

CERTIFIED TRUE COPY  
For Capital Small Finance Bank Ltd.

**Strong Roots**

*Devil Sharma*  
Authorised Signatory

# **BIG ASPIRATIONS**

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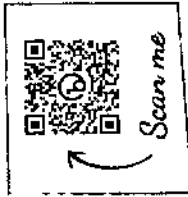
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An electronic version of this report is available online at: <https://www.capitalbank.co.lv/annual-reports.html>

Scan the QR code to navigate investor-related information



### Investor Information

665110F1973PL0022b34  
 2024-01-31  
 Mr. Dainis Čerņaks  
 Jēkabpils, Latvia

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# Strong Roots BIG ASPIRATIONS

The Indian economy is now among the most vibrant and one of the fastest growing economies in the world. On the course to becoming a US\$ 5 trillion economy within the next few years, India is also witnessing a robust digitally-driven transformation of financial services.

As JP have already created a may avenue of online access for financial services and enterprises such as Capital Small Finance Bank are driving inclusivity for all. With strong roots of a customer-centric retail franchise and profitable operations, we now have big aspirations of playing an even larger role in serving the hitherto not only the banking channel customers, but also underserved and unserved middle income communities across our area of operations. We have built a robust network, plethora of services and capabilities of effectively engaging the customers.

At Capital Small Finance Bank, we have repeatedly demonstrated our capabilities by delivering enduring value to our stakeholders. With complete commitment and resilience we have emerged stronger from every black swan event and converted it into an opportunity for us

Our strong roots and growth are an outcome of the trust bestowed upon us by our valued stakeholders and it means the driving force behind our sustained progress. Our transformation from a local area bank to a rising star financial services (FSB) reflects our relentless pursuit to further our ambitions. We are committed to expanding our presence in new and untapped regions, catering to a growing customer base and empowering them financially to achieve their goals. While our name may have the word 'small', our vision is larger than life. We strive to extend our services to more and more people and help them realise their big aspirations.

At present, a range of offerings are designed in support of our growing customer base, which includes both participants in the agriculture sector and upcoming enterprises. With a firm foundation and deep expertise in our field, we envisage building a more financially inclusive society.

Moving ahead, we are keen on capitalising on the various trends shaping the future of the banking space. Our digital capabilities, fundamental strength and deep understanding of customer needs have enabled us to provide sustainable value to our diverse stakeholders.

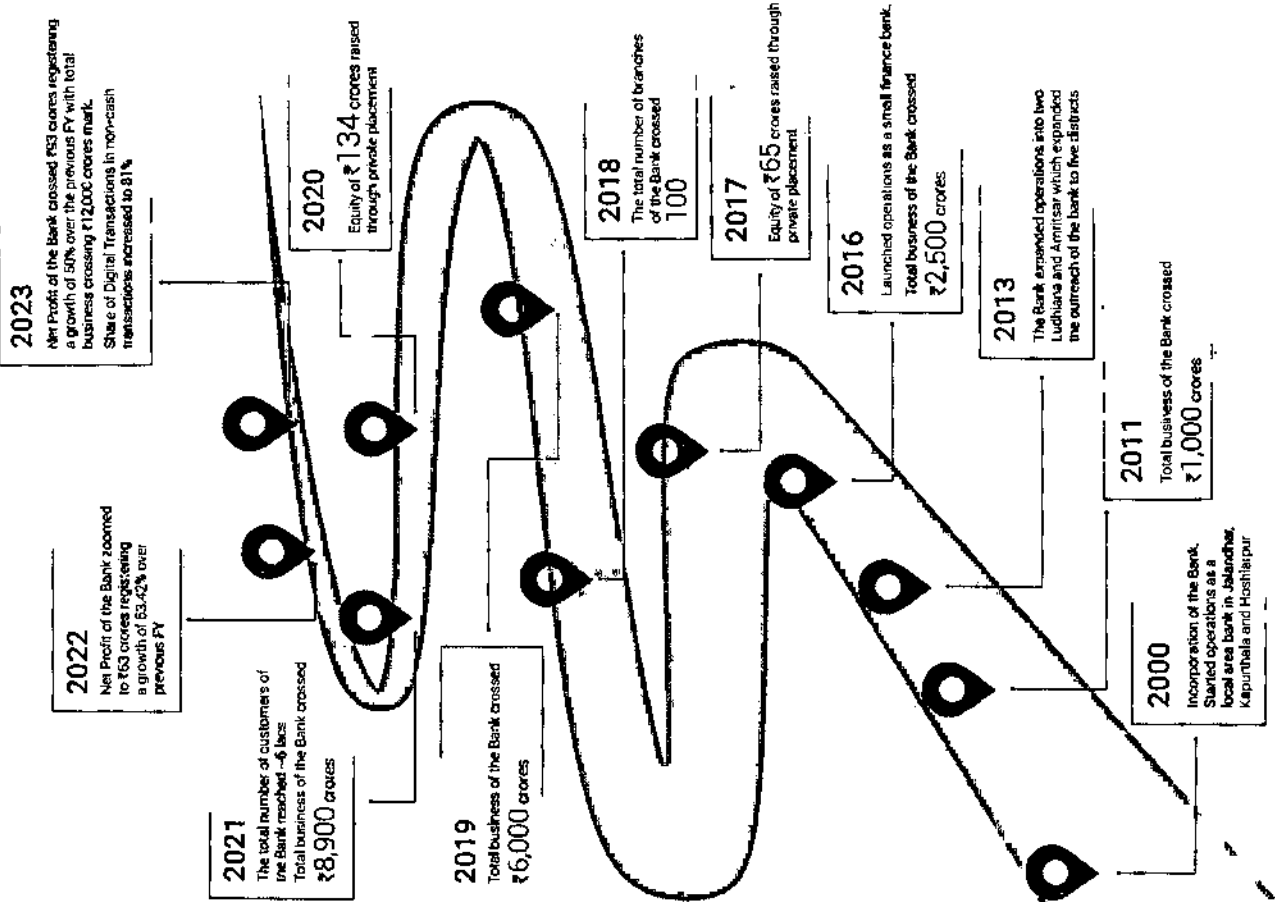
# The Enduring Legacy of

**Capital Small Finance Bank**



## 7 Years Young! With 23 Years of Trust and Performance!

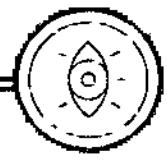
In the last 23 years of banking (including 16 years as a Local Area Bank), we have made significant growth. Basis our learnings leading towards creating a deep-rooted retail-based franchise and becoming primary banker for our customers. Our customer relationship-based banking approach and diversified & secured lending practices with special emphasis on rural and semi urban geographies and middle-income group segment have helped us grow organically with Stronger Roots and Big Aspirations. We believe that banking runs with trust and with trust, performance automatically runs along. We are immensely grateful to our investors, customers, employees and other stakeholders for their trust in Capital SFB





## Discovering the World of Capital Small Finance Bank

Capital Small Finance Bank started operating as India's first small finance bank (SFB) in 2016. Since then, we have established ourselves as one of the most prominent SFBs in India, by continuously strengthening our capabilities across various metrics such as asset quality, cost of funds, retail deposits and CASA deposits. Our expertise in the banking sector spans over 20 years, during which we transitioned from being the biggest local area bank into an SFB. The portfolio of our banking offerings encompasses a variety of asset and liability products. Within our asset category, we provide loans for agricultural purposes, micro, small and medium-sized enterprises (MSMEs) and trading needs, such as working capital and machinery financing. Additionally, we also offer mortgages, specifically for housing loans.



At Capital Small Finance Bank, our growth and superior asset quality, when compared to other SFBs, can be attributed to several factors. This includes a well-diversified loan portfolio with a strong emphasis on generating income, persistent focus on secured lending, ongoing customer engagement, implementation of structured underwriting practices and robust credit assessment & risk management practices.

We utilized technology to enhance digital payment methods and communicate with customers, with the aim of maintaining and growing our customer transactions. Our objective is to enhance the overall customer experience by expanding our use of technology.

Our main target audience consists of customers with an average annual income ranging from ₹4 lakhs to ₹50 lakhs, considered as a part of the middle-income segment. Our goal is to establish ourselves as the go-to financial institution for these customers.

### Vision

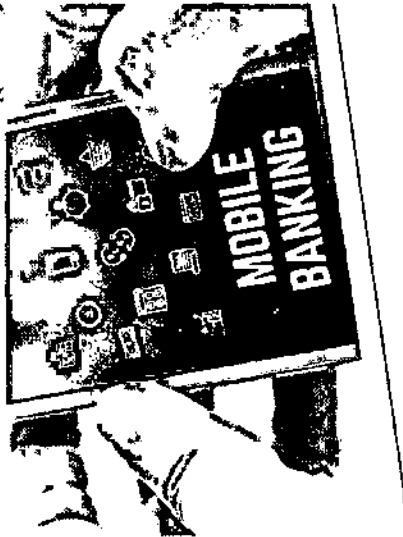
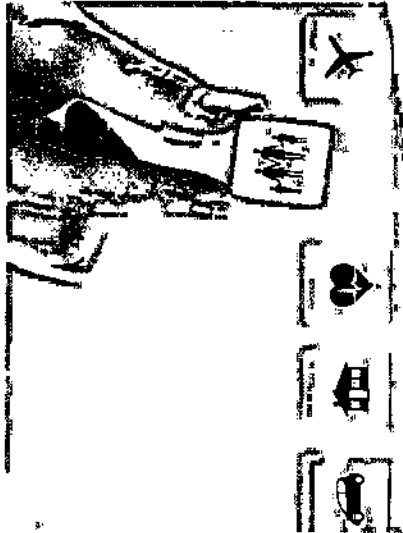
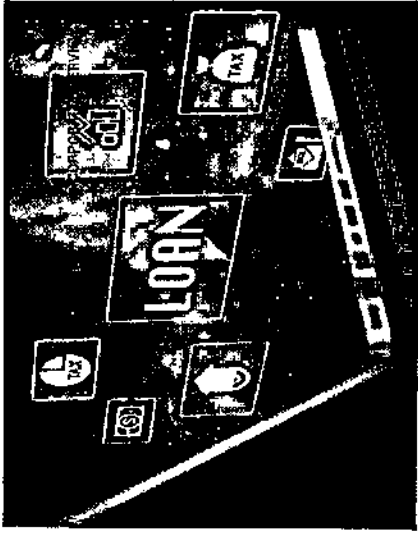
- To be the most trusted and preferred financial institution for all.
- To be the most innovative and customer-centric financial institution.
- To be the most sustainable and socially responsible financial institution.

## Our Offerings

- **Deposits**
  - Current Deposits
  - Saving Deposits
  - Term and Recurring Deposits
- **Loans**
  - Kisan Credit Card
  - Scheme for SME
  - Term Loans and Working Capital
  - Housing Loans
  - Auto Loans
  - Personal Loans
  - Loan against Rentals
  - Mortgage Loan against Property
  - Corporate Lending
  - Pre-owned Vehicle
  - Gold Loan

- **RERA Accounts**
- **Lockers**
- **Life and Health Insurance**
- **General and Fire Insurance**
- **Inward and Outward Foreign Remittances (AD II Business)**
- **Bank Guarantee**
- **3-in-1 Demat cum Trading Account**
- **MTSS through Western Union, Moneygram and Ria Money**
- **Atal Pension Yojana**

- **Digital Channels and Services**
  - Debit Card
  - Mobile Banking
  - Internet Banking
  - Merchant Payments (POS)
  - Fund Transfer through RTGS/NEFT/UPI
  - Utility and Bill Payments/BBPS
  - Tax Payment
  - Digital Solution for Educational Institutes
  - Payment Gateway Solution
  - NACH Service



### Key Takeaways (FY 2023)

CASA  
**41.88%**

Deposits  
**₹6,560.62** Crores

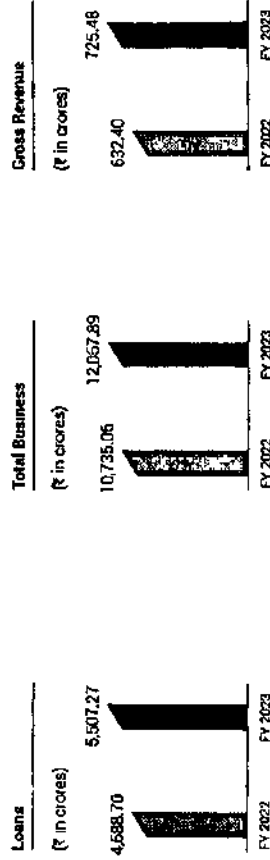
Cost of Deposits  
**4.90%**

Share of Digital Transactions in non-cash transactions  
**81%**

Average C/D Ratio  
**77.96%**

Operating Profit  
**₹148.71** Crores

### Product Segmentation (FY 2023)

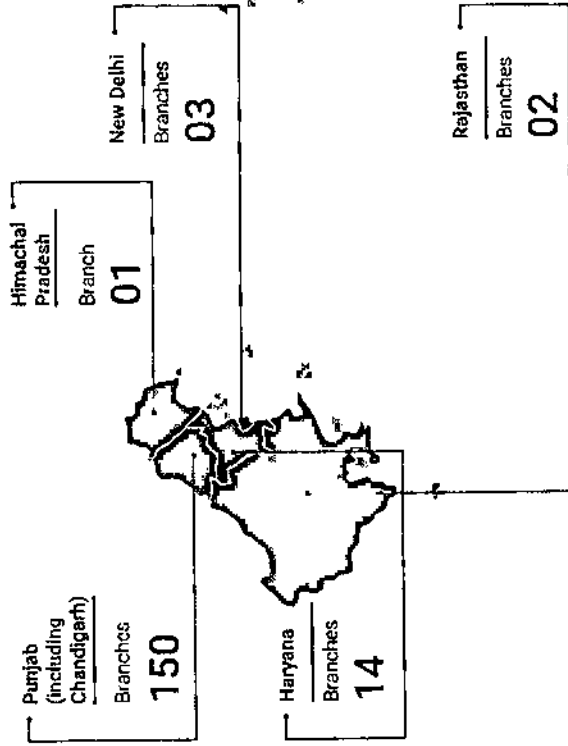


### Loan Portfolio Segregation

Loan Portfolio Segregation	Loan Portfolio Segregation
Agriculture Loans	Mortgage and Other Loans
₹2,137.45 Crores	₹2,365.26 Crores
MISME & Trading Loans	
₹1,004.56 Crores	

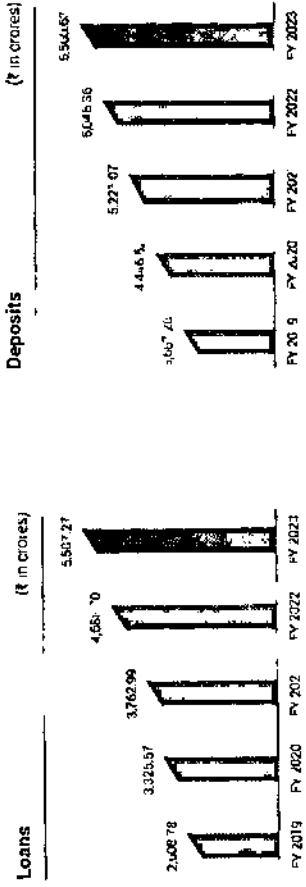
## Our Presence: Spreading Our Strong Roots

With a branch network consisting of 170 branches, we remain unwavering in our commitment to serving the people of North India. We have a strong presence in the state of Punjab, with the fourth largest network of branches among private sector banks. We are prepared to pursue further growth within our existing locations while also expanding into neighbouring states such as Haryana, Rajasthan, NCR and Himachal Pradesh, with a balanced approach combining prudence and determination.



This map is a representational illustration only. For the ease of the reader to understand the locations and is not intended to be used for reference purposes. The representation of political boundaries and the names of geographical features/states do not necessarily reflect the actual position. The Company or any of its Directors, officers or employees shall not be held responsible for any kind of misuse or misinterpretation of any information or design thereof.

### Advancing with Stronger Aspirations



# Meet the Leaders on Our Board



**Mr. Navin Kumar Maini**  
Part Time Chairman & Non-Executive  
Independent Director

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



**Mr. Sarvjit Singh Samra**  
Managing Director & CEO

Mr. Sarvjit Singh Samra is the Managing Director and Chief Executive Officer of Capital Small Finance Bank. He holds a Bachelor's degree in Arts and a Master's degree in Business Administration from Guru Nanak Dev University. Mr. Samra has over 35 years of experience in the banking and financial industry in various leadership and senior decision-making positions. He has been associated with the Bank since its inception and been instrumental in its conversion from a local area bank to an SFB. Mr. Samra has previously served as the managing director of various asset financing companies. In addition to his current position as the Managing Director and Chief Executive Officer, he boasts a distinguished history within our organisation, having previously served as a Chairman for a period of over three years.



**Mr. Dinesh Gupta**  
Non-Executive, Non-Independent Director

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



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

Mr. Srinivath Srinivasan is a Non-Executive Director of Capital Small Finance Bank and a nominee of Oman India Joint Investment Fund II on our Board. He holds a Bachelor's degree in Engineering (electronics and communication) from the National Institute of Technology, Karnataka, Mangalore University and a Master's degree in Business Management from the Asian Institute of Management. Further, he has completed an executive education programme on leadership skills for top management from the Indian School of Business, the Blue Oath Strategy Programme - India Edition from INSEAD, executive programme in luxury brands from the SDA Bocconi School of Management, and an Independent Directors Certification programme conducted by Hunt Partners and Board Evaluation. Mr. Srinivasan has previously served as the Country Head for the private equity business of Rand Merchant Bank in India and has been associated with Reliance Capital Asset Management Limited. In 2011, he was appointed as the Chief Investment Officer of Oman India Joint Investment Fund Management Company Private Limited serving as the Chief Executive Officer of Oman India Joint Investment Fund Management Company Private Limited since 2012. He was also elected to the executive council of the Indian Venture Capital Association in 2016 and has served two consecutive terms thereof.



**Mr. Mahesh Parasuraman**  
Non-Executive Non-Independent  
(Nominee Director - Amicus India Capital  
Partners LLP and Amicus Capital  
Private Equity (LLP))

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



**Mr. Balbir Singh**  
Non-Executive Non-Independent  
(Nominee Director - Small Industries  
Development Bank of India)

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



**Mr. Gurpreet Singh Chug**  
Non-Executive Independent Director

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



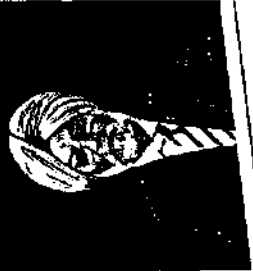
**Ms. Harmesh Khanna**  
Non-Executive Independent Director

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



**Mr. Rakesh Soni**  
Non-Executive Independent Director

Mr. Rakesh Soni is an Independent Director of Capital Small Finance Bank. He holds a Bachelor's degree in Commerce from Punjab University and is a qualified chartered accountant. He is currently a practising chartered accountant and a member of the Institute of Chartered Accountants of India. Mr. Soni currently serves as a partner of M/s. Dasa Khanna & Co., Chartered Accountants. He has previously been an auditor for entities in several sectors such as real estate, textile, tyres and tubes and banking, with names like Indian Overseas Bank, Avon Cycles Limited, Nucor Power Controls Private Limited, Gang Acrylics Limited, Tilda Roseland Private Limited, Pakson (India) Limited and Eastman Cast and Forge Limited.



**Mr. Sham Singh Bains**  
Non-Executive Independent Director

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



**Mr. Gurdeep Singh**  
Non-Executive Independent Director

Mr. Gurdeep Singh is an Independent Director of Capital Small Finance Bank. Mr. Singh has previously served as assistant manager (engineering and tool room), personnel officer and deputy manager of GNA Aakes Limited. Currently, he is the president of GNA University and director of GNA Gears Limited.



**Mr. Nageswara Rao Yalamanchilli**  
Non-Executive Independent Director

Mr. Nageswara Rao Yalamanchilli is an Independent Director of Capital Small Finance Bank. He holds a Bachelor's degree in Commerce from the Nagajuna University. He is also a certified associate of the Indian Institute of Bankers. Prior to joining our Board of Directors, he has held the positions of General Manager and Executive Director in the Wajya Bank. He was also the officer on special duty and Whole-Time Director at Syndicate Bank and also served as an Executive Director at Bank of Maharashtra.

**Specialized Board**

Areas:

- Banking
- Finance
- Cooperation
- Marketing
- Accountancy
- Law
- Rural Economy
- Information Technology
- Risk Management
- Agriculture
- SSI
- Taxation

Independent Directors on the Board  
**~58%**

Average Age of Board Members  
**~60** Years

Average Experience of Board Members  
**~31** Years

Attendance in Board and Board Committees in FY 2023  
**90%**



# Corporate Information

## Chairman (Part-Time)

Mr. Navin Kumar Manni (w.e.f. April 24, 2022)

## Managing Director & Chief Executive Officer

Mr. Sanyit Singh Samra

## Chief Operating Officer & Chief Financial Officer

Mr. Munish Jain

## Company Secretary

Mr. Amit Sharma

## Directors

Mr. Navin Kumar Manni  
 Mr. Sanyit Singh Samra  
 Mr. Divesh Gupta  
 Mr. Mahesh Parasuraman  
 Mr. Srinath Srinivasan  
 Mr. Balbir Singh  
 Mr. Gurpreet Singh Chugh  
 Ms. Harneesh Khanna  
 Mr. Rakesh Soni  
 Mr. Sham Singh Bains  
 Mr. Gurdeep Singh  
 Mr. Nageeswara Rao Yalamanchilli

## Statutory Auditors

T R Chhabra & Co LLP,  
 Chartered Accountants  
 B-30 Kuthiala Building  
 Connaught Place  
 New Delhi 110 001, India  
 Tel: +91 11 4325 9900  
 Email: delhi@trchhabra.com  
 Firm Registration Number: 006711/N/NS00028  
 Peer Review Certificate Number: 014544

## RTA

Link Infra 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

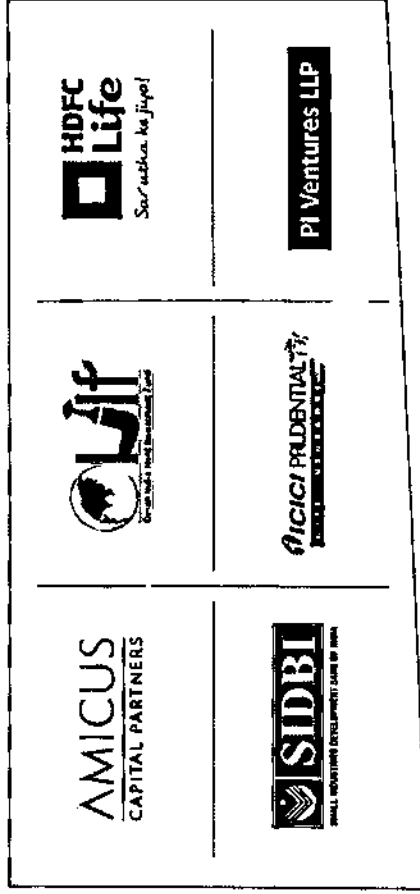
Trade World, Wazir, 4th Floor  
 Kamla Mills Compound, Lower Parel  
 Mumbai - 400013

## CDSL

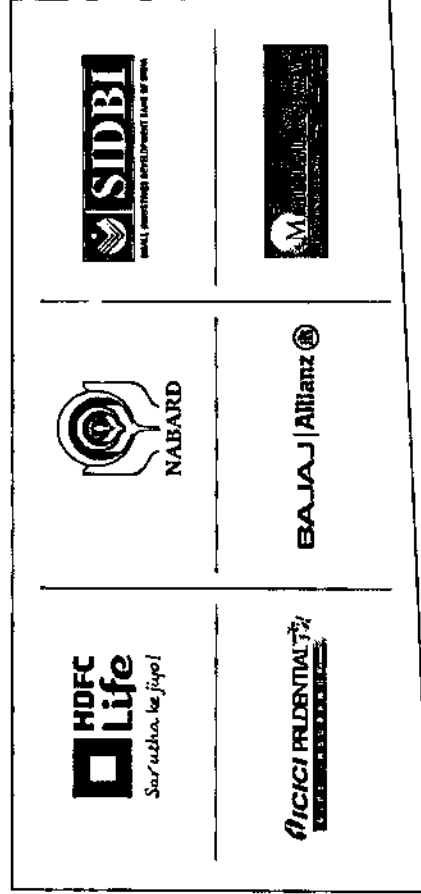
Marathon Futurex  
 A- Wing 25th Floor, NM Joshi Marg  
 Lower Parel (East)  
 Mumbai - 400013

# Our Esteemed Investors and Partners

## Our Investors

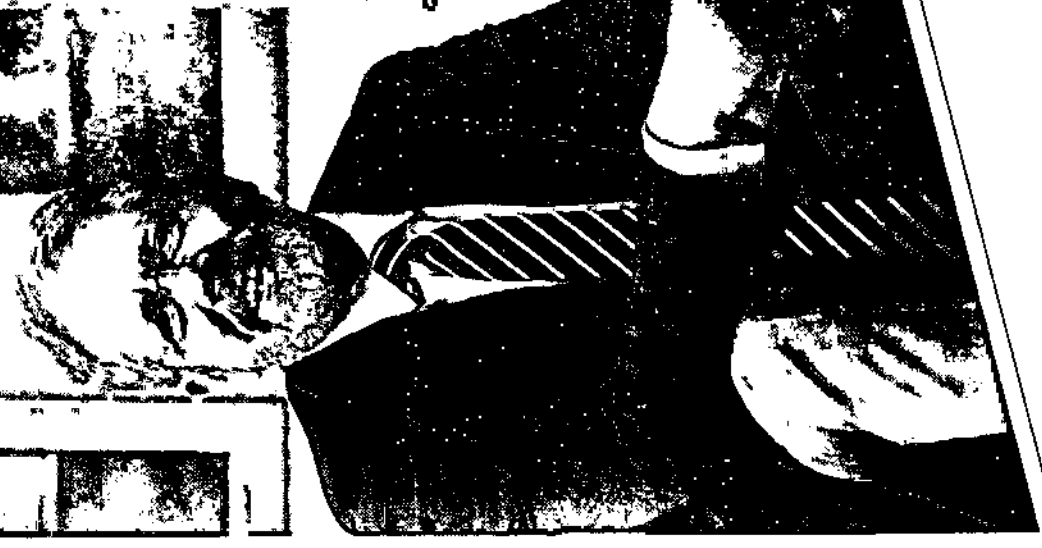


## Our Partners



# Message from the MD and CEO

It's time to raise a toast for the year gone by with head held high for the successful execution of strategy and with feet on the ground to optimise the humongous opportunities at hand.



## Dear Stakeholders,

We are thrilled and elated with the conclusion of FY 2023, reflecting on the splendid growth we have achieved. We reaffirm and assure all our valued stakeholders that we are fully committed to serving your interests and continuing our journey of growth. By the end of this year, we will have completed seven years as an SFB. We take pride in successfully carrying forward our goals, strengths and values, thanks to our sound and dynamic policies, robust processes, risk mitigation framework and strong governance architecture.

## Economic Factors

Economies worldwide were provided an opportunity to demonstrate their resilience amidst geopolitical tensions, supply chain constraints and soaring inflation levels that impacted the global economy. Landscape challenges were at the forefront as nations navigated through to steer a by-gone pain ahead.

