

Capital Small Finance Bank 

Vishwas Se Vikas Tak

21 years

of trust and performance

Annual Report
2020-2021

Contents

Overview

Corporate Profile	02
MD & CEO's Message	04
In Talk with COO & CFO	06
Performance Indicators	08

Our Strengths

Product Offerings	12
Liability Composition	14
Strong Advances Portfolio	16
Customer Centricity	18
People Policy	20

Our Operating Context

Our Strategy	24
Environmental, Social and Governance	26
Board of Directors	30
Strong Management Team	32
Investors and Partners	34

Statutory Reports

Management Discussion & Analysis	37
Directors' Report	49

Financial Statements

Standalone Accounts	74
---------------------	----

21 years
of trust and performance

Since our founding, it has been our mission to cater to the unserved and underserved populations at affordable cost.

Our mission's aim is to further the cause of financial inclusion in India and bring small and medium borrowers within the formalised banking channel. For more than two decades, we have not only fulfilled this goal to the best of our abilities, but have also become a household name for our reliable services, easy access, timely disbursement and transparency in processes in our area of operations.

Trust is never bestowed, it has to be earned. Our steadfast performance, the commitment and dedication of our people and honesty of service have earned us the abiding trust of our customers. We use this as our capital as we embark on a new journey of growth, which will see us aggressively expanding our footprint across India.

Further information

For more information about Capital Small Finance Bank, visit us online at:

www.capitalbank.co.in



FY21 KEY HIGHLIGHTS

₹3,762.99 cr	₹5,221.07 cr	₹198.61 cr
Assets Under Management	Total Deposits	Net Interest Income
2.08%	40.07%	19.80%
Gross NPA	CASA Ratio	Capital Adequacy Ratio

Among India's 30
Best Workplace in BFSI – 2021



Corporate Profile

Providing Safe and Reliable Money Solutions

Capital Small Finance Bank Limited (CSFB) started its operations as a local area bank more than two decades ago in 2000. We were the first among only a handful of financial institutions in 2016 to receive the RBI's licence to operate as a Small Finance Bank, and have since then rapidly spread our footprint across northern India.

Our credo over the years has been simple – to offer low-cost world-class banking to our customers, in India's rural areas and its burgeoning towns and cities, individuals across the social strata, and enterprises big and small. We have established ourselves in the areas we operate and plan to aggressively expand our reach over the next couple of years. We offer local communities safe and reliable money solutions while providing institutional credit to small borrowers in the agricultural, MSME and retail segments. We are constantly leveraging technology to provide our customers seamless and personalised experiences in banking while simplifying our own processes and systems that make it possible to service our clients more efficiently.

Our Vision



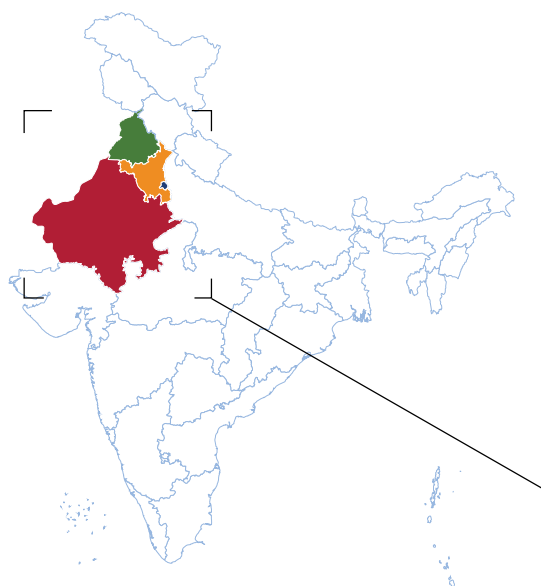
To provide superior banking service, focused on customers' needs.



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



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



Our Presence

We maintain a strong local focus and are intensifying our footprint in Punjab, Chandigarh, Haryana, the National Capital Region and Rajasthan. We are also preparing to expand to other regions in the country.

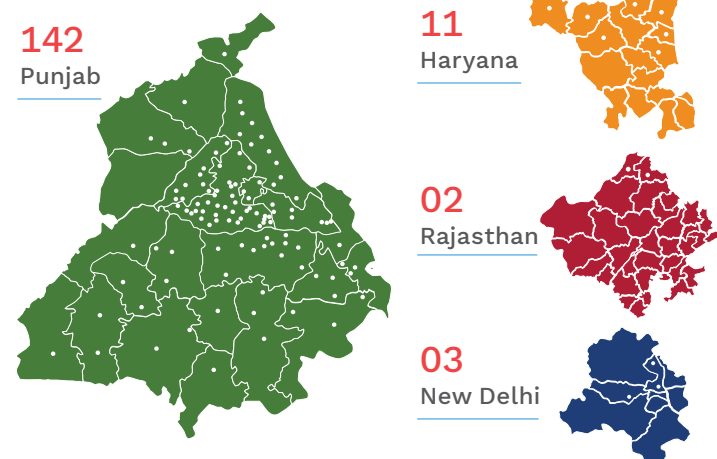
Branch Network

142
Punjab

11
Haryana

02
Rajasthan

03
New Delhi



Our Journey So Far from an LAB* to SFB*

2016 (LAB)*



47
Branches



₹1,814.13 cr
Deposits



₹1,148.40 cr
Advances



₹2,052.54 cr
Balance Sheet Size



2,71,982
Customers



697
Employees

2021 (SFB)*



158
Branches



₹5,221.07 cr
Deposits



₹3,762.99 cr
Advances



₹6,371.24 cr
Balance Sheet Size



5,78,716
Customers



1,614
Employees

*LAB- Local Area Bank
SFB- Small Finance Bank

MD & CEO's Message

Unshaken Commitment and Conviction



The year was a difficult one for all of us. Our robust and agile business model aided us to continue our growth despite the unprecedented situation.

Sarvjit Singh Samra

Dear Stakeholders,

Hope you and your family are safe and healthy. The beginning of FY21 saw a lot of disruption, with the World Health Organisation declaring a pandemic and the COVID-19 virus taking a huge toll on lives and livelihood. The pandemic has mounted enormous economic challenges and dealt a huge blow to the health infrastructure in countries. Bereft of a cure or a vaccine in 2020, most governments faced the policy dilemma of choosing lives over livelihoods.

India too faced a difficult choice and charted its own path adopting a graded four-pronged, pre-emptive and proactive strategy. This consisted of containment measures, calibrated fiscal support focused on providing essentials during lockdown, and demand push during the unlock phase, together with financial measures and structural reforms to combat COVID-19. The policy response was amended as the pandemic evolved, adapting to the changing requirements to safeguard lives, support demand, facilitate economic recovery and ensure fiscal and debt sustainability.

Call for Self-reliance

The Indian government adopted a regulated approach best suited to a resilient recovery in contrast to a front-loaded large stimulus package adopted by many countries. The expenditure policy was initially aimed at supporting the vulnerable sections but was re-oriented to boost overall demand and capital spending once the lockdown was lifted. To increase demand and supply, the government launched the Aatmanirbhar Bharat mission, with its clarion call for self-reliance encouraging homegrown manufacturing and entrepreneurial activity, especially in the Micro, Small and Medium-sized Enterprises (MSME) sector and the rural economy. In the days to come, this will provide a huge opportunity to tap the void created in export markets by the anti-China sentiment in many countries.

Recognition of SFB's Critical Role in the Economy

The Reserve Bank of India also undertook several conventional and unconventional measures to augment growth by ensuring timely availability of credit at

lower cost by reducing interest rates, and in managing the liquidity situation in the economy by pumping liquidity into the system. It also undertook various out-of-the-box initiatives, including an accommodative monetary policy stance to ensure sustainable growth, reduction in the cash reserve ratio and conducting LTROs and OMOs to inject liquidity, RBI-led buying was adopted to aid government borrowings, and loan moratorium was announced to give breathing space to businesses to overcome a difficult period.

More recently, in recognition of the prominent role played by Small Finance Banks (SFBs) in acting as a conduit for last mile supply of credit to individuals and small businesses, a three-year special long-term repo operation (SLTRO) of ₹10,000 crores at repo rate for SFBs has been announced so that they can provide the MSME sector the required push. The SLTRO aims to provide a fresh lending support of up to ₹10 lakhs per borrower to small business units, micro and small industries, and other unorganised sector entities adversely affected by the current wave of the pandemic.

COVID-19: Approach, CSFB Edge and Performance

The year was a difficult one for all of us in light of the prevailing uncertainties. We pre-emptively activated our Business Continuity Plan (BCP) when the pandemic started. Our priority was to ensure the health and well-being of our employees and to mitigate potential service disruption to our customers. The plan had visualised multiple possible scenarios, commissioning SCOT Analysis under the stress situation in order to craft our response.

Our robust and agile business model aided us to continue our growth despite the unprecedented situation. We saw an overall impressive performance across multiple metrics, including margins and bottom-line growth, strengthening of the balance sheet and other significant banking variables. Our key to success has been our ability to be nimble-footed and unified as our strategy had been formulated on the back of a comprehensive understanding of our strengths and the market environment. Together with this, a deep comprehension of our business community and business cycle helped us identify and explore opportunities. At the same time, keen attention to continuous customer engagement helped us improve efficiency ratios, improved our asset quality and enhanced customer satisfaction.

A strong liability base with granular distribution reach and well-diversified product offerings favourably positioned us to capture market share in the post-COVID-19 environment. Our efficient credit underwriting enabled us to enhance the loan portfolio as well as improve the asset quality by a careful selection of our desired borrowers and businesses. Meanwhile, a robust treasury investment portfolio – built over the years based on the three pillars of safety, liquidity and risk adjusted returns – provided us ample liquidity as depicted by Liquidity Coverage Ratio (LCR).

People Power

I would like to thank each member of the CSFB team for their spirit and determination, which enabled us to sustain our relationship with our customers in one of the most difficult years encountered by mankind. They are and will always be our biggest asset. It is their untiring commitment and talent which make us one of the leaders in the geographies and segments in which we operate. I am humbled to lead such an extraordinary group of people, and I would like to reiterate my sense of gratitude towards them for their zeal, perseverance and diligence.

Way Forward

Judicious and agile business planning will continue to be the key to our success going forward. Our strong value-driven culture and determination to emerge out of every crisis stronger, have opened new pathways to achieve business excellence. Although it is too early to judge the impact of the second wave of the virus on business, we believe that this time the impact on the economy will be less intensive as lockdowns will be more localised. Furthermore, after putting up a stellar performance in the backdrop of the first wave, we are confident that we will be able to overcome any challenge through our focused strategy.

Our long-term strategy remains intact. We are implementing an expansion plan both in terms of extending our footprint and our business. In the first phase, we will focus on granular assets and liabilities along with improving our branch productivity by deepening existing relationships. In the second phase, we plan to achieve higher operating leverage, leading to enhanced margins, and expand branch productivity and profitability. Along with this, we will continue to build our brand equity on the pillars of customer engagement, contiguous expansion, dynamic and responsible governance, sound asset quality, and enriched human capital. We also intend to leverage a strong retail franchisee model for both liabilities and asset and focus on high quality and highly liquid investments to meet any unforeseen developments in the financial markets.

Trust and Performance

As an organisation, we have successfully come a long way and will continue on our path with prudence and caution. In constant touch with the grassroots, we owe our sustained performance to the confidence and trust we have been able to generate among our customers and all other stakeholders. We are committed to serve the financial needs of our customers and unbanked segments of the populace.

On behalf of the Board, I would like to take this opportunity to extend my gratitude to all our customers, to government authorities, and each stakeholder of CSFB for their trust and continued support. Your confidence in us goes a long way in inspiring us and we look forward to your continued faith and encouragement in the years to come.

Regards,

Sarvjit Singh Samra
Managing Director & Chief Executive Officer

In Talk with COO & CFO

Sustaining a Consistent Growth Trajectory

“Tough times bring everything into sharp focus – strengths, weaknesses, opportunities and threats.”

CSFB COO and CFO, Munish Jain, summarises his experience of dealing with a difficult year.



Q FY21 was an extremely challenging year for business organisations across the world. How do you view CSFB's performance for the year gone by?

A Over the past two decades, we have shown consistent performance, which has resulted in growing consumer trust in our abilities. Despite the headwinds and unprecedented events during the year, we did the right work and grew the right way. Our team's energy and execution orientation enabled us to tackle the environment with a balanced approach. We have depicted strong performance across the parameters – operating performance, growing our assets & deposits, asset quality and managing risk. Our operational efficiency and practices helped create a stronger and robust portfolio despite tough ground realities. All in all, a time-tested business model together with a sound understanding of the operating environment helped us to generate consistent value for our stakeholders. It is heartening to share that we are beaming with positivity, energy and enthusiasm.

FY21, a year of full learnings and hard-work, wherein our net total income grew by 13.40% to ₹244.47 crores against ₹215.59 crores in the previous year, while our Net Interest

Income rose by 15.06% to reach ₹198.61 crores. During the year, we clocked a growth of 36.89% in our operating profit, which reached ₹71.51 crores as against ₹52.24 crores the previous year, and Profit After Tax ₹40.78 crores, which recorded a phenomenal growth of 60.70%.

In terms of the key ratios, our Net Interest Margin saw some pressure, degrowing marginally by 12 bps to 3.52%. However, CRAR and LCR both strengthened to 19.80% and 441.49% respectively in FY21 as compared to 19.11% and 357.57% respectively in FY20. Alongside this, in view of a challenging environment in terms of slowing macro, our gross NPA was under some stress, increasing by 32 bps to 2.08%, while the Net NPA stabilised and reducing by 12 bps to 1.13% along with a healthy PCR of ~47% and a Capital Adequacy of 19.80%.

We continued to maintain a robust balance sheet at the end of FY21, our advances stood at ₹3,763 crores, with ~99% of it being secured loans with an average ticket size ~₹12.6 lakhs. The primary drivers of credit growth for FY21 were retail trade, agriculture and retail mortgage products.

Total Deposits were at ₹5,221 crores, with rollover ratio of term deposit at ~91% and high share of CASA at 40.07% of total deposit.

As of March 31, 2021, our Net Worth stood at ~₹447 crores, while the ROE was ~9.51%, and Return on AUM ~1.23%. We were also able to maintain our trajectory of reduction in our cost of funds by 47 bps to 5.83%.

It is said that “No winter lasts FOREVER, and no spring skips its turn.” We all know that our lives have their fare shares of ups and down. The resilience shown by the organisation in this difficult time re-instills our confidence that we can survive and thrive under any circumstance. Our strong values and our ability to embrace change have ensured our business excellence.

Q What were the key factors that enabled the Bank to not only manage the pandemic exigencies, but also put up a stellar performance?

A Tough times like these bring everything into sharp focus – strengths, weaknesses, opportunities and threats. We are often tested not to reveal our weaknesses, but to discover our inherent strengths, FY21 put us through such a test. We have always focused on growing the healthy way to build a resilient institution that can withstand the test of times. Our strong retail franchisee model, customer-centric approach, adequacy and full range of products, strong credit underwriting and the enduring trust of our customers helped us to demonstrate strong asset quality.

Security, liquidity and optimising risk adjusted returns have been the hallmark of our investment portfolio. These attributes have helped us maintain healthy liquidity all through and further reducing cost of funds has added to bottom line growth. To maintain sufficient liquidity, we followed the Active Treasury Investment Portfolio Strategy by combining caution with mild aggression – we invested in short-term government instruments and markets and, at the same time, focused on building long maturity portfolio. We gained from interest rate expectation strategy – to earn the benefit of fall in yields – as well as accrual strategy to earn from the steep yield curve.

We leveraged our expertise in technology to increase digital payments and interface with customers to sustain and increase share of customer transactions. Our digital transition helped us effect a wider outreach, leading to ~2.87 million transactions during the year. Digital transaction share in non-cash transactions increased from 46% in FY20 to 54% in FY21. Further, mobile and internet banking transactions to total non-cash transaction has increased from 7% to 20% in FY21.

We also strategised to improve our operating efficiency to reduce costs while sweating out our existing infrastructure. We introduced several measures to increase revenue from our existing businesses, optimising business mix to improve risk-adjusted returns. One of the primary strategies was to

capitalise the untapped cross-selling potential to reduce our credit risk, cost and maintain our CASA ratio while remaining the primary banker to our customers. Our highly motivated workforce supported us and so did government and the RBI's policies.

Q Digital technology has been a key enabler during the year. What are the major technological interventions undertaken in last few years and what are the plans going forward?

A “PHYGITAL” distribution remains our focus.

We believe that strong physical presence of branches, supported by customised, easy digital banking solution, is the way forward for banking. The pandemic has provided a major push for digital transformation, financial institutions and banking is at the tipping point of moving from partly digital to fully digital. Our focus is to deliver a seamless omni-channel integrated solution that will ensure consistent high-level customer experience across all channels (branch banking, website, internet banking, mobile applications). This will ensure that we scale our operations faster and profitability, while maintaining consistency in services. It is said, and quite rightly, that digital transformation is more about thinking about business digitally, rather than mere technology adoption.

In concurrence with the changing environment, we continue to leverage information technology as a strategic tool in improving our business operations, adding to customer delight through efficient and improved services. Going forward, we will try to make our services more efficient and seamless, and definitely more secure. We are moving towards digital onboarding of our customers, that will help widen our customer base besides enabling greater sustainability in our operations. We are also continuously exploring new delivery channels to enhance our customer outreach.

Regards,

Munish Jain
Chief Operating Officer & Chief Financial Officer

Performance Indicators

Stable and Commendable

In spite of a challenging year, we registered both top and bottom-line growth on the back of our collection efficiency and ability to service our clients.

↑ Y-o-Y growth

Assets under Management (AUM)

(₹ in cr)

28.75% CAGR 2017-21
34.41% CAGR 2017-20

13.15%

FY17	1,369.60
FY18	1,852.99
FY19	2,608.78
FY20	3,325.57
FY21	3,762.99

Loan Disbursement

(₹ in cr)

32.35% CAGR 2017-21
45.16% CAGR 2017-20

0.31%

FY17	438.08
FY18	779.36
FY19	1,193.42
FY20	1,340.00
FY21	1,344.22

Total Deposits

(₹ in cr)

21.72% CAGR 2017-21
23.20% CAGR 2017-20

17.42%

FY17	2,378.21
FY18	2,850.52
FY19	3,667.26
FY20	4,446.62
FY21	5,221.07

Balance Sheet Size

(₹ in cr)

23.70% CAGR 2017-21
25.12% CAGR 2017-20

19.54%

FY17	2,720.82
FY18	3,351.83
FY19	4,321.20
FY20	5,329.88
FY21	6,371.24

Average Net Worth

(₹ in cr)

37.12% CAGR 2017-21
39.39% CAGR 2017-20

30.51%

FY17	120.20
FY18	211.90
FY19	241.95
FY20	328.55
FY21	428.79

Net Total Income

(₹ in cr)

27.04% CAGR 2017-21
31.94% CAGR 2017-20

13.4%

FY17	93.87
FY18	127.53
FY19	166.66
FY20	215.59
FY21	244.47

Profit after Tax

(₹ in cr)

28.33% CAGR 2017-21
19.06% CAGR 2017-20

60.72%

FY17	15.04
FY18	19.02
FY19	19.42
FY20	25.38
FY21	40.78

Yield on Advances (YoA)

(in %)

FY17	12.43%
FY18	11.92%
FY19	11.45%
FY20	11.57%
FY21	11.26%

Cost of Funds (CoF)

(in %)

FY17	6.63%
FY18	6.06%
FY19	6.04%
FY20	6.30%
FY21	5.83%

Return on AUM

(in %)

FY17	1.29
FY18	1.27
FY19	0.92
FY20	0.89
FY21	1.23

Net Non-Performing Assets (NPA)

(in %)

FY17	0.72
FY18	0.84
FY19	0.93
FY20	1.25
FY21	1.13

Capital Adequacy Ratio (CRAR)

(in %)

FY17	22.95
FY18	19.66
FY19	16.40
FY20	19.11
FY21	19.80

Return on Equity

(in %)

FY17	12.40
FY18	8.98
FY19	8.03
FY20	7.72
FY21	9.51

Earnings Per Share (EPS)

(in ₹)

FY17	6.53
FY18	6.86
FY19	6.82
FY20	8.18
FY21	12.04

Delivering on our Chosen Goals

We capitalise on our strengths to maximise long-term value creation for our stakeholders while driving financial inclusion and economic development in the regions we operate.

We maintained communication and service to our customers leveraging our core strengths during these unprecedented times. Our customer-centric team continuously strived to enhance our customer connect through digital means educating and encouraging them to use our interactive, customer-friendly services for ease of transaction across our diversified portfolio. While our agile management enabled us in upholding critical balance sheet strengths during these unprecedented times.



Product Offerings

One Stop Solution Provider

We aspire to become the preferred destination for all the financial needs of our customers by providing a strong value proposition across products and services.

Our wide range of products are aligned to the requirements of a diverse clientele. We have created a strong asset liability franchise and offer third-party products across various distribution channels.

Offerings

Highlights

Partnerships & Collaborations



Deposit Products

We offer our customers a One Stop Solution for their financial needs, providing an impressive range of diverse offerings with a strong technology linking.

Savings Account

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

₹1,885.37 cr

Savings Bank Deposits

With ATS of ₹37,000

Current Accounts

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

₹207.27 cr

Current Deposits

With ATS of ₹1,18,000

Term Deposit

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

₹3,128.43 cr

Term Deposits

With ATS of ₹3,35,000



Third Party Offerings

We provide a bundle of products to our customers to help meet their Forex and insurance needs.

Life Insurance

Traditional Life Insurance | Term Insurance

HDFC Life Insurance Co Ltd

ICICI Prudential Life Insurance Co Ltd

General Insurance & Health Insurance

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

Bajaj Allianz General Insurance Co Ltd

SBI General Insurance Co Ltd

Forex Authorised Dealer Category II

Inward and Outward Remittance-non trade

AD 1 Banks

MTSS

Money Transfer

Moneygram

Western Union

Ria Money



Loan Portfolio

We have been able to successfully grow our Loan Book, that caters to the underserved MSME, retail traders, mortgage loans and agricultural segment, which remains a key growth driver for us.

Agriculture

Kisan Credit Card | Agri Term Loans

₹1,423.21 cr

AUM

₹1.22 mn

Average Ticket Size

MSME & Trading

Working Capital Limits | Machinery Loans | Project Financing

₹973.04 cr

AUM

₹2.02 mn

Average Ticket Size

Mortgages

Housing Loans | Loan against Property | OD against Property

₹809.65 cr

AUM

₹1.1 mn

Average Ticket Size

Liability Composition

Liability Portfolio Driven by Retail

Our strong liability franchise is driven by our retail deposits and we are using technology to bolster the portfolio.

Our customer-centric approach, endeavour to be the primary banker and focus on cash flow generation enable us to maintain robust metrics.

We have a retail franchisee model for both assets and liabilities, which aids in diversifying risk. We enjoy a highly stable CASA and have a healthy rollover of

deposits overtime. We are also leveraging our capacity to accept deposits as an SFB, increasing our Credit-to-Deposit ratio (CD Ratio) to create value for our stakeholders.

5.83%

Cost of Funds

Reduced by 47 bps

Total Deposits

(₹ in cr)

17.42% Y-o-Y growth
21.72% CAGR 2017-21
23.20% CAGR 2017-20

FY17	2,378.21
FY18	2,850.52
FY19	3,667.26
FY20	4,446.62
FY21	5,221.07

5.68%

Cost of Deposit

Reduced by 42 bps

Cost of Deposit (CoD)

(in %)

FY17	6.41
FY18	5.85
FY19	5.85
FY20	6.10
FY21	5.68



Stable CASA

We have a strong deposit franchise in the Punjab market with interest rates comparable to larger banks. Our robust and well-diversified retail franchise model aids in upholding a firm CASA, and provides us the ability to maintain the cost of deposits within control. We are focusing on deepening our existing relationships to continue maintaining high levels of CASA.

Current and Savings Account (CASA) Ratio

(in %)

FY17	39.54
FY18	39.99
FY19	38.39
FY20	36.31
FY21	40.07

Healthy Rollover

We maintain a resilient rollover in our term deposits, which aids us in maintaining consistent liquidity and low cost of funds. This is true for our short-term deposit of 400 days, which is the most preferred product by our customers. We retained a rollover ratio >90% throughout the pandemic. We have not faced any negative mismatch in our ALM profiling.

90%+

Rollover Term deposits

Optimising Credit Deposit Ratio

We are strategically working on gradually optimising our CDR and plan to move it to the early 80s in the mid-term in line with our business model. Even though we have seen some headwinds due to the economic environment, we have utilised the timeframe to consolidate additional resources which can easily be turned towards asset creation once the economic activity picks up. Our focus on increasing our CDR is going to have multi-fold impact in terms of margins as well as bottom line.

Credit to Deposit Ratio (CDR)

(in %)

FY17	57.59
FY18	65.01
FY19	71.14
FY20	74.79
FY21	72.07

Mitigating Liability Risks

Non-reliance on bulk deposits and market-driven liabilities is another major factor in our ALM. We maintain negligible funding liquidity risk while our market liquidity risk is mitigated by investing in highly liquid investment avenues and government securities.

We have also subscribed to refinance facilities from various national financial institutions like SIDBI and NABARD, which offer borrowings at supportive rates for development of the priority sector of the nation.

Strong Asset Portfolio and Ratings

Robust Fundamentals Driving Growth

Safety, liquidity and quality are the hallmark of our advances and investments. Our diversified portfolio along with our unwavering focus on preserving our asset quality has helped us remain profitable over business cycles and headwinds.

Due diligence, a stringent credit risk appraisal taking into account the attendant environmental and operational risks, and a disciplined credit risk management ensure asset quality.

An efficient credit delivery and recovery mechanism has played a crucial dual role in creating a healthy loan book. This has also enabled us to maintain a record of never having a credit downgrade. We are leveraging technologies to identify and mitigate risks.



Reducing Net NPA in an Unusual Year

Our focus on secured lending and enhancing customer engagement has meant a concomitant focus on improving our asset quality and lowering our NPA. Our consistent efforts in this regard has not only helped us keep our NPA low, but have also enabled us to reduce our Net NPA in one of the most difficult years recorded in history. With the buildout phase now behind us, we are well positioned to continue strengthening our credit quality.

1.13%

Net NPA as compared to
1.25% in the previous year



Robust Recoveries

Our team members helped maintain healthy customer relationship through effective customer engagement and the strengthening of digital banking helped generate better recoveries and create high-quality assets. We did see some headwinds at the beginning of the year, when our collection efficiency hit the lowest level, but we have witnessed sequential improvement in collections in the H2 FY21 with the ratio spurring to 98%*, nearing pre-COVID level once the restrictions were lifted.

98%*

Collection Efficiency for H2 FY21

* For Standard Assets



Diversified Portfolio

We have a well-diversified portfolio across products and segment which helps mitigate risk and optimise resources. Our uncorrelated primary credit growth drivers – retail trade, agriculture and retail mortgage – helped increase further diversification benefits. Over the last one year, we have increased our AUM in the category of less than ₹2.5 million by 4% taking its share to 63% of total AUM as on Mar 31, 2021.

Agriculture	MSME & Trading	Mortgages	Others
AUM			
₹1,423.21 cr	₹973.04 cr	₹809.65 cr	₹557.09 cr
Average Ticket Size			
₹1.22 mn	₹2.02 mn	₹1.1 mn	₹0.84 mn



Vigorous Process

We have a well-defined, exhaustive, and stringent internal standardized process for all our operations, which ensures transparency and efficient conduct. We follow the highest standards of corporate governance and credit ratings.



