

18 years of
Trust & Performance

CELEBRATING

1000
BRANCHES

Annual Report 2017-2018

Capital Small Finance Bank 

Vishwas Se Vikas Tak

Our Vision

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

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

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

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Board Members

Chairman (Part Time)

Inder Krishan Sardana

Managing Director & Chief Executive Officer

Sarvjit Singh Samra

Chief Operating Officer & Chief Financial Officer

Munish Jain

Company Secretary

Sahil Vijay

Directors

Santokh Singh Chhokar

Sukhpal Singh Gill

Madan Gopal Sharma

Rakesh Soni

Harmesh Khanna

Sham Singh Bains

Auditors

M/s V.P. Vijn & Co.

Chartered Accountants

Jalandhar

Board Committees

Management Committee

Inder Krishan Sardana
Sarvjit Singh Samra
Rakesh Soni

Credit Sanctioning Committee

Sarvjit Singh Samra
Sham Singh Bains

Audit Committee

Sukhpal Singh Gill
Madan Gopal Sharma
Rakesh Soni
Sarvjit Singh Samra

Risk Management Committee

Sarvjit Singh Samra
Sukhpal Singh Gill
Rakesh Soni
Harmesh Khanna

Securities Committee

Sarvjit Singh Samra
Sukhpal Singh Gill
Sham Singh Bains

Special Committee On Frauds

Inder Krishan Sardana
Sarvjit Singh Samra
Sukhpal Singh Gill
Sham Singh Bains

Nomination & Securities Committee

Sukhpal Singh Gill
Madan Gopal Sharma
Sham Singh Bains

Investor Grievance Redressal Committee

Sarvjit Singh Samra
Sham Singh Bains

Corporate Social Responsibility Committee

Sarvjit Singh Samra
Rakesh Soni
Sham Singh Bains

Stakeholders Relationship Committee

Inder Krishan Sardana
Sarvjit Singh Samra

Our Achievements

- ▶ Pioneer in bringing state-of-the-art banking facilities in rural areas at low cost.
- ▶ Promoting Financial Inclusion in the area of operation since inception by providing easy access of banking services to the masses.
- ▶ Extension of banking services to the unbanked rural villages.
- ▶ 7 Day Branch Banking from day one with extended and uninterrupted banking hours.
- ▶ One-Stop Financial Hub in rural and semi urban areas.
- ▶ Contribution towards economic development and employment generation in the area.
- ▶ Surpassed National Targets in Priority Sector, Agriculture and Weaker Section Advances.
- ▶ Average Business per branch of ₹46 Crores.
- ▶ Accredited with 'ICAI' Award for Excellence in Financial Reporting for two consecutive years.
- ▶ Ranked amongst India's 100 Best Companies to work for 2017 by 'Great Place to Work Institute' in India for the 4th consecutive year.

Financial Highlights

₹ In Crores

<u>Business Analysis</u>	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016	CAGR
Deposits	2850.52	2375.21	1814.13	25.35%
Advances	1852.99	1369.60	1148.40	27.03%
Total Business	4703.51	3747.81	2962.53	26.00%
Net Worth	233.58	190.22	114.84	42.62%
<u>Profitability Analysis</u>	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016	CAGR
Gross Revenue	293.87	243.58	202.33	20.52%
Net Interest Income	104.52	74.03	62.68	29.13%
Operating Profit	32.70	23.23	21.26	24.01%
Net Profit	19.02	15.04	13.74	17.66%
<u>Ratio Analysis</u>	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016	
CASA%	39.99%	39.54%	35.16%	
Return On Average Equity	8.98%	12.51%	13.44%	
Return on Average Assets	0.64%	0.63%	0.74%	
Interest Spread	3.87%	3.55%	3.70%	
Net Interest Margin	3.50%	3.08%	3.37%	
EPS (₹)	6.86	6.53	6.70	
Book Value Per Share (₹)	82.01	70.49	49.89	
Capital Adequacy Ratio	19.66%	22.95%	17.20%	
Gross NPAs%	1.14%	1.02%	0.73%	
Net NPAs %	0.84%	0.72%	0.45%	

From Managing Director's Desk



Capital Small Finance Bank started operations as India's 1st Small Finance Bank after conversion from a Local Area Bank, on April 24, 2016. On the eve of conversion, the Bank had 47 Branches and in this short span of two years, have achieved landmark of 100 Branches.

Dear Shareholders

With immense pleasure, I would like to share with you that two years back on April 24, 2016, Capital Small Finance Bank started operations as India's 1st Small Finance Bank after conversion from a Local Area Bank. On the eve of conversion, the Bank had 47 Branches and in this short span of two years, 59 new Branches have been added thus crossing the land mark of 100 Branches. After establishing a strong footprint in the state of Punjab, the Bank has started expansion to the states of Delhi and Haryana along with Union Territory of Chandigarh.

The Bank focused on promoting Financial Inclusion since inception as a Local Area Bank by making banking services accessible to the common man. Now as a Small Finance Bank, the Bank is expanding its outreach with the same primary focus. The Bank is providing a safe, efficient and service oriented repository of savings to the local community on one hand, and reducing their dependence on moneylenders by making need based credit easily available on the other hand. The Bank has been instrumental in enhancing economic development of the region by timely fulfilling the diverse requirements of the local people. The Bank gives utmost importance to customer delight and is committed towards achieving the highest standards of customer service. In line with the vision statement, the Bank is building personalized long term relationship with its clientele. The focus to serve common man and the local touch advantage has given the Bank a competitive edge over other banks in the region for the last 18 years and the Bank wants to maintain this edge in its all future endeavours.

At the time of starting operations as Local Area Bank, the Bank adopted a policy of employment generation from the local area and is following the same in letter and spirit. The Bank is offering modern banking facilities at a low cost and is providing world class working environment at the door step of local youth. The Bank stands out in attracting local talent and retaining them due to well-planned career growth path, along with conducive working environment, competitive rewards and compensation policy etc.

Capital Small Finance Bank is the only bank in India to be ranked amongst India's 100 Best Companies to work for the 4th consecutive year by US based 'Great Place to Work Institute'.

The financial year 2017-18 ended for the Bank on a very positive note against the backdrop of economic uncertainty in the banking sector. The total business of the Bank as on March 31, 2018 has increased to ₹ 4703.51 crore with more than 5,00,000 numbers of accounts. The Bank has about 80% of its business in rural and semi urban areas with Priority Sector Lending of 99.30% of the Adjusted Net Bank Credit (as on March 31, 2017). The Bank is extending loans primarily to small borrowers and 52.48% of the total advances are up to the ticket size of ₹ 25 lacs as on March 31, 2018.

Total Deposits of the Bank increased from ₹ 2378.21 crores as on March 31, 2017 to ₹ 2850.52 crores as on March 31, 2018, resulting growth of 19.86%. Total Advances increased to ₹ 1852.99 crores as on March 31, 2018 from ₹ 1369.60 crores as on March 31, 2017 resulting growth of 35.29%. Total

business of the Bank has increased to ₹ 4703.51 crores as on March 31, 2018 as against ₹ 3747.81 crores as on March 31, 2017, resulting growth of 25.50%. Total Gross revenue has increased to ₹ 293.88 crores as on March 31, 2018 as against ₹ 243.58 crores as on March 31, 2017, resulting growth of 20.65%. Net Interest income has increased to ₹ 104.54 crores as on March 31, 2018 as against ₹ 74.03 crores as on March 31, 2017, resulting growth of 41.21%. Net Profit of the Bank has increased to ₹ 19.02 crores as on March 31, 2018 as against ₹ 15.04 crores as on March 31, 2017, resulting growth of 26.46%.

The Bank has set target of achieving total business of ₹ 12000 crores with Branch network of 250 by March 31, 2021. The Bank is free to expand anywhere in India, but during the next three years the Management has taken a conscious decision to focus mainly in the state of Punjab along with neighbouring states of Haryana, Rajasthan, Delhi and parts of Himachal Pradesh, Jammu region of J&K along with Union Territory of Chandigarh.

Capital Small Finance Bank has become a 'Scheduled Bank' vide Notification dated February 16, 2017 by the Reserve Bank of India and this makes the Bank at par with other banks to transact any type of Government business. The Bank has been empaneled on Card Based Payment System for Commission Agents last year on July 19, 2017 by Department of Food, Civil Supplies and Consumer Affairs, Government of Punjab. This has given a great boost to the business of the Bank. We look forward for working together with Punjab Government and other state Governments on various such initiatives

for mutual benefit and moreover for benefit of public at large.

I humbly acknowledge with recognition the timely advice, valuable guidance and support received by the Bank from the Promoters, Directors, Government Authorities, especially The Reserve Bank of India, SEBI and the Stock Exchange.

Our committed motivated and dedicated team relentlessly strives to exceed the expectations of its customers and endeavors to create superior value for all its stakeholders through the use of the best standards of operations.

I along with my colleagues on the Board, would like to convey our sincere thanks and appreciation.

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

Sarvjit Singh Samra

Managing Director

Directors' Report

Dear Shareholders

The Directors of the Bank have great pleasure in presenting the 19th Annual Report on the business and operations of the Bank along with the audited accounts for the year ended March 31, 2018.

Economic Growth

Indian economy has depicted remarkable resilience and gained the status of fastest growing economy in the world and has addressed several global and domestic socio-economic challenges exceedingly well. Indian economy weathered the storm from global macro economic front arising in the shape of sharp reversal (increase) in commodity prices (specially crude oil prices), geo political uncertainties, restrictive trade practices by major global economies and domestically, the economy has withstood the slowdown caused by lack of private demand, the initial teething problems caused by GST implementation, strengthening of currency raised challenges for export sector and slight fiscal slippages on the government borrowings raised the cost of capital for one and all. Even, the long-term growth prospects of the Indian economy are positive due to multiplicity of factors such as demographic factors, corresponding low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy.

Financial Sector

India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The Reserve Bank of India and government of India has strong impetus for financial inclusion for all inclusive growth and development. The banking regulator, for encouraging financial inclusion in true spirit has allowed new entities such as small

finance banks, payments banks to be created recently thereby adding to the types of entities operating in the sector. To accelerate growth and employment generation, the Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). In 2017, a new portal named 'Udyami Mitra' has been launched by the Small Industries Development Bank of India (SIDBI) with the aim of improving credit availability to Micro, Small and Medium Enterprises' (MSMEs) in the country.

Financial Markets

A healthy and booming capital market is a clear-cut indication that the domestic people have confidence in the financial ecosystem of the country and that they trust the government and financial institutions with their money. Capital market is the one-stop solution for both companies and investors looking to utilize idle money in the most financially sound manner.

India is undoubtedly one of the world's most vibrant capital markets. The Indian stock market has rallied to be one of the top performing ones in the world in 2017-18. The reasons were several — easy availability of money globally, India's improving economic fundamentals, the government's demonstration of its serious intent for economic reforms, signs of a turnaround in corporate earnings and state poll results.

2017-18 has been a remarkable year for Indian financial markets. As far as equity markets are concerned, the year gone by witnessed record initial public offerings of equity shares in Indian stock markets which shows the

confidence of both corporate as well as investors in the future business and economic prospects of the country. On the other hand, the cost of borrowings has risen sharply due to hardening bond yields of both government bonds as well as corporate bonds. Multiplicity of global and local factors such as rising commodity prices specially global crude oil prices, rising US bond yields, portfolio restructuring and to added fuel to the fire. Domestically, the fiscal slippages on fiscal deficit from target of 3.2%, rising import bill of crude oil, relatively strengthening of currency making FDI unattractive, slowdown in tax collections due to teething problems in GST implementation caused the bond yields to harden across yield curve. This leads us to "The classic emerging market dilemma of reconciling the trade-off between macro-stability and growth could then play itself out," which puts the job of both government and Reserve Bank of India very critical. Both need to walk the tight rope to balance growth and inflation dynamics.

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

- ▶ Pioneer in bringing modern banking facilities to rural areas at a low cost
- ▶ Business of more than ₹ 4700 crores

- ▶ 101 Branches as on March 31, 2018
- ▶ One stop financial hub in rural and semi urban areas
- ▶ The Bank over the years has designed its products and services focused on customer needs and provides world class banking services at a low cost through innovation & customization.
- ▶ Capital Small Finance Bank has raised capital primarily for its expansion and diversification of banking activities.
- ▶ The Bank aims to achieve total business of INR 12,000cr across 250 branches by FY21.

Our USP

- ▶ 7 DAY BRANCH BANKING
- ▶ Customer Centric Solutions
- ▶ Well Diversified Advance Portfolio
- ▶ Retail Centric Deposit Mix
- ▶ Better Asset Quality
- ▶ Elated Workforce and Delighted Customers
- ▶ Ranked amongst India's 100 Best Companies to Work for 2017 for the 4th consecutive year by 'Great Place To Work Institute'.

Our Work Ethics

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

Our Approach to Work

To provide superior Banking Service, focused on customers' needs

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

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

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

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

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

- ▶ Participation in functions/ events of local community

Exponential Expansion After Conversion to Small Finance Bank

Capital Small Finance Bank Limited India's 1st Small Finance Bank started operation on April 24, 2016. The Bank transitioned from a Local Area Bank to Small Finance Bank with 47 branches. During this short span, the Bank has operationalized 54 new Branches and the total number of Branches has increased to 101 as on March 31, 2018. The Bank has a very strong footprint in the State of Punjab and has now started expansion to Delhi and Haryana by opening new Branches i.e. Daryaganj and Rajouri Garden in Delhi and Panchkula and Ladwa (Kurukshetra) in Haryana. The category wise detail of Branches of the Bank as on March 31, 2018 is as under:

	March 31, 2016	March 31, 2017	March 31, 2018
Rural	17	35	50
Semi Urban	24	27	33
Urban	04	07	12
Metropolitan	02	04	06
Total	47	73	101



- ▶ Out of above total 101 branches, 29 branches are Unbanked Rural, which constitutes 28.71% of the total branches as against requirement of at least 25% Unbanked Rural Branches.
- ▶ The Bank has 15 more branches in pipeline (including 4 branches in Haryana i.e. Ambala Sadar, Panipat, Sonipat, Karnal), which shall become operational shortly, taking the total number of branches to 116.

Regional Offices

In order to effectively monitor the branches and to ensure smooth functioning at all level, the Bank has opened two Regional Offices i.e. One at Chandigarh (SCO : 127 – 128, Sector 9 – C, Chandigarh) and other at Delhi ('Narain Manzil', 10th Floor, 23, Barakhamba Road, New Delhi) during the financial year 2017-18.

Extensive Growth in Business

Capital Small Finance Bank started operations on April 24, 2016. The Bank transitioned from Local Area Bank to Small Finance Bank with 47 Branches. During this short span, the total business of the Bank has increased to ₹ 4703.51 crores as on March 31, 2018 from ₹ 2962.53 crores as on March 31, 2017, resulting growth of 58.77%. The total number of Branches of the Bank has increased to 101 as on March 31, 2018 spread across states of Punjab, Haryana, Delhi and Union Territory of Chandigarh. The Bank has been receiving tremendous response in the newly opened Branches.

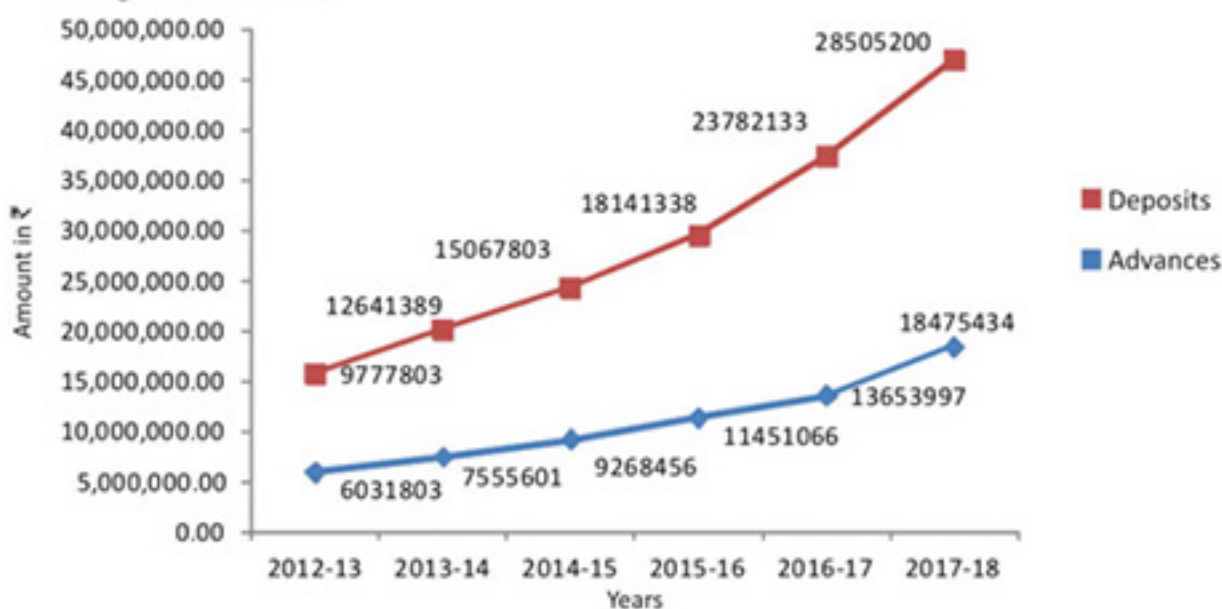
The Reserve Bank of India granted Authorised Dealer Category II Licence to the Bank vide letter dated April 18, 2017. The Bank has been granted Scheduled Status by the Reserve Bank of India vide Notification dated February 16, 2017.

The total deposits of the Bank were ₹ 2850.52 crores as on March 31, 2018 registering a growth of 19.86% during the year 2017-18. The total advances surged to ₹ 1852.99 crores as on March 31, 2018 with a fabulous growth of 35.29%. The low cost deposits of the Bank as on March 31, 2018 were 39.99% of total deposits as on March 31, 2018 maintaining a healthy CASA inspite of impact of demonetisation. The overall business of the Bank as on March 31, 2018 increased to ₹ 4703.51 crores with an overall growth of 25.50%.

Great Place to Work

Capital Small Finance Bank has been ranked amongst India's 100 Best Companies to work for 2017 for the fourth consecutive year. Great Place to Work is a Global Institute with its Headquarters at San Francisco, USA and has presence in 50 countries across globe. This Institute has covered more than 25 years of research, recognizing and building great work places worldwide. The Indian branch of this Institute started working about 14 years ago. Every year, they conduct a research of more than 500 – 700 organizations working in India.