Central banks around the world hiked interest rates to curtail the surge of inflation that curbed economies affected from pandemic shutdowns. The Federal Reserve in its latest announcement on May 3, 2023 raised its key interest rate by 0.75 percentage points, its 10th hike in 14 months. This pushed its benchmark rate to between 5% and 5.25%, up from near zero in March 2022.

The hawkish stance adopted by the Federal Reserve was replicated by several others leading to a global contradiction in demand. However, the timely monetary policy action

taken by the RBI, which included a cumulative repo rate hike of 250 basis points from May 2022 to April 2023, positioned the Indian economy to emerge even stronger than before. Despite the domination of global headwinds on the economic front, affirming most leading economies, Asia-Pacific, notably emerged as a rare bright spot. According to a recent report from the IMF, this region is expected to contribute to about 40% of the global growth during FY 21-23 a much greater share than in recent years.

India is set to be at the forefront of this growth. This sustainable aspect of the Indian economy is greatly due to its strong roots and the traditional financial resilience that is coupled with big aspirations of the millennial and Gen Z Indians who feel capable and empowered to rise in the global financial space.

Moreover, India's antithetical demographic profile characterised by a youthful population at an expanding and robust middle class, has presented a tremendous opportunity for businesses. This is evident from the increasing number of Micro, Small and Medium Enterprises (MSMEs), that are eager to flourish in a promising environment. Our Bank embraces the MSME growth as a strategic opportunity for our own progress and prosperity.

According to the Economic Survey, 2022-23, the Indian economy is expected to grow at 7% in real terms during FY 2023. This growth has been principally driven by growing private consumption and capital formation. Furthermore, projections suggest a

baseline GDP growth of 6.5% in real terms in FY 2024.

This was further supported by the massive increase in the capital expenditure by the central government. During Budget 2023, we witnessed a steep increase in the capital expenditure outlay to about ₹10 lakh crore, amounting to an increase of 37% from ₹7.28 lakh crore in FY 2023.

As India overtakes its march towards greater economic prosperity, there is also a need being felt for a more robust financial system. The future growth potential of the banking sector in India has created a very optimistic outlook for Capital Small Finance Bank. We are also well-placed to benefit from the robust credit disbursement and capital investment cycle that is expected to unfold in India with the strengthening of the balance sheets of the corporate and banking sectors. Our strong roots coupled with big aspirations have been the driving factor behind our sustained growth.

## Capital SFB

SFBs are integral to the economy and play a crucial role in promoting financial inclusion. These banks are an initiative to provide financial assistance and banking services to priority underserved sections such as small and medium size farmers, micro and small enterprises. They are required to establish at least 25% of their branches in unbanked rural regions. This augmentation of credit market is a need at building strong roots and supporting high economic aspirations of the Indian masses.

As a part of this framework, our service primarily extends to the growing middle-income group in rural and semi-urban markets and we envisage unlocking the immense potential in the underserved segments of the economy.

We take great pride in providing the necessary financial resources to enable the aspirations of many. Our vision of a more financially inclusive country has been propelled by our holistic suite of offerings through which we aim to cover an even larger segment of the society moving ahead.

#### Broadening Our Horizons

Our transition from a local area bank to a small area bank has been a seamless one. To benefit from the momentum, we strategically focused on generating consistent, organic growth of our loan book through secured lending.

Over the years, we have gathered deep insights on the needs and requirements of our customers and this knowledge has motivated us to transition towards serving a wider market. We intend to penetrate markets where we can offer a unique value proposition alongside maintaining a superior asset quality.

Presently, we enjoy a stronghold in Punjab and our brand's prolonged presence has allowed us to emerge as the primary banker for a large section of our customers in the state. Our goal now is to leverage our experience and expand our operations into neighbouring states such as Haryana, Rajasthan, NCR and Himachal Pradesh. We are deeply focused towards serving the rising middle-income population and have carefully curated our range of offerings to meet their diverse requirements.

The growing potential of the Indian middle class has created an exciting opportunity for the SFB industry. The immense scope for credit and deposit penetration in the northern states of India has encouraged us to adopt an objective driven approach towards identifying the most promising locations to establish our newer branches.

Furthermore, we continue to focus on our current lending segments of agriculture, MSME and trading and mortgages and are excited to thrive in a partnership ecosystem that fosters synergies. Our loan products are used as an entry strategy in newer geographies as we steadily move towards our objective of establishing a pan-India presence in the medium term.

#### Optimising Operations, Delivering Performance.

Our consistent performance across all fronts is an outcome of our relentless efforts towards optimising our operations as well as financial metrics. We have leveraged data and analytics to derive meaningful insights to identify the cross-selling opportunities in the market.

Our technological infrastructure has allowed us to scale rapidly without significant cost additions, enabling us to improve our margins through economies of scale. Moreover, our consistently growing loan book and increased share of fee-based income has contributed towards enhanced profitability.

Moving ahead, we are forecasting a rise in the share of mature branches as we continue to expand our scale, thereby yielding further cost benefits. Our deeper and wider geographical reach is expected to further contribute to the growth in credit-to-deposit

ratio we have enjoyed in the recent times.

#### Building Lasting Relationships

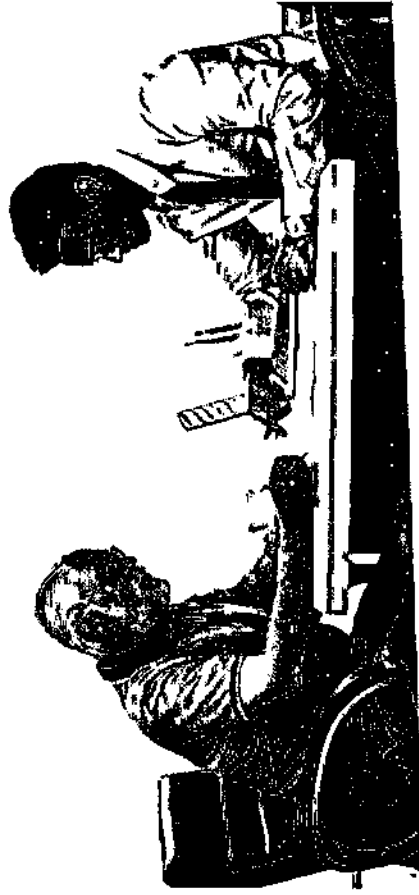
We believe in trust and performance. With more than 2 decades of banking experience, we have learned to earn trust of the people and for the people. We value human relationship and always try to be the primary contact of our customer for any of their banking needs. This has helped us to grow organically as per our goals.

Our success as a strong retail franchise is a result of the deep relationships we have established with our customers. Our comprehensive range of offerings facilitates single-window fulfilment of all the financial needs of our customers. We aspire to introduce some additional offerings including Mutual Fund Distribution, ASBA and digital onboarding of newer customers. These have been designed to cater to the evolving customer needs. Further, our dedicated relationship managers are committed to ensuring that the highest standards of services are provided to our valued customer base.

#### Embracing the Digital

Digitisation is expected to shape the future of the banking industry and we strive to embrace this trend to reach out to the underserved segments of the society. The democratisation of data has allowed individuals in the most remote areas to gain access to digital services and we see this as an opportunity to widen our reach.

Digitisation brings a host of benefits such as enhanced efficiencies, cost savings and increased revenue streams via targeted cross-selling



campaigns and improved risk management enabled by data-driven early warning systems.

We aim to explore newer delivery channels such as self-service portals while simultaneously strengthening our alternate delivery channels such as our ATM, mobile and internet banking and increase their adoption by our customers.

#### Expression of Gratitude

I am immensely grateful to our diverse stakeholder groups, whose unwavering support and invaluable contributions have played a pivotal role in our enduring success. The Reserve Bank of India (RBI) deserves special recognition for its relentless efforts in fostering a healthy banking industry, which has fortified the financial profile of our economy.

Furthermore, our gratitude extends to our esteemed customers and partners, including our investors and auditors, who have played an

integral role in our journey. Their trust in our vision and commitment has empowered us to make significant strides and achieve remarkable milestones.

My deep appreciation also goes to the committed team at Capital Small Finance Bank whose dedication and flawless execution of our strategies that have propelled our organisation's continued success.

The tireless work of our customer relationship managers, senior management and esteemed Board of Directors has played a pivotal role in achieving remarkable and consistent performance metrics.

Together, we will continue to forge a path of success and prosperity, driven by the commitment of our team and the invaluable support of our stakeholders. Thank you for being an integral part of our journey.

“

Capital SFB has made wise investments in future growth engines since its conversion into an SFB and this has begun to yield the desired results, as depicted in all-round growth. We have proven to be the pillar of stability and strength over the years. We are looking forward to materialising greater aspirations and a clear vision to make it large.

”

Warm Regards

**Sarvjit Singh Samra**  
Managing Director and Chief Executive Officer

## Message from the COO and CFO

“ A person who sees a problem is a human being; a person who finds a solution is a visionary; the person who goes out and does something about it, is a CHANGE MAKER. ”



Dear Stakeholders,

Ensuring the above words both in spirit and in action, we, at Capital SFB, are endeavouring to be the change makers pursuing a mission to reimagine and simplify banking for all. And, in this journey, FY 2023 was full of learnings. Like a sapling, your Bank is growing steadily and continuously and my team and I are focused on building a strong foundation for Stable, Scalable and Bankable growth. Capitalising on our over two decade rich expertise as a Bank, we have successfully traversed the early days of our banking journey.

Strong roots are always instrumental in supporting the growth of big aspirations. At Capital Small Finance Bank, we take great pride in our strong roots that have enabled us to navigate through the various challenges influencing the macroeconomic landscape.

As an organisation, we see both positive and negative sides of the current environment and events. However, we remain focused on seeing the positives in the negative, maintain our integrity and grow the right way. Banking is gradually undergoing a structural shift wherein customers are increasingly preferring and transacting with private sector players and we will continue to be one of the major beneficiaries of that. It is now our job to sustain this trust and build a franchise that lasts forever. It is a challenging time for many other banks, but as a new age, rumble and agile bank with no baggage of legacy issues, we remain thrilled and eager to win the hearts of customers by giving them due respect and convenience, providing them with good products and quality services.

servicing them courteously and striving hard to give them a better experience.

It is due to our core strengths that we have continued to march towards the big aspirations and delivered robust performance for yet another year. By harnessing the power of our aspirations, we have been creating enduring value for our growing network of customers and consolidating our position as a prominent and evolving player in the banking space.

Over the course of the last 23 years, we have leveraged numerous opportunities to make a positive impact on our stakeholders. One of the biggest factors in our success has been our unwavering commitment to understanding and meeting the changing needs of our customers. By continually adapting our operations to better serve them, we have been able to take advantage of the opportunities and deliver exceptional value throughout our journey.

**Our Holistic Suite of Offerings**

Our loan book currently stands at ₹5,507.27 crores and is diversified across a comprehensive range of offerings. This includes 38.81% of our loans allocated to agricultural segment, amounting to ₹2,137.45 crores, while 18.24% is dedicated to the MSME and trading sector, adding up to ₹1,004.56 crores. Additionally, 26.05% of our loans are categorised as mortgage loans, with a total of ₹1,434.48 crores and the remaining 16.90% consists of other loans, amounting to ₹930.78 crores. Our diversified exposure across a range of categories has allowed

us to stay insulated from volatile economic conditions and has further strengthened our roots and given us the resilience necessary to pursue our big aspirations in such an uncertain environment. As an SFB, we have focused on developing a granular loan book with over 67,80% of our portfolio comprising loans with an average ticket size of less than ₹2.5 mn. Furthermore, over 99.82% of our loan book is secured with an average ticket size of ₹0.13 crores.

**Retail Focused Liability Franchise**

Our rich experience as a local area bank has allowed us to gather a deep understanding of the preferences of our customer base. We have placed a strong emphasis on building a retail-based portfolio through our relationship-based culture.

Despite our relatively low deposit rates in comparison to other SFB peers, our share of CASA deposits has been maintained over 40% which was 42.16% in FY 2022 and 41.88% in FY 2023. We were able to maintain the cost of deposits of 4.90% during FY 2023 as against 5.02% during FY 2022. It is also worth noting that only 3.89% of our total deposits are held by the top 20 depositors.

**Consistent Track Record of Growth**

During the past year our efforts were aligned towards improving credit to deposit ratio. Our average CD ratio has increased from 77.55% in FY 2022 to 83.94% in FY 2023. Additionally, we have been able to retain our cost of deposit at ~5%, thereby reducing operational costs. Consequently, we have been able

to improve our net interest margin and significant growth in profitability metrics. Our profit after tax has grown by 51% to reach ₹33.6 crores. It is 27% of our net total income.

Our net interest margin increased by 41 basis points and our CRAR and TCR have remained strong and stable at approximately 8.81% and 214.98% respectively. We are proud to report that our NPAs have enhanced under control with our GNPA at 2.77% and NNPA at 1.30%.

Our balance sheet is robust with a net worth of ₹611 billion and a ROE of approximately 16.6%. Furthermore, we have been able to improve our cost-to-income ratio by 3.5%, reaching 59.97% during the year.

**Customer-Centric Approach**

The warmth of a bank's relationship with its customers and excellent service delivery are the two most vital aspects of a bank.

The customer-centric approach we are renowned for has been our hallmark ever since our establishment as a Local Area Bank (LAB). We have consistently aimed to capture the imagination of our valued customers and continuously elevated our customer-centric initiatives. Our customers' needs are paramount to us and we strive to consistently come up with unique solutions to meet their needs. Putting our customers' needs at the forefront, we relentlessly strive to provide unique solutions that meet their ever-evolving requirements.

We have consistently met and will continue to meet customer expectations. Our attitude has

always been to prioritise serving our customers, resolving their issues, igniting their imagination and delivering an enhanced experience.

To offer best-in-class services to our customers, it is essential that we grasp their expectations and maintain a culture of honesty, agility and commitment to our overarching mission of building one of India's leading retail franchises.

Digital transactions to Non-cash Transactions

**81%**

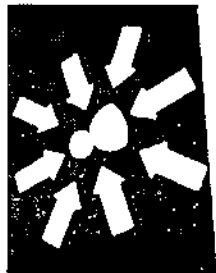
Young Talent (Millennials)

**76%**

**Staying Ahead of the Curve**

In order to excel in an ever-evolving business environment, it is imperative for leading players to embrace agility in their approach. Our capacity to transform challenges into opportunities stands as a testament to our ability to maximise our circumstances.

One of the challenging situations we were confronted with in the recent past was the isolating impact of the pandemic. However, we viewed this as an opportunity to bolster our digital infrastructure. By centralising our centres and attaining economies



of scale, we achieved remarkable performance levels. Additionally, by leveraging our branches for business development and implementing effective digital engagement strategies, we empowered ourselves to expand our reach to an even broader customer base.

**Closing Remarks**

With our immense capabilities at Capital Small Finance Bank, we are highly committed to forging a promising future. Our agile approach has enabled us to fearlessly execute our strategies, playing a vital role in driving our success. By placing our customers at the centre of our strategies and continuously enhancing our digital capabilities, we have been able to steadily expand our reach and make a broader impact.

By maintaining a disciplined approach to plan and execute our strategies, we will continue to be the Bank that exceeds your expectations - a resilient institution that we sure will help shape the future of this space.

“If we grow the right way, then we build a brand. If we build a brand, then we will be forever!”

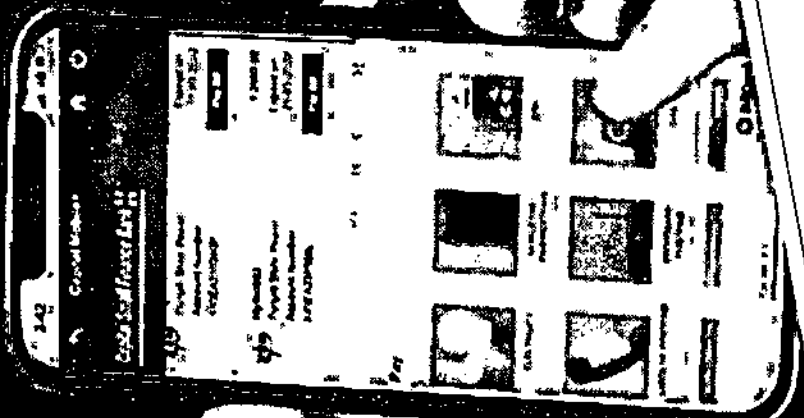
Warm Regards,

Munish Jain  
Chief Operating Officer and Chief Financial Officer

# Enhance Your Convenience by accessing your accounts and performing transactions anywhere, anytime with the Capital Mobile+ App



Scan me  
Capital Mobile+  
App Store



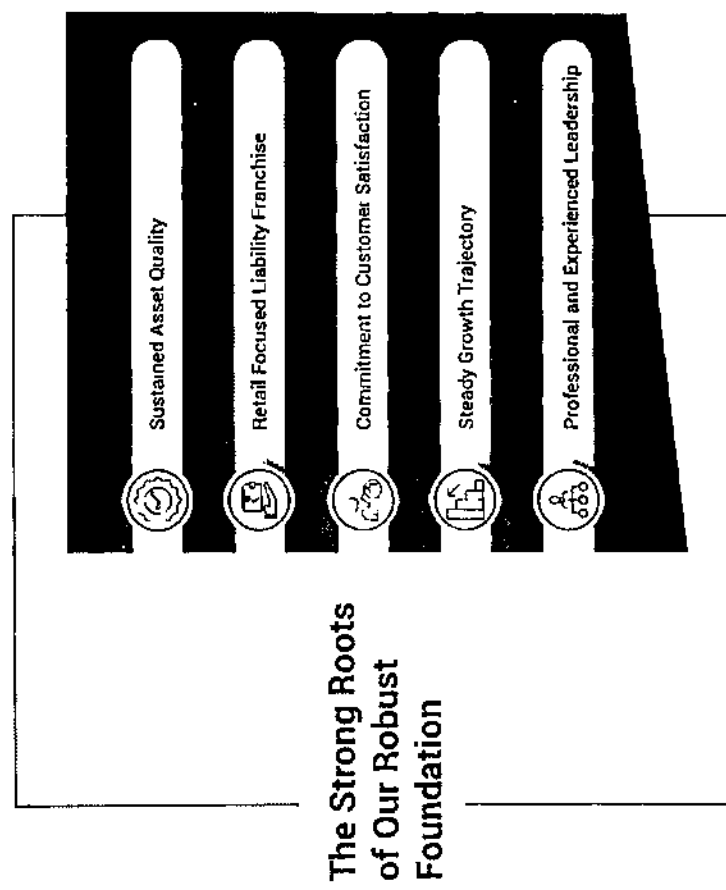
Scan me  
Capital Mobile+  
Play Store



# What Sets Us Apart

At Capital Small Finance Bank, our gradual transition from a local area bank to a high-performing SFB, has been on the back of our strong roots that have allowed us to consistently deliver across operational and financial parameters. Our granular portfolio has allowed us to achieve a minimal concentration risk with the top 20 depositors accounting for just 3.89% of total deposits. Our CASA deposit base has consistently been ~40% since conversion into SFB.

We have also been successful in achieving near zero write offs and take pride in having the second lowest GNPA's among all small finance banks in the country. Furthermore, our effective credit and risk management practices have led to the continued financial health of our Company. With the guidance of our experienced leadership team, we are confident of realising our big aspirations while also empowering the dreams of many.



Our core focus is on expanding into newer territories and consequently strengthening our presence in the north of India. The increasing digital orientation of our customers has inspired us to progress on the digital front as reflected by the increasing share of digital payments we have witnessed. Moreover, our low cost of deposits and increasing credit-to-deposit ratio allows us to enhance our performance across key operational as well as profitability metrics.

By continually capitalising on our core strengths, we are committed to furthering our vision of a financially inclusive future and serving our customers with excellence and integrity.

## Sustained Asset Quality

At Capital Small Finance Bank, we adhere to high standards of risk management through our effective credit assessment process that enables us to sustain the high asset quality levels we have repeatedly achieved.

Being the primary banker for most of our customers provides us with a comprehensive understanding of their cash flows. As a result, we have been able to enhance our credit assessment process by independently reviewing multiple layers of information.

Our structured approach revolves around the principle of four eyes which involves a multi-level review of the credit exposures along with a well-defined matrix for credit assessment.

### Credit Sanctioning

- Multi-Tier Sanctioning System
- Principal of Four Eyes
- Committee Approach for Higher Exposures

### Recovery Mechanism

- Independent Recovery Team at Each Tier
- Stringent Sma Monitoring and Timely Recovery Efforts
- In-House Legal Cell for Fast Track Legal Proceedings

### Credit Monitoring

- Regular Monitoring by Dedicated Team at Each Tier
- Sanction Review at Head Office Level
- Sample Cases Scrutiny by Credit Risk

NINPA

1.36%

Restructuring Pool

2.10%

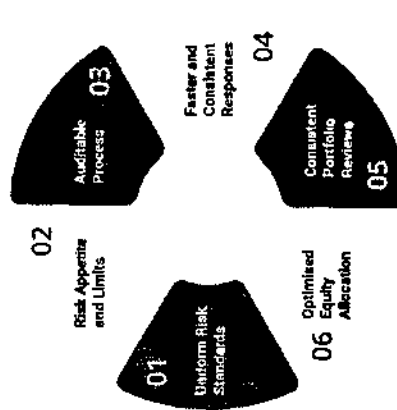
Credit Cost

0.32%

Write Offs

~₹0.14 crores

### Risk Controls

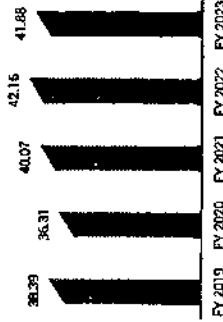


## Retail-Focused Liability Franchise

As an SFB, our strong retail franchise serves as the foundation of our portfolio. With a loan book of ₹5,507.27 crores and an average ticket size of ₹0.13 crores, we have established a granular and cost-efficient portfolio that generates significant value for our business.

Our consistent CASA book (41.88% as on March 31, 2023) has given us access to low-cost deposits. Thereby contributing towards enhancing the cost efficiency of our operations. Furthermore, our strong retail presence serves as a testament to the lasting relationships we have formed with our customers.

**CASA Ratio (%)**



### The Competitive Edge of Our Strong Retail Franchise

- Stability in Deposit**  
Deposits constitute 88.90% of the total Liability Source with average ticket size of ₹90,000.
- Greater Customer Retention**
- Enhanced Cross Selling Opportunities**
- Low Cost of Funds**  
Cost of Funds & Cost of Deposit - 5.11% and 4.90% respectively



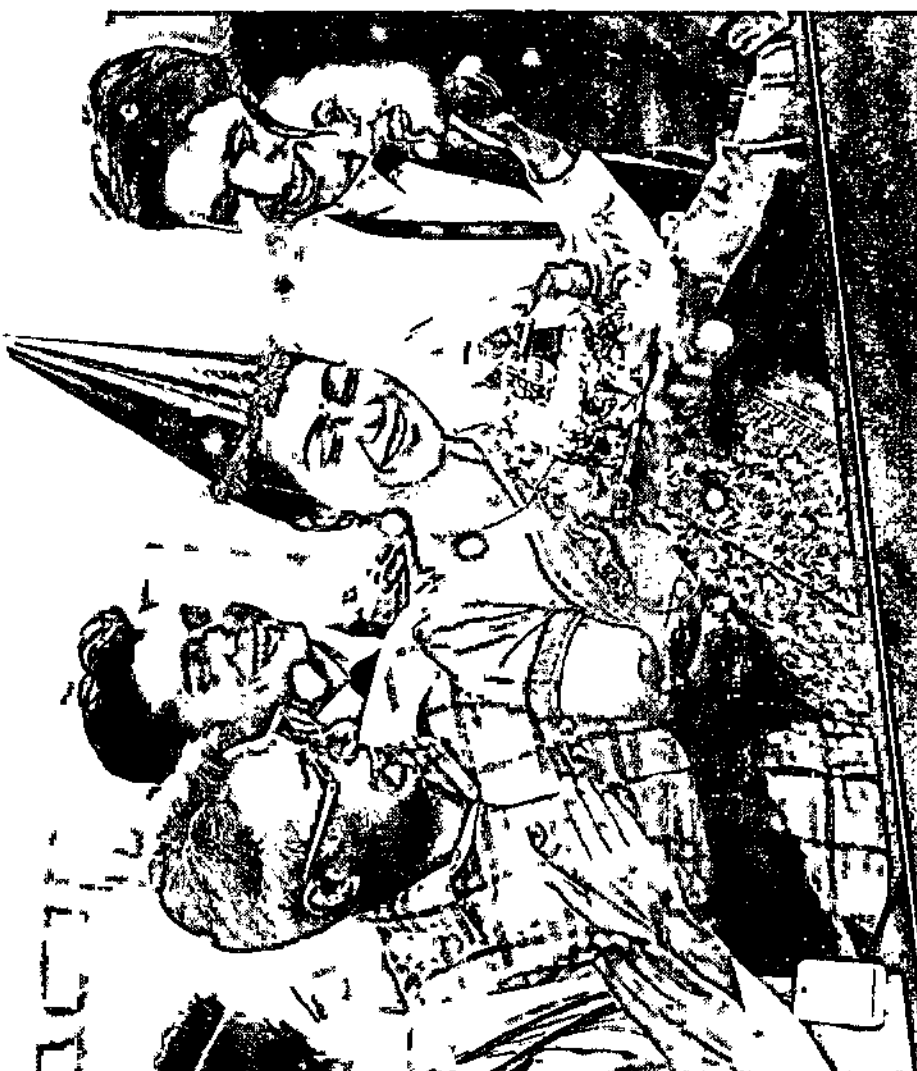
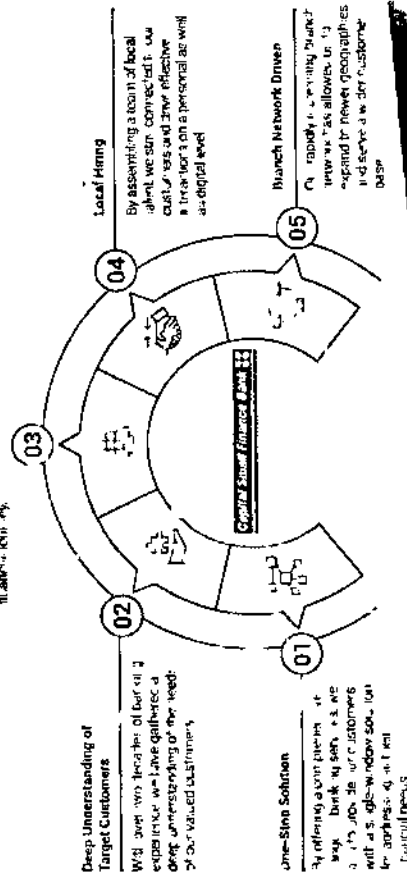
## Commitment to Customer Satisfaction

At Capital Small Finance Bank, we put our customers at the heart of our operations. We strive to capitalise on every opportunity to contribute to economic development by providing a superior banking service focused on customer needs. Our products and services are carefully curated keeping in mind the needs and requirements of our diverse customers. A simple yet effective product range coupled with an unmatched quality of service has been the backbone of our Company's enduring success.

