.02)	(0.02)	-	-	(0.02)
Total		1.52	1.52	-	-	1.52

3.4.2 Non performing Non-SLR investments

The Bank does not have any non-performing Non-SLR investment during the year ended March 31, 2022 and March 31, 2021.

3.5 Repo/ Reverse Repo

During the year ended March 31, 2022

The Bank has undertaken MSF, Tri-party repo/reverse repo, Automated Sweep In Sweep Out (ASISO) during the year with Clearing Corporation of India Ltd. (CCIL) and RBI as part of money market operations.

Particulars	(₹ in crore)			
	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, 2022 (Face Value)
Securities sold under repo:				
1. Government Securities	-	60.00	3.45	-
2. Corporate Debt Securities	-	-	-	-
3. Any other securities	-	-	-	-
Securities purchased under reverse repo:				
1. Government Securities	27.00	898.00	468.87	57.00
2. Corporate Debt Securities	-	-	-	-
3. Any other securities	-	-	-	-

During the year ended March 31, 2021

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

Particulars	(₹ in crore)			
	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, 2021 (Face Value)
Securities sold under repo:				
1. Government Securities	-	109.97	38.59	-
2. Corporate Debt Securities	-	-	-	-

Schedules forming part of the Financial Statements

as on March 31, 2022

(₹ in crore)				
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, 2021 (Face Value)
3. Any other securities	-	-	-	-
Securities purchased under reverse repo:				
1. Government Securities	-	746.95	368.80	472.00
2. Corporate Debt Securities	-	-	-	-
3. Any other securities	-	-	-	-

3.6 As per the Master Direction on Financial Statements - Presentation and Disclosures issued by the RBI dated August 30, 2021, provision / (write-back) of mark-to-market depreciation on investments in AFS and HFT categories (net) has been classified under Other Income. Hitherto, the Bank was classifying such Provisions / (write-back) under Provisions and Contingencies. Figures for the previous year ending March 31, 2021 have been regrouped to conform to presentation for the year ended March 31, 2022.

3.7 Security Receipts

The Bank does not hold any investment in Security Receipts during the year ended March 31, 2022 and March 31, 2021.

4 Asset Quality

4.1 Classification of advances and provisions held

As on March 31, 2022

(₹ in crores)						
	Standard		Non-performing			Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-performing Advances	
Gross Standard Advances and NPAs						
Opening balance	3,684.74	23.96	54.28	-	78.24	3,762.98
Add: Additions during the year					78.11	
Less: Reductions during the year*					39.22	
Closing balance	4,571.57	50.65	66.48	-	117.13	4,688.70
*Reductions in Gross NPAs due to:						
i) Upgradation					32.96	
ii) Recoveries (excluding recoveries from upgraded accounts)					6.19	
iii) Technical/Prudential Write Offs					-	
iv) Write Offs other than those under iii above					0.07	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	17.48*	6.03	30.07	-	36.10	53.58
Add: Fresh provisions made during the year					28.05	
Less: Excess provision reversed/ Write-off loans					10.25	
Closing balance of provisions held	28.40*	12.06	41.84	-	53.90	82.30
Net NPAs						
Opening balance		17.93	24.21		42.14	
Add: Fresh additions during the year					50.06	
Less: Reductions during the year					28.97	
Closing balance		38.59	24.63		63.23	
Floating Provisions						
Opening Balance						-
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						-
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/Prudential written-offs accounts						-

Schedules forming part of the Financial Statements

as on March 31, 2022

(₹ in crores)						
	Standard		Non-performing			Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-performing Advances	
Add: Technical/ Prudential write-offs during the year						-
Less: Recoveries made from previously technical/prudential written-off accounts during the year						-
Closing balance						-

*During the year ended March 31, 2022, the general provision against standard assets includes provision of ₹13.42 crore (year ended March 31, 2021 amounts to ₹5.34 crore) created in accordance with RBI Circular "Micro, Small and Medium Enterprises (MSME) sector - Restructuring of Advances" and "Resolution Framework for COVID-19-related Stress" issued on August 06, 2020 and May 05, 2021.

As on March 31, 2021

(₹ in crores)						
	Standard		Non-performing			Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-performing Advances	
Gross Standard Advances and NPAs						
Opening balance	3,267.06	30.67	27.84	-	58.51	3,325.57
Add: Additions during the year					24.85	
Less: Reductions during the year*					5.12	
Closing balance	3,684.74	23.96	54.28	-	78.24	3,762.98
*Reductions in Gross NPAs due to:						
i) Upgradation					1.65	
ii) Recoveries (excluding recoveries from upgraded accounts)					3.45	
ii) Technical/Prudential Write Offs					0.02	
iii) Write Offs other than those under iii above					-	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	18.58	4.80	12.46	-	17.26	35.84
Add: Fresh provisions made during the year					20.26	
Less: Excess provision reversed/ Write-off loans					1.42	
Closing balance of provisions held	17.48*	6.03	30.07	-	36.10	53.58
Net NPAs						
Opening balance		25.87	15.38	-	41.25	
Add: Fresh additions during the year					4.59	
Less: Reductions during the year					3.70	
Closing balance		17.93	24.21	-	42.14	
Floating Provisions						
Opening Balance						-
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						-
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/Prudential written-offs accounts						-
Add: Technical/ Prudential write-offs during the year						-
Less: Recoveries made from previously technical/prudential written-off accounts during the year						-
Closing balance						-

*During the year ended March 31, 2021, the general provision against standard assets includes provision of ₹5.34 crore created in accordance with RBI Circular "Micro, Small and Medium Enterprises (MSME) sector - Restructuring of Advances" and "Resolution Framework for COVID-19-related Stress" issued on August 06, 2020.