- Total Deposits of the Bank increased to ₹ 2850.52 crores as on March 31, 2018 as against ₹ 2378.21 crores as on March 31, 2017 resulting growth of 19.86%.
- Total Advances (gross) increased to ₹ 1852.99 crores as on March 31, 2018 from ₹ 1369.60 crores as on March 31, 2017, registering a growth of 35.29%.
- Total business of the Bank has increased to ₹ 4703.51 crores as on March 31, 2018 as against ₹ 3747.81 crores as on March 31, 2017, resulting growth of 25.50%.
- Total Assets of the Bank has increased to ₹ 3351.83 crores on March 31, 2018 as against ₹ 2720.82 crore, resulting growth of 23.19%.
- Total Gross Revenue has increased to ₹ 293.88 crores as on March 31, 2018 as against ₹ 243.58 crores as on March 31, 2017, resulting growth of 20.65%.
- Net Interest income has increased to ₹ 104.52 crores as on March 31, 2018 as against ₹ 74.03 crores as on March 31, 2017, resulting growth of 41.19%
- Net Profit increased to ₹ 19.02 crores as on March 31, 2018 as against ₹ 15.04 crores as on March 31, 2017, resulting growth of 26.46%.
- Capital adequacy of the Bank is 19.66% (required minimum of 15%) as on March 31, 2018 as against 22.95% as on March 31, 2017.
- Business per employee was ₹ 4.88 crores as on March 31, 2018 as against ₹ 4.85 crores as on March 31, 2017.
- Net interest margin as on March 31, 2018 is 3.50% as against 3.08 % as on March 31, 2017.
- Fixed Assets (Net) of the Bank increased to ₹ 6457.23 lacs as on March 31, 2018 as against ₹ 5024.93 lacs as on March 31, 2017.
- The gross NPAs as on March 31, 2018 were ₹ 2112.86 lacs. The Bank has made provision of ₹ 569.72 lacs, thus the Net NPAs were ₹ 1543.14 lacs. The gross and net NPAs were 1.14% and 0.84% respectively.



Dividend

Your Bank is rewarding its shareholders by way of consecutive cash dividends considering the consistent financial performance of your Bank and promising future prospects while retaining capital to maintain a healthy Capital Adequacy Ratio and to support future growth. In view of the excellent financial performance of your Bank and in continuance of the earlier trends of cash dividends, the Board of Directors have recommended Dividend at a rate of ₹ 0.80 per equity share of ₹ 10 each for the year ended March 31, 2018 for approval by the Shareholders at the 19th Annual General Meeting. This dividend shall be subject to tax on dividend to be paid by the Bank. This reflects our confidence in your Bank's ability to consistently grow earnings over time.

Capital Adequacy Ratio (CAR)

The Bank has a healthy CAR for the financial year ending March 31, 2018 of 19.66% as compared to 22.95% during the financial year ending March 31, 2017. The Bank has chalked out plans for the next three years to maintain healthy CAR through raising adequate mix of debt and equity instruments so that adequate capital is maintained at all the times to support exponential expansion plans. All in all, the Bank in compliance to the provisions of the Guidelines issued by the Reserve Bank Of India, has maintained the capital adequacy ratio at the desired level.

Further Issue of Equity Shares

During the year under review 14,93,650 Equity Shares of ₹ 10/- (Rupees Ten) each constituting to 5.24% of the expanded equity share capital of the Bank, were allotted on a Private

Placement on preferential basis to 3 (Three) Investors i.e.

1. Investor	HDFC Standard life Insurance Co. Ltd.
▶ Number of Shares to be Allotted	72,000
▶ Face Value of Equity Shares (₹)	10/-
▶ Premium Per Equity Share (₹)	153/-
▶ Consideration Amount (₹)	1,17,36,000/-
2. Investor	Pi Ventures LLP
▶ Number of Shares to be Allotted	72,000
▶ Face Value of Equity Shares (₹)	10/-
▶ Premium Per Equity Share (₹)	153/-
▶ Consideration Amount (₹)	1,17,36,000/-
3. Investor	Small Industries Development Bank of India (SIDBI)
▶ Number of Shares to be Allotted	13,49,650
▶ Face Value of Equity Shares (₹)	10/-
▶ Premium Per Equity Share (₹)	153/-
▶ Consideration Amount (₹)	21,99,92,950/-
Total Investors	Three
▶ Number of Shares to be Allotted	14,93,650
▶ Face Value of Equity Shares (₹)	10/-
▶ Premium Per Equity Share (₹)	153/-
▶ Consideration Amount (₹)	24,34,64,950/-

With the infusion of additional equity, the Net Worth of the Bank has increased to ₹ 233.58 crores as on March 31, 2018 as against ₹ 190.22 crores as on March 31, 2017 as against ₹ 100 crores stipulated by the Reserve Bank of India vide guidelines dated November 27, 2014 for Small Finance Banks.

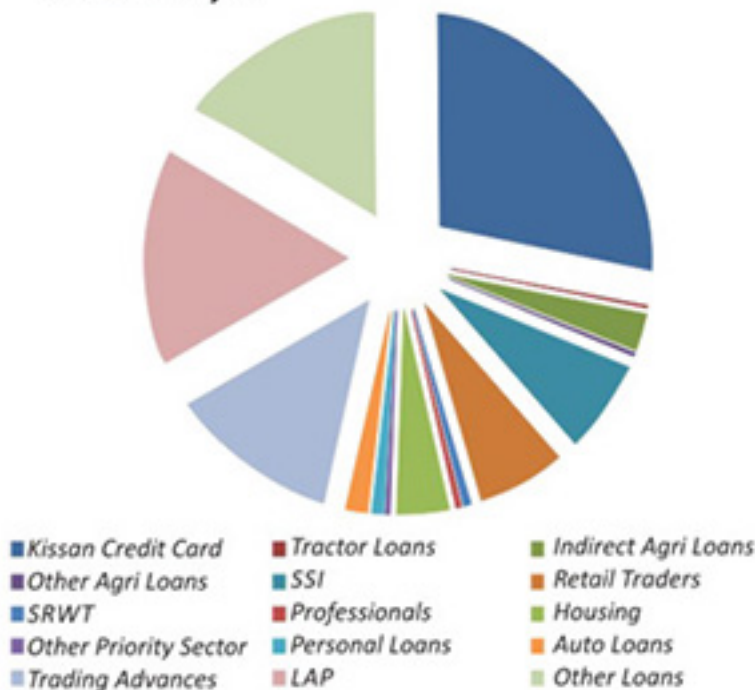
As on 31st March, 2018, the paid up capital of your bank stood at ₹ 28.48 crores divided into 2,84,80,743 Equity Shares of ₹ 10 each.

Advance to Priority Sector, Weaker Section

The basic model of the bank has been built around catering to the financial needs of its clientele in the best possible way with continuous focus on facilitating Priority Sector Advances and to meet the banking needs of the weaker sections of the society. The Bank has always been striving for adequacy

and genuineness of the facilities provided in the major thrust areas, namely Priority Sector and Weaker Sections. Priority sector advances increased to ₹ 1361.67 crores as on March 31, 2018 as against ₹ 976.69 crores as on March 31, 2017, registering a growth of 39.42%. The Priority Sector Advances stood at 99.30% of the Adjusted Net Bank Credit of previous year i.e. March 31, 2017 and are above the 75% benchmark set by the Reserve Bank of India. The total credit to agriculture has increased to ₹ 758.39 crores as on March 31, 2018 as against ₹ 598.22 crores as on March 31, 2017 showing a growth of 26.77%, which stood at 55.30% of the Adjusted Net Bank Credit of previous year i.e. March 31, 2017. The bank has made majority of its Direct Agriculture Advances under its CAPITAL KISAN CREDIT CARD Scheme. The scheme is customer friendly and has given impetus to the flow of credit to agriculturists. This scheme has been largely instrumental in upliftment of credit availability in rural areas under the jurisdiction of our bank. Advances to Weaker Sections also continue to receive special priority. The advances made to Weaker Section including Small and Marginal Farmers, Scheduled Castes, etc. stood at ₹ 193.52 crores as on March 31, 2018. The advances to weaker sections stood at 14.11% of Adjusted Net Bank Credit of previous year i.e. March 31, 2017 as against the regulatory benchmark of 10%. The Bank has initiated number of steps to increase lending to Priority Sector/Weaker Sections, including identifying potential centers for focused lending, imparting training to officers on rural lending, liberalised credit norms and softening interest rates. The Bank has opened 68232 Number of 'No Frill' accounts up to March 31, 2018 under

Advances Profile



Financial Inclusion of those households that did not have any access to banks/post offices.

Statutory Disclosures

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

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

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

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

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

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

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

Pursuant to the relevant provision of

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

Accordingly, Dividends for and up to the financial year ended March 31, 2010 have already been transferred to the IEPF. Further, please note that the unclaimed Dividend in respect of the financial year ended March 31, 2011 must be claimed by the concerned Shareholders on or before November 22, 2018 failing which it will be transferred to IEPF in accordance with the Rules.

The details of Unclaimed Dividends as on March 31, 2018 and the last date for claiming the same, prior to its transfer to the IEPF, are as under:

Dividend for the year ended	Date of Declaration of Dividend	Last date claiming Dividend
31-03-2011	17-09-2011	23-10-2018
31-03-2012	28-09-2012	03-11-2019
31-03-2013	28-09-2013	03-11-2020
31-03-2014	27-09-2014	02-11-2021
31-03-2015	19-09- 2015	25-10-2022
31-03-2016	23-09-2016	29-10-2023
31-03-2017	22-07-2017	27-08-2024

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 2009-2010 (in case where the Dividend for subsequent financial years have not been claimed by the concerned Shareholder), were liable to be transferred by the Bank to IEPF Authority and the same has been transferred, pursuant to the notification issued by the Ministry of Corporate Affairs (MCA) Dated October 16, 2017.

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

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

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

The extracts of the Annual return in the form MGT-9 as on March 31, 2018 forms part of this report as an Annexure- I.

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

Energy Conservation: The Company being Banking Company, the energy consumed by the bank during this period is only in the form of electricity and diesel used in generators. The company has allocated specific cost budgets for

the same in Head Office and all its branches to reduce electric waste and the same is monitored on periodical basis. Other measures like use of LEDs, power saver air conditioning equipment's etc. are being installed for conserving above the energy. There is no capital investment on energy conservation equipment other than specified.

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

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

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

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

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

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

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

For the financial year ended March 31, 2018, the Bank had transferred ₹ 475.51 lacs to the Statutory Reserve Fund (maintained under section 17(1) of RBI Act, 1934). The Bank has transferred ₹ 17.05 lacs to Special Reserve maintained under section 36 (1) (viii) of Income Tax Act, 1961.

11. Asset-Liability and Risk

Management pursuant to section 134 (3)(n) of Companies Act, 2013

The Bank has formulated and adopted a robust risk management framework. Whilst the Board is responsible for framing, implementing and monitoring the said risk management framework, it has delegated its powers relating to monitoring and reviewing of risk associated with the business of the Bank to the Risk Management Committee. Bank follows an integrated approach to managing risks and the processes are embedded in the fundamental business model. The Risk Management Landscape in the Bank covers the stages of identifying, assessing, measuring, managing, controlling and reporting risk concerns across all the risk classes viz. Credit, Market and Operational Risks. The Risk Management Policies adopted and reviewed periodically articulate, codify the strategy, structure, processes and systems to manage bank wide risks. Expanding business arenas, deregulation and globalization of financial activities, emergence of new financial products and increased level of competition has necessitated the need for an effective and structured risk management practice in financial institutions. The Bank has adopted an integrated approach for the management of risk. Effective internal policies are developed in tune with the business requirements and best practices. Capital Bank has formulated 'Risk Management Policy' and an Internal Capital Adequacy Assessment (ICAAP) Policy for identifying and measuring

various operational, credit and market risks. Operational risks are managed through comprehensive systems of internal control, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning. We constantly strive to enhance the risk management capabilities in accordance with the emerging regulatory guidelines and the broad risk management principles. The Bank reviews the risk management system and the progress made in implementing the RBI guidelines on risk management, on a quarterly basis. The Asset Liability Management Committee (ALCO), consisting of the Bank's senior management and the Managing Director, is responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the bank (on the assets and liabilities sides) in line with the bank's budget and decided risk management objectives. The committee actively manages and controls the structure of assets and liabilities and interest rate sensitivities with a view of optimizing profits besides maintaining capital adequacy and sufficient liquidity. Structured Liquidity and Interest Rate Sensitivity of the bank is being prepared on monthly basis in line with the RBI guidelines.

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

The composition of Board of Directors of the Bank is governed by the provisions of the Companies Act, 2013, the Banking Regulation Act,

1949. The Board of the Bank as on March 31, 2018 consisted of eight Directors, out of which five directors are independent.

The Bank has obtained declaration of Independence from Mr. Sukhpal Singh Gill, Mr. Madan Gopal Sharma, Mrs. Harmesh Khanna, Mr. Sham Singh Bains and Mr. Rakesh Soni and they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

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

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

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

Pursuant to the provisions of the Companies Act, 2013 the Board of Directors has carried out an annual evaluation of its own performance, and that of its Committees.

The performance of the Board was

evaluated by seeking inputs from all the Directors and the performance of the Committees was evaluated by seeking inputs from the Committee members. The Nomination and Remuneration Committee reviewed the performance of the individual Directors. A separate meeting of Independent Directors was held on February 20, 2018 to review the performance of non-independent Directors and performance of the Board as a whole.

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

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

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

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

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

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

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

The Bank has formulated an internal compliant committee for redressal of complaints for Sexual Harassment of women at the workplace and takes all necessary measures to ensure a harassment-free workplace. The bank believes that all employees, including other individuals who are dealing with the bank have the right to be treated with dignity.

The cases reported to the Bank were duly addressed and resolved. There is no pending complaint under the said act.

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

18. Adequacy of Internal Financial Controls Related To Financial Statements

The Companies Act, 2013 has -

introduced a reasonably advanced reporting concept for auditors i.e. Internal Financial Control (IFC) over financial reporting. Auditors of the company are required to report on adequacy and operating effectiveness of internal financial controls of the company with report on financial statements prepared under section 142 of the Companies Act, 2013.

The Company as per the requirement of section 134(5)(e) has adopted the policies and procedures to ensure orderly and efficient conduct of it's business, including adherence to the Company's policies, safeguarding of it's assets prevention and detection of frauds and errors, accuracy and completeness of accounting records, timely preparation of reliable financial information.

During the year under review, the Statutory Auditors and the Secretarial Auditors have not reported any instances of frauds committed in the company by it's Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which needs to be mentioned in the Report.

19. Directors

The Board of the Bank is duly constituted in accordance with the provisions of Banking Regulation Act and Companies Act, 2013.

Managing Director & Chief Executive Officer (MD & CEO)

Mr. Sarvjit Singh Samra has been serving as the Managing Director & CEO of the Bank since July 21, 2003, with the approval of Reserve Bank of

India (RBI) and the shareholders, from time to time. The Reserve Bank of India on July 17, 2015 approved the re-appointment of Mr. Sarvjit Singh Samra as Managing Director of the Bank for a period of three years w.e.f. July 21, 2015 and the shareholders in the meeting held on September 19, 2015 confirmed the said appointment. The Reserve Bank of India granted Licence No. MUM: 116 dated March 4, 2016 to Capital Small Finance Bank Limited to carry on small finance bank business in India. The approval for appointment of Mr. Sarvjit Singh Samra as Managing Director and Chief Executive Officer of Capital Small Finance Bank Limited was granted by the Reserve Bank of India on April 21, 2016 on the existing terms and conditions and the shareholders in the meeting held on September 23, 2016 confirmed the said appointment for a period of 3 years w.e.f. April 24, 2016.

Appointment of Part-time Chairman

The Reserve Bank of India vide letter no.DBR.Appt.No.13207/29.52.001/2015-16 dated April 21, 2016 conveyed the approval for appointment of Mr. Inder Krishan Sardana (DIN 398202) as Part-time Chairman of Capital Small Finance Bank Limited for a period of three years w.e.f. April 24, 2016, the date of conversion of Capital Local Area Bank Limited to Capital Small Finance Bank Limited.

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

The Board is duly constituted as per the provisions of Banking Regulation Act, 1949, Companies Act, 2013, RBI

guidelines for Small Finance Banks and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

During the year Mr. Sham Singh Bains was appointed as an additional Director by the Board of Directors in the meeting held on November 09, 2017.

Mr. Bhagwant Singh Sangha and Mr. Ranbir Singh Directors retired on August 01, 2017 and March 27, 2018 respectively in compliance to the Section 10(2A)(i) of Banking Regulation Act, 1949.

Directors Retiring by Rotation

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

Appointments/Resignations of the Key Managerial Personnel

Mr. Sarvjit Singh Samra, Managing Director and Chief Executive Officer; Mr. Munish Jain, Chief Operating Officer and Chief Financial Officer ; Mr. Sahil Vijay, Company Secretary of the Bank are the Key Managerial Personnel as per the provisions of the Companies Act, 2013. None of the Key Managerial Personnel has resigned or appointed during the year under review. But there is a change in the role of Mr. Munish Jain and Mr. Sahil Vijay who were earlier Company Secretary and Chief Financial Officer respectively.

20. Corporate Governance

Corporate governance is an ethically driven business process that is committed to values aimed at enhancing an organization's brand and reputation. Capital Bank is committed to set the highest standards of Corporate Governance right from its inception benchmarked with the best in class practices. Capital Bank continues to believe in observing the best corporate governance practices and benchmarking itself against each practice on an ongoing basis.

Capital Bank believes that there is a need to view Corporate Governance as more than just regulatory requirements as there exist a fundamental link with the organization of business, corporate responsibility and shareholder's wealth maximization. Our Corporate Governance framework ensures that we make timely disclosures and share accurate information regarding our financials and performance, as well as the leadership and governance of the Bank. The Board is professional in character with a strong commitment to shareholder value, transparency, accountability, ethical standards and regulatory compliances.

The corporate governance framework at Capital Bank is based on an effective independent Board, the separation of the Board's supervisory role from the executive management and the constitution of Board Committees, which at March 31, 2018 comprised majority of independent Directors. The Bank's Board has an optimum combination of executive and non-executive

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

21. 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 5 times during the year under review. The details of the meetings of the Board are as follows:

Board of Directors

Total Meetings 5

Dates Of Meetings

6 May, 2017; 9 June, 2017; 8 August, 2017; 9 November, 2017; 20 February, 2018

Number Of Meetings Attended by Directors

1. Mr. Inder Krishan Sardana	5
2. Mr. Sarvjit Singh Samra	4
3. Mr. Santokh Singh Chhokar	4
4. Mr. Bhagwant Singh Sangha (Retired on August 1, 2017)	2
5. Mr. Sukhpal Singh Gill	5
6. Mr. Ranbir Singh (Retired on March 27, 2018)	3
7. Mr. Madan Gopal Sharma	4
8. Mr. Rakesh Soni	4
9. Mrs. Harmesh Khanna	5
10. Mr. Sham Singh Bains (Appointed on February 20, 2018)	1

Independent Directors Meeting On February 20, 2018 1
The meeting was attended by all the six Independent Non Executive Directors

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

The Bank has following Committees of the Board:

1. Management Committee
2. Audit Committee
3. Credit Sanctioning Committee
4. Risk Management Committee
5. Nomination and Remuneration Committee
6. Special Committee on frauds
7. Stakeholders Relationship Committee
8. Corporate Social Responsibility Committee
9. Investors Grievance Redressal Committee
10. Securities Committee*
*(Securities Allotment Committee and Securities Transfer Committee was merged by the Board on February 20, 2018)

Nomination And Remuneration Committee

The Board of Directors in the meeting held on February 20, 2015 reconstituted the Nomination and Remuneration committee. As on March 31, 2018, committee had three members consisting of Mr. Madan Gopal Sharma, Mr. Sukhpal Singh Gill and Mr. Sham Singh Bains. The majority of the members of the committee are independent non executive directors. The committee has been constituted to review the structure, size, composition, diversity of the Board and designing of the criteria for determining the qualifications, positive attributes and

independence of the directors. The Nomination and Remuneration Committee also approves the appointment and remuneration of KMPs as per the Reserve Bank of India guidelines, Companies Act 2013, policy of the Bank and other laws.