Customer service is one of the core differentiators for modern financial sector businesses. With the encouraging economic growth and ongoing digital transformation in the industry, customers are increasingly favouring banks and service providers that understand their needs, offer customised solutions and provide timely services as well as necessary guidance whenever needed. As a customer-centric organisation, we have been focusing on some key areas to achieve the desired outcomes and build trust among our customers. These include:

### Fostering Relationships

By offering a simple, easy-to-use digital platform, we ensure that our customers can interact with our services through a user-friendly interface. This not only enhances their experience but also allows us to provide more personalised and efficient service.



## Putting Customers First

We proactively seek and act on 360-degree feedback from customers to ensure that our products and services align with their needs.





## Keeping Our Customers Served and Happy

Mr. Kuldeep Dhawan resident of Jalandhar, has been associated with us since 7+ years. He started his journey by opening a saving account and later took on the overdraft facility with us in a very short span of time. The primary economic activity of the family is sugar trading. His journey began with us by taking a loan with the help of which he bought some fingerlings for his existing business and started enhancing it. He is always thankful to Capital Small Finance Bank for the uninterrupted and timely services.

Mrs. Paramjit Kaur with her expertise in tailoring had been supporting her family including her child in her hometown Kapurthala, Punjab. In spite of all the challenges, being a single parent, she had the desire to educate her child and make him self-sufficient and discard the hardship she had been facing. Capital SFB supported her financially with a loan amount of ₹5 lakhs which helped her to improve further. She has also been able to give employment to four other women for supporting her growing business.

Mr. Baljit Singh is a farmer based in the village of Ropowal, Seochawal and has been associated with us for a long time. Over time, he faced difficulties in making profits and his cultivation began to stagnate. One of his acquaintances informed him about Capital SFB's agricultural loan facilities. After making initial inquiries, he applied for a KCC limit, which was sanctioned within minutes. His happiness knew no bounds.



I feel at ease, as at the click of a button, I am able to manage all my banking needs through the Capital Small Finance Bank Mobile App and moreover, it's a pleasure to visit their lush branches and ever pleasing staff.

**Kuldeep Dhawan**  
Kosha Traders, Jalandhar



Capital SFB has been a partner in our growth. Whenever we have needed funds, the Bank has disbursed loans quickly and efficiently.

**Paramjit Kaur**  
Women Entrepreneur, Kapurthala



I have always found Capital SFB beside me, whenever I needed any assistance. It has always delivered on my expectations with empathy and expertise. Our relationship with the Bank has grown so strong that they treat us like a family member would.

**Baljit Singh**  
Farmer, Seochawal Village, Punjab

## Our Teammates Share the LOVE !



I have been with Capital SFB since April 24, 2002. Being a part of the Capital SFB family is rewarding in so many ways. The opportunity for growth, the ability to think on your own, the satisfaction that comes with helping others. The overall feeling of accomplishment even when it has been a tiring day. Loving what I do and wanting to do more to help Capital SFB be successful. This is not a job; it is a career. The compassion and care Capital SFB has towards the community and its staff is what sets it apart from its competitors. I would describe Capital SFB as top notch, will be there for you, a place where you are treated like family and can treat others like family, with lasting relationships. I look forward to the years to come, working for Capital SFB, our community and staff. This is where I plan on retiring from, in the future.

**Rajiv Sood**  
Senior Vice President, Cluster Head, 21+ years with Capital SFB



I came to work for Capital SFB nearly a year ago and was immediately blown away by the genuine kindness of everyone I encountered. The Bank's culture fosters growth and loyalty in employees and the leadership team has great plans for the future. Employees are given a voice in important decisions and share in Capital SFB's success through regular incentives and perks. The focus on the community, however, is what really makes the Bank stand out. I truly believe that Capital SFB is living up to its mission of making a difference in the communities it serves and I look forward to playing a role in that for many years to come.

**Roban Sarma**  
Asst. Vice President, 1 year with Capital SFB

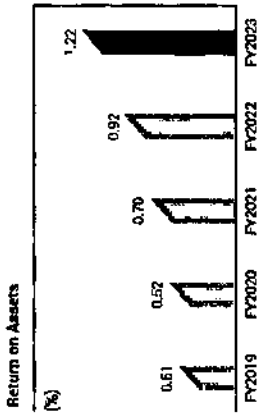
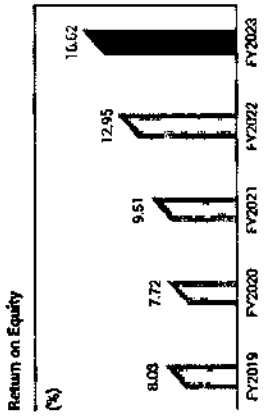
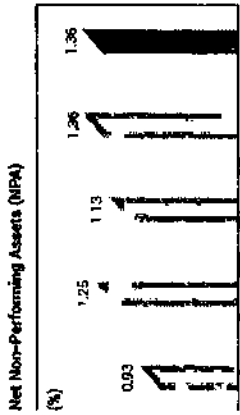
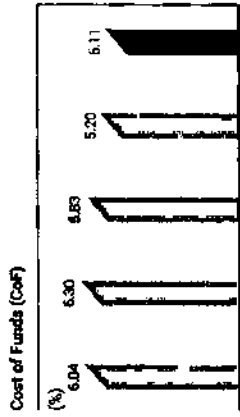
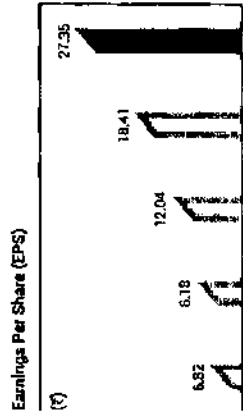
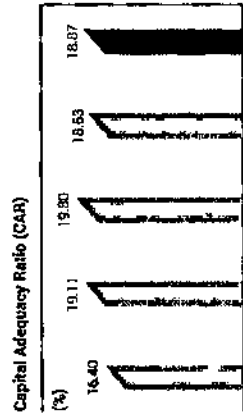
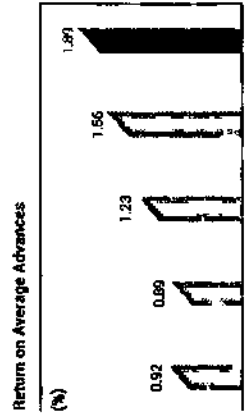
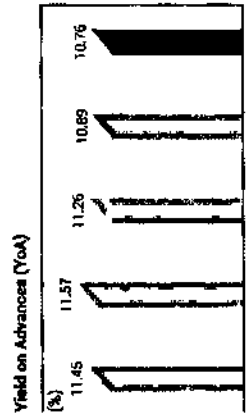
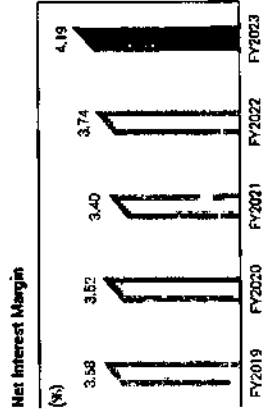
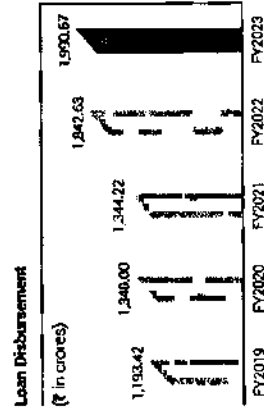
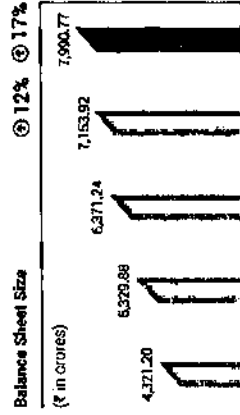
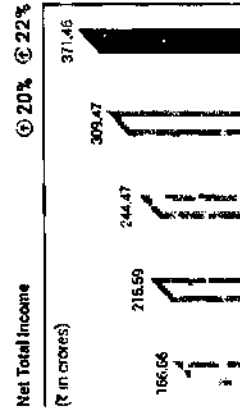
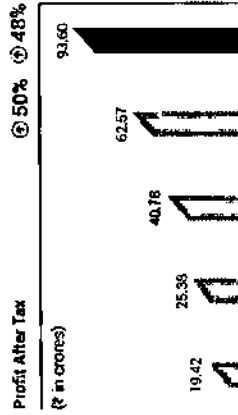
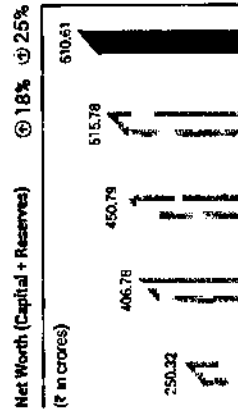
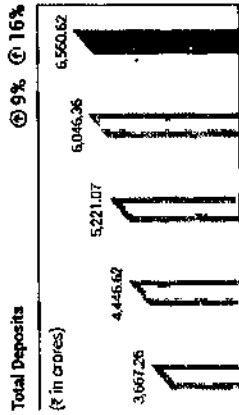
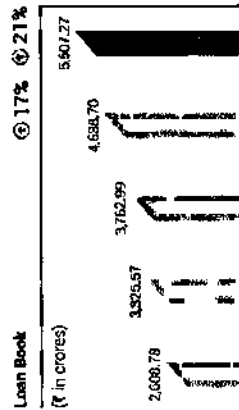


As a teller, I (as well as my team) am the face of Capital Small Finance Bank to our customers and the communities we serve. I take great pride in providing our customers the best service possible and helping them resolve any issues they might be having with their accounts as well as helping them utilise all the services Capital SFB has to offer. I have been with Capital SFB since 2015 and I stayed because it's an amazing company to work for. Capital SFB does a great job making a difference in the lives of their employees as well. Management makes it easy to succeed and meet our goals because we want to live up to our mission statement. I feel this really sets us apart from our competitors. Capital SFB is a great place to grow and I look forward to growing with this company for years to come.

**Sandeep Kaur**  
Lead Teller (Branch Malsian), 8+ years with Capital SFB

# Steady Growth Trajectory

Every year takes us ahead! Through our customer service excellence, prudent financial management and commitment to innovation, we have consistently delivered strong financial performance and maintained a reputation for reliability and trustworthiness.



Y-o-Y growth | 5-year CAGR (FY 2019-FY 2023)

## Professional and Experienced Leadership

Our leadership team at Capital Small Finance Bank possesses a wealth of experience and expertise in the industry, having successfully maneuvered through various business and economic cycles over the course of several years. With a diverse set of skills and perspectives, this team is responsible for implementing our Company's strategies, introducing new products and services and handling unforeseen situations.



**Mr. Sarvjit Singh Samra**  
Managing Director & CEO

Experience : 23+ years



**Mr. Munish Jain**  
Chief Operating Officer &  
Chief Financial Officer

Experience : 23+ years



**Mr. S.K. Dhawan**  
Head of Credit

Experience : 22+ years



**Mr. Aseem Mahajan**  
Deputy Chief Financial Officer

Experience : 10+ years



**Mr. Sabal Vijay**  
Chief Treasury Officer

Experience : 16+ years



**Mr. Harinder Singh**  
Chief Information Officer

Experience : 17+ years



**Mrs. Richa Mahajan**  
Chief Compliance Officer

Experience : 21+ years



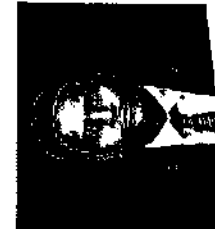
**Mr. Raghav Aggarwal**  
Chief Risk Officer

Experience : 8+ years



**Mr. Anuraj K. Bhargwaj**  
Head of Credit (Retail)

Experience : 23+ years



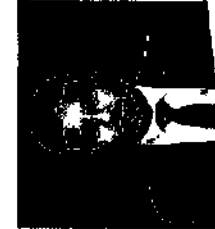
**Mr. Parim Gupta**  
Chief Marketing Officer

Experience : 7+ years



**Mr. Kamal Tandon**  
Regional Business Head

Experience : 23+ years



**Mr. Varinder Shoor**  
Regional Business Head

Experience : 22+ years

# Mega Trends



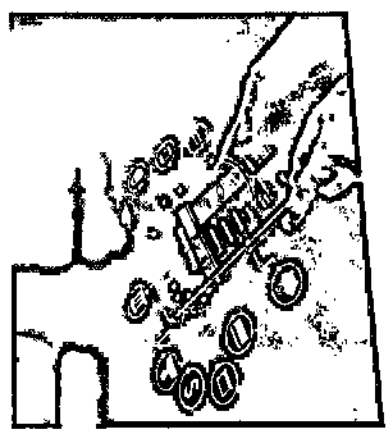
As the business landscape rapidly evolves, there are several trends that have been shaping the behaviour of customers and leading corporates alike. It is imperative for businesses to consciously monitor these trends and respond to them in an effective and timely manner. At Capital Small Finance Bank, we are committed to innovating and aligning our efforts with the changing needs of our customers. On that front, we have identified several mega trends and strengthened our capabilities to cater to them in a sufficient manner.

## Accelerated Digital Adoption

The digital landscape is rapidly evolving, and businesses are increasingly adopting digital technologies to enhance their operations and customer experience. This trend is driven by the need for efficiency, cost reduction, and improved customer engagement. As a result, businesses are investing in digital marketing, e-commerce, and digital customer support. This has led to a significant increase in digital adoption across various industries, from retail to healthcare. The shift towards digital is not only changing how businesses operate but also how they interact with their customers. Digital adoption is becoming a key differentiator for businesses in a competitive market.

### Our Response

- We have invested in digital marketing and e-commerce to enhance our customer experience and drive growth.
- We have strengthened our digital customer support capabilities to ensure timely and effective service.
- We have implemented robust digital security measures to protect our customers' data and ensure compliance with regulatory requirements.



## Partnering for Success



The ecosystem consisting of third-party financial providers, merchants, telecoms and other businesses will enable banks to transform the customer experience. This system will assist them to better anticipate customer needs, recommend solutions and target customers. Banks will expand customer relationships since other financial institutions will be unable to match their financial and behavioural insights.

### Our Response

- Forming partnerships with business correspondents in states where our presence is emerging
- Collaborating with third-party service providers to extend our range of offerings

## Integrated Financial Offerings



As consumer expectations continue to evolve, they are increasingly seeking a streamlined, all-encompassing and effortless experience. With the rise of aggregator platforms, consumers have grown accustomed to the convenience of accessing all their needs through a single-window solution. Our long-standing relationships with our customers have allowed us to gain their trust in delivering a seamless, comprehensive experience that caters to all their needs.

### Our Response

- Single Window Services
- Entrenched Branch Network

## Personalised Data-Driven Processes

The adoption of data-driven processes has enabled a new level of personalisation that facilitates more effective customer engagement. By leveraging data, businesses can now gain a comprehensive understanding of their customers' needs and preferences, which allows them to innovate and enhance their offerings accordingly. This objective approach has created numerous opportunities for businesses to cross-sell and scale their operations, thereby fostering profitable growth.

### Our Response

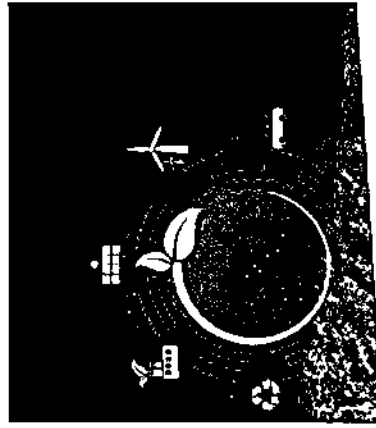
- Leverage technology and data analytics for scalability and profitable growth
- Improve collection efficiency through data driven early warning systems
- Cross selling opportunities and effective customer engagement through analytics

## Responsibility Towards the Society

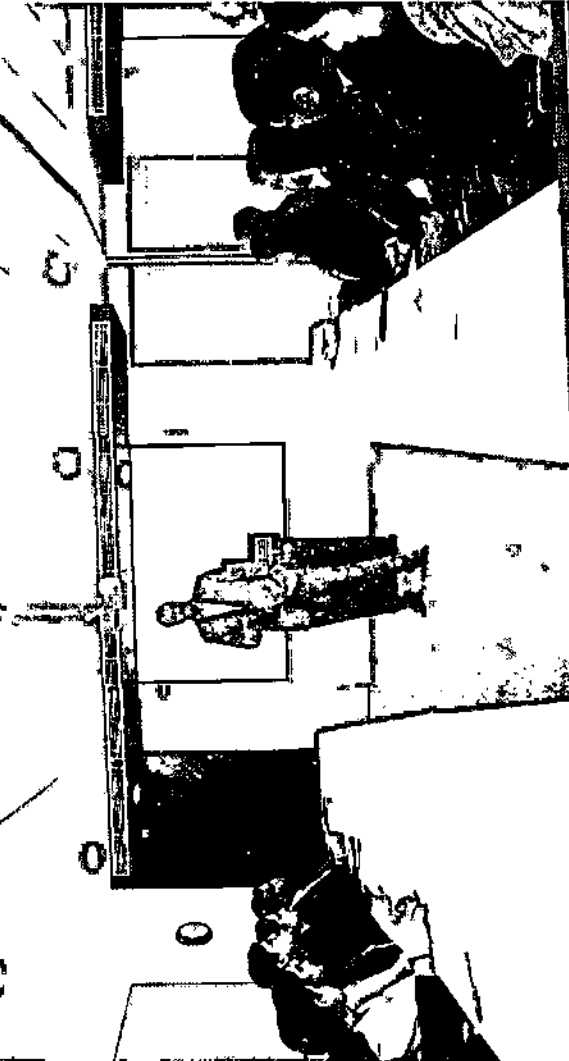
Businesses are increasingly looking to contribute beyond traditional means and have a tangible impact on the society at large. There is a growing sense of awareness regarding the environment and the pressing need to address the challenges we face has prompted companies to make sincere efforts towards assessing their impact on the society and the environment.

### Our Response

- Embedding ESG in our core values
- People-centric policies
- Promoting sports, education and healthcare

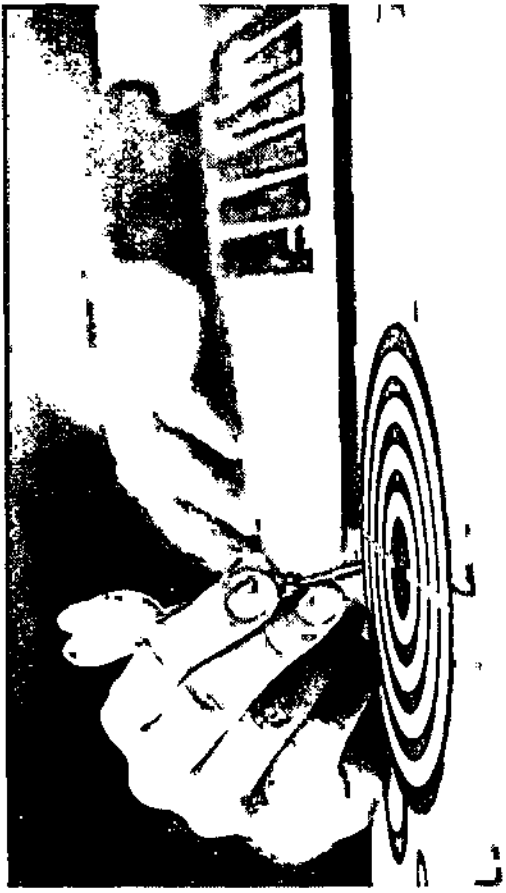
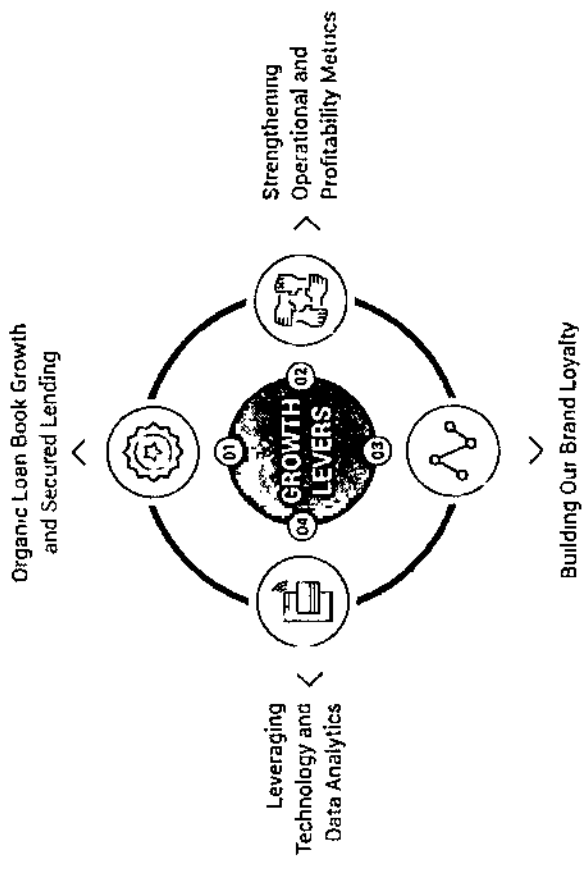


# Strategic Imperatives Driving Us Forward



To effectively capitalise on the emerging opportunities in the banking space, we have developed a framework at Capital Small Finance Bank, around four key focus areas. This will enable us to sustain our consistent performance. Moving ahead, we are keen on fortifying these four essential components to ensure continued growth in this dynamic business environment.

In the highly turbulent financial markets of today, growth strategically depends on building strong roots and ensuring that there is ample resilience to overcome challenges. Whether it is macroeconomic headwinds, socio-political uncertainties, dynamic world economies, regulatory regime shifts, or elevated inflation, every action to control inflation, capital flows, financial market gyrations or other market variables we have built a focused strategic framework. This is aimed at sustained revenue growth and building stronger brand equity through advanced technology and power of data. These four growth levers are:





## Organic Loan Book Growth and Secured Lending

At Capital Small Finance Bank, we are committed to broadening our horizons and nurturing our growth organically by employing a strategic approach to extend our reach and cater to the underserved areas of northern India. We firmly believe that there is enormous potential for credit and deposit penetration in these regions. Further, we are determined to bridge this gap by facilitating access to our innovative and holistic solutions that cater to their unique financial needs.

We operate on a branch-based model. Headquartered in Jalandhar, Punjab, we have over the years, expanded our SFB operations strategically in the north Indian states of Punjab, Haryana, Rajasthan and Delhi, where we offer our banking services in a contiguous manner. We have the highest branch network in the state of Punjab as compared to any other SFBs and fourth largest when compared with the private sector banks.

We also had the highest proportion of secured lending of 99% of our loan book as compared to other SFBs as of FY 2021. We intend to continue to grow our portfolio with focus on secured lending which we believe will provide us a competitive edge over our competitors.

### The Way Forward

Post conversion into an SFB, we have been able to expand our operations in newer geographies which has enabled us to widen our customer base and resulted in improved operational and business metrics. Our strategy centres on the establishment of additional branches within our home state of Punjab. This will enable us to deepen our roots in the region and serve our customers even more efficiently.

We are also determined to explore new territories and capitalise on the tremendous opportunities that exist beyond our current boundaries. To achieve this, we intend to leverage our diverse and carefully curated range of loan products as a means of gaining a foothold in these untapped markets.

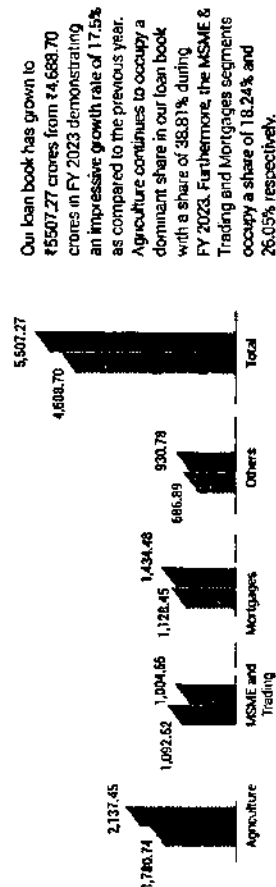
- Deeper Penetration in Existing Regions
- Expansion into Newer Regions
- Evolving Product Range

Growth in Loan Book (5-year CAGR)

21%

■ Loan Book (FY 2022) ■ Loan Book (FY 2023)

(₹ in crores)



## Strengthening Operational and Profitability Metrics

At Capital Small Finance Bank, our strong roots are an outcome of our dedication to strengthening ourselves on both the financial and operational fronts. We have strategically identified three key domains where we constantly strive to enhance our capabilities and drive efficiencies. By pursuing excellence in these areas, we aim to continuously improve and stay ahead of the curve.

### The Way Forward

All over the world, financial institutions suffer when they fail to achieve desired flexibility, operational robustness and profitability. As a financial enterprise primarily focusing on credit products to enter new markets, we have paid adequate attention to the growth metrics and ensured that our roots keep getting stronger as we pursue bigger aspirations.

Our credit-to-deposit ratio has consistently improved, reaching 83.94% in FY 2023, indicating our growing operational efficiency and increased resource mobilisation for loan book growth. Our enhanced technological infrastructure has enabled us to scale up with minimal additional costs, resulting in significant savings.

- Improved Credit-to-Deposit Ratio
- Optimisation of Costs
- Improving Share of Fee Income



## Building our Brand Loyalty

At Capital Small Finance Bank, our experience as a local area bank has enabled us to leverage our strong relationships with local stakeholders to consistently enhance our liability franchise. Our focus enabled enabling access to affordable credit in the states we operate in with special emphasis on rural and semi-urban areas. We aspire to become the primary banker for our customers and intend to accomplish this by providing a comprehensive range of offerings, prioritising exceptional customer service, establishing a widespread physical branch network and continuously advancing our digital service channels.

### The Way Forward

One of the most important things for any enterprise in the dynamic financial services sector, is to consistently build stronger brand legacy and recall. Customers value service providers based on their relationship management, accessibility, customer service and the diversity of product offerings for various needs. Cross-selling credit products to start a new banking relationship with customers that is eventually aimed at boosting deposits, as a key measure for most entities like us.

We prioritise building relationships with our customers to create a strong sense of trust. To achieve this, we offer a range of holistic product offerings that cater to both new and existing customers. A key focus for us is cross-selling our CASA products to increase our deposits.

- Relationship-based Banking
- Physical Distribution
- Cross Selling Products
- Servicing Government Departments and Agencies

We are also dedicated to providing a seamless customer experience through our physical distribution strategy, which leverages technology to provide both online and offline services. Additionally, we have a robust presence in servicing government departments and agencies, which has been a key contributor to our overall growth strategy.



## Leveraging Technology and Data Analytics

In line with our objective of continuously adapting to the ever-evolving business landscape, we have leveraged technology to improve our performance on several fronts. Data-driven insights have allowed us to formulate a focused expansion strategy as we seek to capture the most promising markets in our vicinity. Furthermore, we seek to offer an enhanced omni-channel experience to ensure well-integrated solutions to our customers. Digitisation has enabled efficiencies across our processes, leading to substantial improvements in our overall performance.