Schedules forming part of the Financial Statements

as on March 31, 2022

4.2 Sector-wise Advances

Sr. No.	Sector	Year ended March 31, 2022			Year ended March 31, 2021		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
(₹ in crores)							
A) Priority Sector							
1	Agriculture & allied activities	1,780.74	43.54	2.44%	1,423.21	29.5	2.07%
2	Advances to industries sector	226.03	3.27	1.45%	180.23	4.99	2.77%
	- of which advances to Textile	27.96	0.05	0.19%	26.43	0.24	0.91%
	- advances to Iron/Steel and Metal	38.55	-	-	27.51	1.48	5.37%
3	Services	839.27	33.06	3.94%	738.34	14.04	1.90%
	- of which advances to Traders	479.57	22.36	4.66%	-	-	-
4	Personal Loans	-	-	-	-	-	-
5	Others	414.12	0.86	0.21%	237.46	0.67	0.28%
	Sub-total (A)	3,260.16	80.73	2.48%	2,579.24	49.20	1.91%
B) Non - Priority Sector							
1	Agriculture & allied activities	-	-	-	-	-	-
2	Industry	4.46	-	-	5.73	-	-
3	Services	44.22	17.49	39.56%	92.68	18.42	19.87%
	- of which advances to Traders	27.32	17.49	64.04%	54.47	18.42	33.82%
4	Personal Loans	11.17	1.07	9.62%	16.25	0.41	2.51%
5	Others	1,368.69	17.84	1.30%	1,069.08	10.21	0.96%
	- of which advances to NBFCs	297.6	8.41	2.83%	206.64	2.50	1.21%
	Sub-Total (B)	1,428.54	36.40	2.55%	1,183.74	29.04	2.45%
	TOTAL (A+B)	4,688.70	117.13	2.50%	3,762.98	78.24	2.08%

4.3 Ratios

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Gross NPA to Gross Advances	2.50%	2.08%
Net NPA to Net Advances	1.36%	1.13%
Provision Coverage Ratio	46.02%	46.14%

4.4 Provision on Standard Asset

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Provisions towards Standard Assets	11.41*	(1.10)

The cumulative provision towards standard assets held by the Bank as at the year ended March 31, 2022 amounts to ₹28.40 crore and year ended March 31, 2021 amounts to ₹17.48 crore.

*As on March 31, 2022, the general provision against standard assets includes provision of ₹13.42 crore (year ended March 31, 2021 amounts to ₹5.34 crore) created in accordance with RBI Circular "Micro, Small and Medium Enterprises (MSME) sector - Restructuring of Advances" and "Resolution Framework for COVID-19-related Stress" issued on August 06, 2020 and May 05, 2021.

4.5 Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas asset/NPA as at March 31, 2022 and March 31, 2021. No overseas operations were undertaken during the year ended March 31, 2022 and March 31, 2021, hence revenue from overseas operations is Nil.

Schedules forming part of the Financial Statements

as on March 31, 2022

4.6 Impact on account of COVID-19 on Advances

During the Financial year 2021, the outbreak of the COVID-19 pandemic has led to nationwide lockdown in April- May 2020 that substantially impacted economic activities. This was followed by localized lockdowns in areas with a significant number of COVID-19 cases. Following the easing of lockdown measures, there was gradual improvement in economic activity in the second half of Financial Year 2021-2022. In Financial Year 2022, India experienced two more waves of the Covid-19 pandemic that led to the re-imposition of regional lockdowns which were subsequently lifted.

The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, led to substantial impact on the economic activities. The disruptions following the outbreak, impacted loan originations, the sale of third-party products and the efficiency in collection efforts resulting in increase in customer defaults and resulting in increase in provisions there against. Since the number of cases have reduced significantly and Government of India has withdrawn most of the Covid-19 related restrictions but the extent to which any new wave of COVID-19 impact the Bank's result is uncertain as it depends upon the future trajectory of the pandemic.

4.7 Restructuring of Accounts

4.7.1 Disclosure on Prudential Framework on Resolution of Stressed Assets, dated June 07, 2019

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 year ended March 31, 2022 and March 31, 2021.

4.7.2 Restructuring under "Resolution Framework - 1.0: Resolution Framework for COVID-19-related Stress" and "Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses" during the year ended March 31, 2022:

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as at the end of the previous half-year (A) ¹	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year ²	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as at the end of this half-year
Personal Loans	28.49	1.60	-	0.48	26.41
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	3.40	-	-	0.29	3.11
Total	31.89	1.60	-	0.77	29.52

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

¹ includes requests received till September 30, 2021 implemented subsequently

² Net of increase in exposure during the period

4.7.3 Restructuring under RBI guidelines on "Micro, Small and Medium Enterprises (MSME) sector - Restructuring of Advances"

As on March 31, 2022		As on March 31, 2021	
No. of accounts restructured	Amount	No. of accounts restructured	Amount
255	104.68	132	80.71

Schedules forming part of the Financial Statements

as on March 31, 2022

4.7.4 Particulars of Accounts Restructured (other than under Covid -19 and MSME restructuring schemes)

(₹ in crores)

Particulars	Agriculture and allied activities		Corporate (excluding MSME)		Micro, Small and Medium Enterprises (MSME)		Retail (excluding agriculture and MSME)		Total	
	March 2022	March 2021	March 2022	March 2021	March 2022	March 2021	March 2022	March 2021	March 2022	March 2021
Standard	Number of borrowers	-	-	-	-	-	-	-	-	-
	Gross Amount	-	-	-	-	-	-	-	-	-
	Provisions held	-	-	-	-	-	-	-	-	-
Sub-Standard	Number of borrowers	-	-	-	-	-	-	-	-	-
	Gross Amount	-	-	-	-	-	-	-	-	-
	Provisions held	-	-	-	-	-	-	-	-	-
Doubtful	Number of borrowers	-	-	-	-	-	-	-	-	-
	Gross Amount	-	-	-	-	-	-	-	-	-
	Provisions held	-	-	-	-	-	-	-	-	-
Total	Number of borrowers	-	-	-	-	-	-	-	-	-
	Gross Amount	-	-	-	-	-	-	-	-	-
	Provisions held	-	-	-	-	-	-	-	-	-

4.8 Details of loans transferred/acquired under the master directions of Reserve Bank of India on Transfer of Loan Exposures dated September 24, 2021

The Bank has not transferred/acquired any stressed loan or loan not in default during the year.