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

Nomination and Remuneration Committee

Total Meetings 3

Dates Of Meetings

April 24, 2017, June 7, 2017 and October 27, 2017

Number Of Meetings Attended by Directors

- | | |
|---|---|
| 1. Mr. Madan Gopal Sharma | 3 |
| 2. Mr. Bhagwant Singh Sangha
(Retired on 1.8.2017) | 2 |
| 3. Mr. Sukhpal Singh Gill | 3 |

Securities Allotment Committee

The Board of Directors in the meeting held on March 19, 2016 reconstituted the Securities Allotment Committee of the Board to allot all types of securities issued by the bank and also to approve various related matters. The committee comprises of Mr. Inder Krishan Sardana, Chairman, Mr. Sarvjit Singh Samra, Managing Director, Mr. Bhagwant Singh Sangha, Director, Mr. Rakesh Soni Director and Mr. Munish Jain, Company Secretary as the members of the committee.

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

Securities Allotment Committee

Total Meetings 1

Dates Of Meetings

September 28, 2017

Number Of Meetings Attended by Directors

- | | |
|------------------------------|---|
| 1. Mr. Inder Krishan Sardana | 1 |
| 2. Mr. Sarvjit Singh Samra | 1 |
| 3. Mr. Rakesh Soni | 1 |

Audit Committee

The Board of Directors in its meeting held on May 9, 2018, has reconstituted the Audit Committee. The members of the Committee are Mr. Madan Gopal Sharma, Mr. Sukhpal Singh Gill, Mr. Rakesh Soni and Mr. Sarvjit Singh Samra. The committee met six times in a year. The functions of the Audit Committee are as follows:

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

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

Audit Committee

Total Meetings 6

Dates Of Meetings

April 28, 2017; June 28, 2017; September 28, 2017; December 30, 2017; February 15, 2018; March 29, 2018

Number Of Meetings Attended by Directors

- | | |
|---|---|
| 1. Mr. Madan Gopal Sharma | 6 |
| 2. Mr. Bhagwant Singh Sangha
(Retired on August 1, 2017) | 2 |
| 3. Mr. Sukhpal Singh Gill | 6 |
| 4. Mr. Ranbir Singh
(Retired on March 27, 2018) | 5 |
| 5. Mr. Rakesh Soni | 1 |

Corporate Social Responsibility Committee and Statutory Disclosure

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

The composition of the CSR Committee as on March 31, 2018 comprises of Mr. Sarvjit Singh Samra and Mr. Sham Singh Bains after retirement of Mr. Ranbir Singh on March 27, 2018. The Annual Report on CSR activities as required to be given under Section 135 of the Companies Act, 2013 and Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been provided in an Annexure which forms part of the Directors Report. The details of the meetings of the CSR Committee are as follows:

Corporate Social Responsibility Committee

Total Meetings 1

Dates Of Meetings

February 20, 2018

Number Of Meetings Attended by Directors

1. Mr. Sarvjit Singh Samra	1
2. Mr. Ranbir Singh	1
3. Mr. Sham Singh Bains	1

Details of other committees of Board:

Management Committee

Total Meetings 4

Dates Of Meetings

April 20, 2017; August 02, 2017; November 08, 2017; March 06, 2018

Number Of Meetings Attended by Directors

1. Mr. Sarvjit Singh Samra	4
2. Mr. Inder Krishan Sardana	4
3. Mr. Bhagwant Singh Sangha (Retired on August 1, 2017)	1

Risk Management Committee

Total Meetings 4

Dates Of Meetings

April 20, 2017; August 02, 2017;
November 08, 2017; March 06, 2018

Number Of Meetings Attended by Directors

1. Mr. Sarvjit Singh Samra	4
2. Mr. Bhagwant Singh Sangha (Retired on August 1, 2017)	1
3. Mr. Sukhpal Singh Gill	4

Credit Sanctioning Committee

Total Meetings 12

Dates Of Meetings

May 06, 2017; June 05, 2017; July 24, 2017;
August 07, 2017; September 11, 2017;
September 20, 2017; October 10, 2017;
November 03, 2017; November 29, 2017;
December 20, 2017; January 30, 2018;
March 13, 2018

Number Of Meetings Attended by Directors

1. Mr. Sarvjit Singh Samra	12
2. Mr. Bhagwant Singh Sangha (Retired on August 1, 2017)	3
3. Mr. Ranbir Singh	12
4. Mr. Sham Singh Bains (Appointed on February 20, 2018)	1

Securities Transfer Committee

Total Meetings 9

Dates Of Meetings

May 22, 2017; June 29, 2017; August 7, 2017
September 6, 2017; October 23, 2017; November
22, 2017; December 27, 2017; January 29, 2018;
March 1, 2018

Number Of Meetings Attended by Directors

1. Mr. Sarvjit Singh Samra	9
2. Mr. Bhagwant Singh Sangha (Retired on August 1, 2017)	2
3. Mr. Sukhpal Singh Gill	9
4. Mr. Sham Singh Bains (appointed on February 20, 2018)	1

*As on February 20, 2018 Securities transfer Committee merged with Securities Allotment Committee and a single Committee formed as Securities Committee.

Sr. No.	Name
1.	Mr. Sarvjit Singh Samra
2.	Mr. Sukhpal Singh Gill
3.	Mr. Sham Singh Bains

Vigil Mechanism

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

Loans, Guarantees or Investments in Securities

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

Contracts or Arrangements with Related Parties

All related party transactions that were entered during the financial year 2017-18 were in the ordinary course of the business of the Bank and were on arm's length basis and the same is enclosed as Annexure to this report. There were no

materially significant related party transactions entered by the Bank with Promoters, Directors, Key Managerial Personnel or other persons which may have a potential conflict with the interest of the Bank. Considering the nature of the industry in which the Bank operates, transactions with related parties of the Bank are in the ordinary course of business especially with respect to the banking transactions which are also on arms' length basis. All such Related Party Transactions are being placed before the Board/Audit Committee for approval, wherever applicable.

Listed Securities, Debenture Trustee Detail and Credit Rating

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

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

Credit rating agency of the Bank is Brickwork Ratings India Pvt. Ltd. having registered office at 3rd Floor, Raj Alkaa Park, 29/3 & 32/2 Kalena Agrahara, Bannerghatta Road, Bengaluru - 560 076. During the year Credit Ratings of the Bank for Upper Tier II instruments enhanced from "BWR A (Outlook: Stable)" to "BWR A+ (Outlook Stable)".

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

**Auditors & Auditors' Report
Statutory Auditors and Audit**

M/s VP Vijh & Co Chartered Accountants Statutory Auditors hold the office till the conclusion of the ensuing Annual General Meeting. The Auditors shall retire pursuant to RBI guidelines after being auditors for 4 consecutive terms. The matter with regard to appointment of new auditors shall be subject to the recommendations of Audit Committee and Board and approval of Reserve Bank of India which shall be taken up before the ensuing Annual General Meeting.

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

The Secretarial Audit Report is annexed herewith as Annexure to this report. There are no qualifications, reservations or adverse remarks made by M/s B. Mathur & Co., Company Secretaries, Secretarial Auditors of the Bank, in their Secretarial Audit report

**Directors' Responsibilities
Statement**

In accordance with the provisions of Section 134(5) of the Companies Act

2013, your Directors confirm that:

1. In the preparation of the annual accounts for the financial year ended 31st March, 2017, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2017 and of the profit of the Company for that period;
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. Directors had prepared the annual accounts on a going concern basis;
5. The Directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
6. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Green Initiatives

'Going Green begins at home' is the company's mantra in all aspects of its operations. 24 trees are felled for every 1 ton of paper printed. Acutely aware of this shocking truth and for maintaining the planet Earth evergreen, the Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies. Through its Circulars No. 17/2011 dated 21.04.2011 and No. 18/2011 dated 29.04.201, MCA has provided that the service of notice / documents by a company to its shareholders can now be made through electronic mode. In accordance with these circulars, Companies can now send various notices and documents, including Annual Report, to its shareholders through electronic mode to the registered e-mail addresses of shareholders.

In view of the said concern we would like to seek your whole hearted support for this noble initiative in preserving our forests. We are requesting to all our esteemed members to register their e-mail IDs to get annual reports and other communications through email instead of paper mode in future.

Acknowledgment

The Board of Directors is grateful to the Government of India. The Reserve Bank of India, SEBI, IRDA and other regulatory authorities for their continued guidance, cooperation and support. The Board would also like to take this opportunity to express its appreciation for the continuing commitment, sense of involvement, professionalism and dedication of the members of the staff in ensuring high level of performance and 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 thank the investors, the banking community, rating agencies and stock exchange for their 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

Place: Jalandhar
Date: May 9, 2018

I K Sardana
Chairman

Sarvjit Singh Samra
Managing Director

Secretarial Audit Report

Form No. MR-3 , For The Financial Year Ended March 31, 2018

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

To,

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

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2018 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; Not Applicable
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; Not Applicable
 - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; Not Applicable
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; Not Applicable
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and Not Applicable

- h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; Not Applicable
- (vi) Reserve Bank of India Act, 1934.
- (vii) Banking Regulation Act, 1949.
- (viii) The Employee Provident Fund Act, Payment of Gratuity Act, Minimum Wages Act, Payment of Wages Act, Payment of Bonus Act, Contract Labour Regulation & Abolition Act and notification issued by labour department from time to time under above acts.

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

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

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

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

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

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

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

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

- (I) The Company has issued 14,93,650 (Fourteen Lac Ninety Three Thousand Six Hundred Fifty) Equity Shares of ₹ 10/- (Rupees Ten) each for Cash at a price of ₹ 163/- per Equity Share (including premium of ₹ 153/- per Equity Share) aggregating to ₹ 24,34,64,950/- (Rupees Twenty Four Crore Thirty Four Lacs Sixty Four Thousand Nine Hundred Fifty only) on Private Placement Basis on September 28, 2017.

For B Mathur & Co.
Company Secretaries
Date: May 5, 2018
Place: New Delhi

Naina Goyal
Partner
ACS: 39018
CP No.: 15360

CSR Activities

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

Policy Statement

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

Scope Of Corporate Social Responsibility Policy

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

Governance Structure

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

- ▶ Formulate and update our CSR Policy, which will be approved by the Board of the bank
- ▶ Suggest areas of intervention to the Board of bank
- ▶ Approve projects that are in line with the CSR policy

- ▶ Put monitoring mechanisms in place to track the progress of each project
- ▶ Recommend the CSR expenditure to the Board of bank who will approve it
- ▶ Meet at least once a year to review the progress made
- ▶ Give directions for the disbursement of funds

Corporate Social Responsibility Activities

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

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

The Bank ensures transparent monitoring mechanism for CSR activities.

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

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

1. The Current Composition of the CSR Committee is as follows:

- ▶ Mr. Sarvjit Singh Samra (Chairman)
- ▶ Mr. Sham Singh Bains (Member)
- ▶ Mr. Rakesh Soni (Member) (Appointed on May 9, 2018)

2. Average net profit of the Company for last three financial years:

₹ 2083.31 lakhs

3. Prescribed CSR expenditure (i.e. 2% of the amount as mentioned above):

₹ 41.67 lakhs

4. Details of CSR spent during FY 2017-18

1	2	3	4	5	6	7	8
S No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs were undertaken	Amount outlay (budget) projects or program wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs. (2) Overheads:	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1.	Rural Hockey Development Society	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 25,000	₹ 25,000	₹ 25,000	Direct
2.	Rural Hockey Development Society	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 25,000	₹ 25,000	₹ 25,000	Direct
3.	Rural Hockey Development Society	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 25,000	₹ 25,000	₹ 25,000	Direct
4.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 19,000	₹ 19,000	₹ 19,000	Direct
5.	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.	Local Area	₹ 40,500	₹ 40,500	₹ 40,500	Direct
6.	District Defence Services Welfare Office	Measures for the benefit of armed forces veterans, war widows and their dependents	Local Area	₹ 20,000	₹ 20,000	₹ 20,000	Direct
7.	Spark Mela (Sports And Career Awareness Festivals At Guru Gobind Singh Stadium)	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 1,00,000	₹ 1,00,000	₹ 1,00,000	Direct

1	2	3	4	5	6	7	8
S No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs were undertaken	Amount outlay (budget) projects or program wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs. (2) Overheads:	Cumulative expenditure upto the reporting period	Amount spent: direct or through implementing agency
8.	Sport Events Organised For Block Primary Education Office Block-1 Kpot & District Education Officer Secondary Kpot	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 33,180	₹ 33,180	₹ 33,180	Direct
9.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 40,209	₹ 40,209	₹ 40,209	Direct
10.	Kabaddi League	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 2,756	₹ 2,756	₹ 2,756	Direct
11.	Football League	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 15,000	₹ 15,000	₹ 15,000	Direct
12.	Kabaddi League	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 32,851	₹ 32,851	₹ 32,851	Direct
13.	Football League	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 32,030	₹ 32,030	₹ 32,030	Direct
14.	Kabaddi League	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 19,370	₹ 19,370	₹ 19,370	Direct
15.	Eye Operation	Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.	Local Area	₹ 25,000	₹ 25,000	₹ 25,000	Direct
16.	CT Educational Society(CT Half Marathon 2018)	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 11,000	₹ 11,000	₹ 11,000	Direct
17.	Kabaddi League	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 8,500	₹ 8,500	₹ 8,500	Direct

1	2	3	4	5	6	7	8
S No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs were undertaken	Amount outlay (budget) projects or program wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs. (2) Overheads:	Cumulative expenditure upto the reporting period	Amount spent: direct or through implementing agency
18.	Dav College Jalandhar	Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood	Local Area	₹ 15,000	₹ 15,000	₹ 15,000	Direct
19.	Kabaddi League	Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Local Area	₹ 13,843.20	₹ 13,843.20	₹ 13,843.20	Direct
20.	Shiksha Abhiyan Nakodar	Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Local Area	₹ 3,00,000	₹ 3,00,000	₹ 3,00,000	Direct

(a) Total amount to be spent for FY 2017-18 ₹ 41.67 lacs

(b) Amount unspent, if any ₹ 33.54 lacs

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

As an integral part of society, the Bank is aware of its corporate social responsibilities and has engaged in various programmes. For this purpose Bank has set-up a Trust-Capital Foundation which is in the process of Registration. The Bank will be contributing profits to the Foundation. For your bank, it is of paramount importance that the funds of the bank are utilized prudently to ensure maximum social benefit and development. So the initial time was taken to put in place processes, evaluate various

projects and their execution timelines. Therefore some social projects have been undertaken by the Bank and some CSR projects were in the pipeline in the last financial year. However as the ground work has been done, the bank is positive that the execution of the other projects will begin in this financial year.

6. Responsibility statement of the CSR Committee:

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

For and on behalf of the Board of Directors

Place: Jalandhar | Date: May 9, 2018

I K Sardana
Chairman

Sarvjit Singh Samra
Managing Director

Extract of Annual Return

Form No. MGT-9, as on financial year ended on 31.03.2018

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

I. Registration & Other Details:

i	CIN	U65110PB1999PLC022634
ii	Registration Date	31-05-1999
iii	Name of the Company	"Capital Small Finance Bank Limited" Formerly Known as "Capital Local Area Bank Limited"
iv	Category/Sub-category of the Company	Company Limited by shares/ Indian Non Government Company
v	Address of the Registered office & contact details	Midas Corporate Park, 3rd floor 37, G.T. Road, Jalandhar 144001
vi	Whether listed company	Listed (Debt Segment)
vii	Name, address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Pvt. Ltd C 101, 247 Park, L.B.S.Marg, Vikhroli (West), Mumbai - 400083 Tel: 022 - 4918 6270, Fax : 022 - 4918 6060

II. Principal Business Activities Of The Company

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

S. No.	Name & Description Of Main Products/Services	NIC Code Of The Product /Service	% To Total Turnover Of The Company
I	Banking and Financial Services	64,191	100%

III. Particulars Of Holding, Subsidiary & Associate Companies

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

IV. Shareholding Pattern (Equity Share Capital Break Up As % To Total Equity)

Category Of Shareholders	No. Of Shares Held At The Beginning Of The Year				No. Of Shares Held At The End Of The Year				% Change During The Year
	Demat	Physical	Total	% Of Total Shares	Demat	Physical	Total	% Of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	0	75,40,198	75,40,198	27.94	0	75,40,198	75,40,198	26.47	0
b) Central Govt. or State Govt.	0	0	0	0	0	0	0	0	0
c) Bodies Corporates	0	0	0	0	0	0	0	0	0
d) Bank/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
SUB TOTAL (A)(1)	0	75,40,198	75,40,198	27.94	0	75,40,198	75,40,198	26.47	0

Category Of Shareholders	No. Of Shares Held At The Beginning Of The Year				No. Of Shares Held At The End Of The Year				% Change During The Year
	Demat	Physical	Total	% Of Total Shares	Demat	Physical	Total	% Of Total Shares	
A. Promoters									
<i>(2) Foreign</i>									
a) NRI- Individuals	0	0	0	0	0	0	0	0	0
b) Other Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corporates	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
SUB TOTAL (A)(2)	0	0	0	0	0	0	0	0	0
Total Shareholding of Promoter [(A)=(A)(1)+(A)(2)]	0	75,40,198	75,40,198	27.94	0	75,40,198	75,40,198	26.47	0
B. Public Shareholding									
<i>(1) Institutions</i>									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt.	0	0	0	0	0	0	0	0	0
e) Venture Capital Fund	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIS	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
SUB TOTAL (B)(1)	0	0	0	0	0	0	0	0	0
<i>(2) Non Institutions</i>									
a) Bodies corporates									
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1 Lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)	0	0	0	0	0	0	0	0	0
SUB TOTAL (B) (2)	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B)= (B)(1)+(B)(2)	0	0	0	0	0	0	0	0	0
C. Shares held by Custodian for GDRs & ADRs									
Non Promoters	0	1,94,46,895	1,94,46,895	72.06	15,00,227	1,94,40,318	2,09,40,545	73.53	7.68
Grand Total (A+B+C)	0	2,69,87,093	2,69,87,093	100	15,00,227	2,69,80,516	2,84,80,743	100	5.53