### The Way Forward

In a physical business environment where technology and digital tools are not just seen as enablers of services, but key differentiators among competitors, financial sector players need to up their tech game. Moving ahead, we aspire to leverage our technological capabilities to increase the scale of digital interactions and digital transactions with our customers. Digitisation has not only enabled us to expand our customer reach, but has also brought us numerous benefits, including enhanced processes, heightened productivity, cost reduction, improved collections through data-driven early warning systems and enhanced cross-selling opportunities. We extensively use cutting-edge tech solutions to achieve objectives such as

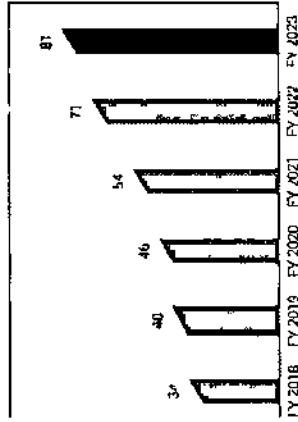
#### Transforming Customer Experience with Technology

- Deepening customer engagement through digital channels
- Analysing data driven insights to offer customised solutions
- Developing alternate digital channels

#### Strategically Empowering Ourselves with Technology

- Increasing cashless banking
- Automating operations
- Improving collections through warning systems
- Targeting and monitoring customers through data

Share of Digital Transactions in Non-Cash Transactions (%)



The increasing digital orientation of our customers and consequently our enhanced digital capabilities reflect in the growing share of digital transaction in non-cash transactions over the course of the last 5 years. From 34% in FY 2018, the share of digital transactions in non-cash transactions has increased more than two-fold to 81% in FY 2023.

Further more, our digital transition has helped us expand our customer reach leading to surge in digital transactions from 0.60 crores in FY 2022 to 1.04 crores in FY 2023.

Our digital strategy will be to increase cashless banking, deepen automation and enhance customer connect through digital channels. We are in the process of integrating with several technology service providers both on the origination as well as the credit assessment side to drive efficiencies across our operations.

Get aboard with  
**RuPay Debit Card today**  
 and take your step towards  
 a cashless world.

For more information, reach us at  
 Toll free no: 1800 120 1600 | Email: [Lead@capitalbank.co.in](mailto:Lead@capitalbank.co.in)



Our efforts to promote ESG are grounded in our core values of responsible and ethical banking. We believe that these principles are critical to building a resilient and sustainable financial system. To this end, we have established robust ESG policies and practices that guide our lending and investment decisions, risk management, and stakeholder engagement.

In addition, we are committed to promoting social equity and financial inclusion. We actively seek opportunities to support underserved communities through our lending and investment activities. We believe that financial inclusion is a key driver of economic growth and social development, and we work closely with our customers to understand their needs and provide them with customised financial solutions.

Finally, we recognise that strong governance practices are critical to building trust and ensuring the long-term viability of our organisation. We are committed to upholding the highest standards of transparency, accountability, and ethical conduct, and regularly review and update our governance policies and practices to ensure their effectiveness.

Overall, we believe that our commitment to ESG is essential to building a sustainable and inclusive future for our customers, employees, shareholders, and the communities we serve.

## Creating Sustainable Value: Integrating ESG into Business Strategy

Our organisation places great importance on upholding our core values of professional ethics, compassion and trust, as well as conscientious corporate governance and a compliance-oriented culture. Additionally, we prioritise cultivating and maintaining positive relationships with all stakeholders.

One of our main goals is to make credit accessible and affordable to those in need. To achieve this, we focus on employing local individuals and promoting equity within our community, which helps us build social capital. By doing so, we not only contribute to the country's financial inclusivity but also work towards the overall social and economic development of our community.

Furthermore, we remain vigilant about our carbon footprint and are committed to maintaining high levels of ethics, integrity and governance. We have taken the following steps to meet our ESG goals:



## Towards a Sustainable and Equitable Future

As a financial institution, Capital Small Finance Bank recognises the importance of Environmental, Social and Governance (ESG) factors in driving sustainable growth and creating long-term value for all stakeholders. We are committed to integrating ESG considerations into our business operations and decision-making processes, in line with the sustainable development goals (SDGs) set by the United Nations.





## Environment

To promote environmental sustainability, we encourage our employees to take responsibility for their actions and reduce their impact on the environment. By understanding the mechanisms available to them, our employees can actively participate in our efforts to operate in a more sustainable and environmentally conscious manner.

Capital Small Finance Bank believes in taking responsibility for our impact on the environment. We understand that reducing our carbon footprint is an important step towards sustainable development.

One of our primary focus areas is minimising waste generation. To achieve this, we encourage digital communication with all our stakeholders, including customers, to reduce paper usage and other waste. We have implemented various digital solutions that allow our customers to perform transactions and access information online, reducing the need for paper-based processes.

Furthermore, we have taken several steps to dispose of e-waste responsibly. We understand that electronic waste can be harmful to the environment and human health. As a result, we work with vendors registered with the Pollution Control Board to ensure the proper segregation and disposal of electronic waste. We take great care in disposing of e-waste and ensure that it is recycled in an environment-friendly manner.

We believe that it is our responsibility to preserve the environment for future generations. As such, we will continue to prioritise sustainability in all our operations.

### Digital Communications and Solutions – Reduced Paper Usage

### Working with Vendors Registered with Pollution Control Board (PCB)



## Social

### Serving the Underserved

Our Company is committed to being socially responsible and sustainable by serving customers across all sectors, with a particular focus providing banking services to individuals in underserved and unbanked areas. The Bank is thus contributing to economic development by providing the necessary capital to small and medium enterprises, supporting entrepreneurship and job creation. We have designed our products such as agriculture, MSME and trading, mortgage lending and other products to be easy to understand, which has helped us acquire and satisfy more customers.

Branches in Rural & Semi-Urban Areas	129
Total Branches in Unbanked Rural Centres (URC)	26.47%

### Customer Service

Capital Small Finance Bank places great emphasis on engaging with customers throughout their journey by leveraging the expertise of our relationship managers and personal and retail Bankers stationed across our branches. We proactively seek and act on 360-degree feedback from customers to ensure that our products and services align with their needs.

To facilitate this, we have established a Standing Committee on Customer Service that meets quarterly to review customer feedback and grievances. We ensure that all suggestions and complaints are duly recorded and addressed in subsequent meetings, with progress shared via an action-taken report.

New Loans Disbursed in URC and Rural Branches

**6,485 Nos. | ₹478.76 crores**

New Loans Disbursed in SME Sector

**2,401 Nos. | ₹232.13 crores**

### Employees

Our commitment to our employees goes beyond just accelerating their career growth. We also promise their holistic development, offering opportunities for on-the-job learning and upskilling to help advance their career trajectory. We ensure their well-being through competitive compensation and benefits, such as health insurance and retirement plans and provide an ESOP pool to enable them to generate wealth as the organisation grows.

We believe in fostering a transparent work environment and keeping communication channels open throughout the organisation to promote a conducive workplace culture. We prioritise creating a safe and sustainable working environment for our employees while upholding ethical practices and respecting human rights across our operations. Our investment in our employees' professional and personal growth reflects our belief that they are our asset.

We prioritise generating employment opportunities that not only leverage the skills and talent of the local community but also attract qualified candidates. Our hiring efforts aim to groom individuals for the skills needed on the job, providing them with the necessary resources to succeed.

### Community Development

Our CSR activities serve as a key component of our commitment towards sustainable and responsible business practices.

- By managing education centres, we are helping to create a more skilled workforce and equipping underprivileged children with the tools they need to succeed.
- By promoting sports, we are not only encouraging a healthy lifestyle, but also fostering teamwork and leadership skills.

New Loans Disbursed in Agricultural Sector

**9,312 Nos. | ₹648.19 crores**

New Deposits in URC and Rural Branches

**33,896 Nos. | ₹609.70 crores**

### Holistic Development of Employees On-the-Job Learning and Upskilling



- Our efforts to improve healthcare are aimed at creating healthier communities and reducing the burden of preventable diseases.

We believe that by investing in these areas, we are making a positive impact on society.

### Empowering Underprivileged Children through Education Centres Promoting Sports

### Equal Working Opportunities

At Capital Small Finance Bank, we are committed to promoting the economic empowerment of women. We strongly believe in equal pay for equal work and invest in our women workforce by providing opportunities for upskilling and career advancement. Our focus on creating a work place that is inclusive and supportive of women has resulted in us being recognised as a great place to work for female recruits. This, in turn, has helped us better understand and serve the needs of our female clients, bringing financial advancement to their lives. Our commitment to promoting gender equality not only benefits our business but also contributes to creating a more equitable and just society.

Employee Insurance      CSR Activities  
**₹1.67** crores      **₹1.15** crores

### Governance

Capital Small Finance Bank strongly believes in promoting a culture of responsibility, transparency and ethical conduct. To achieve this, we have established a comprehensive corporate governance framework that incorporates several policies and procedures, including our Code of Conduct and Ethics, Anti-Bribery and Anti-Corruption Policy, Prevention of Sexual Harassment Policy, Staff Accountability Policy, Whistle Blower Policy, Employee Separation Policy and Anti - Money Laundering Policy and more.

We have a strict internal control mechanism that ensures adherence to statutory compliances and governance protocols. We understand that these control mechanisms need to be robust enough to address the changing requirements of our business, therefore we have an internal auditor in place to scrutinise and assess these protocols regularly. This allows us to identify and address any discrepancies or weaknesses immediately, ensuring that our business processes are always aligned with our governance standards.

Moreover, we recognise the importance of staying updated with evolving business conditions. As such, we regularly review our external control mechanisms and governance protocols, making necessary adjustments to ensure they remain relevant and effective.

We also maintain an open and continuous communication channel with regulators to ensure compliance with all regulatory requirements. Our proactive approach allows us to stay ahead of any potential issues, ensuring that our organisation remains compliant with all relevant regulations.

### Human Capital

(As on March 31, 2023)

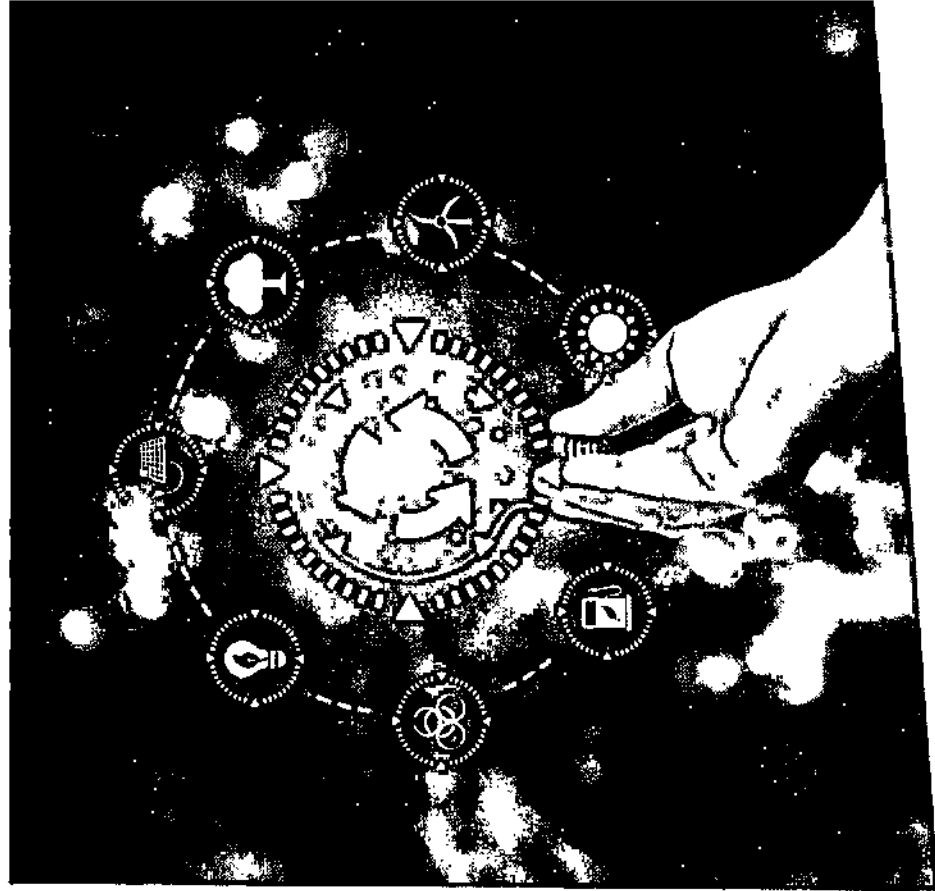
Male Employees	1,416
Female Employees	392
Graduates and Below	46%
Post Graduates and Professionals	54%

### Our Commitment to Sustainability

We are committed to promoting the well being of both the planet and its people by embedding ESG goals into our business operations. We firmly believe that financial inclusivity is a key solution to many of the global challenges we face today and provide affordable and accessible credit and financial services to the unbanked and under-banked corners of the country. By creating employment opportunities in rural and semi-urban areas,

we can contribute to the social and economic development of the communities we serve.

Our ethical values and integrity serve as the guiding force behind our business performance and we are confident in our ability to achieve our ambitious while upholding our principles. We will continue to be a responsible contributor to the social and economic development of the communities we serve, while protecting the environment.



### Transparent Environment

#### Robust Internal Control Mechanism

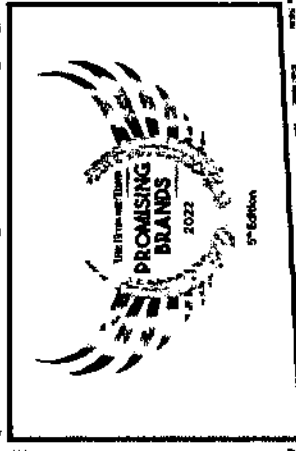
#### Updated with Evolving Business Conditions



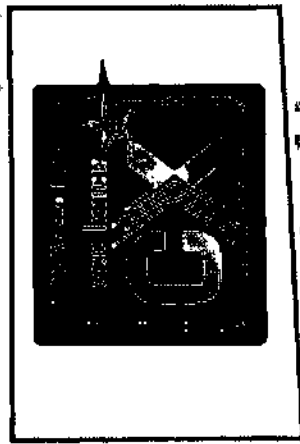


# Achievements

Recognised as Promising Brands of 2022 in the 4th edition of The Economic Times Promising Brands 2022



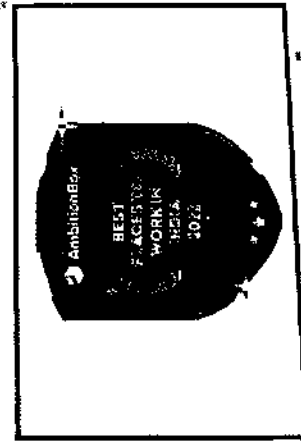
Recognised with the Economic Times Awards for Corporate Excellence 2022 organised by The Economic Times



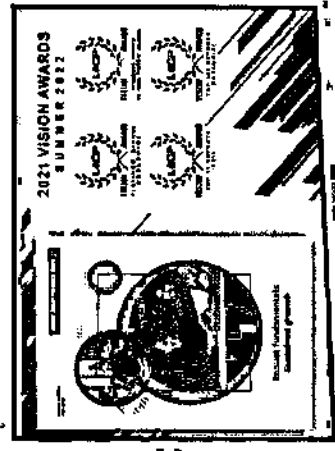
Certified as Great Place to Work for seventh consecutive year



Recognised with Best Place to Work in India 2022 Ambition Box



Recognised as Platinum Winner Worldwide, Regional Winner No.1 Asia Pacific Region, Top 10 Reports India and Top 100 Reports Worldwide by LACP under Vision Awards Summer 2022



# Management Discussion and Analysis

## Indian Economy

Over the past decade, India has experienced significant economic growth and emerged as one of the world's leading economies. According to the Economic Survey of FY 2023, the Indian economy was expected to grow by 7% during the year. Inflation remained a major challenge for the country during the year, due to various factors such as the Russia-Ukraine war and the subsequent rise in commodity prices worldwide.

The Government of India implemented various developmental and fiscal policies aimed at improving the economy. The Reserve Bank of India's Monetary Policy Committee increased the policy repo rate under the Liquidity Adjustment Facility (LAF) from 4.0% to 6.50% between May 2022 and April 2023 in line with global peers to tame inflation.

Global impediments such as the Russia-Ukraine war, US-China Trade war and China Plus One policy adopted by the world also had a significant impact on the business climate. As per a report published in the Hindu Business Line, the proportion of crude oil imports from Russia has risen significantly for India, from a mere 2.2% in 2021 to 40% of the country's total crude oil imports in February 2022.

The Government's approach to strengthening the country's infrastructure involves a significant increase in spending on essential sectors like road transport and highways, railways and defence. A key component of this strategy is the allocation of ₹10 lakhs crores towards capital expenditure for FY 2024, up from ₹7.28 lakhs crores in the previous fiscal year, as announced in the Union Budget.

These initiatives are making headway despite encountering technical hurdles during state-level implementation.

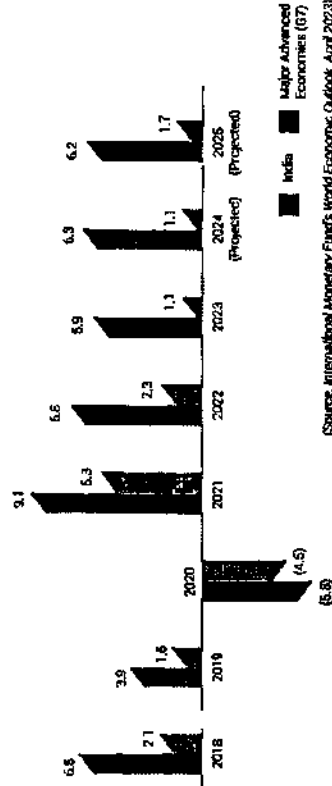
The implementation of game-changing policies like PM GatiShakti, the National Logistics Policy and the Production-Linked Incentive schemes to stimulate manufacturing production, alongside the expansion of public digital platforms, will further drive economic growth. In rural areas, the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) has been instrumental in generating employment opportunities.

The implementation of initiatives such as PM-Kisan and PM Garib Kalyan Yojana has been instrumental in ensuring food security across the country.

## Outlook

Going forward, the implementation of these initiatives and targeted policies is expected to propel India's economic growth rate. In 2018 and 2019, India's GDP growth rates exceeded those of G7 nations, including Canada, France, Germany, Italy, Japan, the United Kingdom and the United States. However, in 2020, India's economy contracted by 5.8%, slightly worse than the G7 countries' contraction of 4.5%. Nevertheless, in 2021, India's economy rebounded, with a growth rate of 8.1%, surpassing the G7 countries' growth rate of 5.3% and becoming the world's fastest-growing major economy. Despite the possibility of encountering challenges in the years ahead, India's GDP growth rate is expected to remain strong due to the economy's demonstrated resilience to global events, keeping it on a growth trajectory.

### Real GDP Growth (Annual % Change)



(Source: International Monetary Fund's World Economic Outlook, April 2023)

Utilising its strengths and tackling challenges effectively, India's economy is on track for sustained progress and advancement. With a rapidly expanding population, a vast and diverse workforce, sound and stable agriculture, flourishing medium and small scale industry and start-up culture, thriving technology industry and a deep-rooted cultural legacy, India possesses the capability to emerge as a dominant force in the global economic arena.

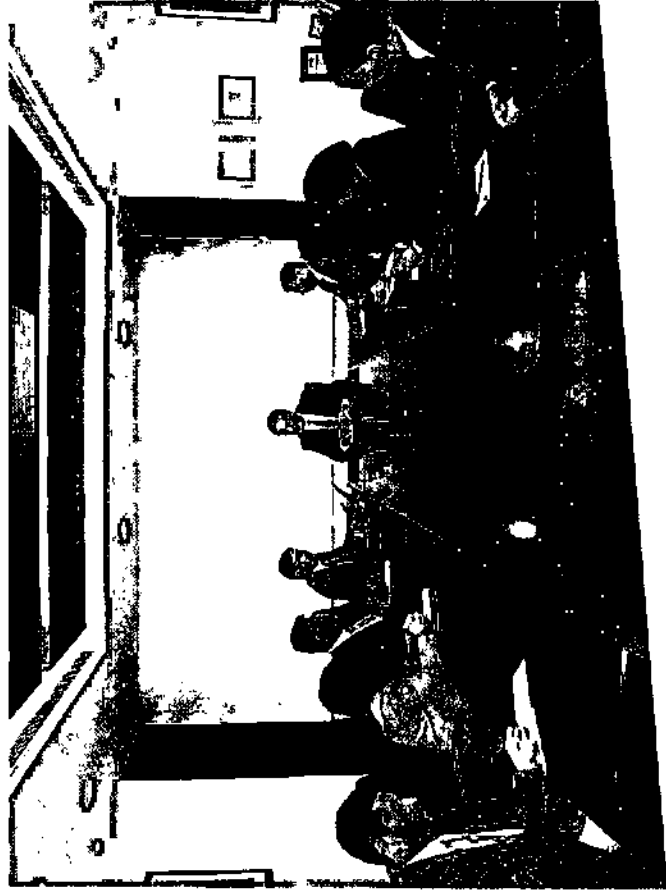
As we look ahead, the China Plus One strategy, which seeks to diversify supply chains away from the country, is expected to gain momentum. As a result, Indian businesses, especially those in the IT, pharmaceuticals and metal sectors, are expected to continue benefiting from this trend.

Despite the reopening of China after the recent pandemic lockdowns, India's strong footing in attracting investments and businesses is unlikely to be affected. In contrast, the country is poised to continue gaining traction in these areas due to its favourable business environment and initiatives. Furthermore, unlike other economies experiencing recessionary trends, India is expected to remain relatively unaffected due to its robust economic policies and reforms. As a result, the country is well-positioned to continue attracting foreign investments and furthering its economic growth.

To boost manufacturing and attract foreign investment, the Indian government has initiated several programmes, including the Make in India campaign, Atmanirbhar Bharat packages, Production Linked Incentive (PLI) scheme, investment opportunities under the National Infrastructure Pipeline (NIP) and the National Single Window System. These would help in realising the objective of ease of doing business, amongst other schemes as outlined by the Indian government.

The Union Budget for FY 2024 has proposed an increase of 33% in the capital investment outlay for infrastructure, which amounts to ₹10 lakhs crores and constitutes 3.3% of the country's GDP. This push by the government is in a bid to attract foreign investors and corporates to India in order to increase the employment levels, stimulate the GDP and enable the country to develop at a faster pace.

India's demographic dividend where its 68% of population lies in the age group of 15-64 years, combined with its commitment to education and skill development and conducive government policies, are expected to make the country an attractive destination for global investors. As the economy continues to grow, India will emerge as a major player in the global economy, driving innovation and contributing to the world's economic progress.



## Management Discussion and Analysis

### Banking Sector

The banking system plays a crucial role in facilitating economic growth and ensuring adequate liquidity in the economy. Over time, the Indian banking system has made significant progress in improving its health and quality, making it comparable to international standards.

A strong and healthy banking system not only supports economic growth but also acts as a repository of liquidity. The Indian banking system has come a long way in achieving this status. It has contributed significantly to the economic development of the country and has been rapidly digitising, with a focus on providing digital services to customers.

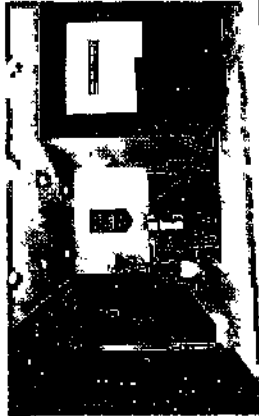
The Unified Payments Interface (UPI) and other tools are easing the transition to a cashless economy by leveraging the country's competitiveness in information and communication technology (ICT). The Monetary Policy Committee (MPC) has proposed to expand the scope of UPI by permitting operation of pre-sanctioned credit lines at banks through UPI.

According to available data as on April 7, 2023, the credit in the banking system was recorded at 15.7% YoY. As per India Ratings (Ind-Ra) this is likely to moderate to 13.5% for FY 2024. The retail segment contributed the most to incremental YoY credit growth, accounting for 39.7% based on February 2023 data. The services segment followed at 36.2%, while agriculture and industry accounted for 12.6% and 12.5%, respectively. However, deposit growth has been behind advances growth, with banks increasing their deposit ratios but still trailing the increase in the repo rate. Credit growth is expected to remain robust and continue to surpass deposit growth, leading to an increase in deposit rates and competition among banks to grow their deposits franchise in the near term.

### Banking Sector Outlook

The banking sector is expected to benefit from the infrastructure spending in India and recovery of sectors such as services and manufacturing. Digital payments standing at US \$3 trillion in June 2022 are expected to rise to US \$10 trillion by 2026. Estimated to be at 65% of total payments by 2026 as per BCG, they are likely to be the main driver of banking services in the country. With a growing economy, rising disposable incomes and increasing demand for credit, banks are focusing on expanding their reach, enhancing customer experience and offering innovative products and services.

The Government of India has launched several schemes to support the National Mission on Financial Inclusion. The journey began with the Pradhan Mantri Jan Dhan Yojana (PMJDY), which provided unbanked individuals with easy access to banking services and raised awareness about



financial products through financial literacy programmes. To further advance this goal, various schemes were introduced in the insurance and pension sectors, such as Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY) and Pradhan Mantri Vaya Vandana Yojana (PMVVY) as well as financial aid schemes like Pradhan Mantri Mudra Yojana (PMMY) and Stand Up India Scheme. The introduction of Jan Dhan Account-Aadhaar-Mobile (JAM) Trinity facilitated Direct Benefit Transfers (DBTs) of welfare subsidies into bank accounts of the poor. These schemes have expanded access to financial services and products, contributing to a more inclusive and sustainable growth trajectory for India's economy. As these schemes continue to evolve and reach more people, they are expected to boost financial literacy and awareness about insurance, pensions and other financial products, especially among those excluded from the formal banking sector. This is where small banks are expected to play a significant role in promoting financial inclusion and extending banking services to remote and underserved areas.

Another key trend shaping the future of the Indian banking sector is the increasing adoption of digital technologies. Banks are leveraging technologies like AI, ML, and Big Data analytics to enhance customer experience, reduce costs and improve operational efficiencies. They are also investing heavily in digital technologies and building robust cybersecurity frameworks to ensure the security of customer data and transactions.

Banks are collaborating with Fintech companies to offer innovative products and services, leading to further evolution of the traditional banking system. Fintech-enabled payment options such as UPI, Buy Now Pay Later (BNPL) and the Central Bank Digital Currency (CBDC) will drive growth of digital payments in India in the short and medium term.

Given the growth trajectory of Indian economy, banking being the engine of growth is poised for strong growth. In the new era, banks can realign to compete in new arenas, promised around distinct customer needs. These arenas will expand far beyond the current definition of financial services.

## Management Discussion and Analysis

### Small Finance Banks

Small finance banks (SFBs) are a new category of banks in India that were introduced by the Reserve Bank of India (RBI) in 2015 to provide basic banking services to underserved and unserved sections of the population. These include small business units, low-income households, farmers and migrant labourers. SFBs are required to primarily focus on providing financial inclusion and microfinance services to these segments of the population.

Currently, there are 12 SFBs in India that offer financial services to individuals and businesses with main focus towards underserved, unserved and unbanked. These institutions specialise in providing lending solutions to small and medium-sized enterprises, as well as those in the informal sector, including small businesses, shop owners and other similar entities.

They offer a range of services, including deposits, loans, insurance and investments, with a minimum of 75% of their loan portfolio being directed towards priority sectors. SFBs are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 15% and their operations are regulated by the RBI.