4.9 Details of loans to any intermediary for onward lending to third party

The Bank has not given any loan to any intermediary for onward lending to third party during the year ended March 31, 2022 and March 31, 2021.

4.10 Fraud Accounts

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Number of frauds reported	-	-
Amount involved in fraud (₹ in crores)	-	-
Amount of provision made for such frauds (₹ in crores)	-	-
Amount of Unamortized provision debited from 'other reserves' as at the end of the year (₹ in crores)	-	-

4.11 Sale of Financial Asset under Securitization/Asset Reconstruction

The Bank has not sold any financial asset to Securitization/ Reconstruction Company for Asset Reconstruction during the year ended March 31, 2022 and March 31, 2021.

4.12 Sale/Purchase of Non-performing financial assets

The Bank has not purchased/sold any Non-performing financial assets from/to other banks during the year ended March 31, 2022 and March 31, 2021.

4.13 Letter of comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2022 and year ended March 31, 2021.

4.14 Credit Default Swaps

The Bank has not entered into any Credit Default Swaps (CDS) during the year ended March 31, 2022 and year ended March 31, 2021.

Schedules forming part of the Financial Statements

as on March 31, 2022

5 Exposures

5.1 Exposure to Real Estate Sector

(₹ in crores)

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
1. 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;		
a. Individual Housing Loans eligible for inclusion in Priority Sector advances	394.84	236.04
b. Others	489.63	374.36
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;	278.56	199.25
iii. Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a. Residential	-	-
b. Commercial Real Estate	-	-
2. Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	9.27	11.32
Total Exposure to Real Estate Sector	1,172.30	820.97

5.2 Exposure to Capital Market

(₹ in crores)

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
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;	1.54	1.54
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	1.54	1.54

Schedules forming part of the Financial Statements

as on March 31, 2022

5.3 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 any country risk exposure.

5.4 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 year ended March 31, 2022 and March 31, 2021.

5.5 Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2022 and March 31, 2021 is Nil.

5.6 Intra group exposure

The Bank has no intra group exposure during the year ended March 31, 2022 and March 31, 2021.

5.7 Unhedged Foreign currency exposure

The Bank does not have any unhedged foreign currency exposure as on March 31, 2022 and on March 31, 2021.

5.8 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 year ended March 31, 2022 and March 31, 2021.

6 Concentration of Deposits, Advances, Exposures and NPAs

6.1 Concentration of Deposits

Particulars	(₹ in crores)	
	Year ended March 31, 2022	Year ended March 31, 2021
Total Deposits of twenty largest depositors	285.92	192.93
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	4.73%	3.70%

6.2 Concentration of Advances

Particulars	(₹ in crores)	
	Year ended March 31, 2022	Year ended March 31, 2021
Total Advances to twenty largest borrowers	345.23	273.85
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	6.53%	5.70%

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

6.3 Concentration of Exposures

Particulars	(₹ in crores)	
	Year ended March 31, 2022	Year ended March 31, 2021
Total Exposure to twenty largest borrowers/customers	345.23	273.85
Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the Bank on Borrowers/ customers	6.53%	5.70%

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.

6.4 Concentration of NPAs

Particulars	(₹ in crores)	
	Year ended March 31, 2022	Year ended March 31, 2021
Total Exposure to the top twenty NPA accounts	61.39	40.40
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs	52.41%	51.63%

Schedules forming part of the Financial Statements

as on March 31, 2022

7 Derivatives

The Bank has not undertaken any derivative business during the year ended March 31, 2022 and March 31, 2021.

8 Securitization transactions

The Bank has not done any securitization transactions during the year ended March 31, 2022 and year ended March 31, 2021.

9 Off Balance Sheet SPVs sponsored

The Bank does not hold any sponsored off-balance sheet SPVs during the year ended March 31, 2022 and March 31, 2021.

10 Transfer to Depositor Education and Awareness Fund (DEAF)

The Bank has transferred ₹1.04 crore during the year ended March 31, 2022 and ₹0.88 crore for the year ended March 31, 2021 to the Depositor Education and Awareness Fund (DEAF) as per the details below:

Particulars	(₹ in crores)	
	Year ended March 31, 2022	Year ended March 31, 2021
Opening balance of amount transferred to DEAF	4.17	3.40
Add: Amounts transferred to DEAF during the year	1.04	0.88
Less: Amounts reimbursed by DEAF towards claims	0.04	0.11
Closing balance of amounts transferred to DEAF	5.17	4.17

11 Segment Reporting

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

Business Segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	Year ended March 31, 2022	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2021
Revenue	143.89	147.41	45.58	40.23	429.98	359.56	12.95	10.10	632.40	557.30
Result	6.61	13.22	3.94	1.83	124.72	83.79	11.17	8.66	146.44	107.50
Unallocated Expenses									61.95	53.76
Operating Profit (PBT)									84.49	53.74
Income Taxes									21.92	12.95
Extraordinary profit/ Loss	-	-	-	-	-	-	-	-	-	-
Net Profit									62.57	40.78
Other Information:										
Segment Assets	2,075.15	2,274.74	509.11	394.11	4,525.34	3,657.49	0.82	1.59	7,110.42	6,327.93
Unallocated Assets									43.50	43.31
Total Assets									7,153.92	6,371.24
Segment Liabilities	-	-	156.29	133.17	6,245.63	5,581.99	0.02	-	6,401.94	5,715.16
Unallocated Liabilities									236.20	205.29
Total Liabilities									6,638.14	5,920.45

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.