Operating Efficiency

We are persistently striving to enhance our operational efficiency with a multi-pronged approach, including adoption of digital interface, sound and efficient delivery channels, robust collection efficiencies and dynamic product design.

Return on AUM

	(in %)
FY17	1.29
FY18	1.27
FY19	0.92
FY20	0.89
FY21	1.23

Customer Centricity

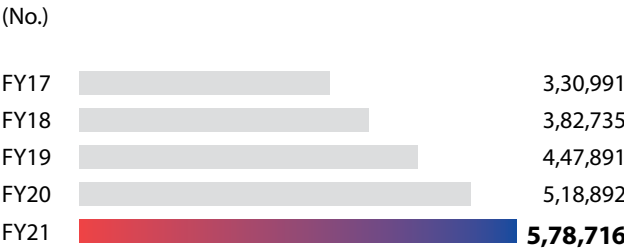
Customer First Always

Customers have been at the centre of everything we do at CSFB. Our ethos is not only to provide the best products and services but also to constantly deliver an outstanding customer experience, which is a key differentiator that helps us retain our competitive edge.

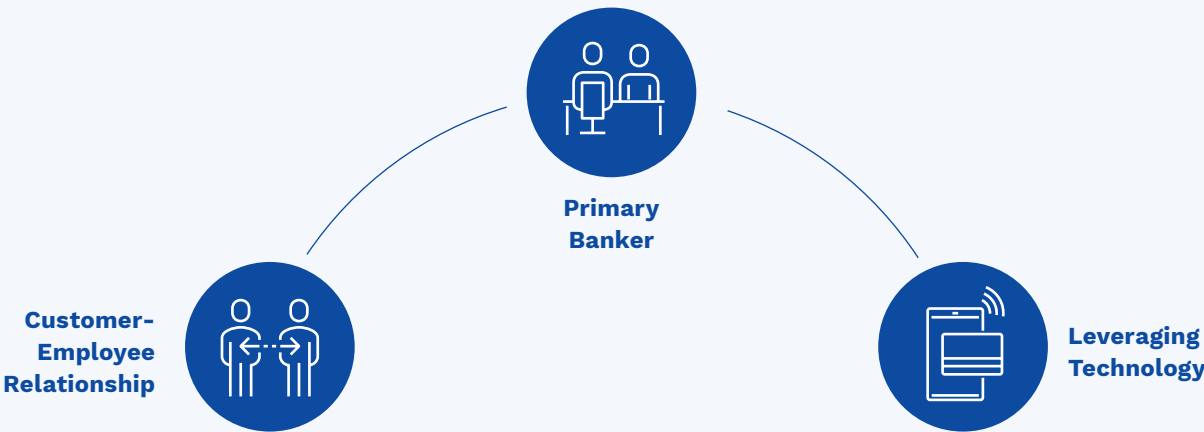
Our customer-oriented business model is built around delivering customer satisfaction, as also building long-lasting and nurturing relationships. Thus, our association with our customers goes past transactions and incorporates their entire life-cycle, starting from awareness to loyalty.

We constantly engage with our customers through multiple channels including feedback forms and regular surveys.

Number of Customers



Customer-oriented Business Model



Customer-Employee Relationship

We relentlessly strive to create an industry benchmark in customer service focusing on creating a strong community connect. To enhance our culture of customer-centricity and agility, our employees, who are our primary link to our customers, are encouraged to think like the customer, put themselves in their shoes, and provide the services they would have liked to experience as a customer.



Primary Banker

With our comprehensive suite of products catering to the growing needs of the unbanked population across semi-urban and rural areas, we are the primary bankers of most of our customers. Their use of multiple products in our arsenal is also resulting in increasing customer stickiness. We employ multiple channels of communication and our granular targeting is winning us customers across geographies.



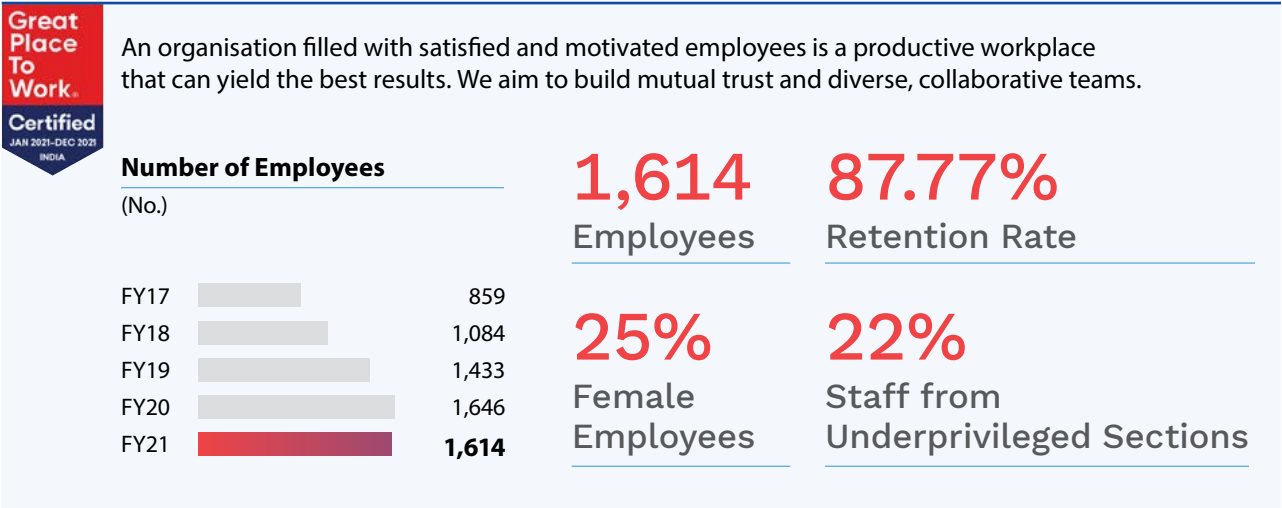
Leveraging Technology

Technology has become a key enabler in customer-service and engagement, and we are expanding our digital communication reach to enhance customer experience and broaden our customer base. We are strengthening digital interfaces to empower our customers, and making financial services accessible whenever and wherever they are needed.

People Policy

Our Employees, Our Lifeline

Our employees are responsible for our success and are our key asset. We ensure for them a safe, supportive and conducive work environment that encourages and motivates them while enabling their career progression in a place that values their integrity and merit.



Our Guiding Principles

Balancing Work and Life

A holistic, healthy work environment enables our employees to achieve work-life balance, and we strive to ensure that through multiple initiatives. We provide our employees scheduled flexibility, work-from-home facility, assign them branches and offices near their homes while discouraging work on weekends and holidays. We encourage our employees to take regular breaks to refresh themselves and have employee-friendly leave rules.

Celebrating Together

Celebrations bring people together and help mark milestones, enable people to share their success and feel good about fulfilling their goals and aspirations. We celebrate individual and organisational achievements along with festivals and other significant days in the calendar. We believe these activities help promote a culture of gratitude, recognition of each other's contribution, build self-esteem, unity, and team spirit.

Collaborating as a Team

We encourage team work and a collaborative spirit among our employees. Our people are always encouraged to freely share their valuable ideas with their seniors which can be further developed and implemented. We have multiple feedback and interactive sessions across verticals and levels to encourage collaborations.

Contributing to Sustainable Growth

We are a purpose-driven organisation and believe in generating value for our stakeholders and making a positive impact in the lives of the local communities in areas where we operate. We want to expand our business sustainably, with minimum impact to the environment and come together to fulfil our role as a good corporate citizen.

Development and Self-learning

We encourage overall development of our employees and have a pool of programmes that enable professional development, mentoring and training opportunities. We have a culture of consistent learning through various in-house and off-shore training programmes and workshops that foster knowledge and the professional and personal development of the workforce.

Grievance Redressal

Proper grievance handling is crucial to promote a harmonious environment and has a direct impact on employee trust and productivity. It is our responsibility to suitably respond to an employee grievance within an appropriate time frame. Our grievance redressal mechanism not only aims at effectively handling a complaint but also strives to minimise grievances.

Unity in Diversity

We endeavour to build long-lasting and healthy relationships with all the stakeholders and work to foster 'Trust and Relationship'. As an organisation we are equally responsive to our employees as we are to our customers.

Inspire Trust and Performance

We strive to ensure that everyone in the organisation lives by and for the motto 'Trust and Performance'. The values, culture and vision which flow from the top to the bottom instil passion and pride in the organisation.

Listening is Key

Listening is a key leadership responsibility. As an organisation which listens to and understands its employees, we are in a position to lead an increasingly diverse and multigenerational workforce. We have embraced an open-door policy at our offices and branches and work to be compassionate leaders.

People Policy



Progressing Together

We have a robust performance assessment and appraisal system in place to strategically align organisational and employee performance. We make concentrated efforts to properly understand each employee's abilities, competencies and merit while aligning a job role, training and assessing future progression.



Valuing Efforts

We acknowledge our employees' contribution through various rewards that motivates them and communicates that the organisation values them. The rewarding mechanism includes compensation, benefits and recognition.



Truthful and Trustworthy

Open communication aid in creating a healthy work culture, leading to reduced stress, greater job satisfaction, team building, increased commitment, loyalty, sense of belonging as well as mutual respect. We encourage our employees to be truthful and trustworthy while we uphold the same standards as an organisation.



Standing by Each Other

We stand by each other in good and bad times, paying utmost importance to human relationships. This attitude has made us a preferred employer in the region.



Thanking our Employees

We always take pleasure in thanking our employees for being the force behind our growth and development. 'WE OWE YOU' is something we wholeheartedly acknowledge.



Welcoming with Warmth

We are a responsive and responsible organisation and accord a joyous welcome to our new employees through an induction programme that aligns them to our culture and their individual job roles. This year, due to the pandemic, some activities were curtailed to maintain COVID-19 protocol and employee safety.



Our Employment Value Proposition



Our Strategy

Capitalising on India's Growth Story

Even though SFBs have seen some headwinds with the growth rate slowing due to the uncertainty and unprecedented economic environment of late, the macro factors continue to remain robust.



India's financial service sector on the whole has experienced a difficult phase owing not only to the pandemic but also due to governance and asset liability management issues. The challenges for SFBs include building low-cost liability portfolio, technology management, and balancing the regulatory compliances. Even as they navigate a challenging environment, SFBs have shown resilience and continue to extend financial inclusion to underserved populations by providing basic banking and credit services, increasingly adopting a differentiated banking model to cater to a larger population. CSFB is well-placed to capitalise on the growing opportunities in the market by leveraging our strengths and growing exponentially. Here is why we believe in our growth abilities:

Market Factors



The rural and semi-urban credit penetration still remains low and is mainly driven by the informal credit channels. With growing financial inclusion, acceptability of banking is bound to increase in these areas.



SFBs are mandated to extend 75% of their credit to sectors eligible for classification as Priority Sector Lending (PSL) by the RBI. The demand for credit in these sectors is growing fast as the economy becomes more organised. SFBs, with their pre-existing network and trust built over in the years are well placed to service the increased credit requirements.



Digital technology has been a game changer in the industry, aiding in increase of coverage as adaption increases.



One of the key fortes of SFBs has been access to low-cost funds and opportunity to cross-sell.

Strategy



The Bank is providing safe, efficient and service-oriented option of savings to the local community while reducing their dependence on moneylenders by making need-based credit easily available. We plan to enhance our presence in the Northern states of India and capture the sizeable market opportunity a large target audience.



We plan to leverage our existing relation in the priority sector and customer-centric approach to grow our asset portfolio, taking our CDR to early 80's by cross-selling to our existing clients and bringing new ones to the fold. We also plan on introducing new products and services as per the market requirement.



We plan to drive efficiencies through digitisation by creating enabling applications, smart functionalities, and simple-to-adopt platforms.



We will be focusing on maintaining our CASA ratio, being the primary bankers to local communities and concentrating on customer cash flow to strengthen internal cash generation.

Environmental, Social and Governance

Working as a Responsible Corporate Citizen

The hallmark of sustainable business is the integration of Environmental, Social and Governance (“ESG”) principles in the DNA of the institution. Capital Bank focuses on the achievement of the UN Sustainable Development Goals (SDGs) throughout the value chain, placing the SDG 8 initiative (Decent Work and Economic Growth) at the centre. These principles need to be ingrained across multiple aspects of an organisation ranging from strategy, investment/credit decisions to risk management and stakeholder reporting.

We recognise the significance of ESG as it impacts multiple aspects including environment, work and safety conditions, human rights, corporate governance, and regulatory compliance and how we should respond to these on an ongoing basis.

Working as a Responsible Corporate Citizen

Capital SFB is a socially responsible corporate citizen with strong values of ethics, trust and empathy, high standards of corporate governance, compliance oriented culture, and focused on developing sustainable relationships with stakeholders.

This philosophy influences all aspects of the operations whether it is providing access to credit at affordable cost or providing equitable opportunities with focus on employment generation for local youth or contribution towards women empowerment.

Our fast-growing business draws its social licence to operate from the community which we serve.

However, addressing all ESG risks and concerns can be challenging even for the most forward-looking and well-intentioned organisation. The key to success is materiality i.e., an understanding of which ESG risks are critical to the company on an overall operating context.

In a year when the pandemic sent the world into a tailspin, there was a silver lining in terms of ESG management. ESG moved from the peripheries of the organisation to being part of the core organisational strategy. As a result many of the issues that seasoned ESG investors have pressed companies to address, such as equal opportunity, employee pay and safety, and fair access to healthcare, and companies are taking serious and tangible initiatives to address the same. The world has become more socially conscious, adding to the momentum behind the ESG movement.

Being a value-driven organisation, we strive to fulfil our basic objective of contributing to social and economic development and ensuring financial inclusion through our innovative operational framework which includes effective utilisation of technology.

At the same time, we endeavour to mitigate the environmental impact and are committed to the highest standards of ethics, integrity and governance. The Bank is focused on pursuing sustainable environmental management practices, providing suitable and safe working condition for human capital, respect for human rights and ensuring ethical practices in its operations. We leverage these ESG principles as we aim to develop a robust and performance-driven culture for the organisation.



Some of the key ESG initiatives taken by the Bank in this regard are provided here:



Environment



Social



Governance



Environment

We have consistently worked towards ensuring minimal impact of our operations on the environment. Some of the steps taken by the Bank in this regard are as follows:

Disposal of e-waste through vendors registered with the **pollution control board**

Continuous effort in **reduction of waste**

Maintaining green belts in our area of operations

Encouraging **digital communication** with all our stakeholders, including customers, to reduce use of paper



Social

Customer Benefits

Access to Banking Services for the Unbanked & Under-Banked: The Bank acts as a growth catalyst for the economy with focus on financial inclusion. We have played an important role in rural and semi-urban regions to provide access to affordable credit and banking services which has historically been a challenge. As on March 31, 2021, ~74% of the 158 branches of the Bank are located in rural and semi-urban areas with 28% of the branches being in Unbanked Rural Centres (“URC”). Our extensive work on financial inclusion, with focus on agriculture and MSME sector, contributes towards economic growth and agricultural productivity in these areas. The following table provides details of our key efforts in this respect.

Customer service: The Bank has dedicated customer service teams focusing on improved process efficiency. We are also leveraging technology to enhance customer experience and enable access to organised banking services at affordable cost to remote interior areas.

Category	No.	Amount (₹ in cr)
New Loans to URC and Rural Branches	4,416	318.11
New Loans to Agri Sector	4,692	412.06
New Loans to SME Sector	3,438	253.84
Deposits in URC and Rural branches	2,08,599	1,977.60

Environmental, Social and Governance

Employee Development

Growth and Development of our Employees: At Capital SFB, we evaluate our performance in ways that go beyond just financial results including economic and social welfare of our employees. This includes time and resources deployed to help employees grow, develop, and achieve their career aspirations. Our well-defined workplace policies are aimed to promote holistic development of our employees. We provide our employees equal opportunities at work and opportunities to upskill and advance their careers. We provide robust grievance redressal mechanism together with equitable compensation and other social benefits including health insurance, retirement benefits to all our employees. We also have an ESOP pool for our employees which enables wealth creation for our employees while aligning them to organisational goals.

Women Empowerment

Gender Equality: We support equal pay for equal work. Our ongoing endeavor is to invest in women workforce as they make meaningful contributions within our Company and our communities. We are focused on being a great place to work for our female employees, making the financial lives of our female clients better, and advancing the economic empowerment of women.

Financial Support for Women: We have endeavored to provide financial support to women with an objective of making them economically self-reliant. During the year the Bank had disbursed 2,149 loans amounting to ₹158 crores to women borrowers.

Employment Generation and Qualified Human Capital: The Bank is generating employment in its geographical areas of operations by encouraging local hiring. The Bank is also building a strong base for human capital development by hiring qualified staff and encouraging them to upskill. The following table depicts the employment generation and qualified human capital as on March 31, 2021:

Human Capital	As on March 31, 2021
Male Employees	1,295
Female Employees	319
Graduates and below (%)	43.30%
PG and Professionals (%)	56.60%

Community Development

Local Community: We constantly undertake corporate social responsibility ("CSR") activities to provide access to education, encourage, sports and healthcare. During the year, to help our communities combat the pandemic, we distributed sanitisers, masks and gloves, while undertaking awareness campaigns and supporting the government's inoculation drive.

₹ 81.47 lakhs
Spent on Employee Insurance

₹ 62 lakhs
Spent on CSR activities

Charitable and CSR activities: Capital SFB is engaged in allocating financial resources in addressing socio-economic gaps through CSR related activities and social initiatives that have a meaningful impact within the community. The Bank has undertaken various projects to promote education, rural sports and health care.



Governance

We promote strict governance standards which includes policies and processes to serve employee, client, and community needs, promote a culture of responsibility and ethical conduct. Comprehensive policies and procedures are in place to ensure a safe and dignified work environment for all employees. We create, maintain and update policies and standards regularly that protect our employees and ensure highest standards of governance.

The Bank promotes a culture of responsibility, transparency and ethical conduct. The corporate governance framework incorporates several policies and procedures including Code of Conduct and Ethics, Anti-Bribery and Anti-Corruption Policy, POSH Policy, Staff Accountability Policy, Whistle Blower Policy, Employee Separation Policy, Anti Money Laundering Policy, and many others.

We have a strict internal control mechanism that ensures accurate representation of financial information, adherence to statutory compliances and governance protocols. These control mechanisms are vetted by an internal auditor to ensure that they are robust to address business requirements, we regularly review these protocols to adapt to evolving business conditions.

We continuously engage with regulators and are proactive to ensure regulatory compliance. Our compliance culture, driven by organisational leadership, sees governance as a step beyond compliance with statutory requirements.

COVID Support

Banks and other financial institutions have a critical role to play, both in helping people and communities through the current pandemic and in the ultimate economic recovery. At Capital SFB, we will continue working with all our clients — individuals, small businesses, companies, and governments — to manage the business and economic fallout of this pandemic. We will provide the necessary support, credit and assistance that people, institutions and communities will need to rebuild and recover from the harsh effects of the pandemic since March 2020. The Bank is actively playing its part in COVID support and relief by taking various measures.

The following table shows loans disbursed by the bank for COVID support and restructuring done during the FY21:

Category	No.	Amount (₹ in c)
COVID shield loans	49	465.75
ECGLC	1,504	9,608.85
Restructuring		
MSME	131	8,076.76
Others	26	407.31

Digitisation: To provide continuity of services and maintain our customer connect we adopted a digital strategy during the COVID pandemic. Digital transition helped us achieve a wider and cost effective outreach to all our customers. We achieved 2.87 million+ digital transactions during the FY21.

COVID Support Measures for Human Capital: We provide strong and progressive health and wellness benefits and paid leave for maternity. The following table shows various measures taken by the Bank keeping in mind the safety and health of its employees:

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

In Conclusion

We aim to play an important role in enabling financial inclusion, access to affordable credit and banking services in unbanked and under-banked regions, and employment generation. This will enable to create value for all our stakeholders through ethical and consistent performance. We believe that our organisation will be able to contribute to social and economic development and function as a responsible corporate citizen through all these initiatives.

Board of Directors

Propelled by an Experienced Board



Mr. Madan Gopal Sharma
Chairman (Part-time)
(Non-Executive Independent Director)

A Specialisation in Accounting, Finance & Company Law

E 38+ Years



Mr. Sarvjit Singh Samra
Managing Director & CEO

A Specialisation in Banking, Finance, Cooperation and Marketing

E 20+ Years



Mr. Dinesh Gupta
Non-Executive Non-Independent Director

A Specialisation in Law, Banking and Finance, Corporate Advisor and Investment Consultant of leading banks and organisations

E 33+ Years



Mr. Navin Kumar Maini
Non-Executive Independent Director

A Specialisation in Banking; Retired as Deputy Managing Director from SIDBI in the year 2015

E 38+ Years



Mr. Gurpreet Singh Chug
Non-Executive Independent Director

A Specialisation in Law, Finance & SSI with domain experience of Small-Scale Industry

E 17+ Years



Mr. Srinath Srinivasan
Nominee Director-Oman
India Joint Investment
Fund II (Non-Executive
Non-Independent Director)

A Has extensive industry and investment experience which includes over 16 years in private equity business across India and South East Asia

E 25+ Years



Mr. Mohit Verma
Nominee Director-PI
Ventures LLP
(Non-Executive Non-Independent Director)

A Has experience in multiple fields including banking, primary dealership, corporate treasury, debts mutual funds and NBFCs

E 21+ Years



Mr. Mahesh Parasuraman
Nominee Director-Amicus
Capital Private Equity I LLP,
Amicus Capital Partners India
Fund I (Non-Executive Non-Independent Director)

A Has experience in different spheres covering taxation and business advisory. Long illustrious career spanning over decades in multiple industries including technology, financial services and consumer

E 23+ Years



Mr. Rahul Priyadarshi
Nominee Director -SIDBI
(Non-Executive Non-Independent)

A Specialisation in Banking; Working as General Manager with Small Industries Development Bank of India (SIDBI), Regional Office, Chandigarh

E 27+ Years



Mrs. Harmesh Khanna
Non-Executive Independent Director

A Specialisation in Banking retired as General Manager from the Reserve Bank of India

E 28+ Years



Mr. Rakesh Soni
Non-Executive Independent Director

A Practising Chartered Accountant with specialisation in Accountancy, Finance & Corporate Law

E 35+ Years



Mr. Gurdeep Singh
Non-Executive Independent Director

A Specialisation in Accountancy & Finance with expertise in management and accountancy

E 31+ Years



Mr. Sham Singh Bains
Non-Executive Independent Director

A Specialisation in Agriculture & Rural Economy with domain expertise in farming and cultivating various crops

E 37+ Years

Strong Management Team

Able and Responsible Leadership



Mr. Sarvjit Singh Samra
Managing Director & CEO



Mr. Munish Jain
Chief Operating Officer &
Chief Financial Officer



Mr. S.K. Dhawan
Head of Credit



Mr. Raghav Aggarwal
Chief Risk Officer



Mr. Aseem Mahajan
Deputy Chief Financial Officer



Mr. Harvinder Singh
Chief Information Officer



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



Mrs. Richa Mahajan
Chief Compliance Officer



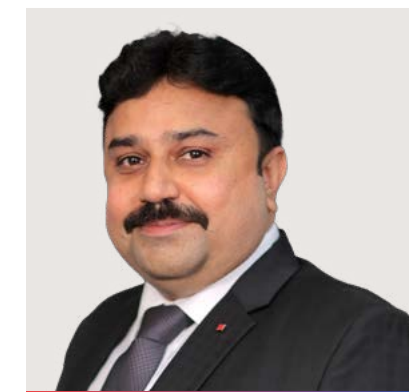
Mr. Sahil Vijay
Chief Treasury Officer



Mr. Parun Gupta
Chief Marketing Officer



Mr. Kamal Tandon
Regional Business Head



Mr. Varinder Shoor
Regional Business Head

Investors and Partners

Buoyed by the Trust and Support

Our Investors



Our Partners



Corporate Information

Chairman (Part – Time)

Mr. Madan Gopal Sharma

Managing Director & Chief Executive Officer

Mr. Sarvjit Singh Samra

Chief Operating Officer & Chief Financial Officer

Mr. Munish Jain

Company Secretary

Mr. Amit Sharma

Directors

Mr. Madan Gopal Sharma

Mr. Sarvjit Singh Samra

Mrs. Harmesh Khanna

Mr. Rakesh Soni

Mr. Sham Singh Bains

Mr. Gurdeep Singh

Mr. Navin Kumar Maini

Mr. Dinesh Gupta

Mr. Gurpreet Singh Chug

Mr. Rahul Priyadarshi

Mr. Mohit Verma

Mr. Mahesh Parasuraman

Mr. Srinath Srinivasan

Auditors

MSKC & Associates
(Formerly Known as R.K. Kumar & Associates)
Chartered Accountants
Mumbai

RTA

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

Debenture Trustee

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

NSDL

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

CDSL

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

Board Committees

AUDIT COMMITTEE

1. Mr. Madan Gopal Sharma, Chairman
2. Mr. Rakesh Soni, Member
3. Mr. Gurpreet Singh Chug, Member
4. Mr. Dinesh Gupta, Member
5. Mr. Sham Singh Bains

MANAGEMENT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

1. Mr. Rakesh Soni, Chairman
2. Mr. Sham Singh Bains, Member
3. Mr. Gurdeep Singh, Member
4. Mr. Gurpreet Singh Chug, Member

SECURITIES COMMITTEE

1. Mr. Dinesh Gupta, Chairman
2. Mr. Sham Singh Bains, Member
3. Mr. Gurdeep Singh, Member

Position as on March 31, 2021.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

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

IT STRATEGY COMMITTEE

1. Mr. Gurpreet Singh Chugh, Chairman
2. Mr. Sarvjit Singh Samra, Member
3. Mr. Munish Jain, Member
4. Mr. Vishal Madan, Member (Officio Member)
5. Mr. Vimal Kumar Kamal, Member (Officio Member)
6. Mr. Harvinder Singh, Member (Officio Member)

SPECIAL COMMITTEE ON FRAUDS

1. Mr. Madan Gopal Sharma, Chairman
2. Mr. Sarvjit Singh Samra, Member
3. Mrs. Harmesh Khanna, Member
4. Mr. Navin Kumar Maini, Member
5. Mr. Gurpreet Singh Chug, Member

STAKEHOLDER RELATIONSHIP COMMITTEE

1. Mr. Dinesh Gupta, Chairman
2. Mr. Navin Kumar Maini, Member
3. Mr. Gurdeep Singh, Member
4. Mr. Sham Singh Bains, Member



Management Discussion & Analysis

INDIAN ECONOMY

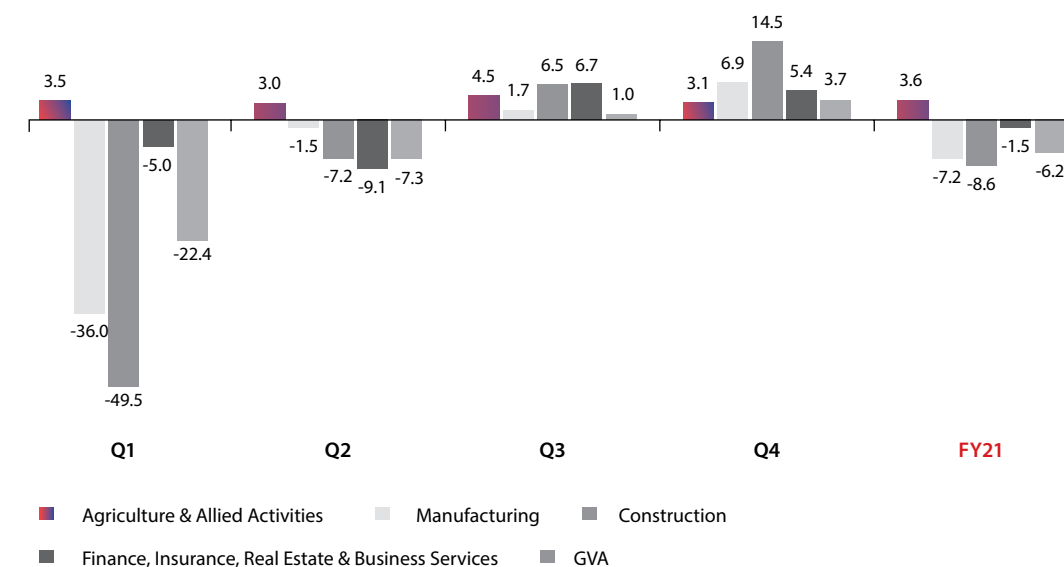
The COVID-19 pandemic impacted lives and businesses worldwide, with most countries imposing varied degrees of restrictions to combat the spread of the virus. The Government of India also followed suit, and announced a stringent lockdown starting March 25, 2020, choosing 'lives over livelihoods'. The already fragile world economy witnessed a free-fall, with the Indian economy recording the worst ever contraction in documented history in the first quarter of FY21. As restrictions were gradually lifted, the economy started to recover, witnessing a V-Shaped recovery on the back of festive season and pent-up demand, together with targeted government measures to support the economy.