The figures provided refer to the infographics portrayed beside the content significant potential for growth in the MSME sector. With a total demand for credit reaching a staggering US\$ 1,544 bn and an addressable demand of US\$ 819 bn, there is a massive untapped market waiting to be served. The current supply of credit, standing at US\$ 289 bn, is not nearly enough to meet the needs of the sector and presents a substantial gap of US\$ 530 bn that needs to be filled as per a report published by Avendus Capital - MSME Lending, April 2023. Addressing this gap could provide a massive boost to the MSME sector, allowing it to expand and create more jobs and wealth. It also presents an excellent opportunity for SFBs to focus on providing the necessary support to fit this credit gap and unlock the potential for growth.

### Small Finance Bank Outlook

As the demand for financial inclusion continues to grow, the future of SFBs in India looks promising. The Government's push towards digitalisation, financial literacy and affordable credit, is likely to boost the growth of SFBs.

In addition, SFBs have a significant untapped market to tap into. Moreover, with the Government's thrust on financial inclusion and the implementation of various schemes like the Pradhan Mantri Jan Dhan Yojana, SFBs have a ready market to cater to. These schemes have helped in

increasing the number of bank accounts, especially among the rural population. SFBs have the opportunity to capture a significant portion of this market by providing affordable and accessible financial products and services tailored to their specific needs.

The outlook for SFBs is very positive. As more and more Indians enter the formal economy, the demand for credit is likely to continue to grow. SFBs are well-positioned to meet this demand by leveraging their niche market reach and their focus on financial inclusion. As the market for micro finance continues to grow, SFBs are likely to emerge as dominant players in this space.

Total Demand for MSME credit

US\$ 1,544 bn

Addressable Demand

US\$ 819 bn

Current Supply

US\$ 289 bn

Credit Gap in MSME Sector

US\$ 530 bn

(Source: Avendus Capital-MSME Lending, April 23)

### Capital Small Finance Bank

Capital Small Finance Bank is reaping the benefits of strong brand loyalty and putting experience of over two decades of banking into use to optimise on the huge growth opportunities and is delivering stellar performance year after year. Capital Small Finance Bank benefits from a large underserved rural base and a rural economy that has fared relatively better compared to urban areas in the past two years. Our portfolio of banking products encompasses both asset and liability offerings. On the asset side, we provide various products such as agriculture, MSME and trading loans for working capital and machinery financing as well as mortgages for housing loans, etc. On the liability side, we provide various CASA products, Term Deposit and Recurring Deposit products, and RERA Accounts, etc. along with the same, we offer various other products such as Lockers, Insurance products, 3 in 1 Demat cum Trading Account, etc.

## Management Discussion and Analysis

We also offer customised products driven by technology, simplifying operations from onboarding to servicing. This has led to a loyal and satisfied customer base. The Bank maintained and improved on these parameters through the COVID-19 pandemic.

The Bank's robust fundamentals enable it to sow and reap the benefits of this fertile ground. Its strong and stable business model has led to superior performance, driven by continued strong CASA, granular advances to a diversified customer base, healthy credit assessment and recovery mechanism, contributing to its exemplary asset quality. We have also maintained a moderate-to-low NPA ratio, reflecting appropriate credit risk management. The Bank has the lowest write-offs among SFBs and private sector banks.

The northern region of India, which the Bank serves, has a substantial opportunity for business and retail customers. Punjab, where the Capital Small Finance Bank predominantly operates, has a 48% credit penetration, leaving a greater untapped client base to explore. Our unique position as a new-age SFB with over 20 years of experience in the sector has earned goodwill through relationship-based banking, high-quality leadership, committed and trustworthy human capital and a full range of product offerings through both physical and digital means.

## Business Review

### Advances

Capital Small Finance Bank performed exceptionally well despite challenging economic conditions. It was able to maintain its disbursements and experienced significant growth in its overall advance book. The Bank has an almost 100% secured loan book and focuses on a granular retail asset portfolio, with its advances section comprising agricultural, MSME, trading and mortgage lending as its main pillars.

The Bank has made a conscious effort to balance granular loans with security, which continued through FY 2023. Its disbursements increased from ₹1,643 crores in FY 2022 to ₹1,991 crores in FY 2023. As of March 31, 2023, 99.82% of its loan book was secured, with 85.16% of the loans secured with immovable properties.

Our diversified loan portfolio mitigates exposure as it comprises Agricultural, MSME & Trading, Mortgage Loans and others. Capital Small Finance Bank's exceptional performance, steady disbursements and significant growth in Assets Under Management, combined with its focus on

a secured loan book and a granular retail asset portfolio, position the Bank strongly for sustained growth in the future.

## Agriculture

The Capital Small Finance Bank has a longstanding practice of giving priority to financing advancements in agriculture by allocating a considerable portion of its loans to this segment. These loans can be classified into three categories: Kisan Credit Card (KCC), Agri-Term Loans and Commission Agent Financing. The Bank targets mid-sized agriculturalists who typically own five acres of land or more. The crop loans offered by the Bank have limited price risk because of the minimum guaranteed price, which ensures better cash flows for farmers, particularly in cases of higher production.

### Financial Highlights FY 2023\*

Share in Loan Book	<b>38.81%</b>
AUM	<b>₹2,137.45 Crores</b>
ATS at Portfolio	<b>₹0.12 Crores</b>
Disbursements	<b>₹648.19 Crores</b>
ATS at Disbursements	<b>₹0.11 Crores</b>
Secured Portfolio	<b>99.92%</b>

## Management Discussion and Analysis

### MSME & Trading

Capital Small Finance Bank caters to the financing needs of its clients, both for short and long-term requirements. Its loan products are designed specifically for small and medium-sized enterprises, small traders and the service industry. The Bank's focus is primarily on providing working capital financing, but it also offers other financial products such as machinery loans and project financing.

### Financial Highlights FY 2023\*

Share in Loan Book	<b>18.24%</b>
AUM	<b>₹1,004.56 Crores</b>
ATS at Portfolio	<b>₹0.19 Crores</b>
Disbursements	<b>₹232.13 Crores</b>
ATS at Disbursements	<b>₹0.11 Crores</b>
Secured Portfolio	<b>99.98%</b>



Scene from the Manufacturing Unit of a MSME Client of the Bank

### Mortgages

The Bank is primarily focused on meeting the loan requirements of middle-income individuals, particularly for small ticket assets, in order to maintain a granular loan book.

It also offers loans for purchasing, constructing, expanding and renovating residential properties, which helps drive the overall demand side of the economy. Additionally, we provide loans against properties to finance viable economic activities or meet the personal needs of the property holder.

### Financial Highlights FY 2023

Share in Loan Book	<b>26.05%</b>
AUM	<b>₹1,434.48 Crores</b>
ATS at Portfolio	<b>₹0.12 Crores</b>
Disbursements	<b>₹565.95 Crores</b>
ATS at Disbursements	<b>₹0.11 Crores</b>
Secured Portfolio	<b>100%</b>

## Management Discussion and Analysis

### Others

Capital Small Finance Bank not only caters to the middle-income population in rural and semi-urban regions, but also strive for serving the underserved. Exceeding the regulatory Priority Sector Lending (PSL) targets, demonstrating an unwavering commitment to serving this sector by going above and beyond the minimum requirements. The Bank has exceeded the RBI targets once again, with PSL advances totaling ₹3,540.33 crores, representing a 9.61% increase in March 2023 as compared to 26.28% increase as of March 2022.

The Bank's average achievement of advances to weaker sections, including small and marginal farmers and scheduled castes, was ₹434.19 crores as of March 2023, which was 2,00 basis points higher than the regulatory benchmark of 11.50% (including PSLC). We continue to prioritise our granular retail asset portfolio, with a diversified loan portfolio comprising agricultural, MSME, trading, retail and mortgage loans.

### Financial Highlights FY 2023

Share in Loan Book

**16.90%**

AUM

**₹930.78 Crores**

ATS at Portfolio

**₹0.13 Crores**

Disbursements

**₹544.40 Crores**

ATS at Disbursements

**₹0.12 Crores**

Secured Portfolio

**99.17%**

## Management Discussion and Analysis

Capital Small Finance Bank is authorised by the RBI as a category II dealer and provides inward and outward non-trade remittance facilities. It offers money remittance services in partnership with Western Union Financial Services Inc, Money Gram Inc, and Ria Money Transfer. We also provide safe deposit lockers for customers to store their valuables for a fee.

**Total Insurance Premium Procured During the Year on Y-O-Y Basis increased by 17%**

### Liabilities

Capital Small Finance Bank's funding requirements are significantly met by retail deposits. The refinancing from Financial Institutions, wholesale market borrowing options and bulk deposits along with borrowings including tier II bonds make up for another source. For FY 2023, the savings bank deposits, current deposits and term deposits stood at ₹2,505.73 crores, ₹241.15 crores and ₹3,812.73 crores respectively. Our Bank also serves NRI customers and offers NRE and NRO accounts. We prioritise stable and core deposits, valuing long-term partnerships over short-term rate sensitivity.

As of March 31, 2023, the Bank witnessed a 8.61% YoY growth in its deposits, which increased from ₹6,046.36 crores in the previous year to ₹6,560.62 crores. Retail deposits accounted for 97.90% of the total deposits. Our deposit base spread across 730K deposit accounts, marking an increase of 48K accounts since March 31, 2022. Moreover, we maintained at 91% roll-over ratio for term deposits, indicating depositor base's loyalty.

At our Bank, we believe in fostering lasting relationships with our customers. We strive to provide personalised service and cater to the specific needs of each individual. By focusing on retail, stable and core deposits, we ensure a solid foundation for sustainable growth and continued financial stability.

### Third-Party and Other Products

The Bank aims to be the primary provider of financial services for its customers and offers third-party products to meet their financial needs outside of the core business. These services include insurance, locker and foreign exchange such as remittances. The Bank cross-seeds its insurance products to borrowers to provide protection for their families in case of an unforeseen event through its strong collaborations with leading insurance companies. The Bank provides foreign exchange services and MTSS inward facility through its tie up with various AD-1 Banks and other entities. Further, the Bank has tied up with prominent brokers to provide demat-cum-trading account, thus, allowing it to offer a comprehensive service portfolio to its clients.

The Bank has partnered with ICICI Prudential Life Insurance Company Limited, HDFC Life Insurance Company Limited and Max Life Insurance Company Limited to offer life insurance products, as well as with Bajaj Allianz General Insurance Company Limited for general insurance and health insurance products. These products include traditional life insurance, term insurance, motor insurance, property insurance, personal accident insurance, health insurance and travel insurance.

### Challenges

- Our business is heavily reliant on the North Indian economy and any changes in that economy can have a negative impact on our business, operations and financial performance.
- Our business is dependent on the health of the banking and finance sector in rural and semi-urban areas. Any changes in this sector can have a negative impact on our sales, profits and cash flow.
- Our business could be weakened if we are unable to effectively manage non-performing assets (NPAs) or if we are unable to improve or maintain our provisioning coverage as a percentage of gross NPAs.
- We may incur losses if the value of the collateral that we hold against loan declines.

### Opportunities

- There are many opportunities to expand our business geographically and grow our loan book organically by focusing on secured lending.
- There is a great opportunity to increase profits by focusing on improving our operational and profitability metrics.
- We can use technology and data analytics to improve our efficiency, expand our reach and create new products and services. This will help us grow our business and increase our profits.
- We have a great opportunity to attract new customers and grow our business by strengthening our liability franchise.

### Threats

- The Indian finance industry is highly competitive. If we are unable to compete effectively, it could pose a threat to our business, operations and financial conditions.
- We may be targeted by cyber threats that could disrupt our services to customers and/or steal sensitive internal data or customer information. This could



## Management Discussion and Analysis

damage our reputation and adversely affect our business, operations and financial conditions.

- We are exposed to operational risks, such as employee negligence, petty theft, burglary, embezzlement and fraud by employees, agents, customers, or third parties. These risks could harm our reputation and adversely affect our business, operations and financial conditions.
- Any non-compliance with mandatory anti-money laundering (AML), know-your-customer (KYC) and combating the financing of terrorism (CFT) laws and regulations could adversely affect our business, operations and financial conditions.
- We rely heavily on our information technology systems. Any disruptions to these systems or breaches of data could pose a threat to our business, operations and financial conditions.

## Information Technology

The financial sector is benefiting from the penetration and ease of use of technology. The use of technology in assessing credit and onboarding customers has proven to be effective on the asset side, while digitisation has reduced operational costs by automating repetitive and time-consuming processes on the liability side. Capital Small Finance Bank encourages the use of digital banking channels, with a particular focus on advancing its goal of financial inclusion by educating individuals in unbanked and underbanked segments. The Bank has multiple digital

facilities, including mobile banking, corporate banking, bill payments and debit cards, all supported by a Chennai-based core banking system.

By leveraging technology, we have successfully increased the number of digital transactions and reduced transaction times. The Bank is committed to maintain customer data security and integration across all banking channels, ensuring consistency and anytime-anywhere banking for our clients. Our approach is to balance a strong presence of branches with customised, easy, digital banking solutions, allowing for targeted customer outreach and customised product offerings to suit diverse client requirements. Our continuous investment in technology platforms is a clear win-win for both the Bank and customers.

## Treasury Operations

The treasury department plays a crucial role in managing liquidity, funding and investments and acts as a link between the head office and branches. The department strives to achieve safety, liquidity and superior risk-adjusted returns for the Bank through competent fund management, planning and portfolio management. Compliance with regulatory and internal policy frameworks is also a key responsibility of the department.

To comply with RBI guidelines, the department is accountable for Asset Liability Management (ALM) and minimising the cost of borrowing while managing interest rate risks. The department invests in a diversified portfolio of short-term government instruments, long-maturity

## Management Discussion and Analysis

government securities and other government-backed avenues, taking advantage of inter rate changes.

Overall, the treasury investment portfolio contributes positively to the Bank's bottom line by earning lucrative risk-adjusted returns and maintaining a rational spread over the cost of deposits. All this is done while ensuring high liquidity and a healthy portfolio.

## Risk Management

As an SFB, risk management is a crucial aspect of our operations. We understand that our customers trust us with their hard-earned money and it is our responsibility to ensure that their investments are safe and secure. To manage risks effectively, we have implemented various policies and procedures that are in line with regulatory guidelines.

We have a robust credit risk management system in place that evaluates the creditworthiness of our customers before approving any loans or advances. We maintain a strict credit policy that ensures only deserving borrowers receive loans and their repayment capacity is thoroughly assessed before sanctioning any loans.

We have implemented various controls to manage operational risks. We ensure that all our processes and procedures are documented and our employees are trained to follow them to minimise errors and omissions. We also have a robust IT infrastructure that safeguards against cyber threats and data breaches.

We have a dedicated team that monitors market risks regularly. The Bank uses various tools and techniques to identify and analyse market risks, such as interest rate risk, currency risk and liquidity risk. We have a contingency plan in place to manage such risks effectively.

The Bank adheres to all regulatory guidelines and maintains compliance with all applicable laws and regulations. We have a dedicated compliance team that regularly reviews and updates our policies and procedures to ensure they are in line with regulatory guidelines.

We understand the importance of maintaining our reputation and have implemented various measures to manage reputation risks. We prioritise customer satisfaction and ensure that we provide excellent customer service. We also have a grievance redressal mechanism in place to resolve any customer complaints promptly.

To ensure proper governance and risk management, the Board has delegated authority to the Risk Management Committee, which oversees and reviews our risk

management practices, including the implementation of procedures and tools for risk monitoring. This committee makes recommendations on policy, strategy and risk management framework to the Board, which then reviews and approves these recommendations. Moreover, the Credit Risk Management Committee is responsible for executing and ensuring the implementation of credit risk management. It ensures that our policies are in line with any changes in regulatory instructions, business, or economic conditions and recommends changes as needed.

We recognise that risk management is an ongoing process and continually review and update our policies and procedures to ensure that we are prepared to manage any potential risks. We also encourage feedback from our employees, customers and stakeholders. This enables us to identify areas for improvement and enhance our risk management framework further.

Overall, risk management is an integral part of our operations and we remain committed to the process to protect our customers' interests and maintain their trust in us.

## Compliance

Capital Small Finance Bank operates within a framework of rules and principles, both internal and external, that dictate its actions across various areas of its operations. These compliance requirements carry different implications depending on the context in which they are applied, such as RBI, corporate, KYC and AML, and IT compliance.

To maintain high standards of corporate governance and promote accountability, transparency and ethical business practices, the Bank upholds best practices and market standards. Our compliance function is objective, robust and alert, covering all aspects of the business from statutory guidelines to best business practices.

The compliance function ensures strict adherence to all statutory provisions outlined in various legislations, such as the Banking Regulation Act, Companies Act, Reserve Bank of India Act, Foreign Exchange Management Act, Prevention of Money Laundering Act and Regulatory Guidelines from IBA, FEDAI and FIMMDA. Additionally, we uphold our own internal policies and fair practices code. The compliance function operates under fundamental principles of integrity, impartiality, accountability, discretion and respect. It recognises the importance of compliance at all levels of the organisation



## Management Discussion and Analysis

### Human Resource Department

Capital Small Finance Bank acknowledges the importance of contented employees in ensuring satisfied customers. The employees are incredibly knowledgeable and experienced in their field and always up-to-date with the latest industry trends and best practices. As a result, the Bank persists in investing in its workforce and endeavours to provide a favourable work atmosphere.

At our Bank, we prioritise providing our employees with a healthy work-life balance, which includes reasonable working hours and ample annual leave. Furthermore, we encourage their career development by beginning the



process with an emphasis on local hiring. We ensure that our assessment procedures are both objective and transparent.

### Corporate Social Responsibility (CSR)

Capital Small Finance Bank has witnessed consistent growth over the past 20 years, which has enabled it to actively contribute to the economic and social development of the regions in which it operates. The Bank believes in advancing alongside the communities it serves and prioritises comprehensive community development. It views corporate social responsibility (CSR) as more than just a regulatory obligation and is deeply committed to improving the lives of underprivileged, marginalised and low-income individuals.

Rather than treating CSR as a separate function, the Bank strives to integrate social and environmental responsibilities into all its operations. This is achieved by encouraging each business unit and function to incorporate these considerations into their activities. The Bank's CSR Committee is responsible for overseeing and executing its CSR policy. It identifies focus areas and recommends them for implementation, regularly reviewing these initiatives.

Capital Small Finance Bank has established the Capital Foundation to carry out its CSR activities. The foundation aims to address socio-economic disparities and implement social initiatives that make a significant impact on the community.

In compliance with the Companies Act of 2013 and the Companies (Corporate Social Responsibility) Rules of 2014, as notified by the central government, the Bank adopted a CSR policy and allocated ₹1.15 crores towards its CSR initiatives in FY 2023.

#### CSR Key Areas

##### Education

The Bank offers educational sponsorships to students from disadvantaged backgrounds, including those who are facing economic, social, or physical challenges. Additionally, it strives to enhance the quality of education by providing support for essential infrastructure such as libraries, computer labs, science laboratories and supportive classes. The primary goal is to create a positive learning environment and foster a passion for learning.

## Management Discussion and Analysis



Furthermore, the Bank conducts programmes to address skill gaps, particularly in the banking industry. These aim to prepare candidates for employment by providing them with the necessary skills and knowledge.

### Helping Hands for WFH (Water, Food and Health)

With an endeavour to serve the society, the Bank works for fulfilment of water, food and health necessities of society by installing water coolers, hand pumps, etc., by spending on treatment of poor and needy people in society. The Bank also organises preventive health care camps and food distribution camps/events.

### Committed to Environment Stewardship

The Bank takes first priority towards ensuring environmental sustainability and ecological balance. The Bank maintains green belts and does tree plantations.

### Sports Development

Capital Small Finance Bank aims to help revive sports at the local level by providing resources to rural communities.



allowing them to cultivate and enhance local sporting talents. Additionally, the Bank sponsors and organises tournaments for underprivileged social groups.

### Rural Sports Development

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## The Journey Ahead

Capital Small Finance Bank has successfully overcome numerous challenges in the past year, showcasing its strong resilience and determination. Whether rocky terrain or smooth sailing, Capital Small Finance Bank has depicted resilience and capacity to excel against all odds as well as to make the most of opportunities. It has remained steadfast in its commitment to achieving the best outcomes for all its stakeholders while exercising financial prudence and careful judgment. This tireless and watchful attitude has been instrumental in driving our continued growth and success.

The Bank's robust financial performance, evidenced by its impressive top and bottom lines, is a testament to its inherent strength. It has demonstrated its ability to weather external market pressures while successfully attaining its financial, social and environmental objectives.

The Bank remains vigilant in the face of constantly shifting economic conditions and is dedicated to adapting to change without compromising its core values. The unwavering resilience and dedication demonstrated by the Bank and its teams are proof of its ability to triumph over any obstacles encountered on its path to growth.

Going forward, the Bank aims to enhance its brand recognition by expanding operations into nearby regions. The Bank is confident in its ability to sustain its fervor and commitment, while simultaneously preserving its superior asset quality and furthering its mission of promoting financial inclusion across the nation. We firmly believe that by prioritising trust and growth, we will continue to deliver exceptional performance, ultimately benefiting the society.

**CAUTIONARY STATEMENT:** As per applicable laws and regulations, this Report contains some forward-looking statements. However, it should be noted that the actual results may differ from those expressed or implied due to various factors such as economic conditions, government policies and other related factors.

## Board's Report

### DEAR SHAREHOLDERS,

The Directors of Capital Small Finance Bank Limited ("Bank" or "Company") are pleased to report that the Bank has continued to deliver strong financial results, with steady growth in key performance indicators such as total assets, deposits, and loans disbursed. The Bank has remained focussed on prudent risk management practices, resulting in a healthy loan portfolio and lower non-performing assets. The net profit witnessed a significant increase reflecting the Bank's relentless focus on operational efficiency and the optimisation of its product and service offerings.

Furthermore, the Bank remains committed to providing

inclusive banking services to underserved communities. Embracing the digital revolution, it has taken significant strides in its digital transformation journey by introducing innovative digital products and services, including mobile banking applications and online account opening. Customer satisfaction scores have steadily improved due to the Bank's unwavering dedication to customer service excellence. Continual enhancements to processes and offerings are underway to exceed customer expectations. The Board extends sincere gratitude to all shareholders for their unwavering trust and support. The Bank remains steadfast in its commitment to creating sustainable value and delivering superior returns to its stakeholders.

### 1. Financial Performance at a Glance

#### Profit and Loss Summary

	FY 2023	FY 2022	Change Y-o-Y %
Income			
Interest Earned	676.01	578.22	16.91
Interest Expended	354.02	322.94	9.62
Net Interest Income	321.99	255.28	26.13
Other Income	49.47	54.18	(8.69)
Net Total Income	371.46	309.46	20.03
Expenses			
Operating Expenses	222.75	196.25	13.50
Employee Cost	117.98	106.56	10.72
Other Operating Expenses	104.77	89.69	16.81
Operating profit before Provisions and Contingencies	148.71	113.21	31.36
Provisions (other than tax) and Contingencies	24.55	28.72	(14.52)
Profit Before Tax	124.16	84.49	46.95
Tax Expenses	30.56	21.92	39.42
Profit after Tax	93.60	62.57	49.59

#### Asset and Liability Composition

	FY 2023	FY 2022	Change Y-o-Y %
LIABILITIES			
Capital	34.25	34.04	0.62
Reserves and Surplus	576.36	481.74	19.64
Deposits	6,560.62	6,046.36	8.51
Borrowings	721.38	498.43	44.73
Other Liabilities and Provisions	98.16	93.35	5.15
Total Liabilities	7,990.77	7,163.92	11.70

### Board's Report

ASSETS	FY 2023	FY 2022	Change Y-o-Y %
Cash and Balances with Reserve Bank of India	462.65	363.99	27.11
Balances with Banks and Money at call and short notice	418.21	655.06	(36.16)
Investments	1,488.58	1,357.06	9.69
Advances	5,428.69	4,634.80	17.13
Fixed Assets	82.59	83.59	(1.20)
Other Assets	110.05	59.42	85.21
Total Assets	7,990.77	7,163.92	11.70

### Key Ratios

	FY 2023	FY 2022	in %age
Net Interest Margin <sup>1</sup>	4.19	3.74	
Gross NPAs	2.77	2.50	
Net NPAs	1.36	1.36	
Return on Assets <sup>2</sup>	1.22	0.92	
Return on Equity	16.62	12.95	
Return on Average Advances	1.89	1.55	
Cost of Deposits	4.90	5.02	
CRAR	18.87	18.63	

### Notes:

<sup>1</sup>Net Interest Margin has been computed based on the Net Interest Income (Interest Income - Interest Expense) and average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the year.  
<sup>2</sup>Return on Assets is calculated with reference to monthly average working funds (Working Funds taken as total of assets excluding accumulated losses) if any)

The Indian economy grew at a robust pace of 7% in FY23, driven by strong private consumption and investment. This growth led to an increase in demand for credit, which benefited banking sector and Small Finance Banks (SFBs) the most. The incomes of Indian households have been rising in recent years, which has also led to an increase in demand for loans from SFBs. Additionally, the government has been supportive of SFBs, this has helped SFBs to grow and expand their reach, particularly in underserved areas.

Capital Small Finance Bank Limited has demonstrated a robust financial performance for the financial year ending March 31, 2023. The Bank has achieved remarkable growth across key performance indicators, encompassing total assets, deposits, and loans disbursed. Through its prudent risk management practices, the Bank has effectively maintained a healthy loan portfolio, while minimising the occurrence of non-performing assets.

The Bank has demonstrated a notable rise in net profit, reflecting through its relentless focus on operational efficiency and the optimisation of its product and service offerings. These achievements are a testimony to the exceptional talent of our team,

who continuously endeavour to excel in their respective roles.

Capital Small Finance Bank Limited continues to expand its presence across regions, aiming to provide inclusive banking services to underserved communities, enabling it to serve a broader customer base and contribute to financial inclusion. Capital Small Finance Bank Limited acknowledges that its success is intricately linked to the satisfaction of customers. Therefore, it remains dedicated to understanding the evolving needs and expectations.

Talking about the Company's liability profile, it is dedicated to strengthening its existing relationships to ensure the maintenance of high levels of Current Account and Savings Account (CASA) deposits. The Bank's CASA Ratio has shown consistent improvement over the past three financial years, reaching 41.88% for the year ending March 31, 2023, 42.16% for the year ending March 31, 2022, and 40.07% for the year ending March 31, 2021. The focus on cost management is evident in its favourable cost of funds, which stood at 5.11% for the financial year ended March 31, 2023, and 5.20%

## Board's Report

for financial year ending March 31, 2022. Additionally, its retail deposits constitute a significant proportion, accounting for 97.90% as on March 31, 2023. Going forward, the Bank remains committed to further increase its CASA and retail deposits to optimise its cost of funds.

Turning to Assets, the Bank takes pride in maintaining a high proportion of secured lending, which constitutes 99.82% of the loan book. This focus on secured lending, coupled with robust credit assessment processes and diligent risk management practices, has contributed to a strong asset quality. As of March 31, 2023, its Gross Non-Performing Assets (GNPA) stood low at 2.77%, and Net Non-Performing Assets (NNPA) at 1.26%. This achievement is a testament to a deep understanding of its target customer base and extensive experience across various business cycles during our two decades of banking operations.