Schedules forming part of the Financial Statements

as on March 31, 2022

12 Related Party Disclosure

12.1 Related parties as per Accounting Standard 18

Key Management Personnel:

- Mr. Sarvjit Singh Samra – Managing Director
- Mr. Munish Jain – Chief Operating Officer & Chief Financial Officer
- Mr. Amit Sharma – Company Secretary
- Mr. S.K. Dhawan – Head of Credit (KMP w.e.f. October 22, 2021)
- Mrs. Richa Mahajan – Chief Compliance Officer (KMP w.e.f. October 22, 2021)
- Mr. Raghav Aggarwal – Chief Risk Officer (KMP w.e.f. October 22, 2021)

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. S.K. Dhawan:** Mrs. Jeewan Asha, Mrs. Sujata Dhawan, Mrs. Rajni Dhawan, Mr. Vijay Kumar Dhawan, Mr. Ashwani Kumar Dhawan, Mr. Arun Kumar Dhawan and Mr. Anil Kumar Dhawan.
- Mrs. Richa Mahajan:** Mr. Gaurav Mahajan, Mr. Arnav Mahajan, Miss Arshia Mahajan, Mrs. Neelam Sehgal, Mr. R.K. Sehgal and Mr. Akhil Sehgal.
- Mr. Raghav Aggarwal:** Mr. Sunil Aggarwal, Mrs. Indu Aggarwal, Mrs. Himani Mittal and Mr. Karan Aggarwal

Associates/ Joint Ventures/ Others:

- Capital Foundation Trust

12.2 The balances payable to/receivable from the related parties of the Bank as on March 31, 2022 are given below:

(₹ in crores)

Items/ Related Party		Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	March 2022	-	-	-	0.24	1.92	2.16
	March 2021	-	-	-	0.10	1.47	1.57
Deposits	March 2022	-	-	0.82	1.43	3.94	6.19
	March 2021	-	-	0.36	1.12	3.18	4.66
Placement of Deposits	March 2022	-	-	-	-	-	-
	March 2021	-	-	-	-	-	-
Advances	March 2022	-	-	-	0.81	0.02	0.83
	March 2021	-	-	-	-	-	-
Investments	March 2022	-	-	-	-	-	-
	March 2021	-	-	-	-	-	-
Non funded commitments	March 2022	-	-	-	-	-	-
	March 2021	-	-	-	-	-	-
Leasing / HP arrangements availed	March 2022	-	-	-	-	-	-
	March 2021	-	-	-	-	-	-
Leasing / HP arrangements provided	March 2022	-	-	-	-	-	-
	March 2021	-	-	-	-	-	-

Schedules forming part of the Financial Statements

as on March 31, 2022

12.3 The maximum balances payable to/receivable from the related parties of the Bank for the year ended March 31, 2022 are given below:

(₹ in crores)

Items/ Related Party		Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	March 2022	-	-	-	0.40	2.32	2.72
	March 2021	-	-	-	0.10	1.47	1.57
Deposits	March 2022	-	-	1.04	2.74	9.95	13.73
	March 2021	-	-	0.40	2.46	7.16	10.02
Placement of Deposits	March 2022	-	-	-	-	-	-
	March 2021	-	-	-	-	-	-
Advances	March 2022	-	-	-	0.95	0.02	0.97
	March 2021	-	-	-	0.01	0.01	0.02
Investments	March 2022	-	-	-	-	-	-
	March 2021	-	-	-	-	-	-
Non-funded commitments	March 2022	-	-	-	-	-	-
	March 2021	-	-	-	-	-	-
Leasing/ HP arrangements availed	March 2022	-	-	-	-	-	-
	March 2021	-	-	-	-	-	-
Leasing/ HP arrangements provided	March 2022	-	-	-	-	-	-
	March 2021	-	-	-	-	-	-

12.4 The details of transactions of the Bank with its related parties during the year ended March 31, 2022 are given below:

(₹ in crores)

Items/ Related Party		Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Purchase of fixed assets	March 2022	-	-	-	-	-	-
	March 2021	-	-	-	-	-	-
Sale of fixed assets	March 2022	-	-	-	-	-	-
	March 2021	-	-	-	-	-	-
Interest paid	March 2022	-	-	0.01	0.09	0.41	0.51
	March 2021	-	-	0.01	0.07	0.39	0.47
Interest received	March 2022	-	-	-	0.05	-	0.05
	March 2021	-	-	-	-	-	-
(Leasing)	March 2022	-	-	-	0.45	1.59	2.04
	March 2021	-	-	-	0.45	1.58	2.03
Receiving of Services (Salary)	March 2022	-	-	-	3.63	0.23	3.86
	March 2021	-	-	-	2.52	0.17	2.69
Management Contracts	March 2022	-	-	-	-	-	-
	March 2021	-	-	-	-	-	-
CSR Expense/ Contribution	March 2022	-	-	0.77	-	-	0.77
	March 2021	-	-	0.62	-	-	0.62

Schedules forming part of the Financial Statements

as on March 31, 2022

13 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 the summary of future minimum lease rental commitments for such non-cancellable operating leases:

Particulars	(₹ in crores)	
	Year ended March 31, 2022	Year ended March 31, 2021
Not later than one year	1.08	1.39
Later than One year and not later than five years	1.90	3.10
Later than five years	3.05	3.87
Total Minimum lease rental commitments	6.03	8.36

Total lease rental expenditure under cancellable and non-cancellable operating leases debited to Profit & Loss Account during the year ended March 31, 2022 is ₹16.97 crore and during the year ended March 31, 2021 is ₹16.83 crore.

Finance Lease

The Bank has not taken any asset under finance lease during the year ended March 31, 2022 and March 31, 2021.