(i) Share Holding Of Promoters

S. No.	Shareholders Name	Shareholding At The Beginning Of The Year			Shareholding At The Beginning Of The Year			% Change in share holding during the year
		No. Of Shares	% of total shares of the company	"% of shares pledged encumbered to total shares"	No. Of Shares	% of total shares of the company	"% of shares pledged encumbered to total shares"	
1	Sarvjit Singh Samra (Promoter Group)	62,51,521	23.16		62,51,521	21.95		
1.1	Sarvjit Singh Samra	17,42,904	6.46	NIL	17,42,904	6.12	NIL	-
1.2	Navneet Kaur Samra	8,58,400	3.18	NIL	8,58,400	3.01	NIL	-
1.3	Amarjit Singh Samra	16,40,864	6.08	NIL	16,40,864	5.76	NIL	-
1.4	Surinder Kaur Samra	9,36,486	3.47	NIL	9,36,486	3.29	NIL	-
1.5	Amardeep Singh Samra	7,90,240	2.93	NIL	7,90,240	2.77	NIL	-
1.6	Gagan Samra	1,32,000	0.49	NIL	1,32,000	0.46	NIL	-
1.7	Kuljit Singh Hayer	1,06,627	0.40	NIL	1,06,627	0.37	NIL	-
1.8	Amarpreet Kaur	44,000	0.16	NIL	44,000	0.15	NIL	-
2	Brig. Swaran Singh Saini (Retd.) (Promoter)	4,75,513	1.76	NIL	4,75,513	1.67	NIL	-
3	Chanan Singh Dhillon (Promoter Group)	3,59,920	1.33		3,59,920	1.26		
3.1	Chanan Singh Dhillon	38,200	0.14	NIL	38,200	0.13	NIL	-
3.2	Gursharan Kaur Dhillon	2,40,720	0.89	NIL	2,40,720	0.85	NIL	-
3.3	Randeep Singh Dhillon	81,000	0.30	NIL	81,000	0.28	NIL	-
4	Dinesh Gupta (Promoter Group)	3,25,253	1.21		3,25,253	1.14		
4.1	Dinesh Gupta	2,95,920	1.10	NIL	2,95,920	1.04	NIL	-
4.2	Dinesh Gupta HUF	29,333	0.11	NIL	29,333	0.10	NIL	-
5	Bhagwant Singh Sangha (Promoter)	39,600	0.15	NIL	39,600	0.14	NIL	-
6	Parkash Kaur Pooni (Promoter)	88,391	0.33	NIL	88,391	0.31	NIL	-
	Total	75,40,198	27.94		75,40,198	26.47		

(ii) Change In Promoters' Shareholding

S. No.		Shareholding At The Beginning Of The Year		Cumulative Shareholding During The Year		
		No. Of Shares	% of total shares of the company	No. Of Shares	% of total shares of the company	
1.	Sarvjit Singh Samra (Promoter Group)	At the beginning of the year	62,51,521	23.16	62,51,521	23.16
	Changes during the year	Nil	Nil	Nil	Nil	
	At the end of the year	62,51,521	19.95	62,51,521	21.95	
2.	Brig. Swaran Singh Saini (Retd.) (Promoter)	At the beginning of the year	4,75,513	1.76	4,75,513	1.76
	Changes during the year	Nil	Nil	Nil	Nil	
	At the end of the year	4,75,513	1.67	4,75,513	1.67	
3.	Chanan Singh Dhillon (Promoter Group)	At the beginning of the year	3,59,920	1.33	3,59,920	1.33
	Changes during the year	Nil	Nil	Nil	Nil	
	At the end of the year	3,59,920	1.26	3,59,920	1.26	
4.	Dinesh Gupta (Promoter Group)	At the beginning of the year	3,25,253	1.21	3,25,253	1.21
	Changes during the year	Nil	Nil	Nil	Nil	
	At the end of the year	3,25,253	1.14	3,25,253	1.14	
5.	Bhagwant Singh Sangha (Promoter)	At the beginning of the year	39,600	0.15	39,600	0.15
	Changes during the year	Nil	Nil	Nil	Nil	
	At the end of the year	39,600	0.14	39,600	0.14	
6.	Parkash Kaur Pooni (Promoter)	At the beginning of the year	88,391	0.33	88,391	0.33
	Changes during the year	Nil	Nil	Nil	Nil	
	At the end of the year	88,391	0.31	88,391	0.31	

**(iii) Shareholding Pattern Of Top Ten Shareholders
(Other Than Directors, Promoters & Holders Of GDRS & ADRS)**

S. No.	Shareholders Name	Shareholding At The Beginning Of The Year		Changes In The Shareholding Due To Right Issue On 30.12. 2015		Share Holding At The End Of The Year	
		No. Of Shares	% Of Total Shares	No. Of Shares	% Of Total Shares of the company	No. Of Shares	% Of Total Shares of the company
1	Pi Ventures LLP	13,22,400	4.90	72,000	0.25	13,94,400	4.90
2	HDFC Standard Life insurance co. ltd.	13,22,400	4.90	72,000	0.25	13,94,400	4.90
3	Small Industries Development Bank of India	0	0.00	13,49,650	4.74	13,49,650	4.74
4	ICICI Prudential Life Insurance co. Ltd.	13,22,400	4.90	0	-	13,22,400	4.64
5	Rashpal Singh Virk	6,84,729	2.54	2,13,000	0.75	8,97,729	3.15
6	Balbir Singh	8,62,400	3.20	0	-	8,62,400	3.03
7	International Township Developers Pvt. Ltd.	5,20,080	1.93	50,000	0.18	5,70,080	2.00
8	Gurinder Mann	3,91,111	1.45	0	-	3,91,111	1.37
9	Tarlochan Singh Hyare	3,85,000	1.43	0	-	3,85,000	1.35
10	Piara Singh	3,62,230	1.34	0	-	3,62,230	1.27
	Total	71,72,750	26.58	17,56,650	6.17	89,29,400	31.35

(iv) Shareholding Of Directors & KMP

S. No.	For Each of the Directors & KMP	Shareholding At The Beginning Of The Year		Cumulative Shareholding during the year		
		No. Of Shares	% of total shares of the company	No. Of Shares	% of total shares of the company	
1.	I.K Sardana	At the beginning of the year	51,400	0.19	51,400	0.19
		Changes during the year	NIL	NIL	NIL	NIL
		At the end of the year	51,400	0.18	51,400	0.18
2.	M. G. Sharma	At the beginning of the year	22,100	0.08	22,100	0.08
		Changes during the year	NIL	NIL	NIL	NIL
		At the end of the year	22,100	0.08	22,100	0.08
3.	Sarvjit Singh Samra (MD)	At the beginning of the year	17,42,904	6.46	17,42,904	6.46
		Changes during the year	NIL	NIL	NIL	NIL
		At the end of the year	17,42,904	6.12	17,42,904	6.12
4.	B. S. Sangha	At the beginning of the year	39,600	0.15	39,600	0.15
		Changes during the year	NIL	NIL	NIL	NIL
		At the end of the year	39,600	0.14	39,600	0.14
5.	Santokh Singh Chhokar	At the beginning of the year	17,60,000	6.52	17,60,000	6.52
		Changes during the year	NIL	NIL	NIL	NIL
		At the end of the year	17,60,000	6.18	17,60,000	6.18
6.	Munish Jain (CFO)	At the beginning of the year	1,52,401	0.56	1,52,401	0.56
		Changes during the year	600	0.00	1,53,001	0.54
		At the end of the year	1,53,001	0.54	1,53,001	0.54
7.	Sahil Vijay (CS)	At the beginning of the year	8,226	0.03	8,226	0.03
		Changes during the year	NIL	NIL	NIL	NIL
		At the end of the year	8,226	0.03	8,226	0.03

V. Indebtedness

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

	Secured Loans excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	0	1,16,23,00,000	0	1,16,23,00,000
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	0	1,16,23,00,000	0	1,16,23,00,000
Change in Indebtedness during the financial year				
i) Additions	1,05,98,05,580	0	0	1,05,98,05,580
ii) Reduction	0	0	0	0
Net Change	1,05,98,05,580	0	0	1,05,98,05,580
Indebtedness at the end of the financial year				
i) Principal Amount	1,05,97,08,371	1,16,23,00,000	0	2,22,20,08,371
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	97,209	0	0	97,209
Total (i+ii+iii)	1,05,98,05,580	1,16,23,00,000	0	2,22,21,05,580

VI. Remuneration Of Directors And Key Managerial Personnel

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

S. No.	Particulars Of Remuneration	Name Of The MD/WTD/Manager	Total Amount
1.	Gross Salary	Sarjit Singh Samra (Managing Director)	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	42,19,615	42,19,615
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	6,72,542	6,72,542
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0
2.	Stock option		0
3.	Sweat Equity		0
4.	Commission as % of profit others (specify)		0
5.	Others, please specify		0
	Total (A)	48,92,157	48,92,157

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

B. Remuneration To Other Directors

Particulars Of Remuneration	Name Of The Directors									
	I.K Sardana	Ranbir Singh	B.S Sangha	S.S. Chhokar	M.G. Sharma	Sukhpal Singh Gill	Rakesh Soni	Harmesh Khanna	Sham Singh Bains	Total Amount
1. Independent Directors										
(a) Fee for attending board committee meetings	70,000	40,000	25,000	55,000	55,000	70,000	55,000	70,000	15,000	4,55,000
(b) Commission										0
(c) Others, please specify										0
Total (1)	70,000	40,000	25,000	55,000	55,000	70,000	55,000	70,000	15,000	4,55,000
2. Other Non Executive Directors										
"(a) Fee for attending board committee meetings"	23,000	71,000	43,000	0	46,000	1,02,000	10,000	0	10,000	3,05,000
(b) Commission										0
(c) Others, please specify.										0
Total (2)										
Total (B)=(1+2)	23,000	71,000	43,000	0	46,000	1,02,000	10,000	0	10,000	3,05,000
Total Managerial Remuneration	93,000	1,11,000	68,000	55,000	1,01,000	1,72,000	65,000	70,000	25,000	7,60,000

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

C. Remuneration To Key Managerial Personnel Other Than MD/Manager/WTD

S. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		CEO	Company Secretary	CFO	
1	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	#	13,86,410	75,70,071	89,56,481
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	#	8,906	1,58,140	1,67,046
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	#	0	0	0
	Stock Option				
2	Sweat Equity	#	0	0	0
3	Commission as % of profit others, specify	#	0	0	0
4	Others, please specify	#	0	0	0
5	Total	#	13,95,316	77,28,211	91,23,527

Covered in Managing Director Salary disclosed above in point VI

VII. Penalties/Punishment/Compounding Of Offences

Type	Section Of The Companies Act	Brief Description	Details Of Penalty/Punishment/Compounding Fees Imposed	Authority (RD/NCLT/Court)	Appeal Made If Any (give details)
A. Company					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
B. Directors					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
C. Other Officers In Default					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

For and on behalf of the Board of Directors

Place: Jalandhar
Date: May 09, 2018

Inder Krishan Sardana
Chairman

Sarvjit Singh Samra
Managing Director

Management Discussion & Analysis

Global Macro Economy

2018 is on track to be the first year since the financial crisis that the global economy will be operating at or near full capacity. The present global economic scenario is as precariously poised as some days in late winter are special. After a long period of cold, rays of sunshine warm up the soil and a hint of spring is in the air. Such atmosphere may raise spirits, and even may lead to a state of exuberance. But one should not be deceived – spring is not here yet. These lines spring to mind when we consider the current state of the global economy. Following the worst year since the recovery from the global financial crisis, there are increasingly clear signs of a rebound.

Global economic growth is expected to edge up to 3.1 percent in 2018 after a much stronger-than-expected 2017, as the recovery in investment, manufacturing, and trade continues, and as commodity-exporting developing economies benefit from firming commodity prices. Growth in advanced economies is expected to moderate slightly to 2.2 percent in 2018, as central banks gradually remove their post-crisis accommodation and as an upturn in investment levels off. Growth in emerging market and developing economies as a whole is projected to strengthen to 4.5 percent in 2018, as activity in commodity exporters continues to recover.

Global growth is expected to be sustained over the next couple of years—and even accelerate somewhat in Emerging Market and Developing Economies (EMDEs), thanks to a rebound in commodity exporters. Although near-term growth could surprise on the upside, the global outlook is still subject to substantial downside risks, including the possibility of financial stress, increased protectionism, and rising geopolitical tensions.

Although GDP growth is gearing up, the level of growth remains muted, dragged down by the eurozone and Latin America. Similarly, trade growth and, especially, investments remain far

below pre-crisis levels. It is the first time that (the lack of) productivity growth has been brought to the centre of attention. Besides growth, as such, productivity dissemination, in particular to the emerging economies has seen a steep decline. Underlying structural forces that are dragging down global trade growth have not changed. This includes the maturing of the benefits of creation of global value chains, the rebalancing of the Chinese economy and finance constraints and protectionist moves from the US government are adding fuel to the fire of deceleration of growth.

The same holds for global economic activity. It is straightforward that this in turn benefits trade growth, and vice versa. Moreover, the rebound of the prices of oil and commodities are on more solid ground now. This is precisely what is needed to trigger more investment. That in turn supports global GDP growth and trade. A virtuous cycle is being put into motion. It has led financial markets, especially equity markets, to rally, arguably reaching a state of exuberance.

Risks to the outlook remain tilted to the downside. An abrupt tightening of global financing conditions could derail the expansion. Escalating trade restrictions and rising geopolitical tensions could dampen confidence and activity. On the other hand, stronger-than-anticipated growth could also materialize in several large economies, further extending the global upturn. The broad-based recovery in global growth is encouraging, but this is no time for complacency. This is a great opportunity to invest in human and physical capital. If policy makers around the world focus on these key investments, they can increase their countries' productivity, boost workforce participation, and move closer to the goals of ending extreme poverty and boosting shared prosperity. Focus should now turn to the structural policies needed to boost longer-term productivity and living standards.

International Financial System

After several false starts, global growth and trade have been gaining traction in 2017-18, supported by accommodative monetary policy and conducive financial conditions. Despite commodity prices firming up, inflation has remained quiescent in both advanced and emerging economies. Global financial markets have been generally buoyant and the effects of geopolitical events have been muted or short-lived. With accommodative policies in Advanced Economies (AEs) supporting asset prices and spurring a search for returns, investor appetite for Emerging Market Economies (EMEs) as an asset class has been stoked, propelling capital flows to them, albeit with some discrimination against economies with relatively weaker macro-fundamentals. Nonetheless, risks to the outlook are still tilted to the downside, with political and policy uncertainties posing threats to global financial stability. In this environment, financial sector regulators are preparing for the full implementation of Basel III prudential regulations and the adoption of the revised global accounting standards.

With slack in the economy expected to dissipate, policymakers will need to look beyond monetary and fiscal policy tools to stimulate short-term growth and consider initiatives more likely to boost long-term potential.

Indian Economy

India has emerged as one of the fastest growing economies in recent times. The global growth prospects also look positive with the main economies gradually ascending the growth ladder. The Indian economy is expected to embark on higher economic growth trajectory in FY18 owing to proactive measures taken by the government as well as favorable economic conditions expected to prevail during the course of the year.

The economic outlook of the Indian economy looks positive with the country expected to grow at more than 7.5% in FY18 before moving past the 8%

trajectory in FY19. Certain threats, however, prevail in terms of upside risk to inflation, increasing global commodity prices especially crude oil prices, slower growth in investment and credit, rising bad loans issue and uncertain trade prospects with appreciating rupee and uncertain global economic conditions. Globally, protectionism adopted by the US and higher interest rates by the Fed, revival in European countries and higher growth in China causing diversion of funds from India could counter the prospective growth story of the country, going ahead.

The year 2017-18 was marked by a number of key structural initiatives to build strength across macro-economic parameters for sustainable growth in the future. Economic growth is projected to strengthen in FY 2017-18, gradually recovering from the transitory adverse impact of rolling out the Goods and Services Tax (GST) and measures to choke off the black economy, including demonetization. In the longer run, the GST will boost corporate investment, productivity and growth by creating a single market and reducing the cost of capital equipment. Investment will be further supported by the plan to recapitalize public banks. Recent measures to digitize the economy and improve tax compliance should boost tax revenue in the medium term.

The growth in the first half of the year suffered despite global tailwinds. However, the weakness seen at the beginning of 2017, seems to have bottomed out as 2018 set in. Currently, the economy seems to be on the path to recovery, with indicators of industrial production, stock market index, auto sales and exports having shown some uptick (shown below). India's economic outlook remains promising for FY17-18 and is expected to strengthen further in FY18-19. However, the signs of green shoots should not be taken for granted as downside risks remain.

The biggest challenges for 2018 are as to how the economy can maintain its

recovery in the face of increasing inflationary pressures, coupled with a higher fiscal deficit as well as an increasing debt burden. The key to this conundrum lies in the revival of consumer demand and private investment.

Banking and Financial Sector

Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry. As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalized and well-regulated. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well. In August 2017, Global rating agency Moody's announced that its outlook for the Indian banking system was stable.

Although among the fastest growing large economies of the world, the Indian economy has been undergoing some slowdown by its own historical record during 2017-18. Indian Banking Sector, weighed down by a pool of bad loans, performance of the banking sector, especially of public sector banks, has remained subdued in the current financial year. But, the situation is likely to improve with banks diligently following on recoveries and stressed asset resolution. Several challenges will likely impinge upon the banking sector in India as it grapples with impairment in asset quality and convergence with Basel III and international accounting standards concurrently. Going forward, addressing asset quality concerns and strengthening banks' balance sheets to reinvigorate credit growth remain key priorities, within the overall objective of promoting a competitive and efficient banking sector. Early signs of a pick-up in credit demand, especially from industry, also give room to expect a change in the state of affairs.

Investment Scenario

In the fiscal year FY17, the Gross Fixed

Capital Formation (GFCF) recorded a decline to 26.9% of GDP as against 29.2% of GDP recorded in FY16. Lower private sector spending led to low capacity utilization which in turn hampered the overall investment in the economy. Also private sector investment in infra has not yet picked up.

Investment will be driven in FY18 mainly by the central government which is expected to concentrate on spending on roads, railways and urban development. States may not be in a position to spend too much as they have already taken on the additional debt of the DISCOMs through the UDAY bonds. Private sector investment in infra would come with a lag while that in manufacturing would be contingent on links between higher consumption and capacity utilization across sectors. Although, overall investments are likely to see an improvement, it could be marginal in nature and as a percent of GDP would continue to be below the levels seen during FY12-FY16 (34.3% to 29.2%).

Inflation Dynamics: Upward Pressure

Inflation remained subdued during the first half of the current financial year but inflationary pressures did start to rise during the latter part of 2017-18, as crude oil prices have started moving up and favorable base effects have waned. During this period, some increase in food prices along with one-time modifications on account of pay revisions in the public sector and housing rent allowance being revised upwards have also led to rising inflation. There would be additional upside risk if the Minimum Support Prices (MSP) for certain food articles are raised by the government. All in all, Inflation (WPI and CPI) continued to be within the RBIs target levels of 4% with a band of +/- 2%. The present upsurge in inflation and inflationary expectations is a new normal as against the previous couple of years where we witnessed cooling off and stabilization of inflation. The said change in inflation dynamics are making cost of borrowing expensive and the

system is feeling dearth of liquidity which has been in abundance over the past couple of years.