Furthermore, the Bank's loan portfolio diversification is noteworthy, with advances in agriculture, MSME & trading, and mortgages segments amounting to ₹2137.45 crores, ₹1004.56 crores, and ₹1434.48 crores, respectively, as of March 31, 2023. In the previous year, as of March 31, 2022, these segments accounted for ₹1760.74 crores, ₹1092.62 crores and ₹1178.45 crores, respectively. The average ticket size for these segments as of March 31, 2023, stood at ₹1.23 mn, ₹1.91 mn and ₹1.16 mn respectively.

In order to gain a foothold in new markets where the branch network is not yet established, the Bank is actively seeking partnerships to expand geographical presence and better understand these markets. By forging strategic alliances, it aims to mitigate associated risks while diversifying the range of products and services. Such collaborations will not only enhance the offerings but also contribute to the overall growth of Capital Small Finance Bank Limited.

The Bank's profitability and operational metrics have showcased a consistent upward trend, reflecting

	FY 2021	FY 2022	FY 2023
Return on Assets (RoA)	0.70%	0.92%	1.22%
Return on Average Advances	1.23%	1.56%	1.89%
Return on Equity (RoE)	9.51%	12.95%	16.62%

## 2. Dividend:

Based on the robust financial performance and profitability of Capital Small Finance Bank Limited, the Board of Directors has recommended a Final Dividend of ₹ 1.20 per equity share (face value of ₹ 10 each) for

its commitment to excellence. Over the years, the operating profit before provisions has grown at a remarkable compound annual growth rate (CAGR) of approximately 44%, from ₹34.28 crores in FY19 to ₹148.71 crores in FY23. Furthermore, profit before taxes has increased from ₹26.52 crore in the year ended March 31, 2019, to ₹124.16 crores for year ended March 31, 2023. Similarly, profit after taxes has risen from ₹19.42 crores in the financial year ended March 31, 2019, to ₹33.60 crores for year ended March 31, 2023. This exceptional performance is a testament to the trust the Bank has built over the years, supported by its professional and experienced leadership team and reputed shareholders with a strong commitment to corporate governance.

Moving forward, the focus remains on strengthening of operational and profitability metrics through several key strategies. Firstly, the aim is to optimise asset-liability mix in favour of asset creation while increasing the credit to deposit ratio. Secondly, it continues to emphasise on cost optimisation and efficiency improvement. Lastly, it intends to enhance its fee income and leverage cross-selling opportunities to further diversify our revenue streams.

Cost optimisation is a key area of focus and it is proud to have improved operating expense (opex) ratio as a percentage of average assets, which stood at 2.90% in FY23 compared to 3.33% in FY 2020. The cost-to-income ratio is expected to continue its improving trajectory and reach approximately 69.97% in FY23, building on the achievements of 63.42% in FY22 and 70.75% in FY21.

The Board is confident that the continued focus on maintaining strong liabilities and assets positions will contribute to the sustained growth and success of Capital Small Finance Bank Limited.

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

## Board's Report

in Capital Small Finance Bank Limited. The Board remains dedicated to maintaining a healthy dividend payout ratio while carefully considering the need for reinvestment in the Bank's growth initiatives. The support and confidence of shareholders are greatly appreciated, and the Board is pleased to reward their trust through this dividend declaration.

## 3. Capital Adequacy Ratio (CAR):

The Capital Adequacy Ratio (CAR) plays a vital role in maintaining the stability and soundness of banks. It is a regulatory requirement that ensures banks have sufficient capital to absorb potential losses and meet their obligations to depositors and creditors. By maintaining an adequate capital buffer, banks can mitigate the risk of insolvency and contribute to the overall resilience of the financial system.

The Bank has developed a well-thought-out capital adequacy plan that considers both systematic and idiosyncratic risks. Systematic risks are those that affect the entire banking industry, such as changes in interest rates or economic conditions. Idiosyncratic risks are those that are specific to a particular bank, such as problems with its lending or investment activities. Capital Small Finance Bank Limited has made arrangements to maintain sufficient buffer capital to address any potential stress and to provide ample growth capital to keep its growth trajectory on track.

The Bank has consistently maintained a strong and healthy Capital Adequacy Ratio, which reflects its robust capital position and adherence to regulatory requirements. As of the financial year ending March 31, 2023, Capital Adequacy Ratio stood at 18.87%, demonstrating its commitment to prudential capital management. This solid capital base provides a solid foundation for the Bank's operations, supports its growth aspirations, and instills confidence in our stakeholders. The Bank will continue to prioritise capital adequacy, ensuring that it has the necessary buffers to navigate any future challenges and capitalise on emerging opportunities in the dynamic banking landscape.

Schedule	CSFB ESOP Plan 2018	CSFB ESOP Plan 6x6 MRTs
Date of Shareholders approval	August 18, 2018	July 11, 2020
Total Number of options approved	8,54,720	1,00,000
Exercise price per option	₹98	₹10
Total No. of options outstanding at the beginning of the year	5,72,439	19,251
Total options granted during the year	76,000	19,299

## 4. Capital and Debt Structure

## a) Authorised Share Capital:

The Bank had authorised capital of ₹50.00 crores and during the year under review, there has been no change in the authorised share capital.

## b) Issued and Subscribed Share Capital:

The Bank has issued, subscribed and paid up Share Capital of ₹34.25 crores as on March 31, 2023. The Bank during the current year has issued and allotted 2,08,363 equity shares to the employees detailing 27,323 Employee Stock Options on April 22, 2022, 1,56,273 Employee Stock Options on May 12, 2022 and 18,950 Employee Stock Option on September 30, 2022 of ₹10/- each at a premium of ₹88/- (i.e. at the total issue price of ₹98/-) per share and 6417 Equity Shares have been allotted to Material Risk Takers (MRTs as identified by the Board in terms of Compensation policy) on May 12, 2022 of ₹10/- each at face value.

## 5. Disclosure regarding Employee Stock Option schemes

Capital Small Finance Bank Limited – Employees Stock Option Plan 2018 ("CSFB ESOP Plan 2018") was approved by the shareholders of the Bank in the Annual General Meeting held on August 18, 2018, amended further on October 22, 2021, for granting equity options to its employees. Further the Capital Small Finance Bank Limited – Employees Stock Option Plan for Material Risk Takers ("CSFB ESOP Plan MRT") was approved by the shareholders of the Bank through Postal Ballot on July 11, 2020, amended further on October 22, 2021, for granting equity options to Material Risk Takers (MRTs as identified by the Board in terms of Compensation policy). The details of the said ESOP schemes as required under Rule 12 (9) of the Companies (Share Capital and Debentures) Rules, 2014 is as under:

## Board's Report

Scheme	CSEB ESOP Plan 2018	CSEB ESOP Plan for FY 2018
Total options Vested during the year	2,29,516	6,417
Total options exercised	2,01,946	6,417
the total number of shares arising as a result of exercise of option	2,01,946	6,417
Options forfeited/lapsed	48,600	Nil
Total options in force as on March 31, 2023	3,97,893	32,133
Variation in terms of Options	Nil	Nil
Money realised by exercise of Options	1,97,90,708	64,170
Details of Stock Options granted to Directors & KMPs during the year	Mr. Amit Sharma: 1,000 Mr. S. K. Dhanwar: 1,000 Mrs. Richa Mahajan: 1,000 Mr. Raghu Aggarwal: 1,000	KMP Mr. Murlish Jain: 19,299
Any other employee who receives a grant of options in any one year of options amounting to five percent or more of total options granted during that year	Nil	Nil
Identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding, warrants and conversions) of the Bank at the time of grant	Nil	Nil

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

Further during the current year,

- The Bank has issued and allotted 3,217 Unsecured Unlisted Redeemable Non-Convertible (Lower Tier-II) BASEL II Compliant Bonds 2022 - 23 (SERIES XX) in the nature of debentures on May 12, 2022 of ₹1,00,000 each at par aggregating to ₹32,17,00,000/- on private placement basis with coupon rate of 9.25% p.a. (Simple Interest) and redemption date of May 12, 2022.
- The Bank has redeemed 604 11% Unsecured Redeemable Non-Convertible Subordinated Bond (Lower Tier II) in the nature of Debenture Series - VII (ISIN number: INE645H08087), on August 25, 2022 and the interest amount along with principal amount due thereon was credited to the accounts of debenture holders as on August 25, 2022.
- 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.
- 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 Bank issued in the form of Upper Tier-II Bonds which are listed on the BSE Limited and detail of the same is as under

NSD Series	Coupon Rate	ISIN Number	Rating by India Private Limited on April 12, 2023	Rating by CARE India Private Ratings, Limited on March 10, 2023
Unsecured Redeemable Non-Convertible (Upper Tier II), Basel II Compliant Bonds FY 2014 - 15 (series XI)	11.75%	INE646H08012	BWR A+ (Reaffirmation)	CARE A+; Stable Outlook; (Single A Minus; Outlook: Stable)
Unsecured Redeemable Non-Convertible (Upper Tier II), Basel II Compliant Bonds FY 2015 - 16 (series XIII)	11.75%	INE646H08020	BWR A+ (Reaffirmation)	CARE A+; Stable Outlook; (Single A Minus; Outlook: Stable)

Contact details of Debenture Trustee:  
Name: IDBI Trusteeship Services Limited  
Address: Arian Building, 17, R Kamani Marg, Ballard Estate, Mumbai - 400 001.  
E-mail: itst@idbitrustee.co.in  
Tel No. 91-22-40807000.

## 7. Dematerialisation of Securities

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

## 8. Compliances as per the Reserve Bank of India and the Government of India

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

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

- The information with regard to employees who are in receipt of remuneration in excess of ₹102.00 Lakh per annum or ₹8.50 lakhs per month for a part of the year is enclosed as Annexure - A
- No employee in the Bank was in receipt of the remuneration in excess of that drawn by the Managing Director and holds by himself or

The details of Unclaimed Dividends as on March 31, 2023 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 for claiming Dividend
March 31, 2015	September 29, 2016	October 30, 2023
March 31, 2017	July 22, 2017	August 28, 2024
March 31, 2018	August 18, 2018	September 24, 2025
March 31, 2019	September 27, 2019	November 3, 2026
March 31, 2020	-	-
March 31, 2021	August 20, 2021	September 26, 2028
March 31, 2022	August 5, 2022	September 11, 2029

along with his spouse or dependent children 2% or more equity shares of the Bank.

## 10. 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.

## 11. Transfer of unclaimed dividend to Investor Education and protection fund

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

Accordingly, Unclaimed Dividends for and up to the financial year ended March 31, 2015 have already been transferred to the IEPF. Further, please note that the Unclaimed Dividend in respect of the financial year ended March 31, 2015 must be claimed by concerned Shareholders on or before October 30, 2023 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/unclaimed-dividends.html>

## Board's Report

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, 2015, as amended from time to time, the unclaimed Dividend and the underlying Equity Shares of the Bank for the Financial Year 2014-15 (in case where the Dividend for subsequent 7 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.

12. **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.

13. **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](http://www.capitalbank.co.in) in the format (MGT-7) prescribed under the Act.

14. **Requirement for maintenance of cost records**  
The cost records as specified by the Central Government under section 148(f) of the Companies Act, 2013, are not required to be maintained by the Bank.

15. **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 Bank 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 equipments etc. are being installed for conserving the energy. There is no capital investment on energy conservation equipment other than specified.

**Technology Absorption:** We at CAPITAL SMALL FINANCE BANK LIMITED (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 understanding 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.

**Foreign exchange earnings and outgo:** There was no foreign exchange earning or outgo during the year under review.

16. **Disclosures Under Section Sec 134(3)(f) 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 to which the financial statements relates and date of this report.

17. **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.

18. **Disclosure of Penalties imposed on the Bank during the Financial Year**

There has been no penalty imposed by the Reserve Bank of India on the Bank except that of ₹0.06 crores during the year ended March 31, 2023 for non-replenishment of ATMs in normal course of action in terms of RBI circular no. RB/2021-22/84 DCM (RMMT) No. S153/11.01/2021-22 on Monitoring of Availability of Cash in ATMs dated August 10, 2021.

19. **Compounding Fees paid to SEBI**

Pursuant to a voluntary settlement application filed by the Bank before the Securities and Exchange Board of India on September 2, 2021 (which was physically submitted on September 8, 2021) in

## Board's Report

respect of allotments made by the Bank to more than 49 investors during the Financial Year 2004-05, the Bank has paid an amount of ₹5,80,000 to SEBI as compounding fee.

20. **Transfer to reserves in terms of Section 134(3)(d) of the Companies Act, 2013**

For the financial year ended March 31, 2023, the Bank had transferred ₹23.40 crores to the Statutory Reserve Fund (maintained under section 171(1) of the Banking Regulation Act, 1949. The Bank has transferred ₹3.45 crores to Special Reserve maintained under section 36(viii) of the Income Tax Act, 1961.

21. **Deposits**

Being a Banking company, the disclosures required as per Rule 8(S)(v) & (vi) of the Companies (Accounts) Rules, 2014 read with Section 73 and 74 of the Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014 are not applicable. The details of the deposits received and accepted by your Bank as a Banking company have been disclosed in the financial statements for the financial year ended March 31, 2023

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

The Bank has formulated and adopted a robust risk management framework. Whilst the Board is responsible for framing, implementing and monitoring the said risk management framework, it has delegated its powers relating to monitoring and reviewing of risk associated with the business of the Bank to the Risk Management Committee. Bank follows an integrated approach to managing risk 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 areas, deregulation and globalisation of financial activities, emergence of new financial products and increased level of competition has necessitated the need for an effective and structured risk management practice in financial institutions.

The Bank has adopted an integrated approach for the management of risk. Effective internal policies are

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

Liquidity Risk Management has been at the core of sound risk management practices of banking 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 (RM/CB) 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

## Board's Report

RMCB. Further the decision to use the lines of defence as per the CFP lies with the ALCO. The contingency is defined in various scenarios. The comprehensive CFP endeavours to monitor liquidity on real time basis, with a wide and unrelated range of lines of defence, along with proper channel of reporting, escalation and decision making.

Further, the Bank has formulated Stress Testing Framework for evaluation of Bank's financial position under a severe but plausible scenario to assist in decision making within the Bank. It enables the Bank in forward looking assessment of risks. It facilitates internal and external communication and helps senior management understand the condition of the Bank in the stressed situations. Stress testing outputs are extremely useful in decision making process in terms of potential actions like risk mitigation techniques, contingency plans, capital and liquidity management in stressed conditions.

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

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

23. Independent Directors Declaration in terms of Section 134(3)(f) 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, 2023 consisted

of twelve Directors, out of which seven directors are independent Directors.

The Bank has obtained Declaration of Independence from Mr. Rakesh Soni, Ms. Harmesh Khanna, Mr. Sham Singh Bains, Mr. Navin Kumar Mishra, Mr. Gurdeep Singh, Mr. Gurpreet Singh Chug and Mr. Nageswara Rao Yalamanchilli and they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013. Further, all the Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Act. The separate meeting of Independent Directors was conducted on December 13, 2022.

Pursuant to the Rule 8(5) (ii) of the Companies (Accounts) Rules, 2014, the Board opines that all the Independent Directors of the Bank adhere to corporate integrity, possess the requisite expertise, experience and qualifications to discharge the responsibilities as an Independent Director as mandated by the Companies Act, 2013 and other applicable laws.

All the Independent Directors of the Bank have been registered and are members of the Independent Directors Database maintained by the Indian Institute of Corporate Affairs (IICA). Six Independent Directors were already granted exemption from appearing for the Online Proficiency Self-Assessment test conducted by IICA. One Independent Director, Mr. Gurpreet Singh Chug has appeared for the online Proficiency Self-Assessment test during the year and passed the same.

24. Company's Policy on Directors' Appointment & Remuneration including criteria for determining Qualifications, Attributes, Independence etc. in terms of Section 134(3)(e); Section 172(1) & (3) of the Companies Act 2013

Basis the 'Fit and Proper' criteria laid down by the Reserve Bank of India, the Nomination and Remuneration Committee (NRC) conducts the due diligence of the Board members on yearly basis except for the Directors who are member of the NRC. Further Board also conducts due diligence of all the Directors 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 qualifications, positive attributes, due diligence mechanism and reference checks for appointment of Directors and Key Managerial Personnel.

## Board's Report

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

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

The Nomination and Remuneration Committee (NRC) and the Board has approved the evaluation process for evaluating the performance of the Board and Committees as whole and individual director. A separate meeting of Independent Directors was held on December 13, 2022 which carried out the annual evaluation of the performance of Non-Executive Non-Independent Directors, Executive Directors, Chairperson, Board as a Whole and Board Committees. Further the Board of Directors in its meeting held on February 9, 2023 had also conducted the Annual evaluation of performance of Board as a whole, Board Committees, Chairperson, Managing Director, Non-Executive Directors.

26. State of the Company's Affairs 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 ended March 31, 2023.

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

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

28. 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 Complaint 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 2022 - 23

In Head Office (Including Regional Offices)

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

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

29. Adequacy of Internal Financial Controls Related to Financial Statements

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

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

## Board's Report

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

## 30. Directors

The Board of the Bank is duly constituted in accordance with the provisions of Banking Regulation Act, 1949, the Companies Act, 2013 and other applicable law/guidelines.

Mr. Sarvjit Singh Samra has held the office as Managing Director & CEO of the Bank w.e.f. April 24, 2019 for a period of three years. He has been further re-appointed as Managing Director and CEO of the Bank w.e.f. April 24, 2022 for a period of three years. Mr. Sarvjit Singh Samra has been instrumental in taking key decisions from day one that have contributed to the Bank emerging as the most preferred Bank in its area of operation. His vision to serve common man and the local touch has given the Bank a competitive edge over other banks operating in the area and the Bank is able to provide safe, efficient and service oriented repository of savings to the local community while reducing their dependence on moneylenders by making need-based credit easily available.

## Appointment of Part-time Chairman

During the year under review, the Reserve Bank of India conveyed the approval for the appointment of Mr. Navin Kumar Mishra (DIN: 00419921) as Part-time Chairman of Capital Small Finance Bank Limited for a period of three years w.e.f. April 24, 2022.

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. Madan Gopal Sharma (DIN: 00398326) ceased to be the Director and Part-time Chairman of the Bank w.e.f. April 23, 2022 on completion of his tenure. Further Mr. Sarvjit Singh Samra (DIN: 00477444) has been re-appointed as Managing Director and Chief Executive Officer (CEO) w.e.f. April 24, 2022 till the completion of the three years. Further during the year under review,

## Board's Report

## 31. Corporate Governance

Corporate governance is the combination of roles, 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 failure 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, 2023 comprised of majority of Independent directors and this is a great step of the Bank towards better Corporate Governance.

The Board presently comprises of twelve 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 woman Director, and 3 Nominated Directors. The Directors have distinguished themselves in different walks of life through experience and expertise.

the Board of Directors in its meeting held on June 29, 2022, on the recommendation of Nomination and Remuneration Committee, had appointed Mr. Nageswara Rao Yalamanchilli as Additional Director (Independent) w.e.f. June 29, 2022 and re-appointed Mr. Sham Singh as Independent Director w.e.f. November 9, 2022 subject to the approval of Shareholders of the Bank. Further the Shareholders of the Bank in the Annual General Meeting held on August 05, 2022 had approved the appointment of Mr. Nageswara Rao Yalamanchilli (DIN: 06651200) as Independent Director w.e.f. June 29, 2022 and Mr. Balbir Singh as Non - Executive Director (Nominee Director) w.e.f. March 09, 2022 and re-appointed Mr. Sham Singh as Independent Director w.e.f. November 9, 2022.

## Directors Resigning by Rotation

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

## Appointments/Resignations of the Key Managerial Personnel

The Bank had following key managerial personnel as on April 1, 2022:

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

The Board in its meeting held on February 9, 2023 has reclassified KMPs. Accordingly, as on March 31, 2023 following are the KMPs of the Bank:

Name	Designation
Mr. Sarvjit Singh Samra	Managing Director and Chief Executive Officer
Mr. Munish Jain	Chief Financial Officer and Chief Operating Officer
Mr. Amit Sharma	Company Secretary and Compliance Officer

Further, there was no appointment/resignation of any Key Managerial Personnel during the financial year.



Board's Report

MEETINGS OF THE BOARD AND COMMITTEES OF THE BOARD

Board of Directors

The Board of Directors of the Bank meets regularly to discuss and decide on various business policies, strategies and other businesses. The Board meetings are convened in compliance with the provisions of the Companies Act, 2013, Secretarial Standard and other laws applicable to the Bank. The Board met 7 times during the year under review and the requisite quorum was present in all the meetings.

Details of the composition of the Board, dates of the meetings of the Board held during the Financial Year 2022 - 23 and details of attendance of Directors at the meetings of Board and Annual General Meeting ("AGM") held during the Financial Year 2022-23 are as follows:

Name of the Director	Category	Total Number of Board Meeting held during the Year: 7 Meetings							AGM
		May 13, 2022	June 29, 2022	August 10, 2022	September 1, 2022	October 18, 2022	February 9, 2023	March 29, 2023	
Mr. Sarjiti Singh Samra	Managing Director	Present	Present	Present	Present	Present	Present	Present	Present
Mr. Dinesh Gupta	Independent Non-Executive Director	Present	Present	Present	Present	Present	Present	Present	Present
Mr. Mahesh Parasuraman		LOA	LOA	Present	Present	Present	Present	Present	LOA
Mr. Srinath Srinivasan		Present	Present	Present	Present	Present	Present	Present	LOA
Mr. Balbir Singh	Independent Non-Executive Director	LOA	LOA	LOA	LOA	LOA	LOA	LOA	LOA
Mr. Gurdeep Singh		Present	Present	LOA	LOA	Present	LOA	LOA	LOA
Mr. Gurpreet Singh Chugh	Non-Executive Independent Director	Present	Present	Present	Present	Present	Present	Present	Present
Ms. Harnesh Khanna		Present	Present	LOA	Present	Present	Present	LOA	Present
Mr. Navin Kumar Maini		Present	Present	Present	Present	Present	Present	Present	Present
Mr. Rakesh Sora	Non-Executive Independent Director	Present	Present	LOA	Present	Present	Present	LOA	Present
Mr. Sham Singh Bains		Present	Present	Present	Present	Present	Present	Present	Present
Mr. Nageswara Rao Yalamanchili	Non-Executive Independent Director	NA*	NA*	Present	Present	Present	Present	Present	Present

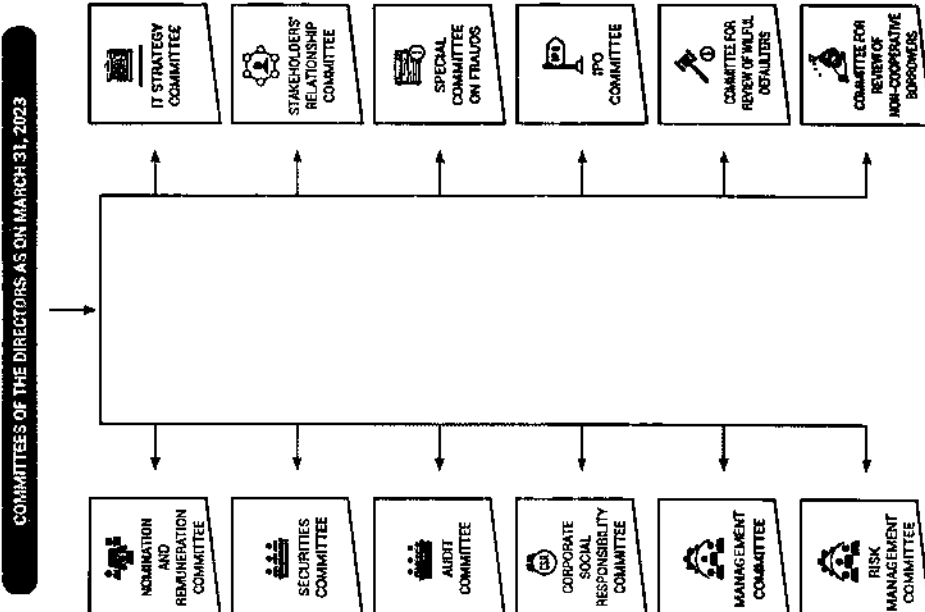
Chairperson, Member, LOA: Leave of Absence

\*Mr. Nageswara Rao Yalamanchili was appointed as Additional Director (Independent) w.e.f. June 29, 2022

Board's Report

Committees of Directors

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 as on March 31, 2023



Board's Report

**COMPOSITION OF COMMITTEES OF DIRECTORS AS ON MARCH 31, 2023**

Name of Director	Name of the Board Level Committees										
	Category	Managing Director	Non-Executive Non-Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director
Mr. Sarjit Singh Samra	Managing Director	Member									
Mr. Dinesh Gupta	Non-Executive Non-Independent Director	Member									
Mr. Mahesh Parasuram	Non-Executive Non-Independent Director										
Mr. Srinath Srivastava	Non-Executive Non-Independent Director										
Mr. Rahul Singh	Non-Executive Non-Independent Director										
Mr. Gurdeep Singh	Non-Executive Independent Director	Member									
Mr. Gurpreet Singh Chugh	Non-Executive Independent Director	Member									
Ms. Hemesh Khanna	Non-Executive Independent Director	Member									
Mr. Navin Kumar Kaur	Non-Executive Independent Director	Member									
Mr. Rakesh Soni	Non-Executive Independent Director	Member									
Mr. Sham Singh Bains	Non-Executive Independent Director	Member									
Mr. Raj Nigware	Non-Executive Independent Director										
Mr. Yashwanth Yamanchilli	Non-Executive Independent Director										

Also includes three executive members  
 Chairperson of the Committee  
 Member of the Committee

Board's Report

**1. Nomination and Remuneration Committee**

Composition as on March 31, 2023		Number and Dates of Meetings held during the Financial Year	
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held: 6
Mr. Gurpreet Singh Chugh	Independent Director	Chairperson	Dates of the meetings: • April 29, 2022 • June 24, 2022 • August 6, 2022 • November 21, 2022 • February 24, 2023 • March 22, 2023
Mr. Sham Singh Bains	Independent Director	Member	
Mr. Rakesh Soni	Independent Director	Member	
Mr. Gurdeep Singh	Independent Director	Member	

The Company Secretary acts as a Secretary to the Committee.

**Brief Terms of Reference and Responsibilities:**

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

**2. Securities Committee**

Composition as on March 31, 2023		Number and Dates of Meetings held during the Financial Year	
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held: 7
Mr. Dinesh Gupta	Non - Executive Director	Chairperson	Dates of the meetings: • April 22, 2022 • May 12, 2022 • June 27, 2022 • September 17, 2022 • September 30, 2022 • December 26, 2022 • March 31, 2023
Mr. Sham Singh Bains	Independent Director	Member	
Mr. Gurdeep Singh	Independent Director	Member	






The Company Secretary acts as a Secretary to the Committee.

**Brief Terms of Reference and Responsibilities:**

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

## Board's Report

## 3. Audit Committee





Composition as on March 31, 2023			Number and Dates of Meetings held during the Financial Year
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held: 5
Mr. Rakesh Soni	Independent Director	 Chairperson	Dates of the meetings: • May 05, 2022 • August 03, 2022 • August 31, 2022 • October 17, 2022 • February 06, 2023
Ms. Harmesh Khanna	Independent Director	 Member	
Mr. Gurpreet Singh Chugh	Independent Director	 Member	
Mr. Dinesh Gupta	Non - Executive Director	 Member	
Mr. Sham Singh Bains	Independent Director	 Member	

The Company Secretary acts as a Secretary to the Committee.