14 Earnings Per Share

Particulars	(₹ in crore)	
	Year ended March 31, 2022	Year ended March 31, 2021
Net profit after tax available for equity shares	62.57	40.78
Weighted average number of equity shares	3,39,95,016	3,38,61,909
Weighted average number of equity shares for diluted earnings	3,43,38,552	3,40,41,782
Basic Earnings per share	18.41	12.04
Diluted Earnings per share	18.22	11.98
Face Value per share	10	10

15 Disclosure of Complaints

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

S. No.	Particulars	(₹ in crores)	
		Year ended March 31, 2022	Year ended March 31, 2021
Complaints received by bank from its customers			
1	Number of complaints pending at beginning of the year	8	4
2	Number of complaints received during the year*	1,439	762
3	Number of complaints disposed during the year	1,436	758
3.1	Of which, number of complaints rejected by the bank	444	216
4	Number of complaints pending at the end of the year	11	8
Maintainable complaints received by the Bank from the OBOs			
5	Number of maintainable complaints received by the bank from OBOs	5	5
5.1	Of 5, number of complaints resolved in favor of the bank by OBOs	1	-
5.2	Of 5, number of complaints resolved through conciliation/ mediation/ advisories issued by BOs	4	-
5.3	Of 5, number of complaints resolved after passing of Awards by BOs against the bank	-	-
6	Number of awards unimplemented within the stipulated time (other than those appealed)	-	-

*Out of the above complaints, 1379 complaints (722 previous year) are related to acquiring banks during the current year ending March 31, 2022.

Schedules forming part of the Financial Statements

as on March 31, 2022

15.2 Customer Complaints other than above:

S. No.	Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Complaints received by bank from its customers			
1	Number of complaints pending at beginning of the year	3	1
2	Number of complaints received during the year	297	291
3	Number of complaints disposed during the year	295	289
3.1	Of which, number of complaints rejected by the bank	86	52
4	Number of complaints pending at the end of the year	5	3
Maintainable complaints received by the Bank from the OBOs			
5	Number of maintainable complaints received by the bank from OBOs	18	28
5.1	Of 5, number of complaints resolved in favor of the bank by BOs	13	10
5.2	Of 5, number of complaints resolved through conciliation/ meditation/ advisories issued by BOs	6	5
5.3	Of 5, number of complaints resolved after passing of Awards by BOs against the bank	-	-
6	Number of awards unimplemented within the stipulated time (other than those appealed)	-	-

15.3 Top 5 grounds of Complaints received by the Bank

During the year ended March 31, 2022

Grounds of complaints (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
Ground - 1 Internet/Mobile/Electronic Banking	1	908*	172.67%	8	-
Ground - 2 ATM/Debit Cards	6	551*	14.08%	5	-
Ground - 3 Loans and Advances	-	58	34.88%	2	-
Ground - 4 Levy of charges without prior notice/ Excessive charges/ Foreclosure Charges	3	40	(6.98)%	-	-
Ground - 5 Account Opening/ Difficulty in operation of accounts	-	33	6.45%	-	-
Others (Complaints not covered in above top 5 grounds)	1	146	21.67%	1	-
Total	11	1,736	64.86%	16	-

*1379 complaints are related to acquiring banks

Schedules forming part of the Financial Statements

as on March 31, 2022

During the year ended March 31, 2021

Grounds of complaints (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Ground - 1 ATM/Debit Cards	4	483*	(17.86)%	6	-
Ground - 2 Internet/Mobile/Electronic Banking	-	333*	389.70%	1	-
Ground - 3 Foreclosure Charges	1	43	290.91%	3	3^
Ground - 4 Loans and Advances	-	43	13.16%	-	-
Ground - 5 Staff Behaviour	-	35	600%	-	-
Others (Complaints not covered in above top 5 grounds)	-	116	46.84%	1	1^
Total	5	1,053	33.46%	11	4

* 722 complaints are related to acquiring banks ^Representation raised with OBO office/other bank

15.4 Awards Passed by the Banking Ombudsman

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
No of Unimplemented Awards at the beginning of the year	-	-
No. of Awards passed by the Banking Ombudsmen during the year	-	-
No. of Awards implemented during the year	-	-
No. of Unimplemented Awards at the end of the year	-	-

16 Disclosure of Penalties Imposed by the RBI

There has been no penalty imposed by the RBI during the year ended March 31, 2022 and March 31, 2021.

17 Remuneration

17.1 Qualitative Information with reference to Whole Time Directors / Managing Director & Chief Executive Officer/Material Risk Takers (MRT)

i) **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 & Material Risk Takers.

The Board of Directors in the meeting held on May 11, 2021 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. Gurpreet Singh Chug, Chairman
- × Mr. Rakesh Soni, Member
- × Mr. Sham Singh Bains, Member
- × Mr. Gurdeep Singh, Member

ii) 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;

Schedules forming part of the Financial Statements

as on March 31, 2022

17 Remuneration (Contd.)

- × 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” & Material 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.

iii) Fixed Pay

The fixed pay 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.

iv) Variable Pay

The variable pay 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 of an employee(s) can be short term or long term depending upon the category of the employee(s): (1) Short Term Variable Remuneration is paid either on half yearly or yearly frequency on the basis of performance based scorecard or individual employee rating; or/and (2) Long Term Variable Remuneration is paid on more than annual frequency on the basis of longevity and long-term performance of the employee in the form of ESOPs only (including Cash Linked Stock Appreciation Rights).

- × The variable pay should be:
 - At least 100% but not more than 200% of the fixed pay in case of Managing Director and CEO and Whole Time Director;
 - At least 50% but not more than 70% (earlier 60%) of the fixed pay for executive overseeing one business line and at least 75% (earlier 50%) but not more than 125% (earlier 70%) of the fixed pay for executive overseeing more than one business line in case of other MRTs.
- × Out of above, 50% of the variable pay should be via non cash instruments. In case, any the executive, is barred by statute or regulation from grant of Share-linked Instruments, the whole amount can be paid via cash.
- × Within the said range and as per the above ceiling, the NRC decides the short term variable pay %age for the period keeping in the view the various factors including but not limited to present and prospective capital position, market dynamics and risk position of the Bank.
- × The variable pay is linked with the performance of the executive and performance of the Bank during the Period and accordingly the performance measurement is done basis various key performance indicators including:
 - Individual Rating;
 - Profitability Achievement;
 - Business Growth Achievement;
 - Credit Risk (NPA position, SMA 2 position);
 - Market Risk (LCR, Duration gap Analysis);
 - Solvency Risk (Leverage Ratio, Capital Adequacy Ratio)
- × A minimum of 60% of the total variable pay (including at least 50% of the cash component if cash component is ₹25 Lacs or more), is deferred over a period of 3 years. Further, in case of various events, the deferred compensation is subject to the malus arrangement.