Multiple structural reforms targeting both demand and supply side issues were undertaken by the government and the Reserve Bank of India (RBI) to revive the economy.

One of the key measures was the announcement of the Aatmanirbhar Bharat Yojana, with its clarion call for self-reliance. Announced in three tranches over the past one year, it provides funds amounting to ~15% of the Indian GDP. The scheme focuses on last mile delivery, catalysing consumption and technology adoption among masses. It provides a host of benefits across industries and sectors, with a special focus on Micro, Small and Mid-sized Enterprises (MSME) and the financially disadvantaged. Reinforced by the measures and its strong fundamentals, India ended the year recording an economic contraction of 7.3% in FY21, lower than the initially expected 8% in terms of GDP and 6.2% in terms of Gross Value Added (GVA). The recovery across the sectors was uneven and depended on multiple macro and micro factors. Agriculture, utility, consumer durables, digitally-driven business and sectors providing ancillary support to work-from-home have seen a surge in demand.

GVA at Basic Price for 2020-21 (at 2011-12 prices) along with Key Sector Performance

(in %)



ECONOMIC OUTLOOK

The Indian economy continues to grapple with the second wave of the pandemic, although cautious optimism is resurfacing. As per latest assessment, the second wave's impact has been limited, given that the lockdowns have been localised and businesses have adapted to working under COVID-19 restrictions. Though the domestic market has seen a demand side pressure, several aspects of aggregate supply conditions continue to remain strong. Agriculture and contactless services continue to hold up, as seen in the first wave, while industrial production and

exports have seen a sudden surge even amidst pandemic protocols. The future outlook looks promising with the RBI projecting a growth of 9.5% in FY22. Containment of the second wave and increased pace of vaccination remain a caveat, especially as the virus continues to mutate, sparking fears of imminent resurgence. However, with strong contingency planning and increased provision for medical resources and infrastructure, we expect the impact of future waves of the virus to be limited. The economy has the resilience to bounce back and unshackle itself from pre-existing cyclical and structural hindrances.

BANKING SECTOR

The Indian banking system is well regulated by the country's dynamic central bank and follows global gold standards in terms of corporate governance and risk management practices. The industry has recently witnessed the roll out of innovative banking models such as payments and small finance banks to aid the restructuring of the domestic banking industry and financial inclusion to a greater depth.

During FY21, bank credit remained subdued amid risk aversion and a muted credit appetite. However, the banking sector, which acts like an engine to economic growth, showed great resilience, adapting quickly to the changing environment and implementing a plethora of measures. The RBI and the government's multidimensional efforts to maintain financial stability and provide necessary regulatory support to ease both demand and supply constraints aided economic recovery. A booming capital market and low interest rates also helped most of the banks to raise capital adequacy.

Key Measures undertaken by the RBI in FY21

The RBI remained engaged in safeguarding the economy and the country's financial system, maintaining financial stability and creating congenial financing conditions for all stakeholders during a difficult period. It announced liquidity measures amounting to ₹13,61,200 crores, nearly 6.9% of the GDP since February 6, 2020 to March 31, 2020. Of this, measures worth 4.5% of the FY21 GDP was availed and absorbed by the economy. With the second wave hitting the country, the RBI continues to provide relief to the economy and has already announced (till June 7, 2021) liquidity measures worth ₹3,61,000 crores, equivalent to 1.8% of the FY21 GDP. Some of the key measures include:

- CRR cut from 4% to 3% during FY21, injecting liquidity to the tune of ₹1.37 lakh crores in the system
- Declaration of loan moratorium to provide breathing space to business houses hit by the pandemic
- Constant support through Repo Rate cut from 5.75% in June 2019 to 4.40% in March 2021 and later 4%
- Government Security Acquisition Programme (G-SAP) and regular open market operations (OMOs) wherein the RBI will buy government securities worth ₹2,20,000 crores to soothe market participants' doubts and help government borrowing smoothly and at relatively low cost.
- To provide support to small business units, micro and small industries, and other unorganised sector entities, the RBI has decided to conduct SLTRO of ₹10,000 crores at the repo rate for **Small Finance Banks (SFBs)**, to be deployed for fresh lending of up to ₹10 lakhs per borrower

Banking Sector Outlook

Even though FY21 has been a difficult year in terms of operation and likely asset quality pressures, the banking sector has immensely benefited from the multiple measures taken by the RBI to maintain liquidity in the market. As the second wave of the pandemic recedes and economic activities pick up, the huge capital outlay of ₹5,54,236 crores announced in the Union Budget will ensure that economic growth returns. The banking and financial services sector has a huge role to play in sustainable economic development and recovery and at the same time it will benefit significantly from the economic growth.

Additionally, the long-term macro factors remain strong, with the Indian demographic dividend holding out tremendous potential. The banking sector will play a principal role, acting as a catalyst to economic growth by providing timely and adequate credit to deserving entities and mobilising resources in remote corners of the country.

Opportunities for the Sector

- **Digitisation:** Increased digitisation and use of fintech is setting the stage for long-term improved efficiencies and better productivity with initial capital outlay and resource mobilisation into newer streams
- **Liquidity:** Added focus on maintaining high liquidity to meet unforeseen requirements and provide continuity to business. This imparts greater significance to financial inclusion and deep penetration, as retail finance emerges as an important source of low-cost finance
- **Asset Quality:** Augmented focus on maintenance of asset quality and measures to de-risk and reduce credit, market, operational and systemic risks. The quality of asset creation is gaining more importance than the quantity for healthier practices of lending
- **Product Offering:** Packaging the right products to enhance retail outreach as well as diversify portfolios to reduce risk

SMALL FINANCE BANKS

Small Finance Banks (SFBs), an innovative private sector entrant in the Indian banking system with emphasis on financial inclusion, are a category created by the RBI in 2016 under the guidance of Government of India. As part of the banking system and being governed by RBI, they follow primary regulations and trends in the banking industry with a few key differentiators. The mandate for SFBs is to use technology-driven low-cost operations to provide banking products to the underserved masses. This encompasses small and medium business units, includes small and marginal farmers, micro, small and medium industries, other unorganised sector entities, and various income groups. The priority is to fulfil the financial needs at affordable prices of one and all, in every nook and corner of the country, leaving no socio-economic group unbanked and unserved for financial needs. These are primarily differentiated financial institutions with their focus on serving the population with small and medium finance needs.

SFBs have witnessed a rapid growth in their branch network and asset base while maintaining a healthy asset quality and generating high return on assets. These banks have been highly successful in reaching out to the underserved sectors and have created a niche for themselves in serving the MSME sector and servicing borrowers with small and mid-size credit needs.

Small Finance Banks Outlook

Multiple macro factors bode well for the SFBs, given the increasing demand for financial services in semi-urban and rural India. There is also a huge scope of increasing market share as preference shifts from informal credit channels to regulated institutions, with an opportunity

to not only provide basic banking services but cross-sell own and third-party products and meet overall banking and financial needs of diverse socio-economic groups. The SFB space has huge untapped business potential which can turn out to be a catalyst of financial inclusion and lead the socio-economic growth trajectory of India to newer heights.

Capital Small Finance Bank

Capital Small Finance Bank is a unique new age small finance bank with an experience of over two decades of commercial bank in its erstwhile avatar as a local area bank. The Bank has built a phenomenal brand equity courtesy a robust retail centric business model with granular asset and liabilities portfolio, seasoned and experienced leadership team, high asset quality, relationship-based banking, committed and loyal human capital, full range of products and services with state-of-the-art infrastructure and strong impetus on digitization.

Capital Small Finance Bank's strong asset quality and low cost of funds continues to augur well for its present and future performance. The Bank has a strong CASA base helping the bank with lower cost of funds. While granular advances with diversified loan portfolio, sound credit appraisal and recovery mechanism aid the bank maintain superior asset quality. The NPA ratio of the Bank has been moderate since inception, reflecting better management of credit risk. Bank's customised products and technology-driven simplified operations will lead to increased customer stickiness. The stellar performance despite outbreak of covid 19 has helped the bank stand tall in the category of small and mid-sized commercial banking space in India.

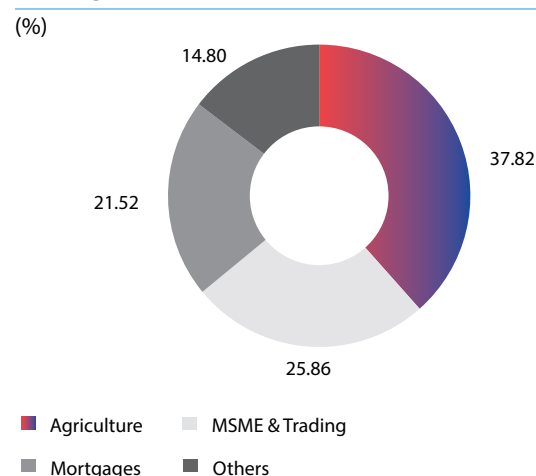
BUSINESS REVIEW

Advances

Despite the uncertainties, CSFB was able to maintain its disbursements and saw a considerable growth in overall asset under management. The Bank maintains nearly a cent per cent secured loan book and continues to focus on granular retail asset portfolio.

Even though Priority Sector Lending (PSL) targets are a regulatory requirement, the Bank has taken it up as an added opportunity to serve the unbanked and underserved sections, fulfilling their credit requirements while also achieving the PSL targets. The Bank continues to exceed the targets set by RBI with its PSL advance increasing by 11.63% to stand at ₹2557.76 crores as on March 31, 2021 as against ₹2291.36 crores as on March 31, 2020. Advances to weaker sections, including small and marginal farmers and scheduled castes stand at ₹315.07 crores as on March 31, 2021 as against ₹237.77 crores on March 31, 2020, which is 96 bps higher than the regulatory benchmark of 10% (including PSLC).

AUM Split



Unit	₹ in crores		In %
	FY21	FY20	
Agriculture	1,423.21	1,274.44	11.67%
MSME & Trading	973.04	889.51	9.39%
Mortgages	809.65	639.69	26.57%
Others*	557.09	521.93	6.74%

*includes consumption loans | loans to NBFCs for on-lending.

Agriculture

Agriculture continues to remain one of the key sectors, making up ~16% of India's GDP and being one of the major providers of employment in the country. With a normal monsoon and continued government focus on increasing farmer income through multiple schemes, this sector is likely to see an uptick.

FY21 HIGHLIGHTS: AGRICULTURE SECTOR

37.82%
Share in Loan Book

₹1,423.21 cr
AUM

₹1.22 mn
ATS at Portfolio

₹415.89 cr
Disbursements

₹0.92 mn
ATS at Disbursements

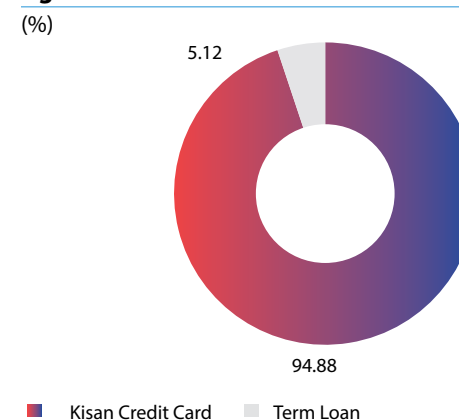
2.07%
NPA

99.72%
Secured Portfolio

The Bank's Kisan Credit Card Scheme continues to remain its flagship product, under which it provides farmers short and long-term essential credit facility.



Agri-Profile

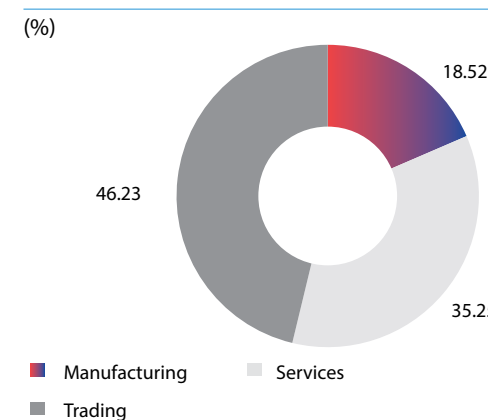


MSME & Trading

MSME and the trading sector forms the backbone of the economy, providing livelihood to millions in the country. The sector has been the key focus of the government during the year, receiving over ₹3,70,000 crores under the Aatmanirbhar Bharat scheme that aimed to keep the sector afloat during the pandemic. The increased scope under a new definition of the sector, the slew of policy measures to improve ease of business and the business environment, along with additional government support, bode well for the sector. Comprehending the role of SFBs as the end provider of credit to MSMEs and small businesses, the RBI has recently announced a three-year special long term repo operation (SLTRO) of ₹10,000 crores at a repo rate so that SFBs can provide the sector the required push.

The Bank provides both working capital and serves long-term requirements of clients, including financing of stocks and book debts, fixed asset financing, and project financing, amongst other services to aid the smooth running and expansion of clients' business.

MSME-Profile



FY21 HIGHLIGHTS: MSME & TRADING SECTOR

25.86%
Share in Loan Book

₹973.04 cr
AUM

₹2.02 mn
ATS at Portfolio

₹423.04 cr
Disbursements

₹1.24 mn
ATS at Disbursements

3.85%
NPA

100%
Secured Portfolio

Mortgages

The multiple sub-segments under the business vertical remained subdued, facing pressure due to the pandemic. Given the fiscal and monetary support from the government to boost the economy and robust macro-factors, the segment should bounce back as the economy recovers.

The Bank continues to focus on small ticket assets, providing much needed support to the credit requirements of lower and middle-income groups, especially during the challenging times of the pandemic.

FY21 HIGHLIGHTS: MORTGAGE SECTOR

21.52%

Share in Loan Book

₹809.65 cr

AUM

₹1.10 mn

ATS at Portfolio

₹309.18 cr

Disbursements

₹0.98 mn

ATS at Disbursements

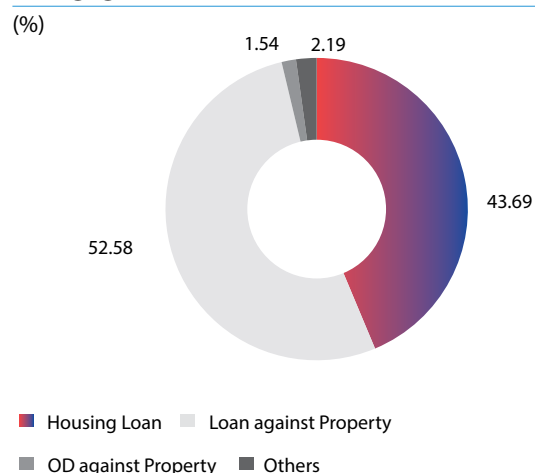
0.78%

NPA

100%

Secured Portfolio

Mortgage- Profile



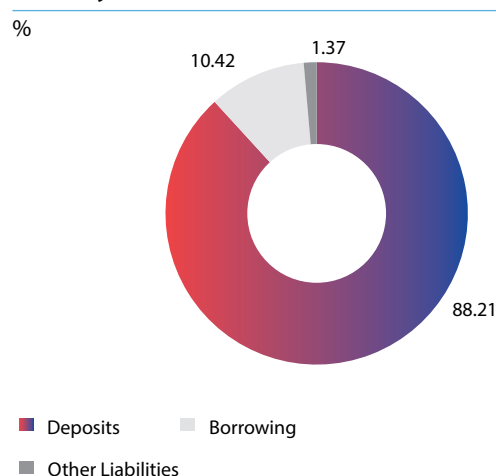
Liabilities

The Bank has established a strong retail franchise model built upon the pillars of trust and consistent performance over the years with strategic focus on relationship banking to generate long term relationships with its diverse clientele and granular liabilities portfolio.

The Bank accepts deposits from its well diversified customer base under its every increasing graphical reach, focusing on a granular and retail driven liability portfolio. These sourced deposits underwrite a substantial part of the Bank's funding requirements and enables it to maintain low cost of funds. It also raises funds through borrowings, including through Tier II bonds and other sources as per requirement.

FY21 HIGHLIGHTS: LIABILITY

Liability Profile

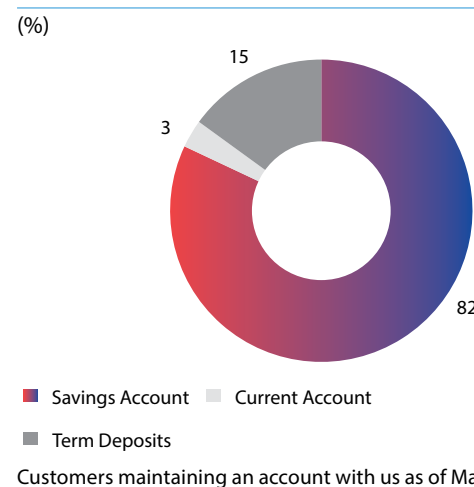


Type of Deposits	₹ in crores	
	FY21	FY20
CASA	2,092.63	1,614.67
Term Deposits	3,128.44	2,831.95
Retail Deposit	3,002.96	2,522.02
Bulk Deposit	125.48	309.93
Deposits	5,221.07	4,446.62

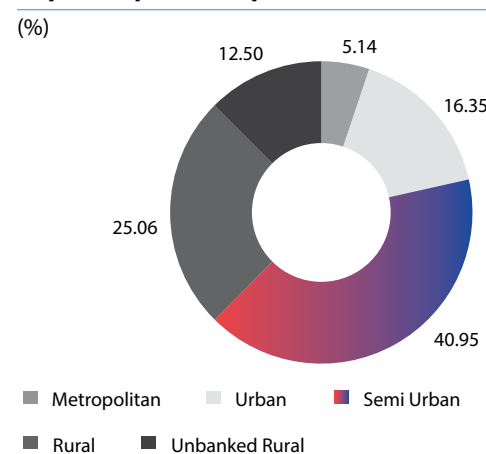
96%

Share of Retail Term Deposit

Customer Distribution



Pop-Group Wise Deposit



Third Party Products

The Bank provides its customers several third-party products, becoming a one-stop shop for all their financial needs such as insurance, foreign exchange services, including money transfer and money exchange requirements. The Bank also cross-sells its insurance products to borrowers, safeguarding their families in case of an unforeseen event. These services are provided through the Bank's collaboration with multiple leading insurance and foreign exchange service providers.

FY21 HIGHLIGHTS: THIRD PARTY PRODUCTS

Life Insurance

		₹ in crores	₹ in crores
New Policies	NOPs	Amount	Profit
FY20	5462	25.51	5.27
FY21	5890	22.26	5.39

General Insurance

		₹ in crores	₹ in crores
New Policies	NOPs	Amount	Profit
FY20	34982	14.84	2.02
FY21	30151	15.41	2.20

Foreign Exchange

Profit	₹ in crores	
	Money Exchange	Money Transfer
FY20	3.58	0.60
FY21	2.08	0.44

FINANCIAL HIGHLIGHTS

Profit & Loss Summary

	₹ in crores		
	FY 20-21	FY 19-20	Change y-o-y
Income			
Interest Earned	511.44	458.13	11.64%
Interest Expended	312.83	285.51	9.57%
Net Interest income	198.61	172.62	15.06%
Other income	45.86	42.96	6.75%
Net total Income	244.47	215.58	13.40%
Expenses			
Operating Expenses			
Employee Cost	90.43	84.64	6.84%
Other Operating Expenses	82.53	78.69	4.88%
Operating Profit before Provisions and Contingencies	71.51	52.24	36.89%
Provisions (other than tax) and Contingencies	17.77	17.66	0.62%
Profit Before Tax	53.74	34.58	55.41%
Tax Expenses	12.95	9.20	40.76%
Profit After Tax	40.78	25.38	60.68%

Asset and Liability composition

	₹ in crores		
	FY 20-21	FY 19-20	Change y-o-y
Liability			
Capital	33.91	33.81	0.31%
Reserves and Surplus	416.88	372.97	11.77%
Deposits	5,221.07	4,446.62	17.42%
Borrowings	616.72	420.92	46.52%
Other Liabilities and Provisions	82.66	55.55	48.79%
Total Liabilities	6,371.24	5,329.88	19.54%
Assets			
Cash and Balances with Reserve Bank of India	721.72	221.23	226.23%
Balances With banks and Money at call and short notice	568.70	594.52	-4.34%
Investments	1,212.25	1,051.87	15.25%
Advances	3,726.89	3,308.31	12.65%
Fixed assets	86.55	90.62	-4.49%
Other Assets	55.12	63.32	-12.95%
Total Assets	6,371.24	5,329.88	19.54%

Key Ratios

	FY 20-21	FY 19-20
Net Interest margin	3.40%	3.52%
Gross NPAs	2.08%	1.76%
Net NPAs	1.13%	1.25%
Return on Assets	0.70%	0.52%
Return on Equity	9.51%	7.72%
Return on AUM	1.23%	0.89%
Cost of Deposits	5.68%	6.10%
CRAR	19.80%	19.11%

SCOT Analysis

Strengths

- Stakeholder's trust leading to stellar all-round performance built on consistent performance for more than two decades.
- Strong brand equity courtesy retail driven customer centric business model.
- Highly proficient, loyal and committed management & human capital.
- Strong asset quality with almost cent percent secured & granular well diversified asset portfolio.
- Handsome CASA (early 40 percent's) courtesy relationship driven culture and focus on customer's cash flows.
- Complete bouquet of banking services under single roof at affordable costs.
- Customer centric approach i.e both internal and external customers.

Opportunities

- Massive geographical expansion opportunities to build strong contender for universal banking license.
- Huge profit potential by expanding product profile and customer base.
- Digitization can play game changer in terms of improving cost efficiencies, increasing customer outreach and customer's interface experience to digital products.
- Optimization of brand equity built on trust and performance in existing and newer geographies.
- Huge potential to invest in start-ups and business partners to enhance product range, improve efficiencies and enhance customer base and customer experience.

Challenges

- To provide adequate growth capital as well as risk capital from time to time to take the bank to the next level of profitability and scale.
- To maintain continued customer connect during the challenging times

Threats

- Increased cyber security threat.
- To retain and cultivate future leaders to take the organization to the next level.
- Penetration by existing players and emergence of newer competitors in the industry can squeeze margins.
- Sudden changes in the government & regulatory guidelines can sometimes create pressure of margins.

INFORMATION TECHNOLOGY

The Bank continues to make significant investments in Information Technology, adopting digital transformation across its business verticals. It strongly believes that the industry will be driven digitally through a mixed platform, especially given the increased adoption of digital during the pandemic.

The Bank has always believed that digital exploration is the way ahead for all banks and even while it was still a local area bank, it had obtained direct membership to avail of National Electronic Funds Transfer (NEFT) and Real-Time Gross Settlement (RTGS) facilities from the RBI way back in September 2012. The Bank is also a direct member of National Financial Switch (NFS), which allows its customers card acceptance and enables them to access the Rupay network throughout India. It also provides other centralised payment channels to its customers, including Unified Payments Interface (UPI), Immediate Payment Service (IMPS) and National Automated Clearing House (NACH), bill payments, and so on.

The Bank has a robust digital system in place and is using the Core Banking System from Intellect Design Arena Ltd. (erstwhile Polaris Financial Technology Ltd.) Chennai, which enables its clientele to avail any branch banking and anytime banking through different delivery channels. The Bank has two Mobile Banking Applications – Capital Bank Mobile+ and Capital Bank Mobile Connect. Recently, the Bank also launched a new Internet Banking application, with new features and security. CSFB's robust technology foundation enabled a smooth transition to 'work from home' during the uncertain times of March 2020.

The Bank is cognisant of its responsibility of providing a secure environment to its customers and persistently working on fortifying its systems to provide a safe and secure platform to them that allows them to have a seamless experience of service. It has been CSFB's simultaneous endeavour to leverage information technology as a strategic tool to further strengthen its business operations and customer service.

TREASURY OPERATIONS

The bank has a dynamic and robust Treasury Department catering to diverse organization and regulatory requirements. The Treasury is the interface between the Head Office and the Branches for various activities such as liquidity and cash management, payments and settlement processes, funds transfer activities, various other activities. The Treasury Department is founded on

the three pillars of safety, liquidity and earning handsome risk adjusted returns for the bank.

The treasury function of the Bank is essentially accountable for Asset Liability Management (ALM) and maintains compliance with statutory requirements as per the RBI's guidelines. This involves competent fund management, planning and positioning, maintenance of day-to-day liquidity, judicious long term and short-term investments portfolio in accordance with the applicable regulatory and internal policy frameworks. The Treasury Investment Portfolio is founded on three core principals of safety, liquidity and risk adjusted returns in order to provide the Bank sufficient liquidity, highest asset quality and superior risk adjusted returns.

During FY21, the Bank followed Active Treasury Investment Portfolio Strategy by structuring short term and long term portfolio as per the ALM and interest rate cycle. The Bank maintained high liquidity and highest asset quality of investment portfolio by investing in short-term government instruments and markets and built a long maturity portfolio comprising of government securities, through a combination of interest rate expectation strategy to earn the benefit of fall in yields as well as using an accrual strategy to earn from the steep yield curve. The Treasury Investment Portfolio earns handsome risk adjusted returns and maintains a handsome spread over the cost of deposits to add impetus to the bottom line of the Bank.

RISK MANAGEMENT

The Bank understands its fiduciary responsibility of managing public money and holds itself accountable in maintaining the highest levels of safety and liquidity. It undertakes calculated risks to earn risk adjusted returns as required and has 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 covers the stages of identifying, assessing, measuring, managing, controlling and reporting risk concerns across all the risk classes viz. Credit, Market and Operational Risks and Liquidity Risk. Effective internal policies are developed in tune with the business requirements and best practices.