## Brief Terms of Reference and Responsibilities:

- The Audit Committee has the powers to investigate any activity, seek information from any employee of the Bank, obtain outside legal or other professional advice. Such powers as may be prescribed under the Companies Act, 2013 (together with the rules thereunder) and SEBI Listing Regulations.
- Oversee the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommendation for appointment, replacement, reappointment and approval for remuneration and terms of appointment of statutory auditors of the Bank.
- Monitoring the end use of funds raised through public offers and related matter.
- Evaluation of internal financial controls and risk management systems.
- Approval or any subsequent modification of transactions of the Bank with related parties.
- To formulate, review and make recommendations to the Board to amend the Audit Committee charter from time to time.
- To review the functioning of the whistle blower mechanism.
- To review the working of compliance and Vigil Department division.
- Carrying out any other function as may be required / mandated as per the provisions of the Companies Act, 2013, the SEBI Listing Regulations, any directions, circulars, notifications issued by the Reserve Bank of India and/or any other applicable laws.

## 4. Corporate Social Responsibility Committee

Composition as on March 31, 2023			Number and Dates of Meetings held during the Financial Year
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held: 2
Mr. Sarvjit Singh Samra	Managing Director	 Chairperson	Dates of the meetings: • May 12, 2022 • August 31, 2022
Mr. Rakesh Soni	Independent Director	 Member	
Mr. Sham Singh Bains	Independent Director	 Member	
Mr. Gurdeep Singh	Independent Director	 Member	






The Company Secretary acts as a Secretary to the Committee.

## Board's Report

## Brief Terms of Reference and Responsibilities:

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

## 5. Management Committee

Composition as on March 31, 2023			Number and Dates of Meetings held during the Financial Year
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held: 5
Mr. Sarvjit Singh Samra	Managing Director	 Chairperson	Dates of the meetings: • May 05, 2022 • August 01, 2022 • September 15, 2022 • November 30, 2022 • February 13, 2023
Ms. Harmesh Khanna	Independent Director	 Member	
Mr. Rakesh Soni	Independent Director	 Member	
Mr. Gurpreet Singh Chugh	Independent Director	 Member	
Mr. Dinesh Gupta	Non-Executive Director	 Member	





The Company Secretary acts as a Secretary to the Committee.

## Brief Terms of Reference and Responsibilities:

- To consider and review the Financial Statements.
- To review the performance of the Bank against projections as per Business Plan.
- To review and approve the business plan.
- To consider and approve Half yearly budget.
- To review non-performing borrower accounts.
- To review the operations/ payment channels/ issue of debit cards.
- To review investment portfolio of the bank as well as Investment Exposure Norms.
- To review limits of Money Market Instruments (Call/Term/Notice) Limits as per the RBI guidelines.
- To approve yearly Investment Strategy, appointment of Investment Officers and approve Securities Broker
- To review Internal Auditors remarks in Concurrent Audit of Investments.

## Board's Report

## 6. Risk Management Committee







Composition as on March 31, 2023		Number and Dates of Meetings held during the Financial Year	
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held: 4
Ms. Harmesh Khanna	Independent Director	 Chairperson	Dates of the meetings: • May 06, 2022 • August 01, 2022 • November 30, 2022 • February 13, 2023
Mr. Rakesh Soni	Independent Director	 Member	
Mr. Gurpreet Singh Chugh	Independent Director	 Member	
Mr. Dinesh Gupta	Non-Executive Director	 Member	

The Company Secretary acts as a Secretary to the Committee.

## Brief Terms of Reference and Responsibilities:

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

## 7. IT Strategy Committee

Composition as on March 31, 2023		Number and Dates of Meetings held during the Financial Year	
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held: 4
Mr. Gurpreet Singh Chugh	Independent Director	 Chairperson	Dates of the meetings: • June 28, 2022 • September 08, 2022 • December 26, 2022 • March 14, 2023
Mr. Nagayyasa Rao Yalamanchilli	Independent Director	 Member	
Mr. Sanjay Singh Samra	Managing Director	 Member	
Mr. Naveesh Jain	Chief Financial Officer	 Member	
Mr. Harvinder Singh	Chief Information Officer	 Member	
Mr. Vimal Kumar Kamal	Chief Information Security Officer	 Member	





The Company Secretary acts as a Secretary to the Committee.

## Board's Report

## Brief Terms of Reference and Responsibilities:

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

## 8. Stakeholders' Relationship Committee

Composition as on March 31, 2023		Number and Dates of Meetings held during the Financial Year	
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held: 1
Mr. Dinesh Gupta	Non-Executive Director	 Chairperson	Dates of the meetings: • December 14, 2022
Mr. Naveen Kumar Mahi	Independent Director	 Member	
Mr. Sharm Singh Balne	Independent Director	 Member	
Mr. Gundeep Singh	Independent Director	 Member	

The Company Secretary acts as a Secretary to the Committee.

## Brief Terms of Reference and Responsibilities:

- Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time.
- Review of adherence to the service standards adopted by our Bank in respect of various services being rendered by the Registrar and Share Transfer Agent.
- Consider and resolve grievances of security holders of our Bank.
- Review of measures taken for effective exercise of voting rights by shareholders.
- Review of the various measures and initiatives taken by our Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of our Bank.
- Carrying out any other functions contained in the Companies Act, 2013 and/or equity listing agreements (if applicable).

Board's Report

Board's Report

Attendance Record of Directors at the meetings of Committees

Name of the Board Level Committees	No. of meetings held during FY 2023	Name of Director	Category	No. of meeting attended by members
Nominations and Remuneration Committee	6	Mr. Sarvjit Singh Samra	Managing Director	2 out of 2
		Mr. Mahesh Parasharan	Non-Executive Non-Independent Director	2 out of 2
Securities Committee	7	Mr. Sarvjit Singh Samra	Managing Director	2 out of 2
		Mr. Balbir Singh	Non-Executive Non-Independent Director	2 out of 2
Audit Committee	5	Mr. Sarvjit Singh Samra	Managing Director	5 out of 5
		Mr. Balbir Singh	Non-Executive Non-Independent Director	5 out of 5
Corporate Social Responsibility Committee	2	Mr. Sarvjit Singh Samra	Managing Director	2 out of 2
		Mr. Balbir Singh	Non-Executive Non-Independent Director	2 out of 2
Management Committee	5	Mr. Sarvjit Singh Samra	Managing Director	5 out of 5
		Mr. Balbir Singh	Non-Executive Non-Independent Director	5 out of 5
Risk Management Committee	4	Mr. Sarvjit Singh Samra	Managing Director	4 out of 4
		Mr. Balbir Singh	Non-Executive Non-Independent Director	4 out of 4
Stakeholders Relationship Committee	1	Mr. Sarvjit Singh Samra	Managing Director	1 out of 1
		Mr. Balbir Singh	Non-Executive Non-Independent Director	Nil out of 1
Special Committee on Fraud	Nil	Mr. Sarvjit Singh Samra	Managing Director	Nil out of 1
		Mr. Balbir Singh	Non-Executive Non-Independent Director	Nil out of 1
IT Strategy Committee	2	Mr. Sarvjit Singh Samra	Managing Director	2 out of 2
		Mr. Balbir Singh	Non-Executive Non-Independent Director	2 out of 2

Name of Director	Category	No. of meeting attended by members													
		Mr. Sarvjit Singh Samra	Mr. Mahesh Parasharan	Mr. Srinath Srinivasan	Mr. Balbir Singh	Mr. Gurdeep Singh	Mr. Ching	Ms. Harmesh Khanna	Mr. Navin Kumar Maini	Mr. Rakesh Sori	Mr. Sharm Singh Bains	Mr. Hageshwar Rao Valamanchilli			
Mr. Sarvjit Singh Samra	Managing Director	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2
Mr. Mahesh Parasharan	Non-Executive Non-Independent Director	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4
Mr. Srinath Srinivasan	Non-Executive Non-Independent Director	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2
Mr. Balbir Singh	Non-Executive Non-Independent Director	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2
Mr. Gurdeep Singh	Non-Executive Non-Independent Director	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5
Mr. Ching	Non-Executive Non-Independent Director	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5
Ms. Harmesh Khanna	Non-Executive Non-Independent Director	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5	5 out of 5
Mr. Navin Kumar Maini	Non-Executive Non-Independent Director	1 out of 1	1 out of 1	1 out of 1	1 out of 1	1 out of 1	1 out of 1	1 out of 1	1 out of 1	1 out of 1	1 out of 1	1 out of 1	1 out of 1	1 out of 1	1 out of 1
Mr. Rakesh Sori	Non-Executive Non-Independent Director	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4
Mr. Sharm Singh Bains	Non-Executive Non-Independent Director	6 out of 6	6 out of 6	6 out of 6	6 out of 6	6 out of 6	6 out of 6	6 out of 6	6 out of 6	6 out of 6	6 out of 6	6 out of 6	6 out of 6	6 out of 6	6 out of 6
Mr. Hageshwar Rao Valamanchilli	Non-Executive Non-Independent Director	7 out of 7	7 out of 7	7 out of 7	7 out of 7	7 out of 7	7 out of 7	7 out of 7	7 out of 7	7 out of 7	7 out of 7	7 out of 7	7 out of 7	7 out of 7	7 out of 7

32. Meeting of independent directors

Pursuant to the Part VII of the Schedule IV of Companies Act, 2013 (Code for Independent Directors), the independent directors of the Company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management. Accordingly, a meeting of Independent Directors of the Bank was held on December 13, 2022.

33. Details of General Body Meetings

Sr. No.	Year	Particulars of Meeting	Date & Time	Location	Special Resolutions passed, if any
1	2022 - 23	23 <sup>rd</sup> AGM	August 5, 2022 at 11 a.m.	Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM")	To Re-Appoint Mr. Sharm Singh Bains (DIN: 01537844) as a Non-Executive Independent director for a second term of Three years.

34. Corporate Social Responsibility

As a responsible citizen, Capital Small Finance Bank Limited strongly believes in the idea of paying back to the society in order to run a sustainable business. Accordingly, in Capital Small Finance Bank Limited Corporate Social Responsibility is considered as an important function. Our Corporate Social Responsibility (CSR) activities include encouraging education, promoting sports and improving health care. We are managing education centres for underprivileged children.

The Company's CSR policy and programmes are in accordance with Section 135 of Companies Act, 2013, the Bank takes multiple initiatives in the areas of education, Rural Sports Development and health. Corporate Social Responsibility Policy of the Bank can also be accessed from the website of the Bank <https://www.capitalbank.co.in/codes-policies.html>

The Annual Report on CSR activities as required to be given under Section 135 of the Companies Act, 2013 and Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been provided as Annexure - C which forms part of the Board's Report.

The Bank undertakes its Corporate Social Responsibility activities through Capital Foundation (a Society Registered under the Societies Registration Act, 1860). During the Year under Societies review the Bank has disbursed the entire amount of its CSR obligation to the Capital Foundation. As per the report received from the Capital Foundation ₹10,574,051/- including the interest thereon has remained unspent as some of the Ongoing Projects has not been fully matured. Accordingly, as approved by the CSR Committee, the Capital Foundation has transferred the said unspent amount to Unspent Corporate

35. Green Initiatives

"Unit 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 April 21, 2011 and No. 18/2011 dated April 29, 2011 dated April 29, 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.

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.

## Board's Report

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.

46. 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

47. 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.

48. 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 on behalf of the Board of Directors  
Sanjiv Singh Samra  
Managing Director & CEO  
DIN: 0047744  
Gurpreet Singh Chugh  
Independent Director  
DIN: 01003380

Place: Jaipur  
Date: May 19, 2023

the Bank. However, their appointment was subject to the approval from Reserve Bank of India as per the resolution passed in the AGM. The Reserve Bank of India gave approval of appointment for Financial Year 2022 - 23 vide its letter dated June 8, 2022.

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 Deepak Arora & Associates, Practising Company Secretaries through its partner Mr. Deepak Arora (FCS No. 5104 and COP No. 3641) 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 Deepak Arora & Associates, Practising Company Secretaries, Secretarial Auditors of the Bank in their Secretarial Audit report.

45. Directors' Responsibilities Statement  
The Board of Directors acknowledge the responsibility for ensuring compliance with the provisions of Section 134(3)(c) read with Section 184(5) of the Companies Act, 2013, in preparation of annual accounts for the financial year ended March 31, 2023 and state that:

1. In the preparation of the annual accounts for the financial year ended March 31, 2023 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, 2023 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 Bank and that such internal financial controls are adequate and were operating effectively.

any other bank/financial institution during the year ended March 31, 2023.

40. Contracts or Arrangements with Related Parties  
All related party transactions that were entered during the Financial Year 2022 - 23 were in the ordinary course of the business of the Bank and were on arm's length basis and the same is enclosed as Annexure-D in the prescribed format AOC-2 to this Report. There were no materially significant related party transactions entered by the Bank with Promoters, Directors, Key Managerial Personnel or other persons which may have a potential conflict with the interest of the Bank. All such Related Party Transactions are being placed before the Board/Audit Committee for approval, wherever applicable.

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

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

41. 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.
42. Disclosure pursuant to Section 177(8) of the Companies Act, 2013  
During the Financial Year 2022- 2023 there was no recommendation of the Audit Committee which was not accepted by the Board.
43. Change in Nature of Business  
Pursuant to the relevant provision of Rule 8(E) of the Company (Accounts) Rules, 2014, there is no change in the nature of Business of the Bank.
44. Auditors & Auditors' Report  
Statutory Auditors and Audit  
The members at the 22<sup>nd</sup> Annual General Meeting (AGM) of the Bank held on August 20, 2021 had, subject to the approval of RBI, had appointed M/s. T.R. Chachra & Co. LLP, Chartered Accountants as Statutory Auditors for a period of three (3) years to hold office till the conclusion of 25<sup>th</sup> AGM in connection with the audit of the books of account of

## Board's Report

36. Vigil Mechanism

The Bank has implemented a Whistleblower Policy, which is periodically reviewed, pursuant to which safeguards are being provided against victimisation of employees and directors. The Policy allows to raise concerns on Reportable Matters (as defined in the policy) such as breach of Bank's Code of Conduct, fraud, bribery, corruption, employee misconduct, illegality, health & safety, environmental issues and wastage/ misappropriation of bank funds/assets, etc. and also provides for direct access to the Ombudsman, 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 link [www.capitalbank.co.in](http://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.

37. Loans, Guarantees or Investments in securities  
Pursuant to Section 186 (1) 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.

38. The details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year along with their status as at the end of the financial year.  
During the year, no application was made/proceeding is pending against the Bank.

39. The details of difference between amount of valuation done at the time of one-time settlement and the valuation done while taking loan from the banks or financial institutions along with the reason thereof.  
There was no instance of one-time settlement with

## 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, 2023

Name of the Employee	Designation	Remuneration received	Nature of employment, whether contractual or otherwise	Qualifications and Experience of the employee	Date of commencement of employment	Age of employee	Last employment held by employee before joining the Company	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;	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
Mr. Sarvjit Singh Samra	Managing Director & CEO	₹1.71 crores	Permanent	Qualification: B.A., M.B.A. (Marketing and Finance). Experience: over 36 years of experience in the banking and financial industry spread over various roles, including senior positions.	July 20, 2003	69 years	Business	Mr. Sarvjit Singh Samra holds 14.77% of the total equity shares of the Bank along with his spouse.	Nil
Mr. Muniish Jain	CFO & COO	₹1.68 crores	Permanent	Qualification: B.COM, FCA, FCS, Experience over 22 years of experience in the banking sector, including in finance, compliance, treasury, strategic decision making and execution of strategic decisions	October 9, 2000	47 Years	Practicing Chartered Accountant	Mr. Muniish Jain does not hold 2% or more of the paid-up share capital of the Bank as at March 31, 2023.	Nil

## Notes:

1. Remuneration shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed, computed as per Income-tax rules but excludes gratuity, PF settlement, perquisite on ESOPs & super annuation perquisites
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.

For and on behalf of the Board of Directors

Date: May 19, 2023  
Place: Jaalandhar  
DIN: 01003380

Sarvjit Singh Samra  
Managing Director  
DIN: 00477444

## Annexure - B

## DETAILS OF REMUNERATION

1. 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 2022 - 23, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2022 - 2023 are as under:

S. No.	Name of Director/KMP	Designation	Remuneration of Director/KMP for the Financial Year 2021 - 2022 (₹ in crores)	Remuneration of Director/KMP for the Financial Year 2022 - 2023 (₹ in crores)	% increase in Remuneration in the Financial Year 2022 - 2023	% increase in Remuneration in the Financial Year 2021 - 2022	Ratio of Remuneration of each Director/KMP to median remuneration
1.	Mr. Sarvjit Singh Samra	Managing Director & CEO	0.90 <sup>1</sup>	1.71 <sup>1</sup>	90.00%	(10.84)%	50.72
2.	Mr. Dinesh Gupta	Non-Executive Director	0.11	0.20	81.81%	NA	6.92
3.	Mr. Navin Kumar Maini	Independent Director	0.03	0.11	266.67%	NA	3.38
4.	Ms. Harmesh Khanna	Independent Director	Nil	0.04	NA	NA	1.16
5.	Mr. Rakesh Soni	Independent Director	Nil	Nil	NA	NA	-
6.	Mr. Sharm Singh Bains	Independent Director	Nil	0.04	NA	NA	1.16
7.	Mr. Gurdeep Singh	Independent Director	Nil	0.04	NA	NA	1.16
8.	Mr. Gurpreet Singh Chug	Independent Director	Nil	0.04	NA	NA	1.16
9.	Mr. Nageswara Rao Yalamanchilli	Independent Director	Nil	0.07	NA	NA	2.00
10.	Mr. Muniish Jain	CFO & COO	1.64	1.68	2.44%	29.24%	49.63
11.	Amli Sharma	Company Secretary	0.11	0.13	18.18%	44.37%	3.80

<sup>1</sup>Excludes arrears paid in FY 2022-23 of ₹0.16 crores

<sup>2</sup>Includes arrears paid for previous years of ₹0.28 crores

## Notes:

- All the employees of the Bank have been considered.
- Remuneration shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed, computed as per Income-tax rules but excludes gratuity, PF settlement, perquisite on ESOPs & superannuation perquisites.
- Mr. Navin Kumar Maini was appointed as Part Time Chairman of the Bank w.e.f. April 24, 2022.
- Mr. Nageswara Rao Yalamanchilli was appointed as Independent Director w.e.f. June 29, 2022.
- Mr. Mahesh Parasuraman has given waiver for sitting fees.
- The remuneration to Non-executive Independent Directors is being paid w.e.f. April 01, 2022 except to Mr. Rakesh Soni who has given waiver for Non-executive Director Remuneration.
- Further, the Bank has paid Sitting fees to the Directors other than the above mentioned remuneration for attending the meetings.

II. The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the Financial Year.

The median remuneration of employees of the Company during the Financial Year 2022-23 was ₹3,37,757 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.

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

In the Financial Year, there was an increase of 3.27% in the median remuneration of employees.

IV. The number of permanent employees on the rolls of Company.

There were 1,808 permanent employees on the rolls of the Company as on March 31, 2023.

V. Average percentage 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. 2022-23 was 18.01% whereas the increase in the managerial remuneration for the Financial Year 2022-23 was 32.93%. The remuneration of the Chairman and the Managing Director is decided based on the individual performances, inflation, prevailing industry trends and benchmarks. For a person being KMP for the current year or part thereof, the consideration paid during the complete financial year has been disclosed.

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.

VI. Affirmation that the remuneration is as per the remuneration policy of the Company.

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

For and on behalf of the Board of Directors

Date: May 19, 2023  
Place: Jaipur

Gurpreet Singh Chugh  
Independent Director  
DIN: 01003380

Sarvjit Singh Samra  
Managing Director  
DIN: 00477444

## Annexure - C

### ANNUAL REPORT ON CSR ACTIVITIES

1. Brief outline on CSR Policy of the Company: The Company's CSR policy and programs are in accordance with 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](http://www.capitalbank.co.in)

2. Composition of CSR Committee:

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

3. Provide the web-link (e) 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](http://www.capitalbank.co.in)

4. Provide the executive summary along with web-link (e) of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8, if applicable. Not Applicable

5. (a) Average net profit of the company as per sub-section (5) of Section 135: ₹576,099,137.23/-

(b) Two percent of average net profit of the company as per sub-section (5) of Section 135: ₹11,521,982.74/-

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

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

(e) Total CSR obligation for the financial year [(b)+(c)-(d)]: ₹11,521,982.74/- (rounded off to ₹11,52,20,000)

6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project): ₹6,26,536/-

Note: this amount excludes ₹26.81 Lakh spent during the Financial Year from the unspent account of the previous Financial Years.

(b) Amount spent in Administrative Overheads: ₹357,592/- (includes ₹51,330/- for the purchase of computer for office use)

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

(d) Total amount spent for the Financial Year [(a)+(b)+(c)]: ₹9,84,128/-

(e) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (in ₹)	Amount Dispart (in ₹)		Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
	Total Amount transferred to Unspent CSR Account as per sub-section (6) of section 135.	Amount transferred to any fund specified under Schedule VII as per section proviso to sub-section (5) of section 135.					
984,128/-	10,552,872/-	April 27, 2023	Nil	Nil	Nil	Nil	Nil

There was total amount of ₹1,05,74,051/- (including interest) outstanding as unspent at the end of the Financial Year 2022-23 and the same was transferred to Unspent Corporate Social Responsibility Account for the Financial Year 2022-23 by the Capital Foundation on behalf of Capital Small Finance Bank Limited.

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

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per sub-section (5) of Section 135	11,521,982.74/-
(ii)	Total amount spent for the Financial Year	984,128/-
(iii)	Excess amount spent for the Financial Year [(i)-(ii)]	Nil
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	Nil
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	Nil



## 7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

1	2	3	4	5	6	7	8
Sl. No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under sub-section (6) of section 135 (in ₹)	Balance Amount in Unspent CSR Account under sub-section (6) of section 135 (in ₹)	Amount Spent in the Financial Year (in ₹)	Amount transferred to Fund as specified under Schedule VII as per second proviso to sub-section (5) of section 135, If any	Amount remaining to be spent in subsequent Financial Years (in ₹)	Deficiency, if any
1	2020-21	35.47 Lakh*	13.93 Lakh*	13.93 Lakh	-	67.48 only	Nil
2	2021-22	67.96 Lakh	67.96 Lakh	6.98 Lakh	-	60.98 Lakh*	Nil

\*excluding interest of ₹0.25 Lakh thereon.

-out of ₹35.47 Lakh transferred to unspent account for the 2020-21, ₹21.93 Lakh were spent in the Financial year 2021-22.

## 8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year.

 Yes  No
If Yes, enter the number of Capital assets created/ acquired 

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sl. No.	Short particulars of the property or asset(s) (including complete address and location of the property)	(1)	(2)	(3)	(4)	Amount of CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner		
							CSR Registration Number, if applicable	Name	Registered address
1.	1 HP Computer Location : Capital Foundation, 2nd Floor, 36 G.T. Road, Jalandhar, Punjab	NA	August 26, 2022	51,330/-	Capital Foundation	2nd Floor, 36 G.T. Road, Jalandhar, Punjab.	CSR00025876		

## 9. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per sub-section (5) of Section 135:

The Bank undertakes its Corporate Social Responsibility activities through Capital Foundation (a Society Registered under the Societies Registration Act, 1860). During the Year under review, the Bank has disbursed the entire amount of its CSR obligation to the Capital Foundation. As per the report received from the Capital Foundation ₹10,37,40,051/- including the interest thereon has remained unspent as some of the Ongoing Projects have not been fully matured. Accordingly, as approved by the CSR Committee, the Capital Foundation has transferred the said unspent amount to Unspent Corporate Social Responsibility Account in accordance with the provisions of Section 135 (5) of the Companies Act, 2013.

For and Behalf of Board of Directors

Gurpreet Singh Chugh  
Independent Director  
DIN: 01003380

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

## 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 on behalf of the Board of Directors

Date: May 19, 2023  
Place: Jalandhar

Gurpreet Singh Chugh  
Independent Director  
DIN: 01003380

Sarvjit Singh Samra  
Managing Director  
DIN: 00477444

## Annexure - E

Form No. MR-3

## SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2023

(Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,

The Members,

CAPITAL SMALL FINANCE BANK LIMITED

(CIN: U55110PB1999PLC022634)

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.

Based on our verification of the Company's books, papers, minutes book, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the financial year ended on March 31, 2023 ('Audit Period') 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, minutes book, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2023 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. The 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 on the Company during the Audit Period)
- V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

VI. As confirmed following other laws are specifically applicable to the Company for which the Management has confirmed that the Company has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively:

- i. The Reserve Bank of India Act, 1934 read with all applicable guidelines circulars, notifications etc.
  - ii. The Banking Regulation Act, 1949;
  - iii. Guidelines/Directions issued by Reserve Bank of India on Small Finance Bank.
- VII. We have also examined compliance with the applicable provisions of the following:

- Secretarial Standards with regard to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India;
- The Listing Agreement entered into by the Company with BSE Limited read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of all above mentioned Act, Rules, Regulations, Guidelines, Standards, etc.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Women Directors. The changes in the composition of Board of directors that took place during the period under review were duly complied with the provision of the Act.

Adequate notices are given to all the Directors/members/ invitees to schedule the Board meetings, Committees meetings and General Meetings, along with its agenda and detailed notes on agenda were sent in advance as required, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All the decisions of Board, Committee and General Meetings were carried with requisite majority.

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 some major events took place in Company, having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines.

standards, etc. of which some areas under:-

- a) The Company vide Special Resolution passed by the members of the Company at the Extra Ordinary General Meeting dated October 22, 2021 had approved raising of capital through an Initial Public Offer ("IPO") of its Equity Shares and consequently the Company, pursuant to the approval of the Boards of Directors in its meeting dated October 22, 2021, had filed Draft Red Herring Prospectus ("DRHP") with Securities and Exchange Board of India on October 30, 2021 for making IPO of its equity shares and an offer for sale of Equity Shares ("Offer for Sale") by certain shareholders of the Bank for which approval received and was valid till February 7, 2023, however, the Company pursuant to the various rounds of discussion held during the year with the Merchant Bankers and other syndicate members, anticipated that the market conditions are not favourable and the securities may not fetch the right valuation at this time and decided not to proceed with the initial public offering of Equity shares.
  - b) During the year Company has filed a sue moto voluntary settlement application with SEBI in respect of issuance matter for the financial year 2004-05 for equity raise, as a matter of caution, that might be deemed as violation under Section 67(3) of the Companies Act, 1956 and DIP Guidelines and for the same SEBI has imposed compounding fee of That for the probable alleged violation of Section 67(3) of the Companies Act, 1956 and DIP Guidelines in respect of issuance matter for the financial year 2004-05 for which compounding fee of ₹5,80,000(Rupees Five lakhs Eighty Thousand only) and company has paid aforesaid amount and final settlement order was passed on June 10, 2022.
  - c) During the 2022-23, the Reserve Bank of India has imposed penalty of ₹6,10,000(Rupees Six lakhs Ten Thousand) on the Bank for non-replenishment of ATMs in terms of RBI circular no. RBI/2021-22/84 DCM (P/M/MT) No. S153/11.01.01/2021-22 on Monitoring of Availability of Cash in ATMs dated August 10, 2021.
- I. During the audit period Company has taken the following approvals:
- (a) The Company has taken the approval for issuance of tranche-I consisting of debentures worth ₹25 crores with green shoe option of ₹15 crores total aggregating upto ₹40 crores in the

form of unlisted/unsecured/redeemable non-convertible lower TIER II BASEL-II Compliant Bonds 2022-23 in the nature of Debentures (Series XX) on private placement basis in its Security Committee Meeting held on April 22, 2022.