Schedules forming part of the Financial Statements

as on March 31, 2022

17 Remuneration (Contd.)

v) 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 executive in the form of ESOPs only and be limited to the first Period. 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.

vi) 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.

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

S. No.	Particulars	Year ended March 31, 2022	Year ended March 31, 2021
A	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	Number of Meetings: 6 No remuneration is being paid to members except the sitting fees.	Number of Meetings: 2 No remuneration is being paid to members except the sitting fees.
B.1	Number of employees having received a variable remuneration award during the financial year.	2	2
B.2	Number and total amount of sign-on awards made during the financial year.	-	-
B.3	Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-
B.4	Details of severance pay, in addition to accrued benefits, if any.	-	-
C.1	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Total amount of deferred remuneration as on March 31, 2022 (cumulative including the previous year remuneration) is • Cash incentive ₹1.25 crore; and • No. of options granted 38,550	Total amount of deferred remuneration as on March 31, 2021 is • Cash incentive ₹0.58 crore; and • No. of options granted 19,251
C.2	Total amount of deferred remuneration paid out in the financial year.	-	-
D	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	<ul style="list-style-type: none"> Fixed pay ₹2.25 crore Variable pay (cash) ₹1.34 crore for FY 2021-22 out of which ₹0.67 crore is deferred. Variable pay (ESOPs to MRT) 19,299 options out of which 19,299 options are deferred. The variable remuneration payable to MD & CEO shall be paid subject to approval from the RBI.	<ul style="list-style-type: none"> Fixed pay ₹2.10 crore Variable pay (cash) ₹1.16 crore for FY 2020-21 out of which ₹0.58 crore is deferred. Variable pay (ESOPs to MRT) 19,251 options out of which 19,251 options are deferred. The variable remuneration payable to MD & CEO has been updated as per the approval received from the RBI.
E.1	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Total amount of deferred remuneration as on March 31, 2022 (cumulative including the previous year remuneration) is • Cash incentive 1.25 crore; and • No. of options granted 38,550	Total amount of deferred remuneration as on March 31, 2021 is • Cash incentive ₹0.58 crore; and • No. of options granted 19,251
E.2	Total amount of reductions during the financial year due to ex- post explicit adjustments.	-	-

Schedules forming part of the Financial Statements

as on March 31, 2022

17 Remuneration (Contd.)

S. No.	Particulars	Year ended March 31, 2022	Year ended March 31, 2021
E.3	Total amount of reductions during the financial year due to ex- post implicit adjustments.	-	-
F	Number of MRTs identified	2	2
G.1	Number of cases where malus has been exercised.	-	-
G.2	Number of cases where claw back has been exercised.	-	-
G.3	Number of cases where both malus and claw back have been exercised.	-	-
H	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	The Bank does not have any WTD.	The Bank does not have any WTD.

18 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, 2022 amounted to ₹0.36 crore and ₹0.23 crore during the year ended March 31, 2021.

Further, during the current year, the Bank has paid the remuneration amounting to ₹0.14 crore and ₹0.11 crore during the year ended March 31, 2021 in the form of profit based commission to the Non-Executive Directors other than the Chairperson.

19 Accounting for employee share based payments

19.1 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 August 18, 2018 amended further on October 22, 2021, for granting equity stock options to its employees

19.5 The details of the scheme are as under:

Scheme	Grant	Date of Grant	Vesting	Exercise Period	Exercise Price per option	Method of Settlement
CSFB ESOP 2018	Tranche 1	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
CSFB ESOP for MRTs	Tranche 1	April 30, 2021	Graded Vesting: April 30, 2022- 33.33% April 30, 2023- 33.33% April 30, 2024- 33.33%	Twelve months from the date of vesting	₹10	Equity
CSFB ESOP 2018	Tranche 2	July 15, 2021	September 30, 2023- 100%	Twelve months from the date of vesting	₹98	Equity
CSFB ESOP 2018	Tranche 3	September 01, 2021	August 31, 2024- 100%	Twelve months from the date of vesting	₹98	Equity

and directors (other than independent directors) and Capital Small Finance Bank Limited – Employees Stock Option Plan for Material Risk Takers (“CSFB ESOP for MRTs”) was approved by the shareholders of the Bank on July 11, 2020 amended further on October 22, 2021, for granting equity stock options to its material risk takers.

19.2 The stock options will be equity settled.

19.3 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.

19.4 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.

Schedules forming part of the Financial Statements

as on March 31, 2022

19.6 Activity in the options outstanding- Under the CSFB ESOP 2018 plan-

Particulars	March 31, 2022 (Number of Options)	March 31, 2021 (Number of Options)
Options outstanding, beginning of the year	4,65,511	6,50,496
Granted during the year	3,26,750	-
Exercised during the year	1,33,410	1,03,464
Forfeited / Lapsed during the year	86,412	81,521
Options outstanding, end of the year	5,72,439	4,65,511
Options exercisable	47,940	38,823

Under CSFB ESOP for MRTs-

Particulars	March 31, 2022 (Number of Options)	March 31, 2021 (Number of Options)
Options outstanding, beginning of the year	-	-
Granted during the year	19,251	-
Exercised during the year	-	-
Forfeited / Lapsed during the year	-	-
Options outstanding, end of the year	19,251	-
Options exercisable	-	-

19.7 The below table shows the fair value of options and inputs considered for calculating them as per the Black Scholes method -