The Bank has a strong impetus towards risk management and realizes the fundamental importance of a robust framework. It constantly monitors the changing dynamics in the industry and is evolving to strengthen its ability to manage risk effectively and efficiently in alignment with its risk appetite, risk assessment and risk mitigation strategy.

COMPLIANCE

Compliance is a multi-dimensional domain with its implications varying with area of application. Being a financial institution, compliance risk is assessed primarily under four key areas of maintaining RBI Compliance, Corporate Compliance, KYC and AML Compliance and Information Technology Compliance.

The Bank is committed to follow best practices and market standards in areas of accountability, transparency and business ethics in order to promote highest standards of corporate governance. Good governance and corporate social responsibility form an integral part of Bank's culture. At the core of these efforts are integrity issues and the reputation risk which the Bank faces in its activities. To manage these issues, the Bank has an independent, dynamic and robust compliance function covering each and every aspect as per statutory guidelines and best business practices.

The Bank understands the need of ensuring the compliance from top to bottom and works on the fundamental principles of: Integrity, Impartiality, Loyalty, Accountability, Discretion and Respect.

HUMAN RESOURCES

The Bank's employees are its biggest strength and it continues to invest in them, striving to provide them a cohesive work environment. FY21 imposed unprecedented challenges and the people function at CSFB evolved with the ever-changing dimensions of the pandemic, showcasing agility, creativity and flexibility.

Please refer to Page 20 of the report for a detailed discussion on CSFB's HR policies.

RESPONSE TO COVID-19

The Bank took pre-emptive and proactive measures to maintain business continuity during the pandemic by activating the Business Continuity Plan to combat the uncertainty in the environment. The primary concern of the Bank was to maintain the health and well-being of its employees, and the mitigation of any probable disruption

while serving its customers. A detailed Business Continuity Plan (BCP) during the pandemic was activated early on to preserve the organisations sustainability.

CORPORATE SOCIAL RESPONSIBILITY

The sustained growth of CSFB has seen over the past two decades has enabled it to participate in the economic development of the region in which it operates apart from undertaking initiatives that further inclusive social development. The Bank believes in furthering the interests of the communities in which it operates, focusing on their holistic development for a shared future. For CSFB, Corporate Social Responsibility (CSR) is much more than a regulatory requirement. It encapsulates its passion and determination to serve, enrich and expand social benefits to the unprivileged and downtrodden sections of society residing in areas where the Bank conducts its operations.

Key Area of Operations

COVID-19 Initiatives

To support and save lives, the Bank offered every possible help to the authorities, including undertaking the distribution of sanitisers, gloves, masks and other protective gear. It also made donations to approved funds and bodies besides furthering the government's drive for mass inoculation.

Education

In education, the Bank's intervention has been directed at mainstreaming children and improving the quality of education they receive. It provides educational sponsorships to students belonging to economically, socially, and physically challenged categories. It also supports infrastructure, such as construction of libraries, supportive classes computers, science laboratories, and other such verticals to create a conducive learning environment and to promote learning with joy.

In addition, its programmes are targeted at bridging skill gaps, particularly in the banking industry, along with grooming candidates to make them job-ready.

Rural Sports Development

The Bank has been trying to revive local sports by spreading awareness about the opportunities it opens up. CSFB makes resources available to rural communities so that they can nurture and develop local talents in sports and also organises and sponsors tournaments for social categories in need.

WAY FORWARD

The human race has overcome every crisis in history with determination, positivity and perseverance. As an organisation, we have successfully come a long way and will continue on our path with prudence and cautious aggression. The stellar all round performance of the bank is depicting inherent strengths of the bank to combat any challenge and come out with flying colours year after year.

Although the situation during the ongoing pandemic remains uncertain, both people and businesses are better prepared for the disruptions. Even though the Bank expects short-term impact from the pandemic, especially in the first quarter of FY22, it believes the overall economic impact of the pandemic will be limited. With the central bank continuing with its focus on maintaining liquidity and stability in the markets, and the government also expected to provide relief, especially to the priority sectors, the Bank believes in its ability to register strong growth going forward.

The Bank remains cognisant of the dynamic environment and remains agile in business planning and strategy delineation. The tenacity and commitment shown by Bank and its teams gives it the confidence to overcome any hurdles that it may face in the future. Going forward, the Bank plans to focus on strengthening its brand value and continue to implement its contiguous geographical expansion strategy that will increase its footprint in the neighbouring states covering the whole NCR by FY 2023-24 before it drives expansion pan-India. The Bank is optimistic about its continuing growth trajectory and preserving its superior asset quality as it continues to drive financial inclusion across the country and become a Universal Bank in the due course of time. The bank believes in delivering high quality performance based on trust and performance and reap the benefits of strong brand equity.

CAUTIONARY STATEMENT

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



Directors' Report

Dear Shareholders ,

The Directors of the Bank have great pleasure in presenting the 22nd Annual Report on the business and operations of the Bank along with the audited accounts for the year ended March 31, 2021. The year gone by has brought once in a century human crisis in the form of outbreak of pandemic covid 19. The united response of the policy makers, institutions, corporates, investors and other stake holders has been to safe guard lives first for better livelihoods. The human spirit to fightback, survive through all odds, business acumen, empathy, research and development in medical and health care sector and technological innovations to find newer ways and means to survive and thrive shall bring a neo socio-economic order for sustainable and inclusive growth and development.

The Bank has marched ahead with magnificent all round performance amidst unprecedented challenges by following its tradition of trust and performance. The Bank has worked hard for over two decades to build its strong brand equity with focused efforts to build a strong retail franchisee business model where relationship takes the center stage. To sum up the glorious performance in a single line is "Trust Leading to Stellar Growth."

In the last three years, the Compounded Annual Growth Rate (CAGR) of Deposits is 25.0%. In spite of COVID-19 pandemic effect during the fag end of the financial year and higher provisioning, the Bank has shown handsome growth in profit. There has been a growth in the branch network from 150 as on March 31, 2020 to 158 as on March 31, 2021.

OUR WORK ETHICS

- Contiguous Expansion
- Community outreach
- 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

FINANCIAL PERFORMANCE

The Bank has shown all round excellent performance during the year March 31, 2021 despite loss of business during the fag end of the financial year due to COVID-19 pandemic. Moreover, there has been higher provisioning caused due to relief measures provided by Bank to its customers.

FINANCIAL HIGHLIGHTS

Particulars	(₹ in crore)	
	Year Ended March 31, 2021	Year Ended March 31, 2020
Deposits	5,221.07	4,446.62
Advances	3,762.99	3,325.57
Total Business	8,984.06	7,772.19
Gross Revenue	557.3	501.09
Net Interest Income	198.61	172.62
Operating Expenses	172.96	163.33
Provisions & Contingencies	30.73	26.86
Profit Before Tax	53.74	34.58
Profit After Tax	40.78	25.38
Transfer to Statutory Reserves	10.2	6.35
Transfer to other Reserves	3.07	3.31
Dividend	-	0.6
Corporate Dividend Tax	-	0.12
Carried Forward to the next year	27.51	15
Paid up Capital	33.91	33.81
Reserve & Surplus	416.88	372.97
Net Worth	447.03	402.83
Book Value per Share (₹)	132.93	120.32
Earning Per Share (₹)	12.04	8.18
Non-Performing Asset (Net)	42.14	41.25

(₹ in crore)		
Particulars	Year Ended March 31, 2021	Year Ended March 31, 2020
Ratio Analysis		
Credit Deposit Ratio	72.07%	74.79%
Return on Equity (Pre-tax)	12.53%	10.53%
Capital Adequacy Ratio	19.80%	19.11%
Business Per Employee	5.49	4.84
Branches		
Rural	69	63
Semi-Urban	48	46
Urban	30	29
Metro	11	12
Total	158	150
No. of ATMs	160	151

The Bank stands out in the industry on all performance parameters, be it in operating performance, asset quality or liquidity management. Despite the headwinds and the unprecedented chain of events caused by the outbreak of the COVID-19 pandemic, our Net NPA has dipped from the previous year's level of 1.25% to 1.13% during the fiscal. The experience of marching ahead in extremely tough circumstances has given us confidence and courage to face any challenge unfazed and we believe in our core competencies to repeat such a stellar performance going forward as well despite all the headwinds of uncertainty.

OUR USP

- Quality Retail Franchise Model
- Customer Relationship Banking
- Superior Asset Quality
- Highest Standards of Corporate Governance
- Sound and Dynamic Business Model
- Quality & Loyal Human Capital
- State of the art Infrastructure
- Modern Age Banking Products & Solutions
- Uninterrupted & Extended Banking Hours
- One-Stop Financial Hub in rural and semi urban areas
- Elated Workforce and Delighted Customers

PERFORMANCE AND PROFITABILITY

After establishing a strong footprint in the state of Punjab, the Bank has now started expansion in the states of Delhi, Haryana, Rajasthan along with Union Territory of Chandigarh. Conversion of the Bank to Small Finance Bank has removed the geographical barriers for expansion, resulting in exponential growth of the Bank in all spheres. The branch network has grown from 47 branches on

March 31, 2016 (the eve of conversion) to 158 as on March 31, 2021. The business of the Bank has grown at CAGR of 25%. There has been substantial increase in advances and CD ratio has increased to 72% as on March 31, 2021, as against 60% on the eve of conversion.

Banking is a capital-intensive business and your bank has always remained well capitalized to provide for growth capital. The Bank has carved out aggressive growth and expansion plans and to achieve such fast track growth and expansion the bank has been raising capital from time to time through various instruments and tap different markets as and when necessary. The Bank is adequately capitalized at the end of the current financial year to meet the projected growth. The capital adequacy of the bank stand at 19.80% as on March 31, 2021.

DIVIDEND

The Board assessed the performance of the Bank during the year under review in light of the on-going pandemic. The Board recognised the need to strike a balance between being prudent and conserving capital in the Bank, whilst also meeting expectations of the shareholders. The Board after assessing the capital buffers, liquidity levels and the impact of COVID-19 on the operations of the Bank, recommended payment of dividend for the financial year ended March 31, 2021 of ₹0.80 per equity share of face value of ₹10 each.

CAPITAL ADEQUACY RATIO (CAR)

- The basic approach of capital adequacy framework is that the Bank should have sufficient capital to provide a stable resource to absorb any losses arising from the risks in its business as well as to provide growth capital. The Bank has designed well calibrated capital adequacy plan taking into account both systematic risk i.e being faced in the banking industry as well as idiosyncratic risk i.e the Bank specific risk. At the same time the Bank has tried to provide ample cushion for

the growth capital so that the Bank is able to manage its growth at exponential pace while managing various risks. The Bank has chalked out plans for maintaining sufficient buffer capital to provide for any kind of stress as well as to provide ample growth capital to keep the growth trajectory on the accelerated lane. The Bank has put in place various methods, ways and instruments for capital raising from time to time in the next couple of years depending upon its growth capital needs, risk assessment and risk profiling as well as keeping buffer capital for unexpected event risks of the future.

- The Bank has a healthy CRAR of 19.80% for the financial year ending March 31, 2021 as compared to 19.11% as on March 31, 2020.

Ratio of capital to risk-weighted assets	Current Year	Previous Year
i) CRAR (%)	19.80%	19.11%
ii) CRAR - Tier I capital (%)	14.27%	14.00%
iii) CRAR - Tier II Capital (%)	5.53%	5.11%
iv) Leverage Ratio	6.67%	7.27%

- To meet out the aggressive growth and expansion plans and to achieve fast track growth and at the same time to manage risk better and keep its balance sheet healthy, the Bank has been raising capital from time to time through various instruments and tap different markets as and when necessary. The Bank is looking to explore capital market to raise funds provided the market sentiment and valuations are favorable for all the stakeholders.

CAPITAL AND DEBT STRUCTURE

- The Bank had Authorized Capital of ₹35.00 crore and Issued, Subscribed and paid up Capital of ₹33,80,72,170/- as on March 31, 2020. The members vide ordinary resolution dated July 13, 2020, passed through Postal Ballot, approved the increase in the Authorized capital of the Bank from ₹35.00 core to ₹50.00 Crore. Further the Bank during the current year has issued and allotted 71,850 Employee Stock Options on August 05, 2020, 12,382 Employee Stock Option on October 12, 2020, 19,232 Employee Stock Option on February 25, 2021 of ₹10/- each at a premium of ₹88/- (i.e at the total issue price of ₹98/-) per share. The Details of the same is as under:

Options granted during the year	NIL
Vested	1,41,393
Exercised	1,03,464
The total number of Shares arising as a result of exercise of options	1,03,464
Options lapsed	2
Variation in terms of Options	NIL
Money realised by exercise of Options	1,01,39,472
Total number of options in force	4,65,509
Employee wise details	<ol style="list-style-type: none"> 1. KMP <ul style="list-style-type: none"> Mr. Munish Jain 16,071 options Mr. Amit Sharma 78 options 2. Any other employee who receives a grant of options in any one year of options amounting to five percent or more of total options granted during that year: Nil 3. identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital, excluding outstanding warrants and conversions, of the company at the time of grant: Nil

- Therefore, the Bank has authorized capital of ₹50.00 crore and subscribed, issued and paid up capital of ₹33,91,06,810/- as on March 31, 2021.
- Further the Bank has issued and allotted 16,421 Employee Stock Option on May 07, 2021 of ₹10 each at a premium of ₹88/- (i.e at the total issues price of ₹98/-) per equity shares.

- The above capital raised puts the Bank in a comfortable position to withstand any challenges caused by the outbreak of COVID-19 pandemic as well as has ample ammunition to propel its expansion once the situation comes back to normal. All in all, the Bank has ample firepower to withstand the deterioration caused by lockdown and economic standstill as well as to restart

its aggressive expansion plan once the pandemic is over and things return to normal.

- Further the during the current year, the Bank has issued and allotted 3,140 Unsecured Redeemable Subordinated Non-Convertible Lower Tier-II BASEL II Compliant Bonds 2020-21 (**SERIES XVIII**) on November 18, 2020 of ₹1,00,000 each per bond aggregating to ₹31,40,00,000/- on private placement basis with Coupon rate of 9.25% p.a (Simple Interest) and Redemption date of November 18, 2030. The securities were offered at a face value of ₹1,00,000/- (Rupees One Lakh only) each for cash at par aggregating to ₹20.00 Crores (Rupees Twenty Crores only) With Green Shoe Option of ₹20.00 Crores (Rupees Twenty Crores only) total aggregating upto ₹40.00 Crores (Rupees Forty Crores only).

As an organisation, we have successfully come a long way and will continue on our path with prudence and caution. Throughout the challenging phase, we chose a policy of balanced aggression in terms of investment and spending. Your Bank has proved to be consistent performer over the past two decades, gaining the abiding trust of its stakeholders. We will continue to build our brand equity on the pillars of customer engagement, contiguous expansion, dynamic and responsible leadership, sound asset quality and an enriched human capital.

The stellar performance amidst global health care crisis is the result of the seeds of well planned business model, dynamic leadership, strong business strategy formulation and execution, customer centric approach and selfless human capital sown over two decades and the results are depicted in all round magnificent performance.

STATUTORY DISCLOSURES

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

We've made all statutory compliances with respect to the rules/regulations/guidelines/notifications issued by the Reserve Bank of India and the Government of India including maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) during the period under review.

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

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

- (ii) No employee in the Bank was in receipt of the remuneration in excess of the Managing Director and holds 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 enclosed as **Annexure - B** 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).

Accordingly, Dividends for and up to the financial year ended March 31, 2013 have already been transferred to the IEPF. Further, please note that the unclaimed Dividend in respect of the financial year ended March 31, 2014 must be claimed by the concerned Shareholders on or before November 04, 2021 failing which it will be transferred to IEPF in accordance with the Rules. The data for the same is available on the website of the Bank at <https://www.capitalbank.co.in/unpaid-dividends>

The details of Unclaimed Dividends as on March 31, 2021 and the last date for claiming the same, prior to its transfer to the IEPF, are as under:

Dividend for the year ended	Date of declaration of Dividend	Last date of claiming Dividend
31.03.2014	27.09.2014	03.11.2021
31.03.2015	19.09.2015	26.10.2022
31.03.2016	23.09.2016	30.10.2023
31.03.2017	22.07.2017	29.08.2024
31.03.2018	18.08.2018	25.09.2025
31.03.2019	27.09.2019	03.11.2026

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 2012-2013 (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 are no qualifications, reservations or adverse remarks made by the Statutory Auditors and by Secretarial Auditors in their respective 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 Annual Return of the Bank is available on the website of the Bank at www.capitalbank.co.in in the format (MGT-7) prescribed under the Act.

7. Requirement for maintenance of cost records

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

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

Energy Conservation:

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

Technology Absorption:

We at Capital Small Finance Bank Limited (CSFB) believe that the banks with the ability to adopt and integrate information technology will dominate in the highly competitive domestic market. Accordingly, the Bank continues to leverage information technology as a strategic tool in business operations for customer delight by offering efficient and improved services with low cost and using it as a tool to improve staff productivity, increasing efficiency and more efficient & effective control over banking operations.

We are convinced that investing in IT is critical and also understand that its potential and consequences on the banking is enormous. That is why the Bank since its inception is equipped with a full-fledged Information Technology Department with required manpower to strengthen, develop, maintain and support IT infrastructure.

The Bank is also a Direct Member of payment systems NFS, NACH, CTS, IMPS, UPI, ECS, APBS, BBPS, NEFT & RTGS payment systems.

Core Banking

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

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

9. 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.

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

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

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

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

For the financial year ended March 31, 2021, the Bank had transferred ₹10.20 Crores to the Statutory Reserve Fund (maintained under section 17(1) of RBI Act, 1934). The Bank has transferred ₹69.23 lakhs to Special Reserve maintained under section 36(viii) of Income Tax Act, 1961.

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

The Bank has formulated and adopted a robust risk management framework. Whilst the Board is responsible for framing, implementing and monitoring the said risk management frame work, it has delegated its powers relating to monitoring and reviewing of risk associated with the business of the Bank to the Risk Management Committee. 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 and Liquidity Risk. The Risk Management Policies adopted and reviewed periodically articulate, codify the strategy, structure, processes and systems to manage bank wide risks. Expanding business arenas, deregulation and globalization of financial activities, emergence of new financial products and increased level of competition has necessitated the need for an effective and structured risk management practice in financial institution.

The Bank has adopted an integrated approach for the management of risk. Effective internal policies are developed in tune with the business requirements and best practices. Capital Bank has formulated 'Risk Management Policy' which also includes Internal Capital Adequacy Assessment Policy (ICAAP) for identifying and measuring various operational, credit, market and solvency risks. Operational risks are managed through comprehensive systems of internal control, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular

contingency planning. We constantly strive to enhance the risk management capabilities in accordance with the emerging regulatory guidelines and the broad risk management principles. The Bank reviews the risk management system and the progress made in implementing the RBI guidelines on risk management, on a quarterly basis. The Asset Liability Management Committee (ALCO), consisting of the Bank's senior management and the Managing Director, is responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the Bank (on the assets and liabilities sides) in line with the bank's budget and decided risk management objectives. The Committee actively manages and controls the structure of assets and liabilities and interest rate sensitivities with a view of optimizing profits besides maintaining capital adequacy and sufficient liquidity. Statements for Structured Liquidity, Liquidity Coverage and Interest Rate Sensitivity of the Bank is being prepared in line with the RBI guidelines to actively manage the liquidity and interest rate risks.

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

The Bank gives utmost importance to manage various risks in most efficient way and has articulated comprehensive structure for liquidity risk management through various policy including Contingency Funding Plan (CFP) which aims to address the adverse liquidity scenarios. It is recommended by ALCO to Risk Management Committee of Board (RMCB) on annual basis for approval and is reviewed quarterly by the ALCO. In case, any review by the ALCO results in the funding gap, ALCO will be responsible to establish an action plan on the same which shall be approved by the RMCB. Further the decision to use the lines of defense as per the CFP lies with the ALCO. The contingency is defined in various scenarios. The comprehensive CFP endeavors to monitor liquidity on real time basis, with a wide and unrelated range of lines of defense, along with proper channel of reporting, escalation and decision making.

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

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

Stress testing forms an integral input of the internal capital adequacy assessment process (ICAAP), which requires the Bank to undertake forward-looking stress testing that identifies severe events or changes in market conditions that could adversely impact the Bank. The stress testing reports provide the senior management with a thorough understanding of the material risks to which the Bank may be exposed and to help in potential actions like mitigation techniques, contingency plans, capital and liquidity management in stressed conditions etc. Further, stress testing is an important input in identifying, measuring and controlling funding liquidity risks, in particular for assessing the Bank's liquidity profile and the adequacy of liquidity buffers in case of both bank-specific and market-wide stress events.

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

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

The composition of Board of Directors of the Bank is governed by the provisions of the Companies Act, 2013 and the Banking Regulation Act, 1949. The Board of the Bank as on March 31, 2021 consisted of thirteen Directors, out of which seven directors are independent.

The Bank has obtained declaration of Independence from Mr. Madan Gopal Sharma, Mr. Rakesh Soni, Mrs. Harmesh Khanna, Mr. Sham Singh Bains, Mr. Navin Kumar Maini, Mr. Gurdeep Singh and Mr. Gurpreet Singh Chug and they all meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013. Further, all the Independent Directors have complied with the Code for Independent Directors prescribed in Schedule

IV to the Act. The separate meeting of Independent Directors was conducted on July 31, 2020.

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

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

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

Nomination and Remuneration Committee (NRC) in its meeting held on May 13, 2020 approved the Board evaluation process for evaluating the performance of the Board and Committees as whole and individually. Further, a separate meeting of Independent Directors was held on July 31, 2020 for carrying out the annual evaluation of the performance of the Board, its Committees and of individual directors.

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

The state of affairs of the company in details has been given separately in different sections of the Board Report and also under Management Discussion and Analysis. There was no change in status of the Bank during the year.

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

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

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

The Bank has formulated Internal Compliant Committees at Head office level and at Cluster level (For Branches). The composition of the committees is in consonance with the provisions of The Sexual Harassment of women at the workplace (Prevention, Prohibition & Redressal) Act, 2013. These committees are formulated for redressal of complaints for Sexual Harassment of women at the workplace and take all necessary measures to ensure a harassment-free workplace. The Bank believes that all employees, including other individuals who are dealing with the bank have the right to be treated with dignity.

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

The following is the summary of the complaints received and disposed off during the Financial Year 2020- 21:

In Head Office

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

In Branches:

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

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

19. Adequacy of Internal Financial Controls Related to Financial Statements

The Companies Act, 2013 has introduced a reasonably advanced reporting concept for auditors i.e. Internal Financial Control (IFC) over financial reporting. Auditors of the company are required to report on adequacy and operating effectiveness of internal financial controls of the company with report on financial statements prepared under section 143 of the Companies Act, 2013.

The Bank as per the requirement of section 134(5) (e) has adopted the policies and procedures to ensure orderly and efficient conduct of 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 Bank by it's Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013.

20. Directors

The Board of the Bank is duly constituted in accordance with the provisions of Banking Regulation Act, 1949 and Companies Act, 2013. Mr. Sarvjit Singh Samra has been serving as the Managing Director & CEO of the Bank since July 21, 2003, with the approval of Reserve Bank of India (RBI) and the shareholders, from time to time. The Reserve Bank of India has approved the re-appointment of Mr. Sarvjit Singh Samra as Managing Director of the Bank for a period of three years w.e.f. April 24, 2019 which was confirmed by the Shareholders in the Annual General Meeting held on September 27, 2019.

Appointment of Part-time Chairman

The Reserve Bank of India conveyed the approval for appointment of Mr. Madan Gopal Sharma (DIN: 00398326) as Part-time Chairman of Capital Small Finance Bank Limited for a period of three years w.e.f. April 23, 2019.

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

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

During the year Mr. Mahesh Parasuraman (DIN: 00233782) and Mr. Srinath Srinivasan (DIN: 00107184) was regularized as Nominee Director on the board on the Bank and Mrs. Harmesh Khanna (DIN: 03078018) and Mr. Rakesh Soni (DIN: 07262045) was re – appointed as Non – executive Director for the second terms for three years in the EGM held through Postal Ballot the result of which was declared on July 13, 2020.

Directors Retiring by Rotation

In terms of Section 152 of the Companies Act, 2013, Mr. Mohit Verma (DIN: 02647080) and Mr. Mahesh Parasuraman (DIN: 00233782), directors

being longest in the office shall retire at the forthcoming Annual General Meeting and being eligible for re-appointment, offer themselves for re-appointment.

Appointments / Resignations of the Key Managerial Personnel

Mr. Sarvjit Singh Samra, Managing Director and Chief Executive Officer; Mr. Munish Jain, Chief Operating Officer and Chief Financial Officer; Mr. Amit Sharma, Company Secretary of the Bank are the Key Managerial Personnel as per the provisions of the Companies Act, 2013 as on March 31, 2021. However, there was no appointment/resignation of any Key Managerial Personnel during the financial year.

21. Corporate Governance

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

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

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

The Board's supervisory role is independent and separate from the executive management and the Board Committees. The Composition of the Board of Directors as on March 31, 2021 comprised of majority of Independent Directors and this is a great step of the Bank towards better Corporate Governance.

The Board presently comprises of thirteen Directors including one woman director and it provides diverse combination of professionalism, knowledge,

expertise and experience as required in the banking business for long-term success. The Board has seven Independent Directors constituting more than one-half of its total membership strength including one women Director and 4 Nominee Directors. The Directors have distinguished themselves in different walks of life through experience and expertise.

Meetings of the Board of Directors 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 and Committees of the Board are as follows:

Board of Directors

Total Meetings	5
----------------	---

Dates of Meetings

May 16, 2020	June 05, 2020	August 10, 2020
November 03, 2020 (adjourned to November 06, 2020)	February 11, 2021	

Number of meetings attended by Directors

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

A meeting of Independent Directors was convened on July 31, 2020.

The Bank has several committees which have been established as a part of 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 of the Board
2. Audit Committee
3. Credit Sanctioning Committee (abolished w.e.f November 03, 2020)
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
11. IT Strategy Committee

Nomination and Remuneration Committee

As on March 31, 2021, committee had four members consisting of Mr. Rakesh Soni (Chairman), Mr. Sham Singh Bains (Member) and Mr. Gurdeep Singh (Member) and Mr. Gurpreet Singh Chug (Member). The majority of the members of the committee are independent non-executive directors. The committee has been constituted to review the structure, size, composition, diversity of the Board and to design the criteria for determining the qualifications, positive attributes and independence of the Directors. The Nomination and Remuneration Committee also approves the appointment and remuneration of KMPs as per the Reserve Bank of India guidelines, Companies Act 2013, policy of the Bank and other laws.

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

Total Meetings	2
----------------	---

Dates of meetings

May 13, 2020	March 26, 2021
--------------	----------------

Number of Meetings attended by Directors

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

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

Securities Committee

As on March 31, 2021 Securities Committee consisted of Mr. Dinesh Gupta (Chairman), Mr. Sham Singh Bains (Member) and Mr. Gurdeep Singh (Member).