Monetary Policy and Outlook

The RBI had steadily cut the repo rate from 7.25% in Aug'15 to 6% in Aug'17. Since then the RBI has held the policy rate steady with more emphasis on reviving domestic growth. In the current economic scenario, with world economy having built further momentum and with the anticipation of a further escalation in global commodity prices, the space for monetary manoeuvring has become limited. Since its Aug'17 policy meet, the RBI has maintained its stance citing concerns on inflation front as well as spill-over risks from global policy changes. Importantly, household expectations on inflation has seen a rise and separately concerns on fiscal slippage have increased, especially on account of implementation of farm loan waivers, partial roll back of excise duty for petroleum products, and a fall in revenue collections, all of which are likely to have implications for inflation. In its last bi-monthly monetary policy for the fiscal year 2018 in Feb'18, the Monetary Policy Committee (MPC) in Feb 2018 said inflation has been stipulated to remain around 5.1-5.6% in the 1HFY19 and then ease to 4.5-4.6% in the 2HFY19, and with the yearly estimate set at 4.5% it can be expected that any monetary action by the RBI will be data dependent. The Monetary Policy stance has shifted from accommodative to neutral and data dependent. The important question going forward is whether and when the RBI will change its stance from neutral to tightening.

Twin Balance Sheet Problem and NPAs

The credit growth has remained subdued due to the twin balance sheet problem that India has been facing. The issue here is that balance sheets of Indian companies and banks both have been under stress. While Indian companies remain over-leveraged, the banks are reeling under high non-performing assets. The banking sector is

expected to see a further rise in its stressed assets base for FY17-18 to about INR 9.5 trillion. As per the stress tests (Financial Stability Report, RBI 2017), in the baseline scenario, Gross NPAs (non-performing assets) of the banking sector may rise from 10.2% of gross advances in September 2017 to 10.8% in March 2018 and further to 11.1% by September 2018.

The new Insolvency and Bankruptcy code (IBC) and the bank recapitalization plan are the two-pronged policy responses that have been formulated to tackle this issue. The twin balance sheet problem has been long-standing and while the new Insolvency and Bankruptcy code (IBC) will possibly help, we believe it requires complementary reform measures to alleviate unviable banks and allow greater private sector participation. Looking ahead, the falling share of private investments necessitates pro-active measures to stimulate investment sentiment and the expected push toward infrastructure development along with recapitalization of public sector banks will likely have a positive impact on investment demand.

Government Initiatives

The government has strong focus on uplifting the rural economy and strengthening of the agriculture sector, healthcare for the economically less privileged, infrastructure creation and improvement in the quality of education of the country.

The government of India has launched the Make in India initiative with an aim to boost the manufacturing sector of Indian economy, to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors. The Government of India, under the Make in India initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25 per cent of the GDP from the current 17 per cent. Numerous foreign companies are setting up their facilities in India on account of various government initiatives like Make in

India and Digital India. Besides, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

Recent Developments

With the improvement in the economic scenario, there have been various developments in various sectors of the economy. Some of the important recent developments in Indian economy are as follows:

- ▶ Moody's upgraded India's sovereign rating after 14 years to Baa2 with a stable economic outlook.
- ▶ The top 100 companies in India are leading in the world in terms of disclosing their spending on corporate social responsibility (CSR), according to a 49-country study by global consultancy giant, KPMG.
- ▶ The bank recapitalization plan by Government of India is expected to push credit growth in the country to 15 per cent.
- ▶ India has improved its ranking in the World Bank's Doing Business Report by 30 spots over its 2017 ranking and is ranked 100 among 190 countries in 2018 edition of the report.
- ▶ The World Bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-19 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India's Gross Domestic Product (GDP) in FY 2018-19.
- ▶ The Union Cabinet, Government of India, has approved the Central Goods and Services Tax (CGST), Integrated GST (IGST), Union Territory GST (UTGST), and Compensation amendment Bills.
- ▶ The Nikkei India manufacturing Purchasing Managers' Index increased at the fastest pace in December 2017 to reach 54.7, signaling a recovery in the economy.

Road Ahead

While the year gone by saw a number of changes to the system, the impact of these have largely waned as new equilibria has started to set in. The monetary policy stance has shifted from accommodative to neutral and the policy action has become data dependant. The Indian economy has once again regained the tag of the "fastest growing economy". How sustainable this momentum will be and by when our economy can cross the 8% Rubicon, will depend on how effectively the various policies, especially with respect to structural and infrastructure related reforms are implemented.

To sum up, the Indian economy is undergoing structural transformation. At this juncture, reaping the full benefits of demographic, technological and financial developments appear critical for sustaining high and inclusive growth. This requires strategic coordination between conventional banks and new players like small finance banks, payments banks and also FinTech entities for providing financial services/products in an efficient and cost-effective manner. Supportive prudential regulations aimed at promoting financial innovations without compromising safety of financial transactions, integrity of financial markets and stability of the financial system are imperative to facilitate this silent revolution.

The main driving forces going forward would be:

- ▶ Increased government spending in infrastructure,
- ▶ Pick up in private investment,
- ▶ Good monsoon
- ▶ Expected surge in consumer spending with pent up demand being satiated.

Inclusive Growth

Financial Inclusion is the dire need to create robust and sustainable model of growth. The very existence of small finance banks is to provide access to banking and financial services specially credit to the unbanked and under banked. The small finance banks are

established to have strong focus on financial inclusion and act as catalyst of economic growth to the deprived sections of the society. Equity, access, and inclusion are the greatest needs for creating sustainable development. Financial inclusion is about (a) the broadening of financial services to those people and enterprises who do not have access to financial services sector ; (b) the deepening of financial services for those who have minimal financial services; and (c) greater financial literacy and consumer protection so that those who are offered financial products can make appropriate choices. The imperative for financial inclusion is both a moral one as well as one based on economic efficiency. Everyone must be given access to the tools and resources to better themselves, which would increase output, growth, and economic prosperity. Providing universal access to banking services and improving the forms of credit delivery, especially for the weaker sections of the population is the need of the hour to create sustainable development. Perhaps the most important is the economic condition of the excluded.

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

and society, at large, make for our own well being.

Future Plans – Geographical Outreach

The Bank ended year 2017-18 with 101 branches spread over the state of Punjab, Union Territory of Chandigarh, Haryana and Delhi NCT with Regional Offices at Chandigarh and Delhi. The Bank at present has 106 branches. The Board has laid down the structured expansion plan for the Bank uptill 2021. The Bank going forward is planned to expand in the states of Rajasthan, Himachal Pradesh and Uttrakhand besides expanding its branch network in the state of Punjab. The Bank already has 100 branches in the State of Punjab.

Technology Absorption

We at CAPITAL SMALL FINANCE BANK LIMITED (CSFB) believe that the banks with the ability to adopt and integrate information technology will dominate in the highly competitive domestic market. Accordingly CSFB 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 CSFB 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 to the following:

- ▶ System/hardware support and trouble shooting.
- ▶ LAN/WAN maintenance and troubleshooting.
- ▶ Level 1 support on CBS application to branches.
- ▶ Secure systems towards any

- potential threat. Develop and implement automation.
- ▶ Process Planning & Implementation under Business Continuity Plan and disaster recovery.
- ▶ Project planning and implementation on new management goals.
- ▶ Functional and level 1 support to end users on Core Banking & Other Applications.

New Developments in the Technology Field

- ▶ The Bank implemented Green PIN for the ATMs
- ▶ The Bank implemented MPLS on a Hybrid platform merging the existing Radio network
- ▶ The Bank implemented OSPF on the WAN network
- ▶ The Bank implemented IP Level sub-netting across branches to enhance security
- ▶ The Bank has setup the new in-house private cloud infrastructure
- ▶ The Bank implemented new AML solution from Intellect
- ▶ The Bank implemented new CTS solution from Origin
- ▶ The Bank implemented IMPS-Beneficiary inward in the 1st phase
- ▶ The Bank implemented NPA Process Automation in CBS
- ▶ The Bank implemented the Delivery Channel manager for The Core Banking to interface with 3rd party applications
- ▶ The Bank Aadhaar Mapper implemented as per the new guidelines

Technology Roadmap Projects

- ▶ IMPS on Mobile & Internet Banking
- ▶ BBPS on Mobile & Internet Banking
- ▶ UPI
- ▶ Core Banking Upgrade & Modules
- ▶ Enhancing in-house Private Cloud Infrastructure
- ▶ Enhancing New Near-DR Site
- ▶ NACH outward mandate system
- ▶ Enhancing the Network & Endpoint Security

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 like ATMs, I-banking & Mobile application.

Human Capital

1) HR Initiatives:

- ▶ We started "We want campaign" in every branch to understand the manpower mindset and concerns if any
- ▶ We initiated " Panel Interviews", to speed up recruitment and to make it more refined one
- ▶ We introduced "employee referral Policy", with handsome variable payout.

2) This financial year, the Bank is planning to come up with 40 more branches, hence the new hiring has been planned for the new branches, scaling of existing branches, controlling offices and new product developments. Keep in view the exponential expansion phase we are presently in, hiring is an ongoing process. Attracting and hiring the right talent is critical and pertinent making the entire process both quantitatively and qualitatively enriched.

Manpower Planning

Manpower Planning is an essential requirement of our bank. This helps us to be well prepared in advance for the type of employees we would be requiring in future. To match up with our growth path, we have to line up with the business requirements, technological advancements etc., the skills and knowledge of the employees tend to become obsolete over a period of time.

As, we are expanding our horizon (different locations) and different business domains, we focus on the following Manpower Process:

- ▶ Understanding the existing workforce

- ▶ Forecasting the future changes
- ▶ Recruitment and Selection
- ▶ Training the employees

This process of Hiring helps the organization to become a better entity and adapt new technology, modules, future industry development and even capable to face the competitors

3) Learning and Development Collaboration:

In Capital Bank, we have a legacy to extend our employees learning opportunities on continuous basis that too via well designed L & D Calendar on bi – annual basis. Needless to say a well-informed, vigilant and a wise staff across all levels in this evolving phase of the organization is need of the hour. During this learning endeavor Team HR plays an active role in soliciting response and suggestions from the participants of varied training programs, workshops and orientation sessions via means of:

1. *Pre Training Feedback* – wherein employees share their expectations from the said workshop / session, areas of concern they are facing so that the workshop is crafted keeping in mind the employee requirement.
2. *Post Training Feedback* – wherein employees share their experience during the session. The constructive suggestions rendered by the employees are integrated into future programs improvisations.
3. *Open House Sessions* – The concluding session after each training program is the Open House Session jointly attended by the participants, entire faculty panel for the day / workshop along with senior management team. The motive behind conducting this

session is to have one on one interaction with the participating batch, deliberate upon their feedback in person and give them valid remarks where ever possible.

4. *PMS Part* – Suggestions regarding the training needs of the employees are also solicited during the performance appraisal process.

- ▶ *Think Tank Club*: To promote collaboration, a dedicated mail ID has been created, club@capitalbank.co.in, where every employee can send suggestions / feedbacks for the upcoming events or how to improvise or add something more to what we are doing already. Besides that the active members of the Think Tank Club are engaged and involved in the various events of the bank, giving them a feel good factor, a sense of belongingness to the organization, platform to showcase their creativity and innovative ideas. We strive to give them a feeling that it's their event as a team.
- ▶ *Across the table meet*: The management takes important decision on certain aspects with regard to the organization in consultation with the Cluster Heads and Branch Heads, giving them the feeler of being important. Meetings with the COO or Managing Director are planned on regular and ongoing basis to discuss the various aspects related to business issues, expansion plans and policy framing etc.
- ▶ *Other modes*: Apart from these, need based or as per the convenience meetings are held with the staff where every employee is given a platform to present any new idea or practice that could be followed in our Bank.

For and on behalf of the Board of Directors

Place: Jalandhar
Date: May 09, 2018

Inder Krishan Sardana
Chairman

Sarvjit Singh Samra
Managing Director

Independent Auditor's Report

To the Members of CAPITAL SMALL FINANCE BANK LIMITED (Previously known as CAPITAL LOCAL AREA BANK LIMITED)

1. We have audited the accompanying financial statements of CAPITAL SMALL FINANCE BANK LIMITED (Previously known as Capital Local Area Bank Limited) (here in referred to as 'the Bank'), which comprise the Balance Sheet as at 31 March 2018, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of the 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 as amended by Companies (Accounting Standards) Amendment Rules, 2016 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the 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 for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are

reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit of the Bank including its branches in accordance with Standards on Auditing ('the Standards') specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to

the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India of the state of affairs of the Bank as at 31st March, 2018, and its profit & loss and its cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

9. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
10. As required by sub section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

- (a) we have 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 returns received from the offices; and branches of the Bank have been found adequate for the purposes of our audit.

11. Further, as required by section 143(3) of the Act, we further report that:

- i. 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;
- ii. 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
- iii. 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 .
- iv. 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, as amended by companies (Accounting Standard) Amendment Rules 2016 to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- v. on the basis of written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of

- Section 164 (2) of the Act; and
- vi. with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
 - vii. 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:
 - (a) the Bank does not have any pending litigations which would impact its financial position
 - (b) the Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as certified by the management and
 - (c) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For V.P. Vijh & Co.
Chartered Accountants
(Firm's Registration No. 001248N)

Vikram Vijh
(Partner)
Membership No. 089600

Date: May 9, 2018
Place: Jalandhar

Annexure A to the independent auditor's report of even date on the financial statements of Capital Small Finance Bank Limited (Previously known as CAPITAL LOCAL AREA BANK LIMITED)

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

1. We have audited the internal financial controls over financial reporting of CAPITAL SMALL FINANCE BANK LIMITED (Previously known as CAPITAL LOCAL AREA Bank LIMITED) (here in referred to as 'the Bank') as at 31 March 2018 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

2. The Bank's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control 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 ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the 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 Companies Act, 2013 ('the Act').

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting 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 ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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.

5. 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 over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

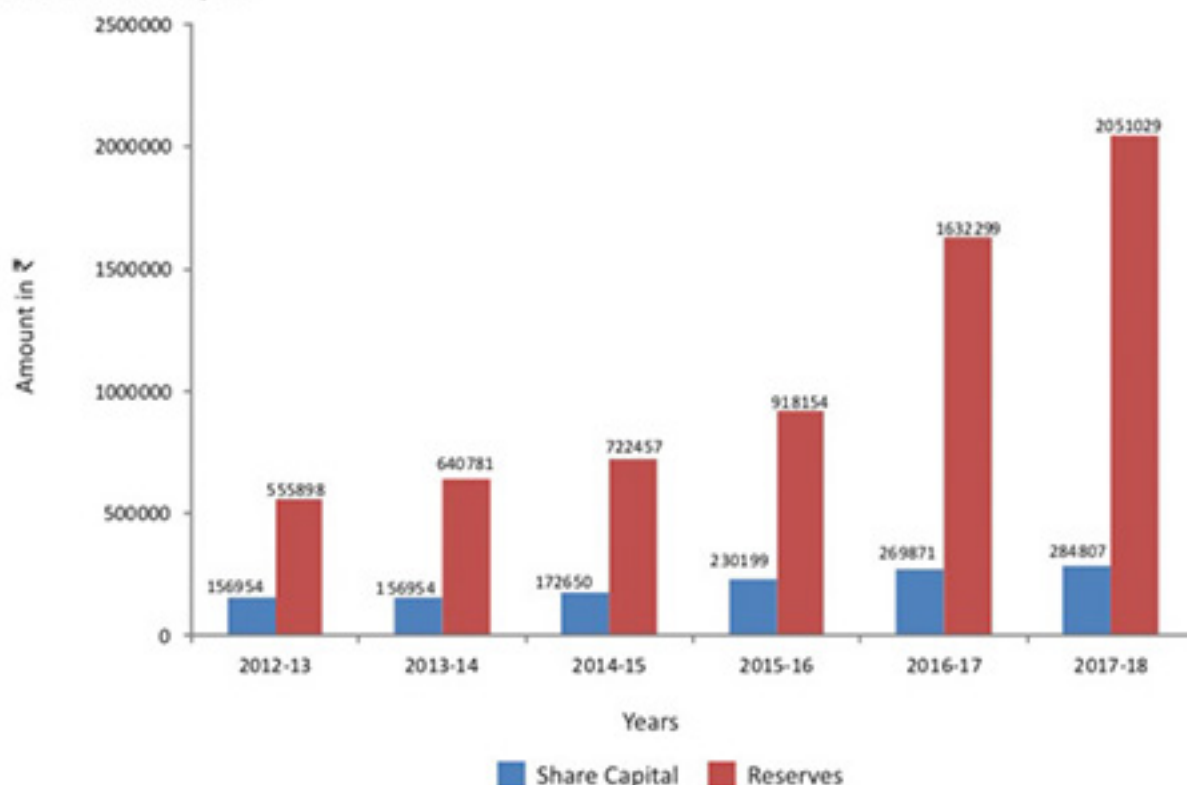
8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Date: May 9, 2018
Place: Jalandhar

Vikram Vijh
(Partner)
Membership No. 089600

For V.P. Vijh & Co.
Chartered Accountants
(Firm's Registration No. 001248N)

Net Worth Analysis



Products & Services

Deposits

Savings

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

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

Current

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

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

Term Deposit

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

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

Loans

- ▶ Housing Loans
- ▶ Personal Loans
- ▶ Auto Loans
- ▶ Gold Loans
- ▶ Kisan Credit Cards
- ▶ Advances To Retail Traders

- ▶ Education Loans
- ▶ Mortgage Loans Against Property
- ▶ Advances Against Rentals
- ▶ Advances for construction/Real Estate Projects
- ▶ Overdraft Facility

Money Transfer

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

Forex Services

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

Insurance

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

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

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



Elated Workforce
Delighted Customers



Annual Accounts

Balance Sheet As On March 31, 2018

PARTICULARS	SCHEDULE	(₹ In'000)	
		As on 31/03/2018	As on 31/03/2017
CAPITAL & LIABILITIES			
Capital	1	2,84,807	2,69,871
Reserve and Surplus	2	20,51,029	16,32,299
Deposits	3	2,85,05,200	2,37,82,133
Borrowings	4	22,22,008	11,62,300
Other Liabilities and provisions	5	4,55,276	3,61,606
Total		3,35,18,320	2,72,08,209
ASSETS			
Cash and Balances with Reserve Bank of India	6	15,43,004	15,21,356
Balances With banks and Money at call and short notice	7	37,48,261	33,52,434
Investments	8	87,07,321	78,25,950
Advances	9	1,84,72,911	1,36,53,997
Fixed assets	10	6,45,723	5,02,493
Other Assets	11	401100	351979
Total		3,35,18,320	2,72,08,209
Contingent Liabilities	12	2,72,776	2,23,044
Bills for Collection		-	-
Significant Accounting Policies	18		

Munish Jain
Chief Operating Officer
& Chief Financial Officer

Sahil Vijay
Company Secretary

Sarvjit Singh Samra
Managing Director

Sukhpal Singh Gill
Rakesh Soni
Directors

As per our separate report appended
For V. P. Vijh & CO.
Chartered Accountants
Firm's Registration No.01248N

Vikram Vijh
(Partner)