Particulars	CSFB ESOP 2018 (Tranche 1)	CSFB ESOP 2018 (Tranche 2)	CSFB ESOP 2018 (Tranche 3)
Date of grant	April 30, 2019	July 15, 2021	September 01, 2021
Fair value of option (₹)	132.17	181.18	185.29
Risk-free interest rate (%)	6.65%-6.99%	5.06%	5.14%
Expected life (years)	1.50-3.50 years	2.71 years	3.50 years
Expected volatility (%)	31.53%-33.01%	44.03%	41.80%
Expected dividend rate (%)	-	-	-

Particulars	CSFB ESOP for MRTs (Tranche 1)
Date of grant	April 30, 2021
Fair value of option (₹)	255.04
Risk-free interest rate (%)	4.13%-5.15%
Expected life (years)	1.50-3.50 years
Expected volatility (%)	42.07%-50.86%
Expected dividend rate (%)	-

19.8 The RBI vide its clarification dated August 30, 2021 on guidelines on compensation of whole time directors/chief executive officers/material risk takers and control function staff, advised banks that the fair value of the share linked instruments on the date of grant should be recognized as an expense for all instruments granted after the period ending March 31, 2021. Accordingly, the Bank measures the cost of ESOP using the fair value method for stock options granted post March 31, 2021 including grant to the Material Risk Takers as a part of their variable compensation and uses the intrinsic value method for stock options granted prior to the said period. Had the Bank used the fair value model to determine

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as on March 31, 2022

compensation for grants prior to March 31, 2021, its profit after tax and earnings per share as reported would have changed as indicated below:

Particulars	Amount
Profit after tax as reported	62.57
Add: ESOP cost using intrinsic value method (net of tax)	1.53
Less: ESOP cost using fair value method (net of tax)	(1.77)
Profit after tax (adjusted)	62.33
Earnings Per Share -	
Basic	
- As reported	18.41
- Adjusted for ESOP using fair value method	18.34
Diluted	
- As reported	18.22
- Adjusted for ESOP using fair value method	18.02

20 Staff Retirement Benefits

20.1 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:

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Defined benefit obligation liability		
Opening Obligations	6.45	5.31
Service Cost	1.00	0.99
Interest Cost	0.45	0.36
Actuarial (Gain)/Loss	(0.19)	(0.08)
Liabilities extinguished on settlement	-	-
Benefits Paid	(0.35)	(0.13)
Obligations at last date of the year	7.35	6.45
Plan Assets at fair value		
Opening Plan Assets, at fair value	6.48	5.43
Expected return on plan assets	0.45	0.39
Actuarial Gain/(Loss)	(0.13)	0.30
Assets distributed on settlement		
Contributions	1.00	0.49
Benefits Paid	(0.35)	(0.13)
Plan Assets at fair value at last date of the year	7.45	6.48
Fair Value of Plan Assets at the end of the year	7.35	6.45
Present Value of the defined benefit obligation at the end of the year	0.10	0.03
Asset/(Liability) at last date of the year	(0.19)	(0.18)
Experience adjustments on Plan Liabilities	(0.19)	(0.18)
Experience adjustments on Plan Assets	(0.13)	0.30
Cost for the year		
Service Cost	1.00	0.99
Interest Cost	0.45	0.36
Expected Return on Plan Assets	(0.45)	(0.39)
Actuarial (Gain)/Loss	(0.06)	(0.38)
Net Cost	0.93	0.58
Investment details of Plan Assets		
Plan assets are invested in insurer managed funds.		
Assumptions		
Interest Rate	7.26%	6.90%
Salary escalation rate	5.00%	5.00%
Estimated rate of return on plan assets	7.00%	6.90%

Schedules forming part of the Financial Statements

as on March 31, 2022

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

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

Particulars	(₹ in crores)	
	Year ended March 31, 2022	Year ended March 31, 2021
Earned Leaves	4.10	3.11
Sick Leaves	1.01	0.88
Total Actuarial Liability	5.11	3.99
Assumptions		
Interest Rate	7.26%	6.90%
Salary Escalation Rate	5.00%	5.00%

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

20.3 Liability towards **Unamortized Pension**

The Bank does not have any unamortized liability against pension during the year ended March 31, 2022 and year ended March 31, 2021.

21 Business Ratios

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
i. Interest Income as a percentage to Working Funds*	8.46%	8.65%
ii. Non-interest income as a percentage to Working Funds*	0.79%	0.78%
iii. Cost of Deposits	5.02%	5.68%
iv. Net Interest Margin##	3.74%	3.40%
v. Operating Profit** as a percentage to Working Fund	1.66%	1.21%
vi. Return on Assets@	0.92%	0.69%
vii. Business (Deposits plus advances) # per employee^ (₹ in crores)	6.50	5.49
viii. Profit per employee (Operating Profit)^ (₹ in crores)	0.07	0.04

*Working funds have 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 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.

Net Interest Margin has been computed based on the Net Interest Income (Interest Income – Interest Expense) and 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 year.

Schedules forming part of the Financial Statements

as on March 31, 2022

22 Bancassurance Business

Fee/remuneration received	(₹ in crores)	
	Year ended March 31, 2022	Year ended March 31, 2021
1. Life insurance	7.27	5.38
2. General Insurance	2.56	2.20

23 Marketing and Distribution

Fee/remuneration received	(₹ in crores)	
	Year ended March 31, 2022	Year ended March 31, 2021
Marketing and Distribution	-	-

24 Details of Priority Sector Lending Certificates (PSLC)

Type of PSLC	(₹ in crores)			
	Year ended March 31, 2022		Year ended March 31, 2021	
	PSLC bought during the year	PSLC sold during the year	PSLC bought during the year	PSLC sold during the year
Agriculture	-	985.00	-	665.00
Small and Marginal Farmers	345.00	-	165.00	-
Micro enterprises	-	-	-	-
General	-	-	50.00	-
Total	345.00	985.00	215.00	665.00

25 Provisions and Contingencies

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

Particulars	(₹ in crores)	
	Year ended March 31, 2022	Year ended March 31, 2021
Provisions towards Taxes#	21.92	12.95
Provisions towards Standard Assets	11.41	(1.09)
Provision towards Non-performing Advances	17.32	18.84
Total	50.65	30.70