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

Total Meetings	6
----------------	---

Dates of meetings

August 05, 2020	October 12, 2020	November 18, 2020
January 18, 2021	February 25, 2021	March 22, 2021

Number of Meetings attended by Directors

Sr. no.	Name of Members	No. of Meetings Attended
1	Mr. Dinesh Gupta	5
2	Mr. Sham Singh Bains	6
3	Mr. Gurdeep Singh	4

Audit Committee

In the Board meeting held on November 03, 2020, Audit committee was reconstituted by adding Mr. Sham Singh Bains as member of the Committee. The members of the Committee as on March 31, 2021 were Mr. Madan Gopal Sharma (Chairman), Mr. Rakesh Soni (Member), Mr. Gurpreet Singh Chug (Member), Mr. Dinesh Gupta (Member) and Mr. Sham Singh Bains (Member). The committee met six times in a year. The functions of the Audit Committee include, but not limited to:

- Overseeing the financial reporting and disclosure process.
- Monitoring choice of accounting policies and principles.
- Overseeing hiring, performance, effectiveness, remuneration, term 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.

- Approval or any subsequent modification of transactions of the company with related parties, if any.

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

Total Meetings	6
----------------	---

Dates of meetings:

May 14, 2020	August 04, 2020	September 25, 2020
October 27, 2020	February 26, 2021	March 30, 2021

Number of meetings attended by Directors:

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

Corporate Social Responsibility Committee and Statutory Disclosure

The functions of the Committee include, but not limited to:

- Formulate and recommend to the Board for approval:
- CSR Policy and its amendments, if any
- CSR projects
- Total amount to be earmarked for the approved CSR Projects
- Annual action plan, which shall consist of the following:
 - List of CSR projects that are approved to be undertaken.
 - Manner of execution of such CSR Projects.
 - Modalities of utilisation of funds and implementation schedules.
 - Monitoring and reporting mechanism for CSR projects.
 - Details of need and impact assessment, if any, for the CSR Projects undertaken by the Bank.
- Put monitoring mechanisms in place to track the progress of each project
- Give directions for the disbursement of funds

The Bank's CSR mission is to contribute to economically, physically and socially challenged groups and to draw them into the cycle of growth and development. The Bank's strategy is to integrate its activities in community development, social responsibility and environmental responsibility and encourage each business unit or function to include these considerations into its operations for 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, 2021 comprised of Mr. Sarvjit Singh Samra (Chairman), Mr. Rakesh Soni (Member), Mr. Sham Singh Bains (Member) and Mr. Gurdeep Singh (Member). The Annual Report on CSR activities as required to be given under Section 135 of the Companies Act, 2013 and Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been provided in an **Annexure-C** which forms part of the Directors' Report. The details of the meetings of the CSR Committee are as follows:

Total Meetings	1
----------------	---

Dates of meetings:

May 15, 2020

Number of meetings attended by Directors:

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

Details of other committees of Board: Management Committee

The Board of Directors in its meeting held on May 17, 2019 has reconstituted the Management Committee by adding Mrs. Harmesh Khanna and Mr. Gurpreet Singh Chug and Mr. Dinesh Gupta as member of the committee and by further retiring Mr. Gurdeep Singh as the member of the committee. The members of the Committee as on March 31, 2021 were Mr. Sarvjit Singh Samra (Chairman), Mr. Rakesh Soni (Member), Mr. Gurpreet Singh Chug (Member), Mrs. Harmesh Khanna (Member) and Mr. Dinesh Gupta (Member).

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

Total Meetings	4
----------------	---

Dates of meetings:

May 14, 2020	August 04, 2020	October 23, 2020
February 26, 2021		

Number of meetings attended by Directors:

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

Risk Management Committee

The members of the Committee as on March 31, 2021 were Mr. Dinesh Gupta (Chairman), Mr. Rakesh Soni (Member), Mr. Gurpreet Singh Chug (Member) and Mrs. Harmesh Khanna (Member).

Total Meetings	4
----------------	---

Dates of meetings:

May 14, 2020	August 04, 2020	October 27, 2020
February 26, 2021		

Number of meetings attended by Directors:

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

Credit Sanctioning Committee

The members of the Committee as on April 01, 2020 were Mr. Sarvjit Singh Samra (Chairman), Mr. Dinesh Gupta (Member) and Mr. Gurdeep Singh (Member). Further, the Board in the meeting held on November 03, 2020 abolished the Credit Sanctioning Committee.

Total Meetings	3
----------------	---

Dates of meetings:

June 16, 2020	July 24, 2020	September 16, 2020
---------------	---------------	--------------------

Number of meetings attended by Directors:

Sr. no.	Name of Members	No. of Meetings Attended
1	Mr. Sarvjit Singh Samra	3
2	Mr. Dinesh Gupta	3
3	Mr. Gurdeep Singh	3

IT Strategy Committee

The Board of Directors in its meeting held on May 17, 2019 has constituted a new committee i.e IT Strategy Committee. The members of the Committee as on March 31, 2021 were Mr. Gurpreet Singh Chug (Chairman), Mr. Sarvjit Singh Samra (Member), Mr. Munish Jain (Member), Mr. Vishal Madan (Non-Director: IT Expertise), Mr. Vimal Kumar Kamal (Non-Director: IT Expertise) and Mr. Harvinder Singh (Non-Director: IT Expertise)

Total Meetings	4
----------------	---

Dates of meetings:

June 29, 2020	September 28, 2020	December 28, 2020
March 30, 2021		

Number of meetings attended by Directors:

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

Vigil Mechanism

The Bank has implemented a Whistleblower Policy, which is periodically reviewed, pursuant to which safeguards are being provided against victimization of employees and directors. The Policy allows to raise concerns on Reportable Matters (as defined in the policy) such as breach of Bank's Code of Conduct, fraud, bribery, corruption, employee misconduct, illegality, health & safety, environmental issues and wastage/ misappropriation of bank funds/assets, etc. and also provides for direct access to the Ombudsperson, in exceptional cases. The policy is available on the Bank's intranet and website of the Bank. The Whistleblower Policy complies with all the requirements of Vigil mechanism as stipulated under Section 177 of the Companies Act, 2013, and other applicable laws, rules and regulations, as may be applicable. The updated Whistleblower Policy is also available on the website of the Bank at the link www.capitalbank.co.in.

The Bank has also appointed Chief of Internal Vigilance to ensure compliance with all the internal guidelines issued by the Bank from time to time. The functioning of the Policy is reviewed by the Audit Committee from time to time. During the review

period, no concern has been reported in accordance with the said policy. Neither the complainants have been denied access to the Audit Committee of the Board.

Loans, Guarantees or Investments in securities

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013, except sub-section (1), do not apply to any loan made, guarantee given or security provided or investment made by a banking company in the ordinary course of business. Therefore, the said provision is not applicable to the Bank.

Contracts or Arrangements with Related Parties

All related party transactions that were entered during the Financial Year 2020-2021 were in the

Disclosure regarding Employee Stock Option and Employee Stock Purchase scheme

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

1. The details of the Plan as under:

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

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

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

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

Disclosure regarding Sweat Equity Shares

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

Disclosure in respect of voting rights not exercised directly by employees

Pursuant to the relevant provision of Section 67(3) read with Rule 16(4) of Share Capital and Debenture Rules, 2014, regarding voting rights not exercised by

ordinary course of the business of the Bank and were on arm's length basis and the same is enclosed as **Annexure-D** in the prescribed format AOC-2 to this Report. There were no materially significant related party transactions entered by the Bank with Promoters, Directors, Key Managerial Personnel or other persons which may have a potential conflict with the interest of the Bank. All such Related Party Transactions are being placed before the Board/ Audit Committee for approval, wherever applicable.

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

employees regarding purchase of its own shares by employees or by trustees for benefit of employees, it is informed that the Bank has not granted any loan, guarantee, the provision of security or otherwise, any financial assistance to any person for the purchase of its own securities, therefore no disclosure is required to be made under this section.

Change in Nature of Business

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

Issue of Equity Shares with Differential Rights

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

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 the 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 Private Limited having Registered office at 03rd Floor, Raj Alkaa Park, 29/3 & 32/2 Kalena Agrahara, Bennerghatta Road, Bengaluru – 560076. During the year credit Ratings of the Bank for Upper tier II instruments is “BWR A+ (Outlook Stable)”. As per the rating agency **“Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligation. Such instruments carry low credit risk.”**

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

Dematerialization of Securities

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

Auditors & Auditors' Report Statutory Auditors

The members at the 21st Annual General Meeting (AGM) of the Bank held on September 18, 2020 had appointed M/s. MSKC & Associates Chartered Accountants as Statutory Auditors for a period of One (1) year to hold office till the conclusion of 22nd AGM in connection with the audit of the books of accounts of the Bank. However, their appointment was subject to the approval from Reserve Bank of India as per the resolution passed in the AGM every

year. The Reserve Bank of India gave approval of appointment for Financial Year 2020-21.

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 had appointed M/s B. Mathur & Co., Company Secretaries in Practice through its partner Mr. Brijeshwar Dayal Mathur (FCS No.5734 and COP No. 5334) to conduct Secretarial Audit of the Bank.

The Secretarial Audit Report is annexed herewith as **Annexure- E** to this report.

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

Directors' Responsibilities Statement

The Board of Directors acknowledge the responsibility for ensuring compliance with the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, in preparation of annual accounts for the financial year ended March 31, 2021 and state that:

1. In the preparation of the annual accounts for the financial year ended March 31, 2021 the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. The Directors had selected accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent to give a true and fair view of the state of affairs of the Company as at March 31, 2021 and of the profit of the Company for that period;
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. Directors had prepared the annual accounts on a going concern basis;
5. The Directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

6. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

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

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

Compliance with Secretarial Standards

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

Green Initiatives

“Unite to make this planet green and clean”

Deforestation is one of the most pressing environmental issues and a harsh reality of the present times. Large-scale deforestation and various other human activities have drastically added to the Global warming and Have caused a major shift in weather patterns across the world. Usage of paper is one of the major reasons for cutting down of trees which in long term is unsustainable.

Keeping in view the harsh reality the MCA took a great action towards it by coming out with the “Green Initiative in the Corporate Governance” through its circular No. 17/2011 dated 21.04.2011 and No. 18/2011 dated 29.04.2011 dated 29.04.2011.

Under this MCA has provided a welcoming facility of serving notices / documents by companies' to its shareholders through electronic mode. After this great initiative taken by the MCA, Companies' are no longer required to give Notice including the Annual Return in physical form to its stakeholders. They can provide in electronic mode at the Registered E-mail Id of the stakeholders.

Date: May 11, 2021
Place: Jalandhar

In view of the said concern we request all the stakeholders to get their E-mail registered with the Bank so to get the annual Reports at the E-mail ids instead through paper mode.

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

Acknowledgment

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

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

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

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

For and Behalf of Board of Directors

Madan Gopal Sharma
Part Time Chairman
DIN: 00398326

Sarvjit Singh Samra
Managing Director
DIN: 00477444

ANNEXURE -A

Details of Remuneration

Statement under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for year ended March 31, 2021

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

Name of the Employee	Sarvjit Singh Samra	Munish Jain
Designation	Managing Director	CFO
Remuneration received	₹1,01,08,350	₹1,43,69,123
Qualifications and Experience of the employee	B.A., M.B.A. (Marketing and Finance), More than 20 years' experience in the Bank.	B.COM, FCA, FCS, more than 20 years experience in Banking & Financial Services sector
Date of commencement of employment	July 20, 2003	October 09, 2000
Age of employee	57 years	45 Years
Last employment held by employee before joining the company	Business	Practicing
The percentage of equity shares held by the employee along with his spouse and dependent children, if such shareholding is not less than two percent of the total equity shares;	41,74,619 (12.31%)	1,49,322 (0.44%)
whether any such employee is a relative of any Director or Manager of the company and if so, the name of such Director or Manager	Nil	Nil

Notes:

1. Remuneration shown above includes basic salary, allowances, performance bonus, cash allowances in lieu of perquisites or taxable value of perquisites, if availed as computed as per Income-tax rules but excludes gratuity, PF settlement, super annuation settlement, perquisite on ESOP & super annuation perquisite
2. All appointments are terminable by one / three months' notice as the case may be on either side.
3. The above value does not include the number of ESOPs granted during the year.
4. Mr. Sarvjit Singh Samra, Managing Director holds 12.31% of the paid-up share capital of the Bank
5. Other than Mr. Sarvjit Singh Samra, none of the employee listed above holds 2% or more of the paid-up share capital of the Bank as at March 31, 2021.
6. None of the employees listed above is a relative of any director of the Bank.

ANNEXURE -B

Details of Remuneration

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

The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the Financial Year 2020- 2021, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2020- 2021 are as under:

Sr. No.	Name of Director/ KMP	Designation	Remuneration of Director/KMP for the Financial Year 2020- 21 (₹ in crores)	Remuneration of Director/KMP for the Financial Year 2019- 20 (₹ in crores)	% increase in Remuneration in the Financial Year 2020- 21	% increase in Remuneration in the Financial Year 2019- 20	Ratio of Remuneration of each Director to median remuneration
1	Sarvjit Singh Samra	Managing Director	1.01	1.07	-5.58%	121.48%	29.31
2	Munish Jain	CFO	1.44	1.27	13.11%	29.21%	41.66
3	Dinesh Gupta	Director	0.11	0.07	66.67%	-	3.26
4	Amit Sharma	Company Secretary	0.07	0.07	8.85%	-	2.17

* Non-Executive Directors have received only sitting fee except Mr. Dinesh Gupta who has been paid remuneration of ₹11.25 Lakhs as Profit based Commission besides sitting fees for attending the Board Meetings and Committee meetings.

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

The median remuneration of employees of the Company during the Financial Year was ₹3,44,902 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year is provided in the above table.

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

In the Financial Year, there was an increase of 14.66% in the median remuneration of employees.

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

There were 1614 permanent employees on the rolls of the Company as on March 31, 2021.

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

Average percentage increase made in the salaries of employees other than the managerial personnel in the Financial Year i.e. 2020- 21 was 7.47% whereas the increase in the managerial remuneration for the Financial Year 2020- 21 was 6.38% The remuneration of the Executive Chairman and the Managing Director is decided based on the individual performance, inflation, prevailing industry trends and benchmarks.

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

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

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

ANNEXURE -C

CSR Activities

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

2. Composition of CSR Committee:

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

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

4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable: Not Applicable

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

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

6. Average net profit of the Company as per Section 135(5): ₹3053.09 lakhs

7. (a) Two percent of average net profit of the Company as per Section 135(5): ₹61.06 lakhs

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

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

(d) Total CSR obligation for the financial year (7a+7b-7c): ₹61.06 lakhs

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

Total Amount Spent for the Financial Year	Total Amount transferred to Unspent CSR Account as per Section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5).		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
₹61.50 lakhs*	Nil	Nil	Nil	Nil	Nil

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

Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Location of the project		Local area (Yes/No)	Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation – Through Implementing Agency	Registration Number
			State	District							
1	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	Punjab	Jalandhar	NA	₹13.39 lakhs	NA	NA	No	Capital Foundation 20/A/10221 under Section 12 AA of IT Act 1961
2	Donations under COVID-19	Eradicating hunger, poverty and malnutrition, ["promoting health care including preventive health care"] and sanitation [including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water.	Local	Punjab	Jalandhar	NA	₹31.89 lakhs	NA	NA	No	Capital Foundation 20/A/10221 under Section 12 AA of IT Act 1961
3	Health Care Donation	Eradicating hunger, poverty and malnutrition, ["promoting health care including preventive health care"] and sanitation [including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water.	Local	Punjab	Jalandhar	NA	₹0.14 lakhs	₹35.47 lakhs	₹35.47 lakhs	No	Capital Foundation 20/A/10221 under Section 12 AA of IT Act 1961

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

Sr. No.	Name of the Project	Item from the list of activities in schedule VII to the Act	Location of the project		Local area (Yes/No)	Amount spent for the project (in ₹)	Implementation – Direct (Yes/No)	Mode of Implementation – Through Implementing Agency	Registration number
			State	District					

ANNEXURE -D

Related Parties AOC-2

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

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**1. Details of contracts or arrangements or transactions not at arm's length basis - NIL**

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

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

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

For and Behalf of Board of Directors

Date: May 11, 2021
Place: Jalandhar

Madan Gopal Sharma **Sarvjit Singh Samra**
Part Time Chairman Managing Director
DIN: 00398326 DIN: 00477444

- Amount spent in Administrative Overheads:** Nil
- Amount spent on Impact Assessment, if applicable:** Not Applicable
- Total amount spent for the Financial Year (8b+8c+8d+8e):** ₹61.50 lakhs
- Excess amount for set off, if any:** NA*

Sr. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the Company as per Section 135(5)	₹61.06 lakhs
(ii)	Total amount spent for the Financial Year	₹61.50 lakhs
(iii)	Excess amount spent for the financial year [(ii)-(i)]	₹0.44 lakhs
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	NA
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	NA

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

Sr. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under Section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per Section 135(6), if any			Amount remaining to be spent in succeeding Financial years (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
1	2019 – 20	-	₹52.50 lakhs	-	-	-	-
2	2018 –19	-	₹13.04 lakhs	-	-	-	₹34.58 lakhs
3	2017 –18	-	₹8.13 lakhs	-	-	-	₹33.54 lakhs

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

Sr. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project Duration	Total Amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year (in ₹)	Status of the project- Completed/ Ongoing
Nil								

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

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

11. Specify the reason(s), if The Company has failed to spend two per cent of the average net profit as per Section 135(5): NA**For and Behalf of Board of Directors**

Madan Gopal Sharma **Sarvjit Singh Samra**
Part Time Chairman Managing Director & Chairman of CSR Committee
DIN: 00398326 DIN: 00477444

Date: May 11, 2021
Place: Jalandhar

ANNEXURE -E

Form No. MR-3

Secretarial Audit Report

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

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

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

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Capital Small Finance Bank Limited (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon. However, in the backdrop of COVID-19, the physical possession of the documents/ data could not be handed over to us for the purpose of Secretarial Audit. In order to provide accessibility, data sharing arrangements were bought in place to provide us an electronic record of the documents.

Based on our virtual verification of the Company's papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company electronically through data sharing arrangements, its officers and authorized representatives, which were relied upon for the conduct of the secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2021 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, 2021 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

- Not Applicable as there was no Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings during the period under review.

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; **Not Applicable**
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **Not Applicable**
 - 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 along with agenda and detailed notes on agenda were given to all directors to schedule the Board Meetings through video conferencing which were sent at least seven days in advance, except for the second Board Meeting convened on 05.06.2020 which was called at shorter notice in order to provide immediate relief measures on debt servicing to the borrowers in accordance with the norms announced by Reserve Bank of India, with Independent Directors in attendance, in pursuance with section 173(3) meeting of the Board may be called at shorter notice to transact urgent business subject to the condition that at least one independent director, if any, shall be present at the meeting. Further, a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Due to COVID 19 situation, all the meetings were conducted through Video Conferencing and minutes thereof were being circulated over emails. As per the duly recorded minutes of the Board Meetings, Committee Meetings and General Meetings convened through postal ballot and signed by the Chairman, majority decisions has been carried through while the dissenting members' views are captured and recorded as part of the minutes and scrutinizer reports.

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 under review, 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) As per the provisions of the Companies Act, 2013, the Board of Directors is empowered to recommend the dividend to shareholders, if distributable profits are there. However, in this situation of financial distress due to COVID-19 Pandemic, Reserve Bank of India vide circular no DOR.BP.BC.No.64/21.02.067/2019-20 dated April 17, 2020 has directed not to declare any Dividend for the financial year 2019-20 till further notice. Accordingly, no dividend was proposed to be declared.
- (ii) Pursuant to the Reserve Bank of India (RBI) approval, the Company vide Special Resolution passed by the members of the Company through Postal Ballot dated 13th July, 2020 has adopted new set of Articles of Association of the Bank.
- (iii) The Company vide Ordinary Resolution passed by the members of the Company through Postal Ballot dated 13th July, 2020 has increased the Authorized Share Capital of the Bank from ₹35,00,00,000/- (Rupees Thirty Five Crores Only) divided into 3,50,00,000 (Three Crore Fifty Lakhs) Equity Shares of ₹10/- (Rupees Ten Only) each to ₹50,00,00,000/- (Rupees Fifty Crore Only) divided into 5,00,00,000 (Five Crore) Equity Shares of Rs.10/- (Rupees Ten Only) each ranking pari - passu in all respect with the existing equity shares of the Bank.
- (iv) The Company vide Ordinary Resolution passed by the members of the Company through Postal Ballot dated 13th July, 2020 has appointed Mr. Mahesh Parasuraman (DIN:00233782) as a Nominee Director (Nominee - Amicus Capital Private Equity I LLP and Amicus Capital Partners India Fund I).
- (v) The Company vide Ordinary Resolution passed by the members of the Company through Postal Ballot minutes dated 13th July, 2020 has appointed Mr. Srinath Srinivasan (DIN: 00107184) as a Nominee Director (Nominee - Oman India Joint Investment Fund II).
- (vi) The Company vide Special Resolution passed by the members of the Company through Postal Ballot dated 13th July, 2020 has reappointed Mr. Rakesh Soni (DIN: 07262045) as a Non-Executive Independent director for a second term of three years.

Corporate Profile

- (vii) The Company vide Special Resolution passed by the members of the Company through Postal Ballot dated 13th July, 2020 has reappointed Mrs. Harmesh Khanna (DIN: 03078018) as a Non-Executive Independent director for a second term of three years.
- (viii) The Company vide Special Resolution passed by the members of the Company through Postal Ballot dated 13th July, 2020 has approved CSFB Limited – Employees Stock Option Plan for Material Risk Takers (CSFB ESOP for MRTs) and Grant of Employees Stock Options to MRTs of the Bank and approval to the Board to grant, vest and allot from time to time, and in one or more tranches, options under the CSFB ESOP for MRTs upto 1,00,000 (One lakh) Employee Stock Options (“ESOPs”) not exceeding 0.30% of the paid-up equity share capital of the Bank as on the date of passing the resolution, to the permanent employees who are designated as Material Risk Takers as per compensation Policy of the Bank.
- (ix) The Company proposed amendments to the terms of unsecured redeemable, non-convertible upper tier II BASEL I compliant bonds 2015-16 (Series XIII) in the nature of debentures (“Bonds”) through Postal Ballot dated 13th November, 2020. However, as per the scrutinizer report and the minutes dated 13th November, 2020 the same has not been passed by the bondholders due to majority votes casted against the resolution.
- (x) The Company in its Securities Committee meeting dated 05.08.2020 has allotted shares as per the Employee Stock Option Plan, 2018 of the Bank (“ESOP Plan 2018”). Pursuant to exercise of Stock Options by some employees of the Bank (as per the list circulated to the Securities Committee of the Bank) 71,850 (Seventy One Thousand Eight Hundred Fifty) equity shares each having face value of ₹10/- and premium of ₹88/- of the Bank fully paid up were allotted. Nomination and Remuneration Committee approved the vesting of tranche 1 under the existing CSFB ESOP 2018 PLAN. Out of total eligible employees, 115 employees exercised their right of ESOP first tranche of 25%.
- (xi) The Company in its Securities Committee meeting dated 12.10.2020 has allotted shares as per the Employee Stock Option Plan, 2018 of the Bank (“ESOP Plan 2018”). Pursuant to exercise of Stock Options by some employees of the Bank (as per the list circulated to the Securities Committee of the Bank) 12,382 (Twelve Thousand Three hundred Eighty Two) equity shares each having face value of ₹10/- and premium of ₹88/- of the Bank fully paid up were allotted. The Nomination and Remuneration Committee approved the vesting of tranche 1 under the existing CSFB ESOP 2018 PLAN. Out of total eligible employees, 26 employees exercised their right of ESOP third tranche of 25%.
- (xii) The Company in its Securities Committee meeting dated 25.02.2020 has allotted shares as per the Employee Stock Option Plan, 2018 of the Bank (“ESOP Plan 2018”). Pursuant to exercise of Stock Options by some employees of the Bank (as per the list circulated to the Securities Committee of the Bank) 19,232 (Nineteen Thousand Two Hundred Thirty Two) equity shares each having face value of ₹10/- and premium of ₹88/- of the Bank fully paid up were allotted. The Nomination and Remuneration Committee approved the vesting of tranche 1 under the existing CSFB ESOP 2018 PLAN. Out of total eligible employees, 37 employees exercised their right of ESOP third tranche of 25%.
- (xiii) The Company in its Securities Committee meeting dated 18.11.2020 has made an allotment of 3140 UNSECURED REDEEMABLE SUBORDINATED NON-CONVERTIBLE LOWER TIER-II BASEL II COMPLIANT BONDS 2020-21 (SERIES XVIII) on private placement basis in DEMAT form upon terms and conditions as mentioned in the Private Placement Offer cum Application Letter dated October 12, 2020. The said securities were offered at a face value of ₹1,00,000/- (Rupees One Lakh only) each for cash at par aggregating to ₹20.00 Crores (Rupees Twenty Crores only) with Green Shoe Option of ₹20.00 Crores (Rupees Twenty Crores only) Total Aggregating up to ₹40.00 Crores (Rupees Forty Crores only) on terms and conditions stipulated in the Private Placement Offer Letter cum Application Form as approved by the Securities Committee on October 12, 2020. The issue was open from November 04, 2020 till November 13, 2020.
- (xiv) The Company vide Ordinary Resolution passed by the members of the Company in its 21st Annual General Meeting dated 18.09.2020 appointed M/s MSKC & Associates, Chartered Accountants (Registration No.: 0015955), as the Auditors of the Bank from the conclusion of this Meeting to hold such office for a period of one year till the conclusion of the 22nd Annual General Meeting, to conduct the audit for the financial year 2020-21.
- (xv) The Company vide Special Resolution passed by the members of the Company in its 21th Annual General Meeting dated 18.09.2020 and in accordance with the provisions of Section 180 (1) (c) of the Companies Act, 2013 read with relevant rules and all other applicable provisions, if any, has increased the borrowing power of the bank with a cap of ₹1,000 crores (Rupees One Thousand crores only) outstanding at any point of time over and above the aggregate of the Paid-up Capital of the Bank and its free reserves which shall exclude all deposits received from Public, temporary loans obtained by the Bank from other banks in the ordinary course of its business, and such other exclusions as may be provided under the law on such terms and conditions as the Board may consider necessary and expedient in the best interest of the Bank.
- (xvi) The Company vide Special Resolution passed by the members of the Company in the 21st Annual General Meeting of the Company dated 18.09.2020 approved issuance of equity shares by way of preferential issue on private placement basis and execution of transaction documents in respect thereof. However, the said transaction was not consummated since the Reserve Bank of India did not approved the said issue.

For B Mathur & Co., Company Secretaries

Sonakshi Chaurasia
(Partner)

ACS: 58636

COP No.: 22578

UDIN: A058636C000271761

Date: May 10, 2021

Place: New Delhi

Independent Auditor's Report

To the Members of Capital Small Finance Bank Limited

Report on the Audit of the Financial Statements

OPINION

We have audited the financial statements of Capital Small Finance Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2021, and the Profit and Loss Account, Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulations Act, 1949 as well as the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under Section 133 of the Act read with Companies (Accounts) Rules, 2014 as amended and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2021, and profit, and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of

Significant value of Assets for the Bank, with outstanding Loans and Advances amounting to: Total Loans and Advances (Net of Provision) as at March 31, 2021: ₹3,726.89 crores Gross NPA as at March 31, 2021: ₹78.24 crores Provision for NPA as at March 31, 2021: ₹36.10 crores

Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER

We draw attention to Note 3.3 of the of Schedule 18 to the financial statements, which describes the extent to which the COVID-19 pandemic will continue to impact the Bank's financial statements will depend on future developments, which are uncertain.