Membership No.089600

Date: May 09, 2018
Place: Jalandhar

Profit And Loss A/c For The Year Ended March 31, 2018

PARTICULARS	SCHEDULE	(₹ In'000)	
		As on 31/03/2018	As on 31/03/2017
INCOME			
Interest Earned	13	27,10,046	22,36,896
Other Income	14	2,28,611	1,98,906
Total		29,38,657	24,35,802
EXPENDITURE			
Interest Expended	15	16,64,866	14,96,622
Operating Expenses	16	9,46,838	7,06,922
Provisions and Contingencies		1,36,751	81,858
Total		27,48,455	22,85,402
PROFIT/LOSS			
Net profit for the year		1,90,202	1,50,400
Profit brought forward		5,90,605	5,01,209
Total		7,80,807	6,51,609
APPROPRIATIONS			
Transfer to Statutory Reserves		47,551	37,600
Transfer to Special Reserve		1,705	1,228
Transfer to/from Investment Reserve Account		(4)	-
Transfer to Proposed Dividend		-	18,425
Tax on Proposed Dividend		-	3,751
Balance carried over to Balance sheet		7,31,555	5,90,605
Total		7,80,807	6,51,609
EARNING PER SHARE			
Basic (Rupees)		6.86	6.53
Diluted (Rupees)		6.86	6.53
(Face value) (Rupees)		10.00	10.00

Munish Jain
Chief Operating Officer
& Chief Financial Officer

Sahil Vijay
Company Secretary

Sarvjit Singh Samra
Managing Director

Sukhpal Singh Gill
Rakesh Soni
Directors

As per our separate report appended
For V. P. Vijh & CO.
Chartered Accountants
Firm's Registration No.01248N

Vikram Vijh
(Partner)
Membership No.089600

Date: May 09, 2018
Place: Jalandhar

Cash Flow Statement As On March 31, 2018

(₹ In'000)

PARTICULARS	As on 31/03/2018	As on 31/03/2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Taxes	2,97,149	2,17,249
Adjustment For:		
Depreciation Charge on Fixed Assets for The Year	85,148	62,617
Loan Loss Provision	29,796	15,139
(Profit)\Loss on Sale of Fixed Assets	1,485	(442)
Depreciation on investments	8	-
Other Provision	-	(130)
	4,13,586	2,94,433
<i>Adjustment For:</i>		
(Increase)/Decrease in Term Deposits with other Banks	(4,05,044)	(11,49,780)
(Increase)/Decrease In Investments	(2,41,783)	(21,37,935)
(Increase)/Decrease In Advances	(48,33,932)	(22,11,910)
Increase/(Decrease) In Deposits	47,23,067	56,40,795
(Increase)/Decrease In Other Assets	(88,566)	(1,02,905)
Increase/(Decrease) In Other Liabilities & Provision	1,01,068	1,37,083
	(3,31,604)	4,69,781
Refund/(Payment) of Direct Taxes	(67,503)	(76,959)
NET CASH FLOW FROM OPERATING ACTIVITIES	(3,99,107)	3,92,822
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,30,668)	(2,04,388)
Proceeds from Sale of Fixed Assets	805	3,970
NET CASH FLOW FROM INVESTING ACTIVITIES	(2,29,863)	(2,00,418)
CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds from equity shares issued on private placement basis under preferential allotment	2,43,465	6,29,922
Net Proceeds from the issue of Unsecured Redeemable Non Convertible Bonds	-	1,55,421
Refinance from SIDBI	5,00,000	-
Fees paid to enhance Authorized Capital	-	(750)
Dividend Payment (Including C D T)	(22,176)	(36,063)
NET CASH FLOW FROM FINANCING ACTIVITIES	7,21,289	7,48,530
Net Increase / (Decrease) In Cash & Cash Equivalent	92,319	9,40,934
Cash & Cash Equivalents In the Beginning	17,26,952	7,86,018
Cash & Cash Equivalents At the end	18,19,271	17,26,952

As per our separate report appended

Munish Jain
Chief Operating Officer
& Chief Financial Officer

Sahil Vijay
Company Secretary

Sarvjit Singh Samra
Managing Director

Sukhpal Singh Gill
Rakesh Soni
Directors

For V. P. Vijh & CO.
Chartered Accountants
Firm's Registration No.01248N

Date: May 09, 2018
Place: Jalandhar

Vikram Vijh
(Partner)
Membership No.089600

Schedules

Schedules Forming Part Of The Balance Sheet As On March 31, 2018

PARTICULARS	(₹ In'000)	
	As on 31/03/2018	As on 31/03/2017
Schedule - 1 Capital		
Authorized Capital	3,50,000	3,50,000
3,50,00,000 equity shares of ₹ 10 each		
Issued, Subscribed and Paid-up Capital		
2,84,80,743 equity shares issued of ₹ 10 each fully paid-up	2,84,807	2,69,871
(Previous year 2,69,87,093 equity shares of ₹ 10 each)		
(Of the above shares 12,00,000 shares are allotted as fully paid-up equity shares by way of bonus shares)		
Total	2,84,807	2,69,871
Schedule 2 - Reserves And Surplus		
I. Statutory Reserves		
Opening Balance	3,11,683	2,74,083
Additions during the year	47,551	37,600
II. Capital Reserves		
Opening Balance	159	159
Additions during the year	-	-
III. Special Reserves		
Opening Balance	7,934	6,706
Additions during the year	1,705	1,228
IV. Investment Reserves Account		
Opening Balance	13,181	13,181
Additions during the year	-	-
Deductions during the year	4	-
V. Security Premium Account		
Opening Balance	7,08,737	1,22,816
Additions during the year	2,28,528	6,06,982
Deductions during the year	-	21,061
VI. Balance in Profit & Loss Account	7,31,555	5,90,605
Total	20,51,029	16,32,299

PARTICULARS	As on 31/03/2018	As on 31/03/2017 (₹ In'000)
Schedule 3 - Deposits		
A I Demand Deposits		
▶ From banks	23,691	58
▶ From others	10,83,134	7,82,221
II Saving Bank Deposits	1,02,93,200	86,21,712
III Term deposits		
▶ From banks	5,34,395	1,87,359
▶ From others	1,65,70,780	1,41,90,783
Total	2,85,05,200	2,37,82,133
B I Deposits of branches in India	2,85,05,200	2,37,82,133
II Deposits of branches outside India	-	-
Total	2,85,05,200	2,37,82,133
Schedule 4 - Borrowings		
I. Borrowings in India	-	-
▶ Reserve Bank of India	-	-
▶ Other Banks	-	-
▶ Other Financial Institutions	10,59,708	
▶ Unsecured Redeemable Non-Convertible Bonds (Subordinated debt - Tier II Capital)	7,72,300	6,13,300
▶ Unsecured Redeemable Non-Convertible Tier II Bonds	-	1,59,000
▶ Hybrid debt Capital instrument issued as debentures	3,90,000	3,90,000
II. Borrowings outside India	-	-
Total	22,22,008	11,62,300
Schedule 5 - Other Liabilities And Provisions		
I. Bills Payable	2,56,742	1,81,331
II. Inter-office adjustments (net)	-	201
III. Interest accrued	31,915	26,936
IV. Others (including provisions)	1,66,619	1,30,962
V. Proposed Dividend (includes tax on Dividend)	-	22,176
Total	4,55,276	3,61,606
Schedule 6 - Cash And Balance With Reserve Bank Of India		
I. Cash in hand	3,12,276	4,57,607
II. Balance with Reserve Bank of India		

PARTICULARS	(₹ In'000)	
	As on 31/03/2018	As on 31/03/2017
a) in current accounts	12,30,728	10,63,749
b) in other deposits accounts	-	-
Total	15,43,004	15,21,356

Schedule 7 - Balance With Banks And Money At Call & Short Notice

I. In India		
i) Balance with banks		
a) in current accounts	2,76,267	2,05,596
b) in other deposit accounts	32,21,994	28,16,950
ii) Money at call and short notice		
a) With Banks	-	-
b) With other Institutions	2,50,000	3,29,888
Total (I)	37,48,261	33,52,434
II. Outside India		
a) in current accounts	-	-
b) in other deposits accounts	-	-
c) Money at call and short notice	-	-
Total (II)	-	-
G. Total(I+II)	37,48,261	33,52,434

Schedule 8 - Investments

I Investments in India in		
i) Government securities	86,67,321	77,85,950
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and Bonds	40,000	40,000
v) Subsidiaries and/or joint ventures	-	-
vi) Others (Certificate of deposits, money market based mutual Funds)	-	-
Total (I)	87,07,321	78,25,950
II Investments outside India in		
i) Government securities	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Other Investments	-	-
Total (II)	-	-
G. Total(I+II)	87,07,321	78,25,950

PARTICULARS	As on 31/03/2018	(₹ In'000) As on 31/03/2017
Schedule 9 - Advances		
A i) Bills purchased and discounted	3	138
ii) Cash credits, overdrafts and loans repayable on demand	1,19,53,149	92,90,861
iii) Term Loans	65,19,759	43,62,998
Total	1,84,72,911	1,36,53,997
B i) Secured by Tangible Assets	1,81,99,069	1,34,38,184
ii) Covered by Bank / Government Guarantees	-	-
iii) Unsecured	2,73,842	2,15,813
Total	1,84,72,911	1,36,53,997
C I) Advances in India		
i) Priority Sector	1,14,64,104	97,66,981
ii) Public Sector	-	-
iii) Banks	-	-
iv) Other	70,08,807	38,87,016
Total (I)	1,84,72,911	1,36,53,997
II) Advances outside India		
i) Due from Banks	-	-
ii) Due from Others	-	-
a) Bills Purchased & Discounted	-	-
b) Syndicated Loans	-	-
c) Others	-	-
Total (II)	-	-
G.Total (I+II)	1,84,72,911	1,36,53,997
Schedule 10 - Fixed Assets		
I. Premises		
At cost as on 31st March of the preceeding year	64,524	64,524
Add : Additions during the year		
Less : Deductions during the year	64,524	64,524
Depreciation		
As at 31st March of the preceeding year	-	-
Charge for the year	-	-
Total	-	-
Net Block I	64,524	64,524

PARTICULARS	(₹ In'000)	
	As on 31/03/2018	As on 31/03/2017
II. Other Fixed Assets (including furniture & fixtures)		
At cost as on 31st March of the preceeding year	7,88,491	5,92,007
Add : Additions during the year	2,30,668	2,04,388
Less : Deductions during the year	8,098	7,904
Total	10,11,061	7,88,491
Depreciation		
As at 31st March of the preceeding year	3,50,522	2,92,281
Charge for the year	85,148	62,617
Less : Reversed on sale	5,808	4,376
Total	4,29,862	3,50,522
Net Block II	5,81,199	4,37,969
Grand Total (I & II)	6,45,723	5,02,493
Schedule 11 - Other Assets		
i) Inter-office adjustments (net)	-	-
ii) Interest accrued	3,25,368	2,66,448
iii) Stationary & Stamps	7,726	7,359
iv) Others	68,006	78,172
Total	4,01,100	3,51,979
Schedule 12 - Contingent Liabilities		
i) Claims against the Bank not acknowledged as debts	-	-
ii) Liability for partly paid investments	-	-
iii) Liability on account of outstanding forward exchange contracts	-	-
iv) Guarantees given on behalf of constituents		
(a) In India	2,41,015	1,90,906
(b) Outside India	-	-
v) Acceptances, endorsements and other obligations	12,051	18,054
vi) Other items for which bank is contingently liable.	19,710	14,084
Total	2,72,776	2,23,044
Schedule 13 - Interest Earned		
I. Interest/discount on advances/bills	17,83,577	14,48,056
II. Income on investments	6,49,274	5,81,272

(₹ In'000)

PARTICULARS	As on 31/03/2018	As on 31/03/2017
III. Interest on balance with Reserve Bank of India and inter-bank funds	2,76,088	2,07,568
IV. Others	1,107	-
Total	27,10,046	22,36,896

Schedule 14 - Other Income

I. Commission, exchange and brokerage	1,75,826	1,29,585
II. Profit/Loss on sale of investments (Net)	33,001	46,316
III. Profit/Loss on revaluation of investments (Net)	-	-
IV. Profit/Loss on sale of Land, building & other assets (Net)	(1,485)	442
V. Profit/Loss on Exchange Transactions (Net)	21,222	22,232
VI. Income earned by way of dividends etc.	-	-
VII. Miscellaneous income	47	331
Total	2,28,611	1,98,906

Schedule 15 - Interest Expended

I. Interest on deposits	15,23,305	13,74,483
II. Interest on inter-bank borrowings	7,433	4,285
III. Others	1,34,128	1,17,854
Total	16,64,866	14,96,622

Schedule 16 - Operating Expenses

I. Payments to and provisions for employees	4,59,234	3,78,158
II. Rent, taxes and lighting	1,39,438	1,03,168
III. Printing and stationery	18,832	17,100
IV. Advertisement and publicity	8,822	8,736
V. Depreciation on bank property	85,148	62,617
VI. Directors fees, allowances & expenses	760	554
VII. Auditors fees and expenses	1,208	956
VIII. Law charges	175	107
IX. Postage, telegrams, telephones etc.	18,207	13,488
X. Repairs and maintenance	23,220	19,214
XI. Insurance	35,317	27,788
XII. Other expenditure	1,56,477	75,036
Total	9,46,838	7,06,922

Significant Accounting Policies

Appended To And Forming Part Of The Financial Statements For The Year Ended March 31, 2018

Schedule 17

Overview

Capital Small Finance Bank Limited ('The Bank') a banking company incorporated under The Companies Act, 1956, is engaged in providing a wide range of banking and financial services including retail & commercial banking and treasury operations. The Bank is governed by the Banking regulation Act, 1949. The name of the bank has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide RBI notification dated February 16, 2017.

Basis of Preparation

The Financial Statements have been prepared and presented on Historical Cost Basis following accrual basis of Accounting and conform to the statutory provisions to the extent applicable, accounting standards & pronouncements issued by The Institute of Chartered Accountants of India, the guidelines issued by the Reserve Bank of India (RBI) from time to time and Practices generally prevailing in the Banking Industry in India, except as otherwise stated.

The preparation of financial statements requires the management to make estimates and assumptions that are considered in the reported amounts of assets and liabilities (including contingent liabilities) as in the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

Significant Accounting Policies

1. Investments

In accordance with the Reserve Bank of India guidelines, Investments are categorized into "Held for Trading", "Available for Sale" and "Held to Maturity". Under each category the investments are further classified in six classes - Govt. Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments.

a. Basis of classification

Securities that are held principally for resale within 90 days from the date of purchase are classified as "Held for Trading".

Securities that the bank intends to hold till maturity are classified as "Held to Maturity".

Securities that cannot be classified in the above two categories are classified as "Available for Sale".

An Investment is classified as Held for Trading, Available for Sale and Held to Maturity at the time of its purchase. Reclassification, if any, in any category is accounted for as per the RBI guidelines.

b. Valuation

The valuation of Investments is done in accordance with the Reserve Bank of India guidelines:

Held for Trading:

Individual Scrips in this category are marked to market at monthly intervals and the depreciation if any is recognized in the profit & loss account.

Held to Maturity

These are valued at acquisition cost except where the acquisition cost is higher than the face value, in which case, such excess of acquisition cost over the face value is amortized over the remaining maturity period. A provision is made for other than temporary diminution.

Available for Sale

Individual Scrips in this category are marked to market at quarterly intervals. While the net depreciation under each classification is fully provided for in profit & loss account, the net appreciation if any for each classification is ignored.

Notes:

Investment in quoted G-Sec and SDLs are valued as per the prices declared by Financial Benchmark India Pvt. Ltd. (FBIL) in terms of the circular issued by Reserve Bank of India vide reference number RBI/2017-18/146 FMRD.DIRD.7/14.03.025/20 17-18 dated March 31, 2018

- ▶ Investment in debentures is valued on YTM basis or the Highest Volume Rated Average Price in the last 15 days (if traded) whichever is less.
- ▶ Units of mutual funds are

valued at the latest net asset value declared by the mutual fund.

- ▶ Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost and stated at acquisition cost.

c. Broken Period Interest

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

d. Transfer of Security between Categories

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

e. Profit on Sale of Investment

Profit on sale of investments in the 'Held to Maturity, category is credited to the Profit & Loss Account and is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to capital reserve. Profit on sale of investments in 'Available for Sale' and 'Held for Trading' categories is credited to Profit & Loss Account.

2. Advances

In accordance with the Reserve Bank of India guidelines, advances are classified as Performing or Non Performing based on recovery of principal/ interest. Provisions on Advances are made in accordance with the Reserve Bank of India's guidelines/ directives, as under:-

- a. All advances are classified under four categories i.e. (a) Standard Assets, (b) Sub-standard Assets, (c) Doubtful Assets and (d) Loss assets.
- b. Specific provisions in respect of non performing advances are based on the management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed in the Reserve Bank of India guidelines.
- c. Provisions on Standard Assets are made @ 0.40% of the outstanding advances. However provision for banks direct advances to agriculture and SME sectors is made @ 0.25%, commercial real estate sector is made @ 1% and housing loans at teaser rates @ 2% in pursuance to RBI circulars issued from time to time. Further the same is shown under the head 'Other Liabilities'.
- d. Unrealized Interest of the previous year on Advances which became Non-Performing during the year is provided for.
- e. Provisions in respect of NPA's are deducted from Advances.
- f. Provisions are made on gross basis. Tax effects are accounted for in the year of write off.

3. Fixed Assets

- a. Fixed assets are capitalized at cost which comprises of cost of purchase, site preparation, installation cost & professional

fees incurred on the asset before the same is put to use.

- b. Depreciation of the fixed assets is charged over the useful life as estimated by the management on a Straight line basis.
- c. Depreciation for key fixed assets for the year are provided as under:
- ▶ Improvement to Lease Hold Premises is charged off over the primary period of lease or useful life of the asset whichever is less.
 - ▶ 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, as detailed below:

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

- ▶ 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 <i>(rate per annum)</i>
▶ Office Machinery	6.33%
▶ Furniture & Fixture	9.50%
Motor Vehicle:	
▶ Motor Car	11.88%
▶ Two Wheeler	9.50%
▶ Cycle	9.50%

- d. Depreciation on Assets sold or disposed off during the year is provided for up to the date of sale.
- e. Depreciation on Assets purchased or acquired during the year is provided for from the date they are being put to use.
- f. In case of revalued/impaired assets, depreciation is provided over the remaining useful life of the assets with reference to revised asset value.

4. *Transactions Involving Foreign Exchange*

Monetary Assets & Liabilities are translated at the Closing Spot Rate of exchange prevailing at the close of the year as notified by Foreign Exchange Dealers Association of India (FEDAI). The Resulting Differences are accounted for as income/ expenditure.

5. *Revenue Recognition*

Income & Expenditure are accounted on Accrual basis except in the following cases:-

- a. Interest on Non-Performing Assets is recognized on realization basis as per RBI guidelines.
- b. Interest which remains overdue for 90 days on securities not covered by Government Guarantee is recognized on realization basis as per RBI guidelines.
- c. Commission (other than on

Deferred Payment Guarantees and Government Transactions), Exchange and Brokerage are recognized on realization basis.

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

6. *Net Profits*

The Net Profits have been arrived at after:-

- a. Provisions of Income Tax and Wealth Tax in accordance with the statutory requirements.
- b. Provisions on Advances
- c. Adjustments to the value of Investments
- d. Other usual and necessary provisions.

7. *Retirement Benefits*

- a. Defined Contribution towards Provident Fund is provided for as per statutory requirements and debited to the profit & loss account of the same year.
- b. The Bank contributes for Gratuity, a defined benefit retirement plan, covering all employees which is determined as per Actuarial valuation done on year end basis, charged to profit and loss account, and contributions are deposited to a fund maintained by ICICI Prudential Life Insurance under separate Trust set up by the Bank.
- c. Liability towards Leave Encashment on Retirement or

on Termination of service of an employee is valued and provided for on the basis of Actuarial valuation done on year end basis.