#Details of Provisions towards Taxes

Particulars	(₹ in crores)	
	Year ended March 31, 2022	Year ended March 31, 2021
Income Tax	24.97	12.77
Deferred Tax	(3.05)	0.18

26 Deferred Tax Asset

Other Assets include deferred tax asset of an amount equal to ₹6.81 crore and for the year ended March 31, 2021 is equal to ₹3.76 crore as detailed below:

Particulars	(₹ in crores)	
	As on March 31, 2022	As on March 31, 2021
Deferred Tax Liabilities	1.71	1.73
Depreciation on Fixed Assets	0.80	1.27
Special Reserve under section 36(i)(viii)	0.91	0.46
Deferred Tax Assets	8.52	5.49
Loan Loss Provisions	7.15	4.40
Others	1.37	1.09
Deferred Tax Liabilities/(Assets) (Net)	(6.81)	(3.76)

Schedules forming part of the Financial Statements

as on March 31, 2022

27 Status of Ind AS Implementation

As per RBI circular RBI/2015 -16/315 DBR.BP.BC. No.76/21.07.001/2015-16 dated 11th February 2016 Implementation of Indian Accounting Standards (Ind AS), Banks are advised that scheduled commercial banks (excluding RRBs) shall follow the Indian Accounting Standards as notified under the Companies (Indian Accounting Standards) Rules, 2015, subject to any guideline or direction issued by the RBI in this regard. Banks in India currently prepare their financial statements as per the guidelines issued by the RBI, the Accounting Standards notified under section 133 of the Companies Act, 2013 and generally accepted accounting principles in India (Indian GAAP). In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), which were based on convergence with the International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). In March 2019, RBI deferred the implementation of Ind AS for banks till further notice as the recommended legislative amendments were under consideration of Government of India. The Bank had undertaken preliminary diagnostic analysis of the GAAP differences between Indian GAAP vis-a-vis Ind AS and shall proceed for ensuring the compliance as per applicable requirements and directions in this regard and the Bank is submitting Proforma Ind AS Financial Statements to the RBI on a half yearly basis.

28 Payment of DICGC Insurance Premium

S. No.	Particulars	₹ in crores	
		Year ended March 31, 2022	Year ended March 31, 2021
1.	Payment of DICGC Insurance Premium	7.62	6.38
2.	Arrears in payment of DICGC premium	-	-

29 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.

30 Corporate Social Responsibility

Particulars	₹ in crores	
	Year ended March 31, 2022	Year ended March 31, 2021
Total amount to be spent	0.77	0.61
Amount spent	0.77	0.62
Amount unspent	-	-

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 ₹0.77 crore and ₹0.62 crore for the year ended March 31, 2021 has been contributed to the Capital Foundation Trust during the year.

31 Description of Contingent Liabilities

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

32 Investor Education and Protection Fund

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

Schedules forming part of the Financial Statements

as on March 31, 2022

33 Other Expenditure

Other expenditure includes amount paid for security & service charges that are exceeding 1% of the total income of the Bank.

Particulars	₹ in crores	
	Year ended March 31, 2022	Year ended March 31, 2021
Other Expenditure	6.50	9.23

34 Payment to Auditors

Particulars	₹ in crores	
	Year ended March 31, 2022	Year ended March 31, 2021
Audit Fees	0.45	0.40
Other Certificate Fees and other services	0.29*	0.07
Out of Pocket Expenses	0.05	0.02

*excludes ₹0.09 crore paid on behalf of Selling Shareholders.

35 Comparative Figures

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

As per our report of even date

For **TR Chadha & Co. LLP**
Chartered Accountants
FRN: 006711N/N500028

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

Hitesh Garg
Partner
Membership No.:502955

Sarjit Singh Samra
Managing Director & Chief Executive Officer
DIN: 00477444

Dinesh Gupta
Director
DIN: 00475319

Gurpreet Singh Chug
Director
DIN: 01003380

Date : May 13, 2022
Place : New Delhi

Munish Jain
Chief Financial Officer & Chief Operating Officer
Date : May 13, 2022
Place : Jalandhar

Amit Sharma
Company Secretary
Mem. No. FCS10888

Pillar 3 Disclosure

The Reserve Bank of India (RBI) vide its circular DBR.No.BP.BC.4/21.06.001/2015-16 dated July 01, 2015 on 'Prudential guideline on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF)' requires banks to make Pillar 3 disclosures including leverage ratio, liquidity coverage ratio and net stable funding ratio. The document has not been subject to Statutory Audit or any limited review. These disclosures are available on Capital Small finance Bank's website under the 'Investor Disclosures' section at www.capitalbank.co.in

The Investor Disclosures section contains the following disclosures:

- × **Qualitative and Quantitative Pillar 3 disclosures:**
 - × Scope of application
 - × Capital adequacy framework and Capital Structure
 - × Capital Funds
 - × Leverage Ratio
 - × Capital Requirement for various Risks and Weighted Assets
 - × Credit risk
 - × Process
 - × Credit Concentration Risk
 - × RBI Classification and provisioning requirements
 - × Credit Risk Exposures
 - × Residual contractual maturity breakdown of Assets
 - × Asset Quality
 - × Credit risk: Portfolios subject to the Standardised Approach
 - × Credit Rating Agencies
 - × Risk Weight Wise Exposure Distribution
 - × Credit risk mitigation: Disclosures for standardised approach
 - × Eligible Financial Collateral
 - × Exposure covered by Financial Collateral post haircuts
 - × Market risk
 - × Operational risk
 - × Liquidity Risk
 - × Interest Rate Risk in Banking Book
 - × Earnings Perspective
 - × Economic Value Perspective
- × **Composition of capital and reconciliation requirements.**
- × **Main features of regulatory capital instruments.**
- × **Liquidity coverage ratio disclosure.**
- × **Net Stable Funding Ratio disclosure.**

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