Our opinion is not modified in respect of this matter.

KEY AUDIT MATTER

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

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

Refer Schedule 9, Schedule 17(7), and Schedule 18(3.1) to the financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Identification of NPA and measurement of provision on account of NPA is made based on the assessment of various criteria stipulated in the Reserve Bank of India ("the RBI") guidelines on 'Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances' ("IRAC"). The Bank is required to have in place a Board approved policy as per the IRAC guidelines for NPA identification and provision.	Our audit procedures in respect of this area included:
The IRAC guidelines stipulate the requirement to identify NPA through defined criteria such as past due status, out of order status etc. Provisions in respect of such NPAs are made based on minimum provisioning levels prescribed under the IRAC and Bank's internal credit policy. The provision for NPAs are also based on the valuation of the security available. Further, NPA classification is made borrower wise whereby if one facility to the borrower becomes NPA, then all facilities to such a borrower will be treated as an NPA.	<ol style="list-style-type: none"> 1. Verified the design and operating effectiveness of key internal controls (including application controls) over approval, recording and recovery of loans, monitoring process for overdue/ stressed accounts, identification of NPA, measurement of provision on account of NPA and valuation of security and collateral against loans. Verified application controls includes testing of automated controls, reports and system reconciliations. 2. Evaluated the governance process and review of controls over identification of NPA, measurement of provision and basis of provisioning in accordance with the Bank's policy.

Key Audit Matter	How our audit addressed the key audit matter
<p>The Bank is also required to apply its judgement to determine the identification and provision required against NPA by applying quantitative as well as qualitative factors. The risk of identification of NPA is affected by factors like stress and liquidity concerns in certain sectors.</p> <p>The Bank has framed policies in line with the RBI's guidelines vide 'COVID-19 – Regulatory Package' and 'COVID-19 Regulatory Package - Asset Classification and Provisioning' thereby providing moratorium as a relief measure to the borrowers and creating required provisions against these reliefs.</p> <p>Additionally, the Bank has considered the impact of judgement, on identification of NPA and provision thereof, which was vacated as per Honorable Supreme Court Order on March 23, 2021 and the RBI circular dated April 7, 2021 in that connection.</p> <p>We have identified 'Identification of NPA and Provisioning on Advances' as a key audit matter in view of the significant level of estimation involved, as well as the stringent compliances laid down by the RBI in this regard.</p>	<ol style="list-style-type: none"> 3. An inclusive list of substantive procedures performed is as below: <ul style="list-style-type: none"> • For borrowers, assessed the appropriateness of asset classification and adequacy of related provisioning by performing procedures such as computation of overdue ageing, assessment of borrower level NPA identification and verification of applicable provision rates as per IRAC norms and Bank's Policy on test check basis; • Verified performing loans on test check basis to assess whether they should be classified as NPA; • Reviewed the valuation of collateral as carried out by the Bank on test check basis; • Performed inquiries with the Management of the Bank to ascertain if there were indicators of stress, perceived credit risk or occurrence of an event of default in any particular class of borrowers, product category or loan account that warrants NPA assessment; • Verified standard and overdue accounts on test check basis to assess compliance with the RBI guidelines vide its circulars 'COVID-19 – Regulatory Package' and 'COVID-19 Regulatory Package – Asset Classification and Provisioning'. • Selected and tested samples of accounts which were restructured under MSME restructuring circular and Resolution Framework for COVID-19 – related stress circular for their compliance with the RBI directions. • Selected samples of accounts which were not declared as NPA due to the interim order of Honorable Supreme Court order and later on due to the vacation of the interim order and the RBI circular in that connection to ensure the asset classification of borrower accounts has been continued as per the extant RBI instructions/IRAC norms. 4. Verified the disclosures in accordance with relevant accounting standards and the RBI requirements relating to NPA.

Information Other than the Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the Director's Report but does not include the financial statements and our auditor's report thereon. The Director's Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially

inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, and cash flows of the Bank in accordance with the accounting principles generally accepted in

India, including the Accounting Standards specified under Section 133 of the Act, and the Banking Regulation Act, 1949 and the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time ("the RBI Guidelines"). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act and RBI Guidelines for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,

as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the Bank has internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in

our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- 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 and Section 133 of the Act and relevant rules issued thereunder.
- As required by sub-section (3) of Section 30 of the Banking Regulation Act, 1949, we report that:
 - we have sought and obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
 - since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein. However, during the course of our audit we visited 10 branches.

3. AS REQUIRED BY SECTION 143(3) OF THE ACT, WE REPORT THAT:

- We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- 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;
- 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;
- In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI.

- On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
- With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- 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:
 - The Bank does not have any pending litigations which would impact its financial position;
 - The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. The Bank does not have any derivative contracts as at March 31, 2021;
 - There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank
- With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, the Bank is a banking Company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Act do not apply.

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

ICAI Firm Registration Number: 0015955

Tushar Kurani
Partner

Membership Number: 118580

UDIN: 21118580AAAACG8367

Mumbai

May 11, 2021

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

[Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the Members of Capital Small Finance Bank Limited on the Financial Statements for the year ended March 31, 2021]

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

We have audited the internal financial controls with reference to financial statements of Capital Small Finance Bank Limited ("the Bank") as of March 31, 2021 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the internal financial controls with

reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

The procedures selected depend on the auditor's judgement, including the assessment of the risks

of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls with Reference to Financial Statements

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

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are

subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to financial statements criteria established

by the Bank considering the essential components of internal control stated in the Guidance Note.

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

ICAI Firm Registration Number: 001595S

Tushar Kurani
Partner
Membership Number: 118580
UDIN: 21118580AAAACG8367

Mumbai
May 11, 2021

Balance Sheet

as on March 31, 2021

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2021	As on March 31, 2020
CAPITAL AND LIABILITIES			
Capital	1	3,39,107	3,38,072
Reserves and Surplus	2	41,68,797	37,29,729
Deposits	3	5,22,10,700	4,44,66,233
Borrowings	4	61,67,200	42,09,200
Other Liabilities and Provisions	5	8,26,578	5,55,532
Total		6,37,12,382	5,32,98,766
ASSETS			
Cash and Balances with Reserve Bank of India	6	72,17,237	22,12,330
Balances with Banks and Money at Call and Short Notice	7	56,86,994	59,45,162
Investments	8	1,21,22,519	1,05,18,746
Advances	9	3,72,68,860	3,30,83,085
Fixed Assets	10	8,65,540	9,06,236
Other Assets	11	5,51,232	6,33,207
Total		6,37,12,382	5,32,98,766
Contingent Liabilities	12	3,83,508	3,70,710
Bills for Collection		-	-
Significant Accounting Policies and Notes forming part of the Financial Statements	17 & 18		

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

As per our report of even date

For MSKC & Associates
(Formerly known as R.K. Kumar & Co.)
Chartered Accountants
Firm Registration Number: 0015955

Tushar Kurani
Partner
Membership No.: 118580

Date: May 11, 2021
Place: Mumbai

Sarvjit Singh Samra
Managing Director
DIN: 00477444

Dinesh Gupta
Director
DIN: 00475319

Munish Jain
Chief Operating Officer &
Chief Financial Officer
Date: May 11, 2021
Place: Jalandhar

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

Gurpreet Singh Chug
Director
DIN: 01003380

Amit Sharma
Company Secretary
Mem. No: FCS10888

Profit & Loss Account

for the year ended March 31, 2021

(₹ in thousands)			
Particulars	Schedule	Year ended March 31, 2021	Year ended March 31, 2020
INCOME			
Interest Earned	13	51,14,388	45,81,348
Other Income	14	4,58,578	4,29,550
Total		55,72,966	50,10,898
EXPENDITURE			
Interest Expended	15	31,28,278	28,55,120
Operating Expenses	16	17,29,589	16,33,331
Provisions and Contingencies (Refer Note 10 – Schedule 18)		3,07,256	2,68,626
Total		51,65,123	47,57,077
PROFIT			
Net Profit for the year		4,07,843	2,53,821
Profit brought forward		9,87,724	8,37,669
Total		13,95,567	10,91,490
APPROPRIATIONS			
Transfer to Statutory Reserve		1,01,961	63,455
Transfer to Special Reserve		6,923	1,119
Transfer from Investment Reserve Account		(138)	-
Transfer to Investment Fluctuation Reserve		23,938	31,937
Dividend		-	6,018
Tax on Dividend		-	1,237
Balance carried over to Balance Sheet		12,62,883	9,87,724
Total		13,95,567	10,91,490
EARNINGS PER SHARE			
Basic (₹)		12.04	8.18
Diluted (₹)		11.98	8.16
Face value (₹)		10	10
Significant Accounting Policies and Notes forming part of the Financial Statements	17 & 18		

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

As per our report of even date

For MSKC & Associates
(Formerly known as R.K. Kumar & Co.)
Chartered Accountants
Firm Registration Number: 0015955

Tushar Kurani
Partner
Membership No.: 118580

Date: May 11, 2021
Place: Mumbai

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

Sarvjit Singh Samra
Managing Director
DIN: 00477444

Dinesh Gupta
Director
DIN: 00475319

Munish Jain
Chief Operating Officer &
Chief Financial Officer
Date: May 11, 2021
Place: Jalandhar

Gurpreet Singh Chug
Director
DIN: 01003380

Amit Sharma
Company Secretary
Mem. No: FCS10888

Cash Flow Statement

for the year ended March 31, 2021

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Taxes	5,37,368	3,45,822
Adjustment For:		
Depreciation Charge on Fixed Assets	1,64,924	1,53,373
Loan Loss Provision	1,77,486	1,76,690
(Profit)/Loss on Sale of Fixed Assets	(16)	175
Employee Stock Option Expense	22,121	16,125
Depreciation on Investments	245	(65)
	9,02,128	6,92,120
Adjustment For:		
(Increase) in Term Deposits with other Banks	(11,59,628)	(1,44,891)
(Increase) in Investments	(16,04,019)	(19,07,454)
(Increase) in Advances	(43,74,216)	(71,67,852)
Increase in Deposits	77,44,467	77,93,653
Decrease in Other Assets	81,024	46,493
Increase in Other Liabilities & Provisions	2,82,000	1,617
	18,71,756	(6,86,314)
Direct Taxes Paid (net of refunds)	(1,28,575)	(1,12,807)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	17,43,181	(7,99,121)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,29,261)	(2,25,631)
Proceeds from Sale of Fixed Assets	5,051	1,036
NET CASH FLOW USED IN INVESTING ACTIVITIES	(1,24,210)	(2,24,595)
CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds from equity shares issued under preferential allotment on private placement basis/ESOP allotment	10,140	13,01,891
Net Proceeds from the new issue of Unsecured Redeemable Non-Convertible Bonds/(Redemption of Bonds)	3,14,000	(1,69,600)
Net Increase/(Decrease) in Borrowings/Refinance	16,44,000	7,95,000
Dividend Payment (Including Corporate Dividend Tax)	-	(7,255)
NET CASH FLOW FROM FINANCING ACTIVITIES	19,68,140	19,20,036
Net Increase In Cash & Cash Equivalents	35,87,111	8,96,320
Cash & Cash Equivalents in the beginning of the year	38,24,164	29,27,844
Cash & Cash Equivalents at the end of the year	74,11,275	38,24,164

NOTES:

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

As per our report of even date

For MSKC & Associates
(Formerly known as R.K. Kumar & Co.)
Chartered Accountants
Firm Registration Number: 0015955

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

Tushar Kurani
Partner
Membership No.: 118580

Sarvjit Singh Samra
Managing Director
DIN: 00477444

Dinesh Gupta
Director
DIN: 00475319

Gurpreet Singh Chug
Director
DIN: 01003380

Munish Jain
Chief Operating Officer &
Chief Financial Officer
Date: May 11, 2021
Place: Jalandhar

Amit Sharma
Company Secretary
Mem. No: FCS10888

Date: May 11, 2021
Place: Mumbai

Schedules forming part of the Financial Statements

as on March 31, 2021

SCHEDULE 1 – CAPITAL

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Authorised Capital	5,00,000	3,50,000
5,00,00,000 equity shares of ₹ 10 each (Previous year 3,50,00,000 equity shares of ₹ 10 each)		
Issued, Subscribed and Paid-up Capital		
3,39,10,681 equity shares issued of ₹ 10 each fully paid-up (Previous year 3,38,07,217 equity shares of ₹ 10 each)	3,39,107	3,38,072
Total	3,39,107	3,38,072

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
I Statutory Reserve		
Opening Balance	4,71,223	4,07,769
Additions during the year	1,01,961	63,455
Total	5,73,184	4,71,224
II Capital Reserve		
Opening Balance	159	159
Total	159	159
III Special Reserve		
Opening Balance	11,453	10,334
Additions during the year	6,923	1,119
Total	18,376	11,453
IV Investment Reserve Account		
Opening Balance	13,143	13,142
Deductions during the year	138	-
Total	13,005	13,142
V Investment Fluctuation Reserve		
Opening Balance	44,011	12,074
Additions during the year	23,938	31,937
Total	67,949	44,011
VI Securities Premium Account		
Opening Balance	21,85,890	9,37,265
Additions during the year	20,965	12,89,007
Deductions during the year	-	40,381
Total	22,06,855	21,85,891
VII Revenue and Other Reserve Account		
Opening Balance	16,125	-
Additions during the year	22,121	16,125
Deductions during the year	11,860	-
Total	26,386	16,125
VIII Balance in Profit & Loss Account	12,62,883	9,87,724
Grand Total	41,68,797	37,29,729

Schedules forming part of the Financial Statements

as on March 31, 2021

SCHEDULE 3 - DEPOSITS

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
A I Demand Deposits		
i) From Banks	647	2,200
ii) From others	20,72,016	13,30,971
II Saving Bank Deposits	1,88,53,682	1,48,13,572
III Term Deposits		
i) From Banks	5,65,446	17,22,667
ii) From others	3,07,18,909	2,65,96,823
Total	5,22,10,700	4,44,66,233
B I Deposits of branches in India	5,22,10,700	4,44,66,233
II Deposits of branches outside India	-	-
Total	5,22,10,700	4,44,66,233

SCHEDULE 4 - BORROWINGS

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
I Borrowings in India		
i) Reserve Bank of India	-	8,10,000
ii) Other Banks	-	-
iii) Other Institutions and Agencies	42,46,000	17,92,000
iv) Unsecured Redeemable Non-Convertible Bonds (Subordinated debt – Tier – II Capital)	15,31,200	12,17,200
v) Hybrid Debt Capital instrument issued as Debentures	3,90,000	3,90,000
II Borrowings outside India	-	-
Total	61,67,200	42,09,200

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
I Bills Payable	4,19,056	1,79,627
II Inter-office adjustments (net)	-	362
III Interest accrued	53,591	56,323
IV Others (including provisions)	1,79,119	1,33,452
V Contingent provision against standard assets	1,74,812	1,85,768
Total	8,26,578	5,55,532

SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
I Cash in hand (including Cash at ATM)	5,79,611	6,10,171
II Balance with Reserve Bank of India		
a) In current accounts	19,17,626	16,02,159
b) In other accounts	47,20,000	-
Total	72,17,237	22,12,330



Schedules forming part of the Financial Statements

as on March 31, 2021

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

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
I In India		
I) Balance with Banks		
a) In current accounts	1,94,038	1,12,189
b) In other deposit accounts	54,92,956	43,33,328
II) Money at call and short notice		
a) With Banks	-	-
b) With other Institutions	-	14,99,645
Total (I)	56,86,994	59,45,162
II Outside India		
a) In current accounts	-	-
b) In other deposit accounts	-	-
c) Money at call and short notice	-	-
Total (II)	-	-
Grand Total (I+II)	56,86,994	59,45,162

SCHEDULE 8 - INVESTMENTS

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
I Investments in India in		
i) Government securities	1,21,07,360	1,05,18,746
ii) Other approved securities	-	-
iii) Shares	15,404	-
iv) Debentures and bonds	-	-
v) Subsidiaries and/or joint ventures	-	-
vi) Others (Certificate of deposits, money market based mutual funds)	-	-
Total (I)	1,21,22,764	1,05,18,746
II Investments outside India in		
i) Government securities	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Other Investments	-	-
Total (II)	-	-
Grand Total (I+II)	1,21,22,764	1,05,18,746
III Gross value of Investments	1,21,22,764	1,05,18,746
Less: Provision for Depreciation	245	-
Net Value of Investments	1,21,22,519	1,05,18,746

Schedules forming part of the Financial Statements

as on March 31, 2021

SCHEDULE 9 - ADVANCES

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
A i) Bills Purchased and Discounted	-	4,923
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	1,94,38,516	1,86,70,928
iii) Term Loans	1,78,30,344	1,44,07,234
Total	3,72,68,860	3,30,83,085
B i) Secured by Tangible Assets	3,62,31,282	3,27,83,732
ii) Covered by Bank/Government Guarantees	8,39,907	-
iii) Unsecured	1,97,671	2,99,353
Total	3,72,68,860	3,30,83,085
C I) Advances in India		
i) Priority Sector (Refer Note 8.6 of Schedule 18)	2,55,77,631	2,29,13,646
ii) Public Sector	-	-
iii) Banks	-	106
iv) Other	1,16,91,229	1,01,69,333
Total (I)	3,72,68,860	3,30,83,085
II) Advances outside India		
i) Due from Banks	-	-
ii) Due from Others	-	-
a) Bills Purchased & Discounted	-	-
b) Syndicated Loans	-	-
c) Others	-	-
Total (II)	-	-
Grand Total (I+II)	3,72,68,860	3,30,83,085

SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
I Premises		
At cost as on 31 st March of the preceeding year	64,524	64,524
Add: Additions during the year	-	-
Less: Deductions during the year	-	-
Total	64,524	64,524
Depreciation	-	-
As at 31 st March of the preceeding year	-	-
Charge for the year	-	-
Total	-	-
Net Block I	64,524	64,524
II Other Fixed Assets (including furniture & fixtures)		
At cost as on 31 st March of the preceeding year	15,30,627	13,08,523
Add: Additions during the year	1,29,261	2,25,631
Less: Deductions during the year	13,727	3,527
Total	16,46,161	15,30,627
Depreciation		
As at 31 st March of the preceeding year	6,88,913	5,37,858
Charge for the year	1,64,924	1,53,373
Less: Reversed on sale	8,692	2,316
Total	8,45,145	6,88,915
Net Block II	8,01,016	8,41,712
Grand Total (I & II)	8,65,540	9,06,236

Schedules forming part of the Financial Statements

as on March 31, 2021

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
I Inter-office adjustments (net)	-	-
II Interest accrued	4,07,867	4,91,132
III Taxes paid in advance/TDS (net of provision for taxes)	15,694	14,800
IV Stationary & Stamps	2,909	2,494
V Others	1,24,762	1,24,781
Total	5,51,232	6,33,207

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
I Claims against the Bank not acknowledged as debts	-	-
II Liability for partly paid investments	-	-
III Liability on account of outstanding forward exchange contracts	-	-
IV Guarantees given on behalf of constituents		
(a) In India	3,27,140	3,21,331
(b) Outside India	-	-
V Acceptances, endorsements and other obligations	13,160	13,559
VI Other items for which Bank is contingently liable	43,208	35,820
Total	3,83,508	3,70,710

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
I Interest/discount on advances/bills	37,24,312	33,06,594
II Income on investments	8,46,810	7,29,051
III Interest on balance with Reserve Bank of India and inter-bank funds	5,43,266	5,45,673
IV Others	-	30
Total	51,14,388	45,81,348

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
I Commission, exchange and brokerage	2,95,523	2,88,410
II Profit/(Loss) on sale of investments (Net)	83,993	57,125
III Profit/(Loss) on revaluation of investments (Net)	-	-
IV Profit/(Loss) on sale of land, building & other assets(Net)	16	(175)
V Profit/(Loss) on Exchange Transactions(Net)	20,760	35,800
VI Income earned by way of dividends etc.	-	-
VII Miscellaneous income	58,286	48,390
Total	4,58,578	4,29,550

Schedules forming part of the Financial Statements

as on March 31, 2021

SCHEDULE 15 - INTEREST EXPENDED

Particulars	(₹ in thousands)	
	Year ended March 31, 2021	Year ended March 31, 2020
I Interest on Deposits	27,83,139	25,38,390
II Interest on Reserve Bank of India/Inter-Bank Borrowings	20,031	6,436
III Others	3,25,108	3,10,294
Total	31,28,278	28,55,120

SCHEDULE 16 - OPERATING EXPENSES

Particulars	(₹ in thousands)	
	Year ended March 31, 2021	Year ended March 31, 2020
I Payments to and provisions for employees	9,04,305	8,46,420
II Rent, Taxes and Lighting	2,58,649	2,49,650
III Printing and Stationery	21,987	31,459
IV Advertisement and Publicity	1,757	3,822
V Depreciation on Bank's property	1,64,924	1,53,373
VI Directors Fees, Allowances & Expenses	2,320	2,670
VII Auditors' Fees and Expenses	4,890	4,875
VIII Law charges	50	16
IX Postage, Telegrams, Telephones etc.	28,566	25,570
X Repairs and Maintenance	61,380	52,178
XI Insurance	70,718	57,461
XII Other expenditure	2,10,043	2,05,837
Total	17,29,589	16,33,331

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

1 CORPORATE INFORMATION

Capital Small Finance Bank Limited ('the Bank'), a banking company incorporated under the Companies Act, 1956, is engaged in providing a wide range of banking & financial services including retail banking, commercial banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949 and the Companies Act, 2013. The name of the Bank has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide Reserve Bank of India ('the RBI' or 'RBI') notification dated February 16, 2017. The Bank operates in India and does not have any branch outside India.

2 BASIS OF PREPARATION

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

3 USE OF ESTIMATES

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

Schedules forming part of the Financial Statements

as on March 31, 2021

4 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

Leasehold improvements are amortised over the duration of the primary lease period or useful life whichever is less.

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

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

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

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

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

4.6 Assets purchased/sold during the year are depreciated on a pro-rata basis.

4.7 An item of fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on de-recognition is recognised in the Profit & Loss account.

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

5 IMPAIRMENT OF ASSETS

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

6 INVESTMENTS

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

Schedules forming part of the Financial Statements

as on March 31, 2021

6.1 Categorisation of Investments

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

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

6.2 Classification of Investments

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

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

6.3 Acquisition cost

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

6.4 Valuation of Investments

- 6.4.1 Held to Maturity – Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortised over the balance period to maturity. The amortised amount is classified under Interest earned – Income on investments (Item II of Schedule 13). The book value of the security is reduced to the extent of amount amortised during the relevant accounting period. Diminution, other than temporary, is determined and provided for each investment individually.
- 6.4.2 Held for Trading – Securities are valued scrip-wise and depreciation/appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.
- 6.4.3 Available for Sale – Securities are valued scrip-wise and depreciation/appreciation is aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for.
- 6.4.4 Market value of government securities (excluding treasury bills) is determined on the basis of the prices/YTM declared by the Primary Dealers Association of India (PDAI) jointly with the Financial Benchmark India Private Limited (FBIL).
- 6.4.5 Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.
- 6.4.6 Unquoted equity shares are valued at the break-up value, if latest balance sheet is available or at ₹ 1 as per the RBI guidelines.
- 6.4.7 Security purchase and sale transactions are recorded under Settlement Date method of accounting.
- 6.4.8 Provision for non-performing investments is made in conformity with the RBI guidelines.
- 6.4.9 Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit & Loss account to Capital Reserve account.
- 6.4.10 In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA). The balance in IRA is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.

Schedules forming part of the Financial Statements

as on March 31, 2021

- 6.4.11 Units of the scheme of Mutual Funds are valued at the lower of cost and Net asset value (NAV) provided by the respective schemes of Mutual Funds.
- 6.4.12 In accordance with the RBI guidelines, repo and reverse repo transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively.
- 6.4.13 Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

6.5 Broken period Interest

Broken period interest on debt instruments is treated as a revenue item.

6.6 Transfer/Shifting of Security between Categories

Transfer/Shifting of Securities from one category to another is carried out as per the RBI guidelines at acquisition cost or book value or market value, whichever is lower, on the date of transfer and the depreciation, if any, on such transfer is fully provided for.

7 ADVANCES

- 7.1 Advances are classified as per the RBI guidelines into standard, sub-standard, doubtful and loss assets. Advances are stated net of specific loan loss provision.
- 7.2 Specific provisions for non-performing advances and floating provisions are made in conformity with the RBI guidelines.
- 7.3 In addition, the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.
- 7.4 Provisions on Standard Assets are made @ 0.40% of the outstanding advances. Further, as per the RBI guidelines, the standard asset provisioning on individual housing loans sanctioned on and after June 7, 2017, is made @ 0.25%. However, provision for banks direct advances to agriculture and SME sectors is made @ 0.25%, medium enterprises sector is made @ 0.4%, commercial real estate sector is made @ 1% and housing loans at teaser rates @ 2% in pursuance to the RBI circulars issued from time to time. Further the same is shown under the head 'Other Liabilities and Provisions'.
- 7.5 Amounts recovered during the year against bad debts written off in earlier years are credited to the Profit & Loss account.
- 7.6 Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit & Loss account to the extent such provisions were charged to the Profit & Loss account.
- 7.7 The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance/securities, which would generally include, among others, alteration of repayment period/repayable amount/the amount of instalments/rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. Restructuring of an account is done at a borrower level.
- 7.8 The moratorium granted as part of COVID-19 Regulatory package announced by RBI, to the borrowers is not accounted as restructuring of loans.
- 7.9 The Bank enters into transactions for the sale/purchase of Priority Sector Lending Certificates (PSLCs) through the RBI platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income'.

Schedules forming part of the Financial Statements

as on March 31, 2021

8 NET PROFITS

The Net Profits have been arrived at after:

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

9 REVENUE RECOGNITION

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

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

10 EMPLOYEE BENEFITS

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

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

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

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

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

The cost of equity-settled transactions is measured using the intrinsic value method and recognised, together with a corresponding increase in the 'stock options outstanding account' under Schedule 2 – Revenue & Other Reserves Account. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognised in the statement of profit and loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Schedules forming part of the Financial Statements

as on March 31, 2021

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

11 LEASE

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

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

12 SEGMENT REPORTING

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

13 EARNINGS PER SHARE

13.1 Earnings per share is calculated by dividing the Net Profit or Loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

13.2 Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the year except when its results are anti-dilutive.

14 TAXES

Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised; where there is unabsorbed depreciation and/or carry forward of losses under tax laws, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realised against future taxable income.

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

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

15 PROVISIONS AND CONTINGENT LIABILITIES & CONTINGENT ASSETS

15.1 A provision is recognised when there is a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

15.2 A disclosure of contingent liability is made when there is:

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

Schedules forming part of the Financial Statements

as on March 31, 2021

15.3 When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

15.4 Contingent assets, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

16 CASH AND CASH EQUIVALENTS

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

17 TRANSACTION INVOLVING FOREIGN EXCHANGE

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

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

17.3 Non-monetary items which are measured in terms of historical cost denominated in foreign currency are reported using the exchange rate as notified by Foreign Exchange Dealers Association of India (FEDAI) at the date of transaction. Non-monetary items which are measured at Fair Value or other similar value denominated in a foreign currency are translated using the exchange rate at the date when such value is determined.

17.4 Exchange differences arising on settlement of monetary items or on reporting of such monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or expense in the year in which they arise.