8. *Segment Reporting*

The business of the Bank is divided into four segments: Treasury, Retail Banking, Corporate/Wholesale Banking and Other Banking Business. These segments have been identified based on the RBI's revised guidelines on Segment Reporting vide Circular No. DBOD.No.BP.BC.81/21.04.018 /2006-07 dated April 18, 2007 effective from year ended March 31, 2008. The principal activities of these segments are as under:

a. Treasury

The treasury segment primarily consists of interest earnings from the Bank's investments portfolio and gains or losses on investment operations.

b. Retail Banking

The retail banking constitutes lending to individuals/small businesses subject to the orientation, product and granularity criterion and also includes low value individual exposures not exceeding the threshold limit of ₹ 5 crores as defined by Reserve Bank of India. Retail banking also includes liability products and NRI services.

c. Corporate/Wholesale Banking

This segment includes corporate /wholesale relationships which are not included under retail banking.

d. Other Banking Business

This segment includes para banking activities and banking transactions not covered under any of the above three segments.

9. *Leases*

Lease where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, is classified as operating lease. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

10. *Earning Per Share*

The Bank reports basic and diluted earnings per equity share in accordance with AS-20 issued by ICAI. Basic earnings per share are computed by dividing net income by the weighted average number of equity shares outstanding for the period. Diluted earnings per equity share are computed using the weighted average number of equity shares & diluted potential equity shares outstanding during the period.

11. *Income Tax*

Income Tax Expense (Current & Deferred) is accounted for in accordance with AS 22 - "Accounting for Taxes on Income", issued by ICAI. Current Tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred Tax is recognized, subject to the consideration of prudence on Timing differences, being the difference between the

taxable income & accounting income that originate in one period and is capable of reversal in one or more subsequent years.

12. *Impairment Of Assets*

In accordance with the accounting standard 28 issued by ICAI, impairment of the assets is determined by comparing the carrying amount of the asset and the recoverable amount and if the recoverable amount is less than the carrying amount the difference is charged to profit and loss account. Recoverable amount is calculated by using the value in use method for each cash generating unit.

13. *Accounting For Provisions, Contingent Liabilities And Contingent Assets*

The Bank estimates the probability of any loss that might be incurred on outcome of contingencies on the basis of information available upto the date on which the financial statements are prepared. A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current

estimates. 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 is made in the financial statements. In case of remote possibility neither provision nor disclosure is made in the financial statements The Bank does not account for contingent assets, if any.

14. *Cash And Cash Equivalent*

Cash and cash equivalents include cash in hand, balance with RBI, balances with other banks and money at call and short notice.

15. *Corporate Social Responsibility*

Expenditure incurred towards corporate social responsibility, in accordance with Companies Act, 2013, is recognized in the Statement of Profit and Loss.

Notes On Accounts

Appended To And Forming Part Of The Financial Statements For The Year Ended March 31, 2018

Schedule- 18

1. Capital

1.1. Capital to risk-weighted asset ratio ('Capital Adequacy Ratio') of The Bank, as on March 31, 2018 has been calculated by using the capital measurement approaches as detailed below:

1.1. 1 Credit Risk has been measured by using Basel II Standardized Approach for credit risk, in accordance with RBI circular no DBR. NBD. No.26/ 16.13.218/2016-17, dated October 06, 2016 on "Operating Guidelines for Small Finance Banks".

1.1. 2 Market Risk and Operation Risk have not been considered for measurement of Capital Adequacy Ratio as per the letter issued by Reserve Bank of India vide reference number DBR.NBD.No.4502/ 16.13.218/2017-18 dated November 08, 2017 to all the small finance banks.

However, for calculation of Capital Adequacy Ratio for Previous Year, market risk has been measured by using measurement approach prescribed under Basel II.

Ratio of capital to risk-weighted assets	Current Year	Previous Year
i) CRAR (%)	19.66%	22.95%
ii) CRAR - Tier I capital (%)	13.47%	14.47%
iii) CRAR - Tier II Capital (%)	6.19%	8.48%
iv) Leverage Ratio	6.68%	6.88%

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

Items	Current Year	Previous Year (₹ In '000)
i) Amount of equity (Face Value) raised on private placement under preferential allotment	14,936	39,672
ii) Amount of debt raised as Upper Tier-II capital	Nil	Nil
iii) Amount of subordinated debt raised as Tier-II capital (Lower Tier II capital)	Nil	1,59,000

1.3. Tier I Capital Infusion

During the current year, the Bank has raised 14,93,650 Equity Shares of ₹ 10/- (Rupees Ten) each at a premium of ₹ 153/- (Rupees One Hundred and Fifty-Three) (i.e. at the total issue price of ₹ 163/- (Rupees One Hundred and Sixty-Three) per Equity Share) aggregating to ₹ 24,34,64,950 (Rupees Twenty-Four Crores Thirty-Four Lakhs Sixty-Four Thousand Nine Hundred and Fifty) on a private placement basis under preferential allotment.

During the previous year, the Bank had raised 39,67,200 Equity Shares of ₹ 10/- (Rupees Ten) each at a premium of ₹ 153/- (Rupees One Hundred and Fifty-Three) (i.e. at the total issue price of ₹ 163/- (Rupees One Hundred and Sixty-Three) per Equity Share) aggregating to ₹ 64,66,53,600/- (Rupees Sixty-Four Crores Sixty-Six Lakhs Fifty-Three Thousand and Six Hundred) on a private placement basis under preferential allotment.

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

Particulars	(₹ In '000)	
	Current Year	Previous Year
▶ Opening Balance	2,69,871	2,30,199
▶ Addition pursuant to Amount of equity raised on private placement basis under preferential allotment	14,936	39,672
▶ Closing Balance	2,84,807	2,69,871

1.4 The Board of Directors of the Bank at its meeting held on May 09, 2018 has recommended a dividend of ₹ 0.80 per equity share for the year ended March 31, 2018 (March 31, 2017: ₹ 0.80 per equity share). The declaration and payment of dividend is subject to requisite approvals.

According to the revised AS 4 - 'Contingencies and events occurring after the balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not accounted proposed dividend (including tax) as a liability for the year ended March 31, 2018. However, the Bank has reckoned proposed dividend in determining capital funds for computing capital adequacy ratio as on March 31, 2018.

1.5 Tier 2 Capital

Tier 2 Capital raised during the current year: Nil

Tier 2 Capital raised during the previous year:

The Bank has raised Unsecured Redeemable Non-Convertible Tier II Bonds amounting to ₹1,59,000 ('000) during the current year, as per detail given here under:

Date of Allotment	Coupon (%)	Tenure	(₹ In '000) Amount
November 25, 2016	9.75%	10 years	1,59,000

Maturity Profile of total debentures outstanding as on March 31, 2018:

Lower Tier II Bonds:

Series	Amount	(₹ In '000) Maturity Date
▶ 11% TIER II BONDS SERIES-I	50,300	17-09-2019
▶ 11% TIER II BONDS-SERIES II	36,000	29-09-2019
▶ 11% TIER II BONDS SERIES-III	27,800	24-10-2019
▶ 10% TIER II BONDS SERIES- IV	55,500	27-03-2020
▶ 11% TIER BONDS SERIES- V	57,100	04-06-2021
▶ 11% TIER II SERIES VI	30,200	18-06-2021
▶ 11% TIER BONDS SERIES VII	60,400	25-08-2022
▶ 11% TIER II BONDS SERIES VIII	50,300	04-05-2023
▶ 11% TIER II BONDS SERIES-IX	31,000	20-05-2023
▶ 11% TIER II BONDS SERIES-X	94,700	24-05-2024
▶ 10.50% TIER II BONDS SERIES-XII	1,20,000	17-02-2026
▶ 9.75% TIER II BONDS SERIES-XIV	1,59,000	25-11-2026
Total	7,72,300	

Unsecured Redeemable Non Convertible Upper Tier II Bonds

Series	Amount	(₹ In '000) Maturity Date
▶ 11.75% Upper TIER II BONDS SERIES-XI	1,40,000	31-03-2030
▶ 11.75% Upper TIER II BONDS SERIES-XIII	2,50,000	30-03-2031
Total	3,90,000	

1.6 The Bank has drawn ₹ Nil (Previous Year ₹ 21,061 ('000)) from securities premium account as per the following details:

Particulars	Current Year	(₹ In '000) Previous Year
▶ Expenditure incurred on issue of Equity shares on private placement basis under preferential allotment	-	16,732
▶ Expenditure incurred to increase the Authorized Share Capital	-	750
▶ Expenditure incurred on issue of Tier II Bonds	-	3,579
Total	-	21,061

1.7 During the Current year, the Bank has reversed an amount of ₹ 4 ('000) from Investment Reserve Account to Profit and Loss Appropriation Account, being the amount of provision for depreciation on investment created, net of applicable taxes and statutory reserve requirement, during the year ending March 31, 2018.

2 Investments

Items	Current Year	(₹ In '000) Previous Year
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	87,07,329	78,25,950
(b) Outside India,	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	8	Nil
(b) Outside India,	Nil	Nil
(iii) Net Value of Investments		
(a) In India	87,07,321	78,25,950
(b) Outside India.	Nil	Nil
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	Nil	Nil
(ii) Add: Provisions made during the year	8	310
(iii) Less: Write-off/ write-back of excess provisions during the year	Nil	310
(iv) Closing balance	8	Nil

2.1 The Bank has not undertaken any Repo Transactions during the year.

2.2 Non-SLR Investment Portfolio

I) Issuer composition of Non SLR investments

							(₹ In'000)
No.	Issuer	Amount	Extent of Private Placement	Extent of Below Investment Grade Securities	Extent of Unrated Securities	Extent of Unlisted Securities	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
(i)	PSUs	30,000	Nil	Nil	Nil	Nil	
(ii)	FIs	10,000	Nil	Nil	Nil	Nil	
(iii)	Banks	Nil	Nil	Nil	Nil	Nil	
(iv)	Private Corporates	Nil	Nil	Nil	Nil	Nil	
(v)	Subsidiaries / Joint Ventures	Nil	Nil	Nil	Nil	Nil	
(vi)	Others	Nil	Nil	Nil	Nil	Nil	
(vii)	Provision held towards depreciation	Nil	Nil	Nil	Nil	Nil	
Total		40,000	Nil	Nil	Nil	Nil	

II) Non performing Non-SLR investments

		(₹ In'000)
Particulars		Amount
▶	Opening balance	Nil
▶	Additions during the year since 1st April	Nil
▶	Reductions during the above period	Nil
▶	Closing balance	Nil
Total provisions held		Nil

2.3 During the Current Year

In pursuance to RBI circular dated December 10, 2015, under Fourth Bi-monthly Monetary Policy 2015-16 to reduce the SLR holdings under Held to Maturity Category from 22% to 20.50% in a graduated manner, The Bank has, after approval of the Board of Directors vide board resolution number 23 passed in the meeting held on May 06, 2017, transferred government securities with a book value of ₹ 1,59,562 ('000) from HTM category (Held To Maturity) to AFS category (Available For Sale) which constitutes 3.44% of the HTM category

During the Previous Year

In pursuance to RBI circular dated December 10, 2015, under Fourth Bi-monthly Monetary Policy 2015-16 to reduce the SLR holdings under Held to Maturity Category from 22% to 20.50% in a graduated manner, The Bank had, after approval of the Board of Directors vide board resolution number 21 passed in the meeting held on April 30, 2016, transferred government securities with a book value of ₹ 1,47,700 ('000) from HTM category (Held To Maturity) to AFS category (Available For Sale) which constitutes 4.56% of the HTM category

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

2.5 The Bank does not hold any investments in Security Receipts.

3. Asset Quality

3.1 Non-Performing Asset

		(₹ In'000)	
Items		Current Year	Previous Year
I)	Net NPAs to Net Advances (%)	0.84%	0.72%
II)	Movement of NPAs (Gross)		
	(a) Opening balance	1,39,856	84,295
	(b) Additions during the year	1,91,576	1,21,146
	(c) Reductions during the year	1,20,146	65,585
	(d) Closing balance	2,11,286	1,39,856
III)	Movement of NPAs (Net)		
	(a) Opening balance	97,902	51,319
	(b) Additions during the year	1,53,831	97,156
	(c) Reductions during the year	97,419	50,573
	(d) Closing balance	1,54,314	97,902
IV)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	41,954	32,976
	(b) Provisions made during the year	37,745	23,990
	(c) Write-off/ write-back of excess provisions	22,727	15,012
	(d) Closing balance	56,972	41,954

3.2 Particulars of Accounts Restructured

			(₹ In'000)			
Type Of Restructuring		Asset Classification	Under CDR Mechanism	Under SME Debt Restructuring Mechanism	Others	Total
Restructured Accounts as on April 1, 2017	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil
Fresh restructuring during the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil
Upgradations to restructured standard category during the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil
Restructured standard advances which ceases to attract higher provisioning and/or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil

(₹ In '000)

Type Of Restructuring		Asset Classification	Under CDR Mechanism	Under SME Debt Restructuring Mechanism	Others	Total
Downgradations of restructured accounts during the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil
Write-offs of restructured accounts during the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil
Restructured Accounts as on March 31, 2018	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil

3.3 The Bank has not sold any financial asset during the year to Securitisation / Reconstruction Company for Asset Reconstruction.

3.4 The Bank has not purchased/sold any Non-performing financial assets from/to other banks.

3.5 Provisions on Standard Asset

Particulars	Current Year	Previous Year
▶ Provisions towards Standard Assets	14,778	6,161

The cumulative provision towards standard assets held by the bank as at the year end amounting to ₹ 58541 thousands (previous year ₹ 43763 thousands) is included under Other Liabilities and Provisions in Schedule 5 to the Balance Sheet.

4. Business Ratio

Items	Current Year	Previous Year
I) Interest Income as a percentage to Working Funds \$	8.97%	9.15%
II) Non-interest income as a percentage to Working Funds	0.76%	0.81%
III) Operating Profit as a percentage to Working Funds \$	1.08%	0.95%
IV) Return on Assets@	0.63%	0.62%
V) Business (Deposits plus advances) # per employee^ (₹ In '000)	48,263	48,241
VI) Profit per employee (Operating Profit)^ (₹ In '000)	340	300

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

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

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

^ Productivity ratios are based on average number of employees

5. Asset Liability Management

Maturity Pattern of Certain items of Assets & Liabilities as on March 31,2018

		(₹ In'000)											
		Next day	2 to 7 days	8 to 14 days	15 to 30 days	31 days & upto 2 months	Over 2 & upto 3 months	Over 3 & upto 6 months	Over 6 months & upto 1 year	Over 1 year upto 3 years	Over 3 years & upto 5 Years	Above 5 Years	Total
Loans and Advances	(CY)	31,41,721	43,917	40,507	1,11,238	2,07,027	4,11,052	7,61,911	12,86,719	1,09,60,434	11,03,193	4,05,192	1,84,72,911
	(PY)	24,17,174	32,216	24,157	86,157	1,44,008	2,80,135	4,75,012	9,14,292	81,70,740	6,32,634	4,77,472	1,36,53,997
Investment	(CY)	4,00,097	8,168	11,767	1,84,557	53,774	97,683	11,47,022	4,11,350	26,01,033	13,41,501	24,50,369	87,07,321
	(PY)	2,53,577	5,777	10,521	77,293	74,164	61,770	3,41,611	2,79,158	23,10,280	10,85,738	33,26,061	78,25,950
Deposits	(CY)	12,04,707	43,386	62,505	1,30,454	2,85,646	5,18,885	10,19,338	21,16,940	1,08,18,163	1,90,847	1,21,14,329	2,85,05,200
	(PY)	9,81,059	28,420	51,754	1,60,151	3,15,634	3,03,858	7,78,479	9,06,581	88,97,907	59,970	1,12,98,320	2,37,82,133
Borrowing	(CY)	5,59,708	-	-	-	-	-	-	-	6,69,600	1,47,700	8,45,000	22,22,008
	(PY)	-	-	-	-	-	-	-	-	1,69,600	87,300	9,05,400	11,62,300
Foreign Currency Assets	(CY)	-	-	-	-	-	-	-	-	-	-	-	-
	(PY)	-	-	-	-	-	-	-	-	-	-	-	-

6. Exposures

6.1 Exposure to Real Estate Sector

Category	Current Year	(₹ In'000) Previous Year
A. Direct exposure		
(i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
(a) Individual Housing Loans eligible for inclusion in Priority Sector advances	6,74,402	4,08,681
(b) Others	12,19,921	9,37,598
(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;	5,71,263	4,31,724
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
(a) Residential,	Nil	Nil
(b) Commercial Real Estate.	Nil	Nil

B. Indirect Exposure

Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).

Nil

Nil

Total Exposure to Real Estate Sector

24,65,586

17,78,003

6.2 Exposure to Capital Market

Items	Current Year	(₹ In'000) Previous Year
(i) direct investments in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
(ii) advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures and units of equity oriented mutual funds;	-	-
(iii) advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	-	-
(iv) advances for any other purpose to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	-	-
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi) loans sanctioned to corporates against the security of shares/ bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows/issues;	-	-
(viii) underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix) financing to stockbrokers for margin trading;	-	-
(x) all exposures to venture capital funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	-	-

6.3 Risk Category Wise Country Exposure

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

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

The Bank has not exceeded the prudential exposure limits for Single Borrower Limit (SBL) and Group Borrower Limit (GBL) during the year ended March 31, 2018 as per directives of RBI.

6.5 Unsecured Advances Against Intangible Assets

Particulars	Current Year	Previous Year
▶ Total amount of advances for which intangible securities such as charge over the rights, licences, authority etc. has been taken	Nil	Nil
▶ Estimated value of such intangible collateral	Nil	Nil

7. Concentration of Deposits, Advances, Exposures and NPAs

A. Concentration of Deposits

Particulars	Current Year	Previous Year (₹ In'000)
▶ Total Deposits of twenty largest depositors	16,78,178	11,55,439
▶ Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	5.89%	4.86%

B. Concentration of Advances

Particulars	Current Year *	Previous Year (₹ In'000)
▶ Total Advances to twenty largest borrowers	19,75,071	15,95,997
▶ Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	9.41%	9.54%

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

C. Concentration of Exposures

Particulars	Current Year *	Previous Year (₹ In'000)
▶ Total Exposure to twenty largest borrowers/customers	19,75,071	15,95,997
▶ Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the Bank on Borrowers/ customers	9.41%	9.54%

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

D. Concentration of NPAs

Particulars	Current Year	Previous Year (₹ In'000)
▶ Total Exposure to top four NPA accounts	76,305	64,026

E. Movement of NPAs

Particulars	Current Year	(₹ In'000) Previous Year
▶ Gross NPAs as on 1st April 2017	1,39,856	84,295
▶ Additions(fresh NPAs) during the year	1,91,576	1,21,146
Sub Total (A)	3,31,432	2,05,441
Less:-		
(i) Upgradations	1,00,055	59,239
(ii) Recoveries (excluding recoveries made from upgraded accounts)	20,091	4,785
(iii) Write-offs	Nil	1,561
Sub Total (B)	1,20,146	65,585
Gross NPAs as on 31st March 2018 (A-B)	2,11,286	1,39,856

F. Sector-wise Advances

S. No	Sector	Current Year			Previous Year		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A) Priority Sector							
1	Agriculture & allied activities	75,83,850	57,360	0.76	59,82,280	36,386	0.61
2	Industry (Micro & small, Medium and large)	9,17,413	-	-	4,89,691	8,062	1.65
3	Services	38,53,162	76,310	1.98	24,14,855	5,009	0.21
4	Personal Loans	-	-	-	-	-	-
5	Others	12,44,645	973	0.08	8,66,722	28,777	3.32
	Sub-total (A)	1,35,99,070	1,34,643	0.99	97,53,548	78,234	0.80
B) Non - Priority Sector							
1	Agriculture & allied activities	-	-	-	-	-	-
2	Industry (Micro & small, Medium and large)	-	-	-	-	-	-
3	Services	9,91,086	-	-	54,335	-	-
4	Personal Loans	1,82,728	2,042	1.12	1,40,078	1,303	0.93
5	Others	37,56,999	74,601	1.99	37,47,990	60,319	1.61
	Sub-total (B)	49,30,813	76,643	1.55	39,42,403	61,622	1.56
	Total (A+B)	1,85,29,883	2,11,286	1.14	1,36,95,951	1,39,856	1.02

G. Overseas Assets, NPAs and Revenue

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

H. Off Balance Sheet SPVs sponsored

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

8. Bancassurance Business

Particulars	Current Year	(₹ In'000) Previous Year
▶ Fee/remuneration received:		
(a) Life insurance	33,724	19,916
(b) General Insurance	11,926	6,522

9. Provisions and Contingencies

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

Particulars	Current Year	(₹ In'000) Previous Year
▶ Provisions towards taxes	1,06,947	66,849
▶ Provisions towards standard Assets	14,778	6,161
▶ Provision towards Non performing Advances	15,018	8,978
▶ Depreciation on investments	8	
▶ Others	-	(130)*
Total	1,36,751	81,858

*Provision reversed on final order and payout.

10. Staff Retirement Benefits

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

Particulars	Current Year	(₹ In'000) Previous Year
<i>Defined benefit obligation liability at March 31, 2018</i>		
▶ Opening Obligations	26,502	18,769
▶ Service Cost	4,715	3,740
▶ Interest Cost	1,988	1,502
▶ Actuarial (gain)/Loss	(218)	3,310
▶ Liabilities extinguished on settlement	-	-
▶ Benefits Paid	(504)	(819)
Obligations at March 31, 2018	32,483	26,502

Plan Assets at March 31, 2018, at fair value

▶ Opening Plan Assets, at fair value	26,757	18,829
▶ Expected return on plan assets	2,074	1,459
▶ Actuarial gain/(Loss)	(718)	364
▶ Assets distributed on settlement		
▶ Contributions	4,873	6,669
▶ Benefits Paid	(504)	(819)

Plan Assets at March 31, 2018, at fair value

▶ Fair Value of Plan Assets at the end of the year	32,735	26,757
▶ Present Value of the defined benefit obligation at the end of the year	32,483	26,502
Asset/(Liability) at March 31, 2018	252	255

Cost for the period

▶ Service Cost	4,715	3,740
▶ Interest Cost	1,988	1,502
▶ Expected Return on Plan Assets	(2,074)	(1,459)
▶ Actuarial (gain)/Loss	500	2,946
Net Cost	5129	6,729

Investment details of Plan Assets

- ▶ Plan assets are invested in insurer managed funds.

Assumptions

▶ Interest Rate	7.84%	7.50%
▶ Salary escalation rate	6.00%	6.00%
Estimated rate of return on plan assets	8.00%	7.75%

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

11. Miscellaneous

A Amount of Provisions made for Income tax during the year

<i>Particulars</i>	<i>Current Year</i>	<i>(₹ In'000)</i> <i>Previous Year</i>
▶ Income Tax	1,07,264	71,292
▶ Deferred Tax	(317)	(4,443)

B Disclosure of Penalties Imposed by RBI

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

12. Segment Reporting

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

PART - A BUSINESS SEGMENTS

Business Segments	(₹ In'000)									
	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	9,57,585	8,35,107	1,43,959	1,34,515	17,62,677	14,11,242	74,436	54,938	29,38,657	24,35,802
Result	1,95,102	1,32,673	34,860	22,265	3,48,542	2,99,973	64,042	45,864	6,42,546	5,00,775
Unallocated Expenses	-	-	-	-	-	-	-	-	3,45,397	2,83,526
Operating Profit	-	-	-	-	-	-	-	-	2,97,149	2,17,429
Income Taxes	-	-	-	-	-	-	-	-	1,06,947	66,849
Extraordinary profit/Loss	-	-	-	-	-	-	-	-	-	-
Net Profit	-	-	-	-	-	-	-	-	1,90,202	1,50,400
<i>Other Information :</i>										
Segment Assets	1,23,82,344	1,11,42,796	20,61,904	15,53,640	1,87,11,396	1,41,80,022	1,31,065	1,08,691	3,32,86,709	2,69,85,149
Unallocated Assets	-	-	-	-	-	-	-	-	2,31,611	2,23,059
Total Assets									3,35,18,320	2,72,08,208
Segment Liabilities	5,59,708	-	8,83,287	6,43,487	2,80,00,146	2,34,10,808	-	-	2,94,43,141	2,40,54,295
Unallocated Liabilities	-	-	-	-	-	-	-	-	17,39,343	12,51,743
Total Liabilities									3,11,82,484	2,53,06,038

Note:

- 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
- Inter Bank placements by the Bank has been re-segmented into Treasury Operations from Other Banking Operations and the previous year number has been restated accordingly

13. Related Party Disclosure

Related parties as per Accounting Standard 18
Key Management Personnel

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

Relatives of Key Management Personnel

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

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

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

A. The balances payable to/receivable from the related parties of the Bank as on March 31, 2018 are given below:

Items/Related Party		Parent	Subsidiary	Associates/ Joint Ventures	Key Management Personnel	Relatives of key management Personnel	(₹ In'000)
							Total
Borrowings	CY	-	-	-	1,400	9,700	11,100
	PY	-	-	-	-	6,400	6,400
Deposits	CY	-	-	-	4,186	29,449	33,635
	PY	-	-	-	3,763	20,610	24,373
Placement of Deposits	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Advances	CY	-	-	-	3,446	1	3,447
	PY	-	-	-	3,906	1	3,907
Investments	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Non funded commitments	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Leasing / HP arrangements availed	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Leasing / HP arrangements provided	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-

B. The maximum balances payable to/receivable from the related parties of the Bank as on March 31, 2018 are given below:

Items/Related Party		Parent	Subsidiary	Associates/ Joint Ventures	Key Management Personnel	Relatives of key management Personnel	(₹ In'000)
							Total
Borrowings	CY	-	-	-	1,400	9,700	11,100
	PY	-	-	-	-	6,400	6,400
Deposits	CY	-	-	-	5,888	40,442	46,330
	PY	-	-	-	6,557	28,803	35,360
Placement of Deposits	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Advances	CY	-	-	-	-	-	-
	PY	-	-	-	4,222	356	4,778
Investments	CY	-	-	-	5,689	199	5,888
	PY	-	-	-	-	-	-
Non funded commitments	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Leasing / HP arrangements availed	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Leasing / HP arrangements provided	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-

C) The details of transactions of the Bank with its related parties during the year ended 31 March, 2018 are given below:

Items/Related Party		Parent	Subsidiary	Associates/ Joint Ventures	Key Management Personnel	Relatives of key management Personnel	Total
Purchase of fixed assets	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Sale of fixed assets	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Interest paid	CY	-	-	-	401	2,780	3,181
	PY	-	-	-	122	7,219	7,341
Interest received	CY	-	-	-	219	3	222
	PY	-	-	-	281	7	288
Rendering of services	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-
Receiving of services	Lease Rent	CY	-	-	3,768	14,461	18,229
	Salary	CY	-	-	14,016	-	14,016
	Lease Rent	PY	-	-	2,394	9,651	12,045
	Salary	PY	-	-	12,257	-	12,257
Management Contracts	CY	-	-	-	-	-	-
	PY	-	-	-	-	-	-

14. Leases

I. Operating Leases

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

Particulars	₹ In'000)	
	Current year	Previous Year
▶ Not later than one year	7,853	8,136
▶ Later than One year and not later than five years	28,936	31,655
▶ Later than five years	37,653	44,642
Total Minimum lease rental commitments	74,442	84,433

Total lease rental expenditure under cancellable and non cancellable operating leases debited to Profit & Loss Account in the current year is ₹ 101358 ('000) (Previous Year: ₹ 71739 ('000)).

II. Finance Lease

The Bank has not taken any asset under finance lease.

15. Earnings Per Share

Particulars	Current Year	Previous Year
▶ Net profit after tax available for equity shares (₹ '000)	1,90,202	1,50,400
▶ Weighted average number of equity shares	2,77,44,148	2,30,30,762
▶ Weighted average number of equity shares For Diluted earning	2,77,44,148	2,30,30,762
▶ Basic Earnings per share (In ₹)	6.86	6.53
▶ Diluted Earnings per share (In ₹)	6.86	6.53
▶ Face Value per share (In ₹)	10.00	10.00

During the Current Year (on September 28, 2017), the Bank has raised 14,93,650 Equity Shares of ₹ 10/- (Rupees Ten) each at a premium of ₹ 153/- (Rupees One Hundred and Fifty-Three) (i.e. at the total issue price of ₹ 163/- (Rupees One Hundred and Sixty-Three) per Equity Share) aggregating to ₹ 24,34,64,950 (Rupees Twenty-Four Crores Thirty-Four Lakhs Sixty-Four Thousand Nine Hundred and Fifty) on a private placement basis under preferential allotment.

During the Previous Year (on March 31, 2017), the Bank had raised 39,67,200 Equity Shares of ₹ 10/- (Rupees Ten) each at a premium of ₹ 153/- (Rupees One Hundred and Fifty-Three) (i.e. at the total issue price of ₹ 163/- (Rupees One Hundred and Sixty-Three) per Equity Share) aggregating to ₹ 64,66,53,600/- (Rupees Sixty-Four Crores Sixty-Six Lakhs Fifty-Three Thousand and Six Hundred) on a private placement basis under preferential allotment.

16. Deferred Tax Asset

Other Assets includes an amount equal to 8,557 thousands (Previous Year 11,797 thousands) as detailed below:

	₹ In'000)	
	Current Year	Previous Year
▶ Deferred Tax Liabilities	20,345	19,826

	Current Year	(₹ In'000) Previous Year
▶ Depreciation on Fixed Assets	17,009	17,080
▶ Special Reserve under section 36(I) (viii)	3,336	2,746
▶ Deferred Tax Assets	28,902	31,623
▶ Loan Loss Provisions	21,766	21,404
▶ Others	7,136	10,219
Deferred Tax Liabilities/(Assets) (Net)	(8557)	(11,797)

17. Provision Coverage Ratio

Particulars	Current Year	Previous Year
▶ Ratio of Provisioning to Gross Non Performing Assets	26.96%	30.00%

18. Disclosure of Complaints

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

Particulars	Current Year	Previous Year
(a) No. of Complaints pending at the beginning of the year	16	Nil
(b) No. of Complaints received during the year	295	146
(c) No. of Complaints addressed during the year	310	130
(d) No. of Complaints pending at the end of the year	21	16

Out of the above complaints, 284 complaints (142 previous year) are related to acquiring banks during the current year ending March 31, 2018.

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

Particulars	Current Year	Previous Year
(a) No. of Complaints pending at the beginning of the year	Nil	Nil
(b) No. of Complaints received during the year	15	06
(c) No. of Complaints addressed during the year	15	06
(d) No. of Complaints pending at the end of the year	Nil	Nil

Awards Passed by the Banking Ombudsman

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

19. Draw Down From Reserves

<i>Particulars</i>	<i>Current Year</i>	<i>(₹ In'000) Previous Year</i>
1. Security Premium Account	Nil	21,061
▶ Expenditure incurred on issue of Equity shares on private placement basis as a preferential allotment	Nil	16,732
▶ Expenditure incurred to increase the Authorized Share Capital	Nil	750
▶ Expenditure incurred on issue of Upper/Lower Tier II Bonds	Nil	Nil
▶ Expenditure incurred on issue of Tier II Bonds	Nil	3,579
2. Investment reserve account	4	Nil

20. Transfer To Depositor Education And Awareness Fund (DEAF)

The Bank has transferred ₹ 6729 ('000) (Previous Year ₹ 5138) to the Depositor Education and Awareness Fund (DEAF) during the year ended March 31, 2018 as per the details below:

<i>Particulars</i>	<i>Current Year</i>	<i>(₹ In'000) Previous Year</i>
▶ Opening balance of amount transferred to DEAF	14,084	9,279
ADD: Amount transferred to DEAF during the year	6,729	5,138
LESS: Amount reimbursed by DEAF towards claims	1,103	333
▶ Closing balance of amount transferred to DEAF	19,710	14,084

21. Movement In Floating Provisions

The Bank has not created or utilized any floating provisions during the year ended March 31, 2018 and March 31, 2017. The floating provisions was nil as at March 31, 2018 and March 31, 2017.

22. Securitization Transactions

The Bank has not done any securitization transactions during the year ended March 31, 2018 and March 31, 2017

23. Letter Of Comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2018 and March 31, 2017

24. Intra Group Exposure

The Bank has no intra group exposure.

25. Unhedged Foreign Currency Exposure

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

26. Dues to Micro, Small and Medium Enterprises

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

27. Unamortised Pension And Gratuity Liabilities

Particulars	Current Year	Previous Year
▶ Unamortised Pension and Gratuity Liabilities	Nil	Nil

28. Remuneration

A. Qualitative Information

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

The Board of Directors in the meeting held on February 20, 2018 reconstituted the Nomination and Remuneration Committee. The committee has three members including one member from Risk Management Committee of the Board. The majority of the members of the committee are independent Non Executive Directors consisting of the following

Members

1. Mr. Madan Gopal Sharma
2. Mr. Sukhpal Singh Gill
3. Mr. Sham Singh Bains

The committee has been constituted to oversee the framing, review and implementation of compensation policy of the Bank on behalf of the Board for CEO/Whole time directors.

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

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

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

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

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

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

B. Quantitative Information

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

Number of Meetings : 2

No remuneration is being paid to members except the sitting fees.

(i) Number of employees having received a variable remuneration award during the financial year.

NIL

(ii) Number and total amount of sign-on awards made during the financial year.

(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus

(iv) Details of severance pay, in addition to accrued benefits, if any.

(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.

(ii) Total amount of deferred remuneration paid out in the financial year.

NIL

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

N.A.

(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.

NIL

(ii) Total amount of reductions during the financial year due to ex- post explicit adjustments.

NIL

(iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.

NIL

29. Credit Default Swaps

The Bank has not entered into any Credit Default Swaps (CDS) during the year ended March 31, 2018 and March 31, 2017.

30. Corporate Social Responsibility

Particulars	₹ In'000)	
	Current Year	Previous Year
▶ Total amount to be spent	4,167	4,250
▶ Amount spent	813	340
▶ Amount unspent	3,354	3,910

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 amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF)

32. Liquidity Coverage Ratio

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

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

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

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

<i>Liquidity Coverage Ratio (LCR)</i>	Quarter Ended June 30, 2017		Quarter Ended September 30, 2017		Quarter Ended December 31, 2017		Quarter Ended March 31, 2018	
	<i>Total Unweighted Value (average)</i>	<i>Total Unweighted Value (average)</i>	<i>Total Unweighted Value (average)</i>	<i>Total Unweighted Value (average)</i>	<i>Total Unweighted Value (average)</i>	<i>Total Unweighted Value (average)</i>	<i>Total Unweighted Value (average)</i>	<i>Total Unweighted Value (average)</i>
High Quality Liquid Assets								
1. <i>Total High Quality Liquid Assets (HQLA)</i>		688.37		673.94		685.85		683.63
Cash Outflows								
2. <i>Retail deposits and deposits from small business customers, of which:</i>								
(i) <i>Stable deposits</i>	641.62	32.08	647.22	32.36	669.82	33.49	682.79	34.14
(ii) <i>Less stable deposits</i>	1,590.87	159.09	1,658.60	165.86	1,755.13	175.51	1,828.73	182.87
3. <i>Unsecured wholesale funding, of which:</i>								
(i) <i>Operational deposits (all counter parties)</i>	0.27	0.06	0.02	-	0.01	-	0.01	-
(ii) <i>Non-operational deposits (all counter parties)</i>	141.64	37.57	124.47	47.27	170.02	31.48	120.24	26.13
(iii) <i>Unsecured debt</i>	-	-	-	-	-	-	-	-
4. <i>Secured wholesale funding</i>	-	-	-	-	-	-	-	-
5. <i>Additional requirements, of which</i>	-	-	-	-	-	-	-	-
(i) <i>Outflows related to derivative exposures and other collateral requirements</i>	-	-	-	-	-	-	-	-
(ii) <i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
(iii) <i>Credit and liquidity facilities</i>	168.50	9.62	118.74	9.28	141.25	10.62	142.14	11.86
6. <i>Other contractual funding obligations</i>	0.71	0.71	4.42	4.42	-	-	20.01	20.09
7. <i>Other contingent funding obligations</i>	24.73	2.38	23.75	0.71	24.35	0.77	26.26	0.82
8. <i>Total Cash Outflows</i>	-	241.51	-	259.91	-	251.86	-	275.85
Cash Inflows								
9. <i>Secured lending (e.g. reverse repos)</i>	41.31	41.31	3.33	3.33	66.98	66.98	-	-
10. <i>Inflows from fully performing exposures</i>	12.30	12.30	13.10	13.10	13.29	13.29	15.50	15.50
11. <i>Other cash inflows</i>	40.62	10.24	61.19	25.44	65.07	40.85	24.61	0.39
12. <i>Total Cash Inflows</i>	94.24	63.86	77.62	41.87	145.35	121.13	32.04	15.89
13. <i>Total HQLA</i>	-	688.37	-	673.94	-	685.85	-	683.63
14. <i>Total Net Cash Outflows</i>	-	177.66	-	218.04	-	130.74	-	259.95
15. <i>Liquidity Coverage Ratio (%)</i>	-	387.47%	-	309.09%	-	524.59%	-	262.98%



The Bank during the quarter ended March 31, 2018 maintained average HQLA of 684 crores against the average net cash outflows of 260 crores. The entire HQLA was Level 1 HQLA. The average LCR of the Bank for the quarter ended March 31, 2018 was 262.98%, which is well above the regulatory threshold of 70%.

HQLA primarily included government securities in excess of minimum Statutory Liquidity Ratio (SLR), the extent allowed under the Marginal Standing Facility (MSF) and the Facility to Avail Liquidity for LCR (FALLCR). Additionally, cash, balances in excess of cash reserve requirement with RBI & the overseas central banks and marketable securities issued by foreign sovereigns form part of level 1 HQLA.

For the purposes of LCR computation, the Bank has considered all inflows and outflows that may have a quantifiable impact under the liquidity stress scenario.

33. Comparative Figures

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

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