Schedules forming part of the Financial Statements

as on March 31, 2021

SCHEDULE 18: NOTES ON ACCOUNTS APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

1 CAPITAL

1.1 Capital to risk-weighted asset ratio ('Capital Adequacy Ratio') of the Bank, as on March 31, 2021 has been calculated by using the capital measurement approaches as detailed below:

1.1.1 Credit Risk has been measured by using Basel II Standardised Approach for credit risk, in accordance with the RBI circular no DBR. NBD. No.26/16.13.218/2016-17, dated October 6, 2016 on "Operating Guidelines for Small Finance Banks".

1.1.2 Market Risk and Operation Risk has not been considered for measurement of Capital Adequacy Ratio as per the letter issued by the Reserve Bank of India vide reference number DBR.NBD. No.4502/16.13.218/2017-18 dated November 8, 2017 to all the small finance banks.

Ratio of capital to risk-weighted assets	Year ended March 31, 2021	Year ended March 31, 2020
1. CRAR (%)	19.80%	19.11%
2. CRAR – Tier – I Capital (%)	14.27%	14.00%
3. CRAR – Tier – II Capital (%)	5.53%	5.11%
4. Leverage Ratio	6.67%	7.27%

1.2 Movement in Capital during the year is as below:

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
1. Amount of equity (Face Value) raised on private placement under preferential allotment/allotment of employee stock options	1,035	53,265
2. Amount of debt raised as Upper Tier – II capital	Nil	Nil
3. Amount of subordinated debt raised as Tier – II capital (Lower Tier-II capital)	3,14,000	Nil

1.3 Tier – I Capital Infusion

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

During the year ended March 31, 2020, the Bank has issued and allotted 16,08,508 Equity Shares on June 25, 2019 and 37,17,966 Equity Shares on November 22, 2019 of ₹10/- each at a premium of ₹242/- (i.e. at the Total issue price of ₹252/-) per Equity Share aggregating to ₹13,42,271 thousand on a private placement basis under preferential allotment to Financial Institutional Investors i.e. Amicus Capital Private Equity I LLP, Amicus Capital Partners India Fund I, Pi Ventures LLP and Oman India Joint Investment Fund II.

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

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Opening Balance	3,38,072	2,84,807
Addition pursuant to Amount of equity raised on private placement basis under preferential allotment	1,035	53,265
Closing Balance	3,39,107	3,38,072

1.4 Proposed Dividend

For the year ended March 31, 2021, the Board of Directors, on its meeting held on May 11, 2021 recommended a dividend of ₹0.80 per share. The recommendation made is in accordance with the circular issued by the Reserve Bank of India on Declaration of Dividend by Banks vide circular no. RBI/2021-22/23 DOR.ACC. REC.7/21.02.067/2021-22, dated April 22, 2021.

Schedules forming part of the Financial Statements

as on March 31, 2021

According to the 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, 2021. However, the Bank has reckoned proposed dividend in determining capital funds for computing capital adequacy ratio as on March 31, 2021.

For the year ended March 31, 2020, no dividend was declared by the Bank in accordance with the circular issued by the Reserve Bank of India dated April 17, 2020.

1.5 Tier – II Capital

Issue

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

(₹ in thousands)				
Series	Date of Allotment	Coupon (%)	Tenure	Amount
Series XVIII	18/11/2020	9.25%	10 Years	314,000

During the year ended March 31, 2020, the Bank has not raised any Tier 2 Capital.

Maturity

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

During the year ended March 31, 2020, the Unsecured Redeemable Non-Convertible Lower Tier – II Bonds have matured, detailed as below:

(₹ in thousands)			
Series	Date of Maturity	Coupon (%)	Amount
Series I	17/09/2019	11.00%	50,300
Series II	29/09/2019	11.00%	36,000
Series III	24/10/2019	11.00%	27,800
Series IV	27/03/2020	10.00%	55,500

Maturity Profile of Total debentures outstanding as on March 31, 2021:

Unsecured Redeemable Non-Convertible Lower Tier – II Bonds

(₹ in thousands)		
Series	Amount	Maturity Date
11% Tier – II Bonds Series V	57,100	04/06/2021
11% Tier – II Series VI	30,200	18/06/2021
11% Tier – II Bonds Series VII	60,400	25/08/2022
11% Tier – II Bonds Series VIII	50,300	04/05/2023
11% Tier – II Bonds Series IX	31,000	20/05/2023
11% Tier – II Bonds Series X	94,700	24/05/2024
10.50% Tier – II Bonds Series XII	1,20,000	17/02/2026
9.75% Tier – II Bonds Series XIV	1,59,000	25/11/2026
9.25% Tier – II Bonds Series XV	2,09,500	15/05/2028
10% Tier – II Bonds Series XVI	1,80,000	28/02/2029
10% Tier – II Bonds Series XVII	2,25,000	31/03/2029
9.25% Tier – II Bonds Series XVIII	3,14,000	18/11/2030
Total	15,31,200	

Unsecured Redeemable Non-Convertible Upper Tier – II Bonds

(₹ in thousands)		
Series	Amount	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	

Schedules forming part of the Financial Statements

as on March 31, 2021

1.6 Creation/Reversal of Investment Reserve Account

During the year ended March 31, 2021, the Bank has reversed ₹138 thousand from the Investment Reserve Account against the depreciation provided on investment in equity share, net of applicable taxes and statutory reserve requirement. No amount has been transferred to the Investment Reserve Account.

During the year ended March 31, 2020, the Bank has not transferred any amount to/from the Investment Reserve Account.

1.7 Creation of Investment Fluctuation Reserve

During the year ended March 31, 2021, in terms of circular number RBI/2017-18/147.DBR.No. BP.BC.102/21.04.048/2017-18 dated April 2, 2018, the Bank has appropriated an amount of ₹23,938 thousand (₹31,937 thousand during the year ended March 31, 2020) to Investment Fluctuation Reserve. The total amount appropriated to Investment Fluctuation Reserve as on March 31, 2021 is ₹67,949 thousand (during the year ended March 31, 2020 ₹44,011 thousand).

2 Investments

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
1 Value of Investments		
i. Gross Value of Investments		
a) In India	1,21,22,764	1,05,18,746
b) Outside India	Nil	Nil
ii. Provision for Investments		
a) In India	245	Nil
b) Outside India	Nil	Nil
iii. Net Value of Investments		
a) In India	1,21,22,519	1,05,18,746
b) Outside India	Nil	Nil
2 Movement of Provision for Depreciation held towards Investments		
i. Opening Balance	Nil	65
ii. Provisions made during the year	445	705
iii. Write-off/(write-back) of excess provisions during the year	-200	-770
iv. Closing Balance	245	Nil

2.1 Repo/Reverse Repo

During the year ended March 31, 2021

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

(₹ in thousands)				
Particulars	Minimum Outstanding during the year (Face Value)	Maximum Outstanding during the year (Face Value)	Daily Average outstanding during the year (Face Value)	Outstanding as on March 31, 2021 (Face Value)
Securities sold under repo:				
1. Government Securities	-	10,99,745	3,85,888	-
2. Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo:				
1. Government Securities	-	74,69,499	36,88,019	47,20,000
2. Corporate Debt Securities	-	-	-	-

Schedules forming part of the Financial Statements as on March 31, 2021

During the year ended March 31, 2020

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

(₹ in thousands)				
Particulars	Minimum Outstanding during the year (Face Value)	Maximum Outstanding during the year (Face Value)	Daily Average outstanding during the year (Face Value)	Outstanding as on March 31, 2020 (Face Value)
Securities sold under repo:				
1. Government Securities	-	11,59,885	1,13,046	8,10,000
2. Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo:				
1. Government Securities	-	37,98,431	8,54,957	14,99,645
2. Corporate Debt Securities	-	-	-	-

2.2 Non-SLR Investment Portfolio

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

During the year ended March 31, 2021

(₹ in thousands)					
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	-	-	-	-	-
ii. FIs	-	-	-	-	-
iii. Banks	-	-	-	-	-
iv. Private Corporates	15,404	15,404	-	-	15,404
v. Subsidiaries/Joint Ventures	-	-	-	-	-
vi. Others	-	-	-	-	-
vii. Provision held towards depreciation	245	245	-	-	245
Total	15,159	15,159	-	-	15,159

During the year ended March 31, 2020

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

2.2.2 Non-Performing Non-SLR investments

The Bank does not have any non-performing Non-SLR investment during the year ended March 31, 2021 and year ended March 31, 2020.

2.3 Shifting of Investments

During the year ended March 31, 2021

The Bank, after approval of the Board of Directors, has transferred government securities within the categories as stated below:

(₹ in thousands)			
Category		Book Value	Market Value
From	To		
Held to Maturity	Available for Sale	11,67,881	12,63,406
Total		11,67,881	12,63,406

During the year ended March 31, 2020

The Bank has not shifted any investment during the year ended March 31, 2020.

Schedules forming part of the Financial Statements as on March 31, 2021

2.4 Derivatives

The Bank has not undertaken any derivative business during the year ended March 31, 2021 and year ended March 31, 2020.

2.5 Security Receipts

The Bank does not hold any investment in Security Receipts during the year ended March 31, 2021 and year ended March 31, 2020.

3 Asset Quality

3.1 Non-Performing Asset

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
i. Net NPAs to Net Advances (%)	1.13%	1.25%
ii. Movement of NPAs (Gross)		
Opening balance	5,85,069	3,39,556
Additions during the year	2,48,532	4,21,900
Reductions during the year	51,168	1,76,387
Closing balance	7,82,433	5,85,069
iii. Movement of NPAs (Net)		
Opening balance	4,12,497	2,42,204
Additions during the year	45,917	3,10,070
Reductions during the year	36,993	1,39,777
Closing balance	4,21,421	4,12,497
iv. Movement of provisions for NPAs (excluding provisions on standard assets)		
Opening balance	1,72,572	97,352
Provisions made during the year	2,02,615	1,11,830
Write-off/write-back of excess provisions	14,175	36,610
Closing balance	3,61,012	1,72,572

3.2 Restructuring of Accounts

Restructuring under RBI guidelines on "Resolution Framework for COVID-19-related Stress"

(₹ in thousands)					
Type of borrower	Number of accounts where resolution plan has been implemented under this window	Exposure to accounts mentioned at (A) before implementation of the plan	Of (B), aggregate amount of debt that was converted into other securities	Additional funding sanctioned, if any, including between invocation of the plan and implementation	Increase in provisions on account of the implementation of the resolution plan#
	(A)	(B)	(C)	(D)	(E)
Personal Loans	26	41,413	-	-	6,754
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	-	-	-	-	-
Total	26	41,413	-	-	6,754

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

The Bank has created provision on borrower level.

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

(₹ in thousands)			
As on March 31, 2021		As on March 31, 2020	
No. of accounts restructured	Amount	No. of accounts restructured	Amount
132	8,07,095	-	-

Schedules forming part of the Financial Statements as on March 31, 2021

Restructuring of Accounts (other than under COVID-19 and MSME restructuring schemes) during the year ended March 31, 2021

Type of Restructuring		Under CDR Mechanism				Under SME Debt restructuring Mechanism				Others				Total	
		Standard	Sub-Standard	Doubtful	Total	Standard	Sub-Standard	Doubtful	Total	Standard	Sub-Standard	Doubtful	Total	Sub-Standard	Total
1	Restructured Accounts No. of Borrowers as on April 1, 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts No. of Borrowers as on March 31, 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-

Schedules forming part of the Financial Statements as on March 31, 2021

Restructuring of Accounts (other than under COVID -19 and MSME restructuring schemes) during the year ended March 31, 2020

Type of Restructuring		Under CDR Mechanism				Under SME Debt restructuring Mechanism				Others				Total	
		Standard	Sub-Standard	Doubtful	Total	Standard	Sub-Standard	Doubtful	Total	Standard	Sub-Standard	Doubtful	Total	Sub-Standard	Total
1	Restructured Accounts No. of Borrowers as on April 1, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts No. of Borrowers as on March 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-

Disclosure on Prudential Framework on Resolution of Stressed Assets, dated June 7, 2019

The Reserve Bank of India has issued guidelines on Prudential Framework on Resolution of Stressed Assets, dated June 7, 2019. The Bank has not restructured any account under the framework during the year ended March 31, 2021 and year ended March 31, 2020.

Schedules forming part of the Financial Statements

as on March 31, 2021

3.3 Impact on account of COVID-19 on Advances

Consequent to the outbreak of the COVID-19 pandemic, the Government of India, on March 24, 2020, introduced a strict 21-day lockdown. Subsequently, the national lockdown was lifted by the government, but regional lockdowns continue to be implemented in areas with a significant number of COVID-19 cases.

The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activities. The slowdown during the year led to a decrease in loan originations, the sale of third party products, the use of cards by customers and the efficiency in collection efforts. This may lead to a rise in the number of customer defaults and consequently an increase in provisions there against. The extent to which the COVID-19 pandemic, including the current "second wave" that has significantly increased the number of cases in India, will continue to impact the Bank's results will depend on ongoing as well as future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government- mandated or elected by us.

3.4 Disclosure on provision created as per RBI circular on COVID-19 Regulatory Package - Asset Classification and Provisioning dated April 17, 2020

(₹ in thousands)

Sr. No. Particulars	Amount
1 Respective amount in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the circular*	22,78,675
2 Respective amount where asset classification benefits are extended*	12,77,688
3 Provisions made in terms of paragraph 5 of the circular	1,32,000
4 Provisions adjusted during the respective accounting periods against slippages in terms of paragraph 6 of the circular.	(1,32,000)
5 Residual provision as on March 31, 2021 in terms of paragraph 6 of the circular.	-

*As on May 31, 2020

3.5 Provision on Standard Asset

(₹ in thousands)

Particulars	Year ended March 31, 2021*	Year ended March 31, 2020 #
Provisions towards Standard Assets	(10,955)	1,01,470

The cumulative provision towards standard assets held by the Bank as at the year ended March 31, 2021 amounts to ₹1,74,812 thousand (year ended March 31, 2020 ₹1,85,768 thousand).

* During the year ended March 31, 2021, the general provision against standard assets includes provision of ₹53,369 thousand created in accordance with RBI Circular "Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances" and "Resolution Framework for COVID-19-related Stress".

During the year ended March 31, 2020, the general provision against standard assets includes provision of ₹77,000 thousand created in accordance with RBI Circular 'COVID19 Regulatory Package - Asset Classification and Provisioning' and 'COVID-19 – Regulatory Package'.

3.6 Refund/adjust 'interest on interest' to borrowers

The Reserve Bank of India, vide its notification dated April 7, 2021, has advised the banks to refund/adjust 'interest on interest' to borrowers. The methodology for calculation of such interest on interest has recently been circulated by the Indian Banks' Association on April 19, 2021.

The Bank is working on the guidelines received in this regard for its effective implementation. As on March 31, 2021, the Bank has created a liability of ₹14,300 thousand towards estimated interest relief and reduced the same from the interest income.

Schedules forming part of the Financial Statements

as on March 31, 2021

3.7 Technical Write-Offs

There were nil technical write-offs during the year ended March 31, 2021 and year ended March 31, 2020.

3.8 Sale of Financial Asset under Securitization/Asset Reconstruction

The Bank has not sold any financial asset to Securitization/Reconstruction Company for Asset Reconstruction during the year ended March 31, 2021 and year ended March 31, 2020.

3.9 Purchase/Sale of Non-performing financial assets

The Bank has not purchased/sold any Non-performing financial assets from/to other banks during the year ended March 31, 2021 and year ended March 31, 2020.

4 Business Ratios

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
i. Interest Income as a percentage to Working Funds*	8.65%	9.24%
ii. Non-interest income as a percentage to Working Funds*	0.78%	0.87%
iii. Operating Profit** as a percentage to Working Funds*	1.21%	1.05%
iv. Return on Assets [@]	0.69%	0.51%
v. Business (Deposits plus advances) # per employee [^] (₹ in thousands)	54,890	48,424
vi. Profit per employee (Operating Profit) [^] (₹ in thousands)	440	333

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

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

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

For the purpose of computation of business per employee business is calculated by adding closing 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, 2021 is as under:

(₹ in thousands)

	Next Day	2-7 Days	8-14 days	15 to 30 Days	31 days and up to 2 Months	over 2 months and up to 3 months	over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Above 5 Years	Total
Loans & Advances												
CY	110592	30687	99802	5108929	429348	478109	1454337	2854417	20942203	3895966	1864470	37268860
PY	-	-	-	-	-	5121253	1234731	2532910	19245184	3532990	1416017	33083085
Investment												
CY	2467416	60453	38768	202622	74280	76684	243856	366295	3689620	51845	4850680	12122519
PY	2632901	37518	21157	71915	183558	246677	356898	769661	2821629	72814	3304018	10518746
Deposits												
CY	212098	293840	116309	988119	418240	344429	1372821	2058630	20466777	59780	25879657	52210700
PY	1713062	215693	116795	413438	1055271	1389073	2044791	4199653	15387893	224318	17706246	44466233
Borrowing												
CY	16000	-	835000	-	51000	138300	653000	730000	2051700	214700	1477500	6167200
PY	-	-	110000	-	26000	26000	678000	566000	1343700	176000	1283500	4209200
Foreign Currency Assets												
CY	-	-	-	-	-	-	-	-	-	-	-	-
PY	7276	-	-	-	-	-	-	-	-	-	-	7276

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

Schedules forming part of the Financial Statements

as on March 31, 2021

6 Exposures

6.1 Exposure to Real Estate Sector

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
1. Direct exposure		
i. Residential Mortgages –		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
a) Individual Housing Loans eligible for inclusion in Priority Sector advances	23,60,372	18,91,007
b) Others	37,43,613	25,64,978
ii. Commercial Real Estate –	19,92,512	1,940,899
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;		
iii. Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a) Residential	-	-
b) Commercial Real Estate	-	-
2. Indirect Exposure	1,13,215	1,31,225
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		
Total Exposure to Real Estate Sector	82,09,712	65,28,109

6.2 Exposure to Capital Market

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
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;	15,404	-
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	15,404	-

Schedules forming part of the Financial Statements

as on March 31, 2021

6.3 Risk Category-Wise Country Exposure

The Bank is operating in the state of Punjab, Union Territory of Chandigarh, Haryana, Rajasthan and Delhi. Hence, the Bank does not have country risk exposure as on March 31, 2021 and March 31, 2020.

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, 2021 and year ended March 31, 2020.

6.5 Unsecured Advances against Intangible Assets

The Bank has not extended any advance against intangible securities such as charge over the rights, licenses, authority etc. during the year ended March 31, 2021 and year ended March 31, 2020.

6.6 Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2021 and March 31, 2020 is Nil.

7 Accounting for employee share based payments

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

7.2 The stock options will be equity settled.

7.3 The accounting for stock options is in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by the Institute of Chartered Accountants of India.

7.4 The Nomination and Remuneration Committee of the Bank is empowered to administrate, implement and superintend the plan. Its powers include determination of eligible employees, determine the parameters for grant of options, vesting conditions, determination of exercise period, among others.

7.5 The details of the scheme are as under:

Scheme	Date of Grant	Vesting	Exercise Period	Exercise Price per option	Method of Settlement
CSFB ESOP 2018	30/04/2019	Graded Vesting: Twelve months 30/04/2020 - 25% from the date of 30/04/2021 - 30% vesting 30/04/2022 - 45%		₹98	Equity

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

Particulars	March 31, 2021 (Number of Options)	March 31, 2020 (Number of Options)
Options outstanding, beginning of year	6,50,496	-
Granted during the year	-	6,50,496
Exercised during the year	1,03,464	-
Forfeited/Lapsed during the year	81,521	-
Options outstanding, end of year	4,65,511	6,50,496
Options exercisable	38,823	-

7.7 The fair value of stock option granted was ₹212.63/-. Discounted cash flow method has been used for computing the fair value.

Schedules forming part of the Financial Statements

as on March 31, 2021

7.8 The Bank measures the cost of ESOP using the intrinsic value method. Had the Bank used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed as indicated below:

(₹ in thousands)	
Particulars	Amount
Profit after tax as reported	4,07,843
Add: ESOP cost using intrinsic value method (net of tax)	16,554
Less: ESOP cost using fair value method (net of tax)	(30,706)
Profit after tax (adjusted)	3,93,691
Earnings Per Share -	
Basic	
- As reported	12.04
- Adjusted for ESOP using fair value method	11.63
Diluted	
- As reported	11.98
- Adjusted for ESOP using fair value method	11.51

8 Concentration of Deposits, Advances, Exposures and NPAs

8.1 Concentration of Deposits

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Total Deposits of twenty largest depositors	19,29,315	33,99,372
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	3.70%	7.64%

8.2 Concentration of Advances

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Total Advances to twenty largest borrowers	27,38,497	26,80,616
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	5.70%	6.81%

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

8.3 Concentration of Exposures

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Total Exposure to twenty largest borrowers/customers	27,38,497	26,80,616
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the Bank on Borrowers/customers	5.70%	6.81%

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

8.4 Concentration of NPAs

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Total Exposure to top four NPA accounts	2,13,403	2,24,603



Schedules forming part of the Financial Statements

as on March 31, 2021

8.5 Movement of NPAs

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Gross NPAs as on first day of the year	5,85,069	3,39,556
Additions (fresh NPAs) during the year	2,48,532	4,21,900
Sub Total (A)	8,33,601	7,61,456
Less:		
i. Upgradations	16,528	1,44,269
ii. Recoveries (excluding recoveries made from upgraded accounts)	34,487	32,055
iii. Write-offs	153	63
Sub-Total (B)	51,168	1,76,387
Gross NPAs as on last day of the year	7,82,433	5,85,069

8.6 Sector-wise Advances

(₹ in thousands)						
Sr. No. Sector	Year ended March 31, 2021			Year ended March 31, 2020		
	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	1,42,32,112	2,94,956	2.07	1,27,44,444	2,04,510	1.60
2. Industry(Micro & small, medium and large)	18,02,316	49,873	2.77	19,56,418	32,901	1.68
3. Services	73,83,432	1,40,488	1.90	64,10,995	71,397	1.11
4. Personal Loans	-	-	-	-	-	-
5. Others	23,74,617	6,677	0.28	19,07,649	4,853	0.25
Sub-Total (A)	2,57,92,477	4,91,994	1.91	2,30,19,506	3,13,661	1.36
B) Non-Priority Sector						
1. Agriculture & allied activities	-	-	-	-	-	-
2. Industry(Micro & small, medium and large)	57,346	-	-	1,14,205	-	-
3. Services	9,26,823	1,84,200	19.87	9,51,263	2,00,063	21.03
4. Personal Loans	1,62,461	4,074	2.51	2,16,669	2,511	1.16
5. Others	1,06,90,765	1,02,165	0.96	89,54,014	68,834	0.77
Sub-Total (B)	1,18,37,395	2,90,439	2.45	1,02,36,151	2,71,408	2.65
Total (A+B)	3,76,29,872	7,82,433	2.08	3,32,55,657	5,85,069	1.76

8.7 Details of Priority Sector Lending Certificates (PSLC)

(₹ in thousands)				
Type of PSLC	Year ended March 31, 2021		Year ended March 31, 2020	
	PSLC bought during the year	PSLC sold during the year	PSLC bought during the year	PSLC sold during the year
Agriculture	-	66,50,000	-	52,00,000
Small and Marginal Farmers	16,50,000	-	7,00,000	-
Micro enterprises	-	-	-	-
General	5,00,000	-	-	-
Total	21,50,000	66,50,000	7,00,000	52,00,000

Schedules forming part of the Financial Statements

as on March 31, 2021

8.8 Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas asset/NPA as at March 31, 2021 and March 31, 2020. No overseas operations were undertaken during the year ended March 31, 2021 and March 31, 2020, hence revenue from overseas operations is Nil.

8.9 Off Balance Sheet SPVs sponsored

The Bank does not hold any sponsored Off Balance sheet SPVs during the year ended March 31, 2021 and March 31, 2020.

9 Bancassurance Business

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Fee/Remuneration received		
1. Life insurance	53,798	52,811
2. General Insurance	22,024	20,086

10 Provisions and Contingencies

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

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Provisions towards Taxes	1,29,525	92,001
Provisions towards Standard Assets	(10,955)	1,01,470
Provision towards Non-performing Advances	1,88,441	75,220
Depreciation on Investments	245	(65)
Total	3,07,256	2,68,626

11 Staff Retirement Benefits

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

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Defined benefit obligation liability		
Opening Obligations	53,110	40,533
Service Cost	9,880	8,771
Interest Cost	3,649	3,113
Actuarial (Gain)/Loss	(821)	3,117
Liabilities extinguished on settlement	-	-
Benefits Paid	(1,302)	(2,424)
Obligations at last date of the year	64,516	53,110
Plan Assets at fair value		
Opening Plan Assets, at fair value	54,275	40,736
Expected return on plan assets	3,935	2,994
Actuarial Gain/(Loss)	2,990	1,111
Assets distributed on settlement		
Contributions	4,900	11,858
Benefits Paid	(1,302)	(2,424)
Plan Assets at fair value at last date of the year		
Fair Value of Plan Assets at the end of the year	64,797	54,275
Present Value of the defined benefit obligation at the end of the year	64,516	53,110

Schedules forming part of the Financial Statements

as on March 31, 2021

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Asset/(Liability) at last date of the year	281	1,165
Experience adjustments on Plan Liabilities	(1,819)	(2,480)
Experience adjustments on Plan Assets	2,990	1,111
Cost for the year		
Service Cost	9,880	8,771
Interest Cost	3,649	3,113
Expected Return on Plan Assets	(3,935)	(2,994)
Actuarial (Gain)/Loss	(3,811)	2,006
Net Cost	5,783	10,896
Investment details of Plan Assets		
Plan assets are invested in insurer managed funds.		
Assumptions		
Interest Rate	6.90%	6.87%
Salary escalation rate	5.00%	5.25%
Estimated rate of return on plan assets	6.90%	7.25%

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

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Earned Leaves	31,148	35,038
Sick Leaves	8,821	8,882
Total Actuarial Liability	39,969	43,920
Assumptions		
Discount Rate	6.90%	6.87%
Salary Escalation Rate	5.00%	5.25%

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

12 Miscellaneous

12.1 Amount of Provisions made for Income tax during the year

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Income Tax	1,27,681	1,12,954
Deferred Tax	1,844	(20,953)

12.2 Disclosure of Penalties Imposed by the RBI

There has been no penalty imposed by the RBI during the year ended March 31, 2021 and year ended March 31, 2020.

Schedules forming part of the Financial Statements

as on March 31, 2021

13 Segment Reporting

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

(₹ in thousands)

Business Segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
Particulars	Current year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	14,74,069	13,31,849	4,02,267	3,86,187	35,95,628	31,78,101	1,01,002	1,14,761	55,72,966	50,10,898
Result	1,32,198	2,69,296	18,298	4,499	8,37,915	4,65,430	86,564	1,02,261	10,74,975	8,41,486
Unallocated Expenses	-	-	-	-	-	-	-	-	5,37,607	4,95,664
Operating Profit	-	-	-	-	-	-	-	-	5,37,368	3,45,822
Income Taxes	-	-	-	-	-	-	-	-	1,29,525	92,001
Extraordinary profit/Loss	-	-	-	-	-	-	-	-	-	-
Net Profit	-	-	-	-	-	-	-	-	4,07,843	2,53,821
Other Information										
Segment Assets	2,27,47,461	1,68,48,301	39,41,075	37,96,551	3,65,74,871	3,23,37,702	15,920	15,681	6,32,79,327	5,29,98,235
Unallocated Assets	-	-	-	-	-	-	-	-	4,33,056	3,00,531
Total Assets	-	-	-	-	-	-	-	-	6,37,12,382	5,32,98,766
Segment Liabilities	-	8,13,448	13,31,650	32,93,954	5,58,19,942	4,34,15,093	-	-	5,71,51,592	4,75,22,495
Unallocated Liabilities	-	-	-	-	-	-	-	-	20,52,886	17,08,470
Total Liabilities	-	-	-	-	-	-	-	-	5,92,04,478	4,92,30,965

Notes:

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

14 Related Party Disclosure

- Related parties as per Accounting Standard 18

Key Management Personnel:

- Mr. Sarvjit Singh Samra – Managing Director
- Mr. Munish Jain – Chief Operating Officer & Chief Financial Officer
- Mr. Amit Sharma – Company Secretary

Relatives of Key Management Personnel:

- Mr. Sarvjit Singh Samra:* Mr. Amarjit Singh Samra, Mr. Amardeep Samra, Mrs. Surinder Kaur Samra, Mrs. Navneet Samra, Mrs. Amarpreet Kaur Hayer, Mr. Shahbaz Singh Samra, Mr. Sangram Singh Samra and Sarvjit Singh Samra HUF.
- Mr. Munish Jain:* Mr. Kimti Lal Jain, Mr. Vishal Jain, Mrs. Usha Jain, Mrs. Ruchi Jain, Mrs. Ritu Jain, Mr. Aagam Jain, Mr. Gaurish Jain and Munish Jain HUF.
- Mr. Amit Sharma:* Mr. Mangal Chand Sharma, Mrs. Bimla Sharma, Mrs. Gitika Sharma, Mr. Kunal Sharma, Miss Amayra Sharma, Mrs. Poonam Sharma, Mrs. Seema Sharma, Mr. Ajay Sharma and Mrs. Sheetal Sharma.

Associates/Joint Ventures/Others:

- Capital Foundation Trust

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

- Midland Microfin Limited

- The balances payable to/receivable from the related parties of the Bank as on March 31, 2021 are given below:

Schedules forming part of the Financial Statements

as on March 31, 2021

(₹ in thousands)

Items/Related Party	Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings						
CY	-	-	-	1,000	14,700	15,700
PY	-	-	-	1,000	12,700	13,700
Deposits						
CY	-	-	3,552	11,246	31,766	46,564
PY	-	-	1,878	5,548	30,310	37,736
Placement of Deposits						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
Advances						
CY	-	-	-	-	-	-
PY	-	-	-	91	-	91
Investments						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
Non-funded commitments						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
Leasing/HP arrangements availed						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
Leasing/HP arrangements provided						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-

- The maximum balances payable to/receivable from the related parties of the Bank for the year ended March 31, 2021 are given below:

(₹ in thousands)

Items/Related Party	Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings						
CY	-	-	-	1,000	14,700	15,700
PY	-	-	-	1,500	15,100	16,600
Deposits						
CY	-	-	4,045	24,558	71,585	100,188
PY	-	-	4,558	65,092	123,129	1,92,779
Placement of Deposits						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
Advances						
CY	-	-	-	71	149	220
PY	-	-	-	4,346	113	4,459
Investments						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
Non-funded commitments						
CY	-	-	-	-	-	-

Schedules forming part of the Financial Statements

as on March 31, 2021

(₹ in thousands)

Items/Related Party	Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
PY	-	-	-	-	-	-
Leasing/HP arrangements availed						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
Leasing/HP arrangements provided						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-

- iv. The details of transactions of the Bank with its related parties during the year ended March 31, 2021 are given below:

(₹ in thousands)

Items/Related Party	Parent	Subsidiary	Associates/Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Purchase of fixed assets						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
Sale of fixed assets						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
Interest paid						
CY	-	-	61	713	3,894	4,668
PY	-	-	56	774	3,581	4,411
Interest received						
CY	-	-	-	-	1	1
PY	-	-	-	64	1	65
Receiving of Services						
Leasing						
CY	-	-	-	4,528	15,849	20,377
PY	-	-	-	4,477	15,752	20,229
Salary						
CY	-	-	-	25,242	1,696	26,938
PY	-	-	-	25,672	1,274	26,946
Management Contracts						
CY	-	-	-	-	-	-
PY	-	-	-	-	-	-
CSR Expense/ Contribution						
CY	-	-	6,150	-	-	6,150
PY	-	-	5,250	-	-	5,250

For a person being a KMP for the current year or part thereof, the consideration paid during the complete financial year has been disclosed.

In accordance with paragraph 5 of AS-18, the Bank has not disclosed certain transactions with entities related to the relatives of KMPs as they are in the nature of banker-customer relationship.



Schedules forming part of the Financial Statements

as on March 31, 2021

15 Leases

Operating Leases

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

(₹ in thousands)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Not later than one year	13,910	15,486
Later than One year and not later than five years	31,003	24,864
Later than five years	38,650	29,780
Total Minimum lease rental commitments	83,563	70,130

Total lease rental expenditure under cancellable and non-cancellable operating leases debited to Profit & Loss Account during the year ended March 31, 2021 is ₹168,286 thousand (during year ended March 31, 2020 ₹169,400 thousand)

Finance Lease

The Bank has not taken any asset under finance lease during the year ended March 31, 2021 and year ended March 31, 2020.

16 Earnings Per Share

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Net profit after tax available for equity shares (₹ in thousands)	4,07,843	2,53,821
Weighted average number of equity shares	3,38,61,909	3,10,46,437
Weighted average number of equity shares for diluted earnings	3,40,41,782	3,11,16,679
Basic Earnings per share (₹)	12.04	8.18
Diluted Earnings per share (₹)	11.98	8.16
Face Value per share (₹)	10	10

17 Deferred Tax Asset

Other Assets include deferred tax asset of an amount equal to ₹37,639 thousand (year ended March 31, 2020 ₹39,482 thousand) as detailed below:

(₹ in thousands)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Deferred Tax Liabilities	17,283	19,318
Depreciation on Fixed Assets	12,658	16,436
Special Reserve under Section 36(i) (viii)	4,625	2,882
Deferred Tax Assets	54,922	58,800
Loan Loss Provisions	43,997	46,754
Others	10,925	12,046
Deferred Tax Liabilities/(Assets) (Net)	(37,639)	(39,482)

18 Provision Coverage Ratio

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Ratio of Provisioning to Gross Non-Performing Assets	46.14%	29.50%

Schedules forming part of the Financial Statements

as on March 31, 2021

19 Disclosure of Complaints

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

Sr. No. Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Complaints received by bank from its customers		
1 Number of complaints pending at beginning of the year	4	15
2 Number of complaints received during the year*	762	630
3 Number of complaints disposed during the year	758	641
3.1 Of which, number of complaints rejected by the bank	216	147
4 Number of complaints pending at the end of the year	8	4
Maintainable complaints received by the Bank from the OBOs		
5 Number of maintainable complaints received by the bank from OBOs	5	4
5.1 Of 5, number of complaints resolved in favor of the bank by BOs	-	-
5.2 Of 5, number of complaints resolved through conciliation/mediation/ advisories issued by BOs	-	1
5.3 Of 5, number of complaints resolved after passing of Awards by BOs against the bank	-	-
6 Number of awards unimplemented within the stipulated time (other than those appealed)	-	-

*Out of the above complaints, 722 complaints (600 previous year) are related to acquiring banks during the current year ending March 31, 2021.

19.2 Customer Complaints other than above:

Sr. No. Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Complaints received by bank from its customers		
1 Number of complaints pending at beginning of the year	1	6
2 Number of complaints received during the year	291	159
3 Number of complaints disposed during the year	289	164
3.1 Of which, number of complaints rejected by the bank	52	5
4 Number of complaints pending at the end of the year	3	1
Maintainable complaints received by the Bank from the OBOs		
5 Number of maintainable complaints received by the bank from OBOs	28	20
5.1 Of 5, number of complaints resolved in favor of the bank by BOs	10	3
5.2 Of 5, number of complaints resolved through conciliation/mediation/ advisories issued by BOs	5	9
5.3 Of 5, number of complaints resolved after passing of Awards by BOs against the bank	-	-
6 Number of awards unimplemented within the stipulated time (other than those appealed)	-	-

Schedules forming part of the Financial Statements

as on March 31, 2021

19.3 Top 5 grounds of Complaints received by the Bank

During the year ended March 31, 2021

	Ground - 1	Ground - 2	Ground - 3	Ground - 4	Ground - 5		
	ATM/Debit Cards	Internet/ Mobile/ Electronic Banking	Foreclosure Charges	Loans & Advances	Staff Behaviour	Other Complaints	Total
1. Grounds of Complaints							
2. Number of complaints pending at the beginning of the year	4	-	1	-	-	-	5
3. Number of complaints received during the year	483*	333*	43	43	35	116	1053
4. % increase/decrease in the number of complaints received over the previous year	(17.86)%	389.70%	290.91%	13.16%	600%	46.84%	33.46%
5. Number of complaints pending at the end of the year	6	1	3	-	-	1	11
6. Of 5, number of complaints pending beyond 30 days	-	-	3^	-	-	1^	4

* 722 complaints are related to acquiring banks

^ Representation raised with OBO office/other bank

During the year ended March 31, 2020

	Ground - 1	Ground - 2	Ground - 3	Ground - 4	Ground - 5		
	ATM/ Debit Cards	Internet/ Mobile/ Electronic Banking	Loans & Advances	Account opening/ difficulty in operations	Foreclosure Charges	Other Complaints	Total
1. Grounds of Complaints							
2. Number of complaints pending at the beginning of the year	16	2	-	-	1	2	21
3. Number of complaints received during the year	588*	68*	38	22	11	62	789
4. % increase/decrease in the number of complaints received over the previous year	6.52%	1600%^	442.86%	266.67%	10%	195.24%	31.50%
5. Number of complaints pending at the end of the year	4	-	-	-	1	-	5
6. Of 5, number of complaints pending beyond 30 days	-	-	-	-	-	-	-

* 600 complaints are related to acquiring banks

^ The Mobile Banking app was launched in March 2019

19.4 Awards Passed by the Banking Ombudsman

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
No. of Unimplemented Awards at the beginning of the year	-	-
No. of Awards passed by the Banking Ombudsmen during the year	-	-
No. of Awards implemented during the year	-	-
No. of Unimplemented Awards at the end of the year	-	-

Schedules forming part of the Financial Statements

as on March 31, 2021

20 Drawdown from Reserves

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Investment Reserve Account	138	-
Securities Premium Account	-	*40,381
Revenue & Other Reserves Account	**11,860	-

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

** The drawdown from Revenue and Other Reserves Account is against the ESOPs allotted during the year.

21 Transfer to Depositor Education and Awareness Fund (DEAF)

The Bank has transferred ₹8,806 thousand (Previous Year ₹8,451 thousand) to the Depositor Education and Awareness Fund (DEAF) during the year ended March 31, 2021 as per the details below:

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Opening balance of amount transferred to DEAF	34,025	25,849
Add: Amount transferred to DEAF during the year	8,806	8,451
Less: Amount reimbursed by DEAF towards claims	1,167	275
Closing balance of amounts transferred to DEAF	41,664	34,025

22 Movement in Floating provisions

The Bank has not created or utilised any floating provisions during the year ended March 31, 2021 and March 31, 2020. The floating provisions were nil as on March 31, 2021 and March 31, 2020.

23 Securitization transactions

The Bank has not done any securitization transactions during the year ended March 31, 2021 and March 31, 2020.

24 Letter of comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2021 and March 31, 2020.

25 Intra group exposure

The Bank has no intra group exposure during the year ended March 31, 2021 and March 31, 2020.

26 Unhedged Foreign currency exposure

The Bank does not have any unhedged foreign currency exposure as on March 31, 2021 and March 31, 2020.

27 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.

28 Unamortized Pension and Gratuity Liabilities

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

Schedules forming part of the Financial Statements

as on March 31, 2021

29 Remuneration

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

1. Nomination and Remuneration Committee

The Bank has constituted Nomination and Remuneration Committee (NRC) for overseeing and governing the compensation policies of the Bank. The committee oversees the framing, review and implementation of compensation policy of the Bank on behalf of the Board for Managing Director & Chief Executive Officer, Whole Time Directors & Material Risk Takers.

The Board of Directors in the meeting held on May 17, 2019 reconstituted the Nomination and Remuneration Committee. The Committee has four members including two members from Risk Management Committee of the Board. The majority of the members of the committee are independent non-executive Directors consisting of the following Members:

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

2. Philosophy and Key Objectives

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

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

3. Fixed Pay

The fixed pay is the base element of the remuneration that reflects the employee's role or position in the Bank and is payable for doing the expected job, including but not limited to basic salary, statutory bonus, allowances, perquisites, profit in lieu of salary and any other component paid, measured on the cost to company basis. Guaranteed remuneration is paid on monthly basis and is normally benchmarked against the financial services market and is aligned to the expected operational performance.

Schedules forming part of the Financial Statements

as on March 31, 2021

4. Variable Pay

The variable pay is the reward element of the remuneration, focused to create a performance culture in the Bank, is payable as a reward to individuals or teams for achieving strong results in terms of pre-determined goals. The variable remuneration of an employee(s) can be short-term or long-term depending upon the category of the employee(s): (1) Short-Term Variable Remuneration is paid on not greater than yearly frequency on the basis of performance based scorecard or individual employee rating; or/and (2) Long-Term Variable Remuneration is paid on more than annual frequency on the basis of longevity and long-term performance of the employee in the form of ESOPs only (including Cash Linked Stock Appreciation Rights).

- The variable pay should be at least 50% but not more than:
 - 75% of the fixed pay in case of Managing Director and CEO and Whole Time Director;
 - 60% of the fixed pay for executive overseeing one business line and 70% of the fixed pay for executive overseeing more than one business line in case of other MRTs.
- Out of above, 50% of the variable pay should be via non-cash instruments. In case, any the executive, is barred by statute or regulation from grant of Share-linked Instruments, the whole amount can be paid via cash.
- Within the said range and as per the above ceiling, the NRC decides the short-term variable pay %age for the year keeping in the view the various factors including but not limited to present and prospective capital position, market dynamics and risk position of the Bank.
- The variable pay is linked with the performance of the executive and performance of the Bank during the year and accordingly the performance measurement is done basis various key performance indicators including:
 - Individual Rating;
 - Profitability Achievement;
 - Business Growth Achievement;
 - Credit Risk (NPA position, SMA 2 position);
 - Market Risk (LCR, Duration gap Analysis);
 - Solvency Risk (Leverage Ratio, Capital Adequacy Ratio)
- A minimum of 60% of the Total variable pay (including at least 50% of the cash component if cash component is ₹ 25 lakhs or more), is deferred over a period of 3 years.
- Deferred remuneration is spread out over the course of the deferral period and the first such vesting takes place after one year from the commencement of the deferral period and subsequently atleast on yearly basis to ensure a proper assessment of risks before the application of ex post adjustments.
- Further, in case of various events, the deferred compensation is subject to the malus arrangement.

5. Guaranteed Bonus

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

6. Hedging

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



Schedules forming part of the Financial Statements

as on March 31, 2021

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

Sr. No.	Particulars	Year ended March 31, 2021	Year ended March 31, 2020
A	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.	Number of Meetings: 5 No remuneration is being paid to members except the sitting fees.
B.1	Number of employees having received a variable remuneration award during the financial year.	2	1
B.2	Number and Total amount of sign-on awards made during the financial year.	-	-
B.3	Details of guaranteed bonus, if any, paid as joining/sign on bonus.	-	-
B.4	Details of severance pay, in addition to accrued benefits, if any.	-	-
C.1	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Total amount of deferred remuneration as on March 31, 2021 is: <ul style="list-style-type: none"> Cash incentive ₹71.75 lakhs; and No. of options granted 19,251 	-
C.2	Total amount of deferred remuneration paid out in the financial year.	-	-
D	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	<ul style="list-style-type: none"> Fixed pay ₹234.09 lakhs Variable pay (cash) ₹127.65 lakhs for FY 2020-21 out of which ₹71.75 lakhs is deferred Variable pay (ESOPs to MRT) 19,251 options out of which 19,251 options are deferred The variable remuneration payable to MD & CEO shall be paid subject to approval from RBI	<ul style="list-style-type: none"> Fixed pay ₹91.95 lakhs Variable pay (cash) ₹10.69 lakhs

Schedules forming part of the Financial Statements

as on March 31, 2021

Sr. No.	Particulars	Year ended March 31, 2021	Year ended March 31, 2020
E.1	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Total amount of deferred remuneration as on March 31, 2021 is: <ul style="list-style-type: none"> Cash incentive ₹71.75 lakhs; and No of options 19,251 	-
E.2	Total amount of reductions during the financial year due to ex- post explicit adjustments.	-	-
E.3	Total amount of reductions during the financial year due to ex- post implicit adjustments.	-	-
F	Number of MRTs identified.	2	Not Applicable
G.1	Number of cases where malus has been exercised.	-	-
G.2	Number of cases where clawback has been exercised.	-	-
G.3	Number of cases where both malus and clawback have been exercised.	-	-
H	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	The Bank does not have any WTD.	The Bank does not have any WTD.

30 Disclosure on remuneration to Non-Executive Directors

Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees during the year ended March 31, 2021 amounted to ₹2,320 thousand (during the year ended March 31, 2020 ₹2,670 thousand).

Further, during the current year, the Bank has paid the remuneration amounting to ₹1,125 thousand (during the year ended March 31, 2020 ₹675 thousand) in the form of profit based commission to the Non-Executive Directors other than the Chairperson.

31 Credit Default Swaps

The Bank has not entered into any Credit Default Swaps (CDS) during the year ended March 31, 2021 and March 31, 2020.

32 Corporate Social Responsibility

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Total amount to be spent	6,106	5,245
Amount spent	6,150	5,250
Amount unspent	Nil	Nil

The Bank has formulated a trust in the name of Capital Foundation. The CSR expenses are taken care by the Capital Foundation. The above expenditure of ₹6,150 thousand (previous year ₹5,250 thousand) has been contributed to the Capital Foundation Trust during the year.

Schedules forming part of the Financial Statements

as on March 31, 2021

33 Description of Contingent Liabilities

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

34 Investor Education and Protection Fund

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

35 Other Expenditure

Other expenditure includes amount paid for security & service charges amounting to ₹92,267 thousand (Previous Year ₹89,774 thousand) exceeding 1% of the Total income of the Bank.

36 Payment to Auditors

(₹ in thousands)		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Audit Fees	4,000	3,400
Other Certificate Fees	650	-
Out of Pocket Expenses	240	1,475

37 Liquidity Coverage Ratio

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

As per the RBI directions, the Banks are prescribed to maintain minimum LCR as per the following time frame:

Particulars	From January 1, 2020	From January 1, 2021
Minimum LCR	90%	100%

Schedules forming part of the Financial Statements

as on March 31, 2021

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

	Quarter ended June 30, 2020			Quarter ended September 30, 2020			Quarter ended December 31, 2020			Quarter ended March 31, 2021		
	Unweighted Value (average)	Weighted Value (average)	Total Value (average)	Unweighted Value (average)	Weighted Value (average)	Total Value (average)	Unweighted Value (average)	Weighted Value (average)	Total Value (average)	Unweighted Value (average)	Weighted Value (average)	Total Value (average)
Liquidity Coverage Ratio (LCR)												
High Quality Liquid Assets												
1 Total High Quality Liquid Assets (HQLA)			1,294.38			1,503.30			1,870.08			1,825.41
Cash Outflows												
2 Retail deposits and deposits from small business customers, of which:												
(i) Stable deposits	2,072.75	103.64	2,155.91	2155.91	107.80	2,345.39	2,345.39	117.27	1,562.42			78.12
(ii) Less stable deposits	1,770.08	177.01	1,852.28	1,852.28	185.23	2,339.39	2,339.39	233.94	2,970.58			297.06
3 Unsecured wholesale funding, of which:												
(i) Operational deposits (all counterparties)	0.01	-	0.01	0.01	-	0.01	0.01	-	-			-
(ii) Non-operational deposits (all counterparties)	359.14	129.07	307.47	307.47	132.97	173.59	173.59	123.20	332.36			144.49
(iii) Unsecured debt	-	-	-	-	-	0.00	0.00	0.00	-			-
4 Secured wholesale funding	0.11	0.11	-	-	-	1.52	1.52	-	1.94			-
5 Additional requirements, of which												
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-	-			-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-			-
(iii) Credit and liquidity facilities	204.99	15.33	229.64	229.64	17.94	243.07	243.07	18.18	233.31			17.40
6 Other contractual funding obligations	41.90	41.90	51.36	51.36	51.36	37.80	37.80	37.80	50.55			50.55
7 Other contingent funding obligations	36.40	1.16	31.27	31.27	1.02	33.65	33.65	1.09	37.44			1.20
8 Total Cash Outflows	274.50	224.29	438.98	438.98	143.25	660.67	660.67	83.36	737.04			175.37
Cash Inflows												
9 Secured lending (e.g. reverse repos)	148.46	108.8	271.19	271.19	-	536.23	536.23	-	521.98			-
10 Inflows from fully performing exposures	27.31	27.31	57.96	57.96	43.98	72.93	72.93	42.34	69.95			40.84
11 Other cash inflows	98.73	88.18	109.83	109.83	99.27	51.51	51.51	41.02	145.11			134.53
12 Total Cash Inflows	274.50	224.29	438.98	438.98	143.25	660.67	660.67	83.36	737.04			175.37
13 Total HQLA		1,294.38			1,503.30			1,870.08				1,825.41
14 Total Net Cash Outflows		243.93			353.07			448.11				413.47
15 Liquidity Coverage Ratio (%)		530.64%			425.78%			417.32%				441.49%

The Bank during the quarter ended March 31, 2021 maintained average HQLA of ₹1825.41 crores against the average net cash outflows of ₹413.47 crores. The entire HQLA was Level 1 HQLA. The average LCR of the Bank for the quarter ended March 31, 2021 was 441.49%, which is well above the regulatory threshold of 100%.

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

For the purposes of LCR computation, the Bank has considered all inflows and outflows that may have a quantifiable impact under the liquidity stress scenario. The average weighted and unweighted amounts have been calculated considering simple average.



Schedules forming part of the Financial Statements

as on March 31, 2021

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

	Quarter ended June 30, 2019			Quarter ended September 30, 2019			Quarter ended December 31, 2019			Quarter ended March 31, 2020		
	Unweighted Value (average)	Weighted Value (average)	Total Value (average)	Unweighted Value (average)	Weighted Value (average)	Total Value (average)	Unweighted Value (average)	Weighted Value (average)	Total Value (average)	Unweighted Value (average)	Weighted Value (average)	Total Value (average)
Liquidity Coverage Ratio (LCR)												
High Quality Liquid Assets												
1 Total High Quality Liquid Assets (HQLA)			913.97			942.57			1,046.76			1040.39
Cash Outflows												
2 Retail deposits and deposits from small business customers, of which:												
(i) Stable deposits	806.06	40.30	826.24	826.24	41.31	859.74	859.74	42.99	850.85			42.54
(ii) Less stable deposits	2,496.79	249.68	2,651.28	2,651.28	265.13	2,768.09	2,768.09	276.81	2859.65			285.97
3 Unsecured wholesale funding, of which:												
(i) Operational deposits (all counterparties)	0.01	0.00	0.13	0.13	0.03	0.11	0.11	0.02	0.36			0.02
(ii) Non-operational deposits (all counterparties)	305.42	69.46	270.26	270.26	74.87	459.15	459.15	108.59	275.24			112.25
(iii) Unsecured debt	-	-	-	-	-	-	-	-	-			-
4 Secured wholesale funding												
5 Additional requirements, of which												
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-	-			-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-			-
(iii) Credit and liquidity facilities	219.18	18.60	189.87	189.87	15.28	210.32	210.32	14.78	193.95			16.10
6 Other contractual funding obligations	30.53	30.53	51.04	51.04	51.04	36.94	36.94	36.94	66.55			66.55
7 Other contingent funding obligations	36.31	1.17	32.90	32.90	1.07	32.34	32.34	1.05	29.59			0.95
8 Total Cash Outflows		409.74			448.73			481.18				524.38
Cash Inflows												
9 Secured lending (e.g. reverse repos)	82.72	82.72	37.07	37.07	37.07	198.33	198.33	198.33	34.42			34.42
10 Inflows from fully performing exposures	25.78	25.78	28.76	28.76	28.76	45.14	45.14	45.14	56.46			56.46
11 Other cash inflows	34.17	23.57	42.44	42.44	31.84	128.91	128.91	118.32	153.11			142.54
12 Total Cash Inflows	142.67	132.07	108.27	108.27	97.67	372.38	372.38	361.79	243.99			233.42
13 Total HQLA		913.97			942.57			1,046.76				1040.39
14 Total Net Cash Outflows		277.68			351.06			119.39				290.96
15 Liquidity Coverage Ratio (%)		329.16%			268.49%			870.16%				357.57%

Schedules forming part of the Financial Statements

as on March 31, 2021

38 Comparative Figures

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

As per our report of even date

For MSKC & Associates

(Formerly known as R.K. Kumar & Co.)
Chartered Accountants
Firm Registration Number: 0015955

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

Tushar Kurani

Partner
Membership No.: 118580

Sarvjit Singh Samra

Managing Director
DIN: 00477444

Dinesh Gupta

Director
DIN: 00475319

Gurpreet Singh Chug

Director
DIN: 01003380

Date: May 11, 2021
Place: Mumbai

Munish Jain

Chief Operating Officer &
Chief Financial Officer
Date: May 11, 2021
Place: Jalandhar

Amit Sharma

Company Secretary
Mem. No: FCS10888

DISCLAIMER

This report and information, including the Management Discussion and Analysis presentation, may contain forward-looking statements that involve risks and uncertainties. We have based these forward looking statements on our current beliefs, expectations and intentions as to facts, actions and events that will or may occur in the future. Such statements generally are identified by forward-looking words such as “believe,” “plan,” “anticipate,” “continue,” “estimate,” “expect,” “may,” “will” or other similar words. A forward-looking statement may include a statement of the assumptions or basis underlying the forward-looking statement. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution you that forward looking statements and assumed facts or bases almost always vary from actual results, and the differences between the results implied by the forward-looking statements and assumed facts or bases and actual results can be material, depending on the circumstances. You should also keep in mind that any forward-looking statement made by us in this Report or elsewhere speaks only as of the date on which we made it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this Report after the date hereof. In light of these risks and uncertainties, any forward-looking statement made in this Report or elsewhere may or may not occur and has to be understood and read along with this supplemental disclosure. We use a variety of financial and operational performance indicators to measure and analyse our financial performance and financial condition from period to period and to manage our business. Further, financial or performance indicators used here, have limitations as analytical tools, and should not be considered in isolation from, or as a substitute for, analysis of our historical financial performance, as reported and presented in our financial statements. Further, past performance is not necessarily indicative of future results. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of the Bank’s management on future events.

Capital Small Finance Bank 

Vishwas Se Vikas Tak

CAPITAL SMALL FINANCE BANK LIMITED

MIDAS Corporate Park, 3rd Floor, 37, G.T. Road, Jalandhar-144001, Punjab

Tel.:0181-5051111, 5052222 | Fax: 0181-5053333

E-mail : mail@capitalbank.co.in

CIN: U65110PB1999PLC022634