(b) The Company has taken the approval for raising of fund upto ₹25 crores with green shoe option of ₹25 crores total aggregating upto ₹50 crores in the form of unsecured, unlisted redeemable non-convertible lower TIER II BASEL-II Compliant Bonds 2023-24 in the nature of debentures (Series xii) having face value of ₹1,00,000/- each on private placement basis in its Board Meeting held on March 29, 2023.

(c) Approval has been taken for raising of funds upto ₹64.71 crores through issuance of Equity shares having face value of ₹10 Each on private placement basis in its Board Meeting held on March 29, 2023.

ii. During the audit period, the Company has made the allotment of 3217 (Three Thousand Two Hundred Seventeen) unsecured, unlisted redeemable non-convertible lower TIER-II BASEL II compliant bonds 2022-23 (SERIES XX) in the nature of debenture bearing face value of ₹1,00,000/- (Indian Rupees One lakh only) each aggregating to ₹321,700,000 (Indian Rupees Thirty-Two crores Seventeen lakhs Only) on private placement basis on May 12, 2022.

iii. During the period under review, the Company has made allotments of the following Equity Shares:-

◆ 27,223 (Twenty Seven Thousand Three Hundred And Twenty Three) Equity Shares having face value of ₹10/- (Indian Rupees Ten Only) per share at a premium of ₹88/- (Indian Rupees Eighty Eight Only) each aggregating to ₹26,77,654/- (Indian Rupees Twenty Six lakhs Seventy Seven Thousand Six Hundred And Fifty Four Only) under the EMPLOYEE STOCK OPTION PLAN - 2018 on April 22, 2022.

◆ 156,273 (One lakh Fifty Six Thousand Two Hundred And Seventy Three) Equity Shares having face value of ₹10/- (Indian Rupees Ten Only) per share at a premium of ₹88/- (Indian Rupees Eighty Eight Only) each aggregating to ₹1,53,14,754 (Indian Rupees One crore Fifty Three lakhs Fourteen Thousand Seven Hundred Fifty Four Only) under the EMPLOYEE STOCK OPTION PLAN - 2018 on May 12, 2022;

◆ 6,417/- (Six Thousand Four Hundred Seventeen) Equity Shares having face value of ₹10/- (Indian Rupees Ten Only) per share each aggregating to ₹64,170 (Indian Rupees Sixty Four Thousand One Hundred And Seventeen Only) under the ESOP Plan for MRT on May 12, 2022;

◆ 18,350 (Eighteen Thousand Three Hundred and Fifty) Equity Shares having face value of ₹10/- (Indian Rupees Ten Only) per share at a premium of ₹88/- (Indian Rupees Eighty Eight Only) each aggregating to ₹1,78,300 (Indian Rupees Seventeen lakhs Ninety Eight Thousands Three Hundred Only) under the EMPLOYEE STOCK OPTION PLAN - 2018 on September 30, 2022.

iv. During the period under review, the Company has redeemed 604 (Six Hundred Four) unsecured redeemable non-convertible lower tier-II based-II compliant bonds 2012-2013-Series-VII bearing a face value of ₹1,00,000/- (Indian Rupees One lakhs Only) each, aggregating up to ₹6,04,00,000/- (Indian Rupees Six crores Four lakhs Only) on August 25, 2022.

v. During the period under review, Mr. MadanGopalSharma (DIN:00398326), Independent Director and Part-Time Chairman of the Company, had ceased to be Director and Chairman of the Board of Directors of the Bank w.e.l. April 23, 2022 due to completion of his tenure and, Navin Kumar Maini (Independent Director) replaced him as the Part Time Chairman of the Company with effect from April 24, 2022

vi. During the period under review company has taken the approval from the Board for re-appointment of Mr. Gurdeep Singh (Independent Director) for second term of 3 years in the Board Meeting held on March 29, 2023.

vi. During the audit period the Company has obtained shareholder's approval of special business in the General Meeting held for the following items:-

a) To confirm the appointment of Mr. Balbir Singh (DIN: 02284941) as a Nominee Director.

b) To approve the appointment of Mr. Nagaswara Rao Yalamanchili (DIN:06651230) as a Non-Executive Independent Director

c) To re-appoint Mr. Sham Singh Bains (DIN: 01537844) as a Non-Executive Independent Director for a second term of three years.

d) To declare dividend on Equity Shares at the rate of ₹1 (Rupee One Only) per Equity share of ₹10/- (Rupees Ten Only) each for the financial year ended March 31, 2022.

vii. During the period under review, Company has taken the approval of the Board to introduce a new Employee Stock Option Plan with the name of CSFB Limited- Employee Stock Option Plan 2023 in the Board Meeting held on March 29, 2023 subject to the approval of shareholders

This report is to be read with our letter of even date which is annexed as Annexure-A and forms an integral part of this report.

For DEEPAK ARORA & ASSOCIATES  
Practicing Company Secretaries  
ICSI Unique Code  
P2001RJ080000

PLACE: JAIPUR  
DATE: MAY 12, 2023

DEEPAK ARORA  
Partner  
FCS No. 5104 JCP No. 3541  
UDIN: F005104E000297572  
Peer Review Certificate: P2001RJ080000

Annexure - A  
Form No. MR-3

**Independent Auditor's Report**

**To,**  
The Members,  
CAPITAL SMALL FINANCE BANK LIMITED  
(CIN: U6510PB1999PLC022834)  
MIDAS CORPORATE PARK  
3rd FLOOR 37 G.T. JALAHNDRHAR  
PUNJAB, 144001

**The Members**  
Capital Small Finance Bank Limited  
**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**OPINION**  
We have audited the accompanying Financial Statements of CAPITAL SMALL FINANCE BANK LIMITED ("the Bank"), which comprise the Balance sheet as at March 31, 2023, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information (hereafter referred to as the "Financial Statements"), in our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by the Banking Regulations Act, 1949 as well as Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under Section 133 of the Act read with Companies (Accounts) Rules, 2014 as amended and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2023, and profit, and its cash flows for the year ended on that date.

**BASIS FOR OPINION**  
We conducted our audit of the Financial Statements in accordance with the Standards on Auditing (SAs), as specified under Section 143(7)(c) of the Act. Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Bank in accordance with the "Code of Ethics" issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**KEY AUDIT MATTERS**  
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Our report of even date is to be read along with this letter.

- Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the comments of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
- Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

**1.** Identification of non-performing advances and provisioning for advances  
Advances form a material portion of the Bank's assets, and the quality of the Bank's loan portfolio is measured in terms of the proportion of non-performing assets (NPAs) to the total loans and advances. Identification, classification and provisioning of NPAs are governed by the prudential norms on Income Recognition and Asset Classification ("IRAC") issued by the Reserve Bank of India (RBI) which include rule-based and judgemental factors. Management is also required to make estimates of stress, recoverability issues, and security erosion in respect of specific borrowers or groups of borrowers, on account of specific factors that may affect such borrowers/ group.

**2.** Material error or omission in the process of NPA identification and / or provisioning may result in a material misstatement of the financial statements, and also potentially result in a non-compliance of applicable regulatory guidelines. In view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter.

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

S. No.	Description of KAM	Auditor's Response
1.	Identification of non-performing advances and provisioning for advances Advances form a material portion of the Bank's assets, and the quality of the Bank's loan portfolio is measured in terms of the proportion of non-performing assets (NPAs) to the total loans and advances. Identification, classification and provisioning of NPAs are governed by the prudential norms on Income Recognition and Asset Classification ("IRAC") issued by the Reserve Bank of India (RBI) which include rule-based and judgemental factors. Management is also required to make estimates of stress, recoverability issues, and security erosion in respect of specific borrowers or groups of borrowers, on account of specific factors that may affect such borrowers/ group.	We considered the Bank's accounting policies for NPA identification, and provisioning and assessing compliance with the IRAC norms prescribed by the RBI read with the RBI guidelines relating to COVID-19 Regulatory Packages. We tested the operating effectiveness of the controls (including application and IT dependent controls, NPA automation) for borrower wise classification of loans in the respective asset classes viz. standard, sub-standard, doubtful and loss with reference to their days-past-due (DPD) status (including consideration of the moratorium on loans offered under the Regulatory Package). We have considered the "SMA" reports submitted by the Bank to the RBI (CRILC) and made inquiries of personnel in the Bank's credit and risk departments regarding indicators of stress or the occurrence of specific event(s) of default or other factors affecting the loan portfolio / particular loan product category, that may affect NPA identification and/ or provisioning. We performed test of details on the provisioning made against respective asset classes as at balance sheet date, and consistency of such provisioning with the Bank's accounting policies and applicable regulatory provisioning requirements. We made inquiries of management regarding any effects considered on the NPA identification and / or provisioning, resulting from observations raised by the RBI during their annual inspection of the Bank's operations. We performed analytical procedures which considered both financial and non-financial parameters, in relation to identification of NPAs and provisioning there against. We tested the arithmetical accuracy of computation of provision for advances.

**3.** Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

**4.** Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

PLACE: JAIPUR  
DATE: MAY 12, 2023

DEEPAK ARORA  
Partner  
FCS No. 5104 /JOP No. 3641  
UDIN: F005104E000297572  
Peer Review Certificate: P2001R\_J080000

Independent Auditor's Report

Independent Auditor's Report

S. No.	Description of KAM	Auditor's Response
2.	<p><b>IT systems and controls</b></p> <p>The reliability and security of IT systems plays a key role in the business operations of the Bank. Large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These systems also play a key role in the financial accounting and reporting process of the Bank.</p> <p>Due to the pervasive nature and complexity of the IT environment and considering that changes in key processes have been implemented in recent past, we have reassessed IT systems and controls as a key audit matter.</p>	<p>Our audit procedures included the following, among others:</p> <ul style="list-style-type: none"> <li>Testing of IT general controls, application controls and IT dependent manual controls.</li> <li>Tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting.</li> <li>We considered the control environment relating to various interfaces, configuration and other application controls identified as key to our audit.</li> <li>In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting.</li> <li>Where deficiencies were identified, we tested compensating controls or performed alternate procedures.</li> </ul>

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance, and cash flows of the Bank in accordance with the accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance, and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and provisions of Section 29 of the Banking Regulation Act, 1949, and circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act and RBI Guidelines for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities, selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and

are free from material misstatement, whether due to fraud or error. In preparing the Financial Statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances. Under section 143(3) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies

## Independent Auditor's Report

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 related 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;
  - The key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein. We have visited 21 branches for the purpose of our audit covering 36.97% of the gross advances as on March 31, 2023, as required under the relevant RBI Circular in this regard.

- 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, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164(2) of the Act.

## Independent Auditor's Report

- 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, as detailed in Schedule 12 to the financial statements, has disclosed the impact of pending litigations on its financial position as at 31st March 2023;
  - 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, 2023;
  - there has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank.

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

- (b) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Bank from any persons / entities, including foreign

entities ("Funding Parties"), that the Bank has directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

- (c) Based on the audit procedures which we have considered reasonable and appropriate in the circumstances and according to the information and explanations provided to us by the Management in this regard, nothing has come to our notice that has caused us to believe that the representations made by the Management under sub-clause (a) and (b) above contain any material misstatement.

- (v) The dividend declared or paid by the Bank during the year is in accordance with Section 123 of the Companies Act, 2013.

- (vi) Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable with effect from 1st April 2023 to the Bank and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended 31st March 2023.

- (h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(1) of the Act, as amended, the Bank is a Banking Company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Act do not apply.

For T R Charha & Co LLP  
Chartered Accountants  
Firm's Registration No.: 006711N/ NS00028

Hitesh Garg  
Partner  
Membership No.: 502955  
UDIN: 2302955860PWXB122

Place: Noida  
Date: 19th May 2023

**'ANNEXURE A' AS REFERRED TO IN PARAGRAPH 3(f) OF OUR REPORT OF EVEN DATE**

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

We have audited the internal financial controls with reference to financial statements of Capital Small Finance Bank Limited (The Bank) as of 31 March 2023 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditors' Responsibility**

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control system with reference to financial statements and their operating effectiveness. Our audit of internal

financial control with reference to financial statements included obtaining an understanding of internal financial control with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

**Meaning of Internal Financial Controls Over Financial Reporting**

A Bank's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control with reference to financial statements includes those policies and procedures that

- a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank,
- b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and
- c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls with reference to financial statements**

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

March 2023, based on the internal controls over financial reporting criteria established by the Bank considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

**Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with respect to financial statements were operating effectively as at 31

For T R Chaudha & Co LLP  
Chartered Accountants  
Firm Regn No. 006711N / NS000028

Mhesh Garg  
Partner  
Membership No. 502955  
UDIN: 23502955BGGQPMX8122

Place: Noida  
Date: 19th May 2023

## Balance Sheet

AS ON MARCH 31, 2023

Particulars	Schedule	As on March 31, 2023	As on March 31, 2022
<b>CAPITAL &amp; LIABILITIES</b>			
Capital	1	3,42,525	3,40,441
Reserves and Surplus	2	57,63,982	46,17,374
Deposits	3	6,66,06,212	6,04,63,591
Borrowings	4	72,13,833	49,84,300
Other Liabilities and Provisions	5	9,81,595	9,33,506
<b>Total</b>		<b>7,99,07,747</b>	<b>7,15,39,212</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	46,26,522	36,99,949
Balances with Banks and Money at Call and Short Notice	7	41,82,094	65,50,617
Investments	8	1,48,85,810	1,35,70,627
Advances	9	5,42,86,883	4,63,48,002
Fixed assets	10	8,25,930	8,35,866
Other Assets	11	11,00,508	5,94,151
<b>Total</b>		<b>7,99,07,747</b>	<b>7,15,39,212</b>
Contingent Liabilities	12	5,64,740	4,56,217
Bills for Collection	17 & 18	-	-
Significant Accounting Policies and Notes forming part of the Financial Statements			

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

As per our report of even date  
For TR Chadha & Co. LLP  
Chartered Accountants  
FRN: 006711N/NS00028

Hitesh Garg  
Partner  
Membership No.: 502955

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

Munish Jain  
Chief Financial Officer & Chief Operating Officer

Date: May 19, 2023  
Place: New Delhi

Date: May 19, 2023  
Place: Jalandhar

Rakesh Soni  
Director  
DIN: 07262045

Gurpreet Singh Chug  
Director  
DIN: 03003380

Arnit Sharma  
Company Secretary  
Mem. No. FCS10888

## Profit and Loss Account

FOR THE YEAR ENDED MARCH 31, 2023

Particulars	Schedule	Year ended March 31, 2023	Year ended March 31, 2022
<b>INCOME</b>			
Interest Earned	13	67,60,075	57,82,177
Other Income	14	4,94,748	5,41,863
<b>Total</b>		<b>72,54,823</b>	<b>63,24,030</b>
<b>EXPENDITURE</b>			
Interest Expended	15	35,40,237	32,29,361
Operating Expenses	16	22,27,538	19,62,529
Provisions and Contingencies (Refer Note 25 of Schedule 18)		5,51,096	5,06,451
<b>Total</b>		<b>63,18,861</b>	<b>56,98,341</b>
<b>PROFIT</b>		<b>9,35,962</b>	<b>6,25,689</b>
Net profit for the year		16,70,211	12,62,883
Profit brought forward		26,05,173	18,88,572
<b>Total</b>		<b>42,75,384</b>	<b>31,51,455</b>
<b>APPROPRIATIONS</b>			
Transfer to Statutory Reserves		2,33,991	1,56,422
Transfer to Special Reserve		34,539	18,043
Transfer (from)/to Revenue and Other Reserves (Investment Reserve Account)		(7,568)	138
Transfer (from)/to Revenue and Other Reserves (Investment Fluctuation Reserve)		(20,842)	16,556
<b>Dividend</b>		<b>34,294</b>	<b>21,202</b>
Balance carried over to Balance Sheet		23,31,819	16,70,211
<b>Total</b>		<b>26,05,173</b>	<b>18,68,572</b>
<b>EARNING PER SHARE</b>			
Basic (₹)		27.95	18.41
Diluted (₹)		27.21	18.22
Face Value (₹)		10.00	10.00
Significant Accounting Policies and Notes forming part of the Financial Statements	17 & 18		

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

As per our report of even date

For TR Chadha & Co. LLP  
Chartered Accountants  
FRN: 006711N/NS00028

Hitesh Garg  
Partner  
Membership No.: 502955

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

Munish Jain  
Chief Financial Officer & Chief Operating Officer

Date: May 19, 2023  
Place: New Delhi

Date: May 19, 2023  
Place: Jalandhar

Rakesh Soni  
Director  
DIN: 07262045

Gurpreet Singh Chug  
Director  
DIN: 01003380

Arnit Sharma  
Company Secretary  
Mem. No. FCS10888



## Cash Flow Statement

FOR THE YEAR ENDED MARCH 31, 2023

Particulars	₹ (in thousands)	
	Year ended March 31, 2023	Year ended March 31, 2022
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Taxes	12,41,564	8,44,893
Adjustment For:		
Depreciation Charge on Fixed Assets	2,06,670	1,51,160
Loan Loss Provision	2,45,484	2,87,247
(Profit)/Loss on Sale of Fixed Assets	(103)	67
Employee Stock Option Expense	26,709	38,350
Depreciation/ (Reversal of Depreciation) on Investments	13,398	(245)
	17,33,722	13,31,452
Adjustment For:		
Decrease/(Increase) in Term Deposits with other Banks	23,26,033	(7,22,312)
(Increase) in Investments	(13,28,581)	(14,47,853)
(Increase) in Advances	(81,85,634)	(92,57,161)
Increase in Deposits	51,42,621	82,52,891
(Decrease) in Other Assets	(4,94,479)	(28,135)
Increase/(Decrease) in Other Liabilities & Provision	75,445	(38,390)
	(7,30,872)	(18,95,508)
Direct Taxes Paid (net of refunds)	(3,43,568)	(2,07,899)
	(10,74,440)	(21,07,497)
<b>NET CASH FLOW (USED IN) OPERATING ACTIVITIES</b>	(1,37,644)	(1,34,936)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(1,96,831)	(1,31,543)
Proceeds from Sale of Fixed Assets	19,855	13,075
<b>NET CASH FLOW (USED IN) INVESTING ACTIVITIES</b>	(1,76,976)	(1,18,468)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net Proceeds from equity shares issued under preferential allotment on private placement basis / ESOP allotment	19,855	13,075
Net Proceeds from the new issue of Unsecured Redeemable Non Convertible Bonds/(Redemption of Bonds)	2,61,300	2,26,200
Net Increase/(Decrease) in Borrowings/ Refinance	19,68,233	(14,09,100)
Dividend Payment	(84,234)	(27,202)
<b>NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES</b>	22,15,154	(11,97,027)
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	9,44,043	(24,95,977)
Cash & Cash Equivalents in the beginning of the year	39,75,298	74,11,275
Cash & Cash Equivalents at the end of the year	49,19,341	39,75,298

## NOTES:

1. 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.

2. Figures in brackets indicate cash outflow.

As per our report of even date

For TR Chaudha & Co. LLP  
Chartered Accountants  
FRN: 006711N/NS00028

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

Hitesh Gang  
Partner  
Membership No. 502955

Rakesh Soni  
Director  
DIN: 07262045

Gurpreet Singh Chugh  
Director  
DIN: 01003380

Munish Jain  
Chief Financial Officer & Chief Operating Officer

Amit Sharma  
Company Secretary  
Mem. No. FCS10886

Date : May 19, 2023  
Place : New Delhi

Date : May 19, 2023  
Place : Jaalandhar

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

### SCHEDULE - 1 CAPITAL

Particulars	₹ (in thousands)	
	As on March 31, 2023	As on March 31, 2022
Authorized Capital	5,00,000	5,00,000
5,00,00,000 equity shares of ₹10 each		
Issued, Subscribed and Paid-up Capital	3,42,525	3,40,441
3,42,52,454 equity shares issued of ₹10 each fully paid-up (Previous year 3,40,44,091 equity shares of ₹10 each)		
<b>Total</b>	<b>3,42,525</b>	<b>3,40,441</b>

### SCHEDULE 2 - RESERVES AND SURPLUS

Particulars	₹ (in thousands)	
	As on March 31, 2023	As on March 31, 2022
<b>I Statutory Reserves</b>		
Opening Balance	7,29,605	5,73,184
Additions during the year	2,33,991	1,56,422
Deductions during the year		
<b>Total</b>	<b>9,63,597</b>	<b>7,29,606</b>
<b>II Capital Reserve</b>		
Opening Balance	159	159
Additions during the year		
Deductions during the year		
<b>Total</b>	<b>159</b>	<b>159</b>
<b>III Special Reserve</b>		
Opening Balance	36,418	18,376
Additions during the year	34,539	18,042
Deductions during the year		
<b>Total</b>	<b>70,957</b>	<b>36,418</b>
<b>IV Share Premium</b>		
Opening Balance	22,33,888	22,06,855
Additions during the year	42,557	27,033
Deductions during the year		
<b>Total</b>	<b>22,76,445</b>	<b>22,33,888</b>
<b>V Revenue and Other Reserves</b>		
Opening Balance	1,47,092	1,07,340
Additions during the year	26,709	55,044
Deductions during the year	(53,195)	(15,292)
<b>Total</b>	<b>1,20,605</b>	<b>1,47,092</b>
<b>VI Balance in Profit &amp; Loss Account</b>	<b>23,31,819</b>	<b>16,70,211</b>
<b>Grand Total</b>	<b>57,63,582</b>	<b>48,17,374</b>

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

## SCHEDULE 3 - DEPOSITS

Particulars	₹ (in thousands)	
	As on March 31, 2023	As on March 31, 2022
<b>A I Demand Deposits</b>		
i) From banks	11,398	21
ii) From others	23,28,957	23,28,957
<b>II Saving Bank Deposits</b>	2,50,67,321	2,31,65,032
<b>III Term Deposits</b>		
i) From banks	2,62,044	6,09,361
ii) From others	3,78,65,206	3,41,60,220
<b>Total (HIF+M)</b>	6,56,06,212	6,04,63,591
<b>B I Deposits of branches in India</b>	6,56,06,212	6,04,63,591
<b>B Deposits of branches outside India</b>		
<b>Total</b>	6,56,06,212	6,04,63,591

## SCHEDULE 4 - BORROWINGS

Particulars	₹ (in thousands)	
	As on March 31, 2023	As on March 31, 2022
<b>Borrowings in India</b>		
i) Reserve Bank of India		
ii) Other Banks	48,05,133	28,36,900
iii) Other Institutions and Agencies	20,18,700	17,87,400
iv) Unsecured Redeemable Non-Convertible Bonds (Subordinated Debt- Tier II Capital)	3,90,000	3,90,000
v) Hybrid debt Capital Instrument issued as Debentures		
vi) Borrowings outside India	72,13,833	49,84,390
<b>Total (HIF)</b>	48,05,133	28,36,900
<b>Secured Borrowings included in I &amp; II above</b>		

## SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

Particulars	₹ (in thousands)	
	As on March 31, 2023	As on March 31, 2022
<b>I Bills Payable</b>	3,58,275	3,33,769
<b>II Inter-office adjustments (net)</b>		3,977
<b>III Interest accrued</b>	58,899	55,514
<b>IV Provision for taxes (net of taxes paid in advance/TDS)</b>		26,069
<b>V Others (including provisions)</b>	2,81,649	2,30,117
<b>VI Contingent provision against standard assets</b>	2,82,772	2,84,040
<b>Total</b>	9,81,595	9,33,506

## SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA

Particulars	₹ (in thousands)	
	As on March 31, 2023	As on March 31, 2022
<b>I Cash in hand (including Cash at ATM &amp; Foreign Currency Notes)</b>	10,52,992	5,52,569
<b>II Balance with Reserve Bank of India</b>		
a) in current accounts	32,23,530	25,17,380
b) in other accounts	3,50,000	5,70,000
<b>Total (HIF)</b>	45,26,522	36,39,949

## Schedules Forming Part of Financial Statements

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

Particulars	₹ (in thousands)	
	As on March 31, 2023	As on March 31, 2022
<b>I In India</b>		
i) Balance with Banks		
a) in current accounts	2,92,859	3,35,349
b) in other deposit accounts	38,69,235	62,15,268
ii) Money at call and short notice		
a) with Banks		
b) with other Institutions	41,82,094	65,50,617
<b>Total (I)</b>	41,82,094	65,50,617
<b>II Outside India</b>		
a) in current accounts		
b) in other deposit accounts		
c) Money at call and short notice		
<b>Total (II)</b>		
<b>Grand Total (HIF)</b>	41,82,094	65,50,617

## SCHEDULE 8 - INVESTMENTS

Particulars	₹ (in thousands)	
	As on March 31, 2023	As on March 31, 2022
<b>I Investments in India in</b>		
i) Government securities	1,48,70,406	1,35,55,223
ii) Other approved securities		
iii) Shares	15,404	15,404
iv) Debentures and Bonds		
v) Subsidiaries and/or joint ventures		
vi) Others		
<b>Total (I)</b>	1,48,85,810	1,35,70,627
<b>II Investments outside India in</b>		
i) Government securities (including Local Authorities)		
ii) Subsidiaries and/or joint ventures abroad		
iii) Other Investments		
<b>Total (II)</b>		
<b>Grand Total (HIF)</b>	1,48,85,810	1,35,70,627
<b>III Gross value of Investments</b>	1,48,99,208	1,35,70,627
<b>Provision for Depreciation</b>	(13,398)	
<b>Net Value of Investments</b>	1,48,85,810	1,35,70,627

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

## SCHEDULE 9 - ADVANCES

Particulars	As on March 31, 2023	As on March 31, 2022
<b>A</b>		
i) Bills Purchased and Discounted	2,52,28,540	2,30,48,886
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	2,90,58,343	2,32,99,116
iii) Term Loans	5,42,86,883	4,63,48,002
<b>Total</b>	5,35,20,559	4,52,58,791
<b>B</b>		
i) Secured by Tangible Assets	6,88,687	9,72,508
ii) Covered by Bank/Government Guarantees	77,637	1,16,703
iii) Unsecured	5,42,86,883	4,63,48,002
<b>Total</b>	3,49,60,671	3,22,99,603
<b>C</b>		
i) Advances in India		
ii) Priority Sector (Refer Note 4.2 of Schedule 18)		
iii) Public Sector		
iv) Banks		
v) Other		
<b>Total (i)</b>	1,93,26,212	1,40,48,399
ii) Advances outside India		
iii) Due from Banks		
iv) Due from Others		
a) Bills Purchased & Discounted		
b) Syncranted Loans		
c) Others		
<b>Total (ii)</b>	5,42,86,883	4,63,48,002
<b>Grand Total (H+I)</b>		4,63,48,002

## SCHEDULE 10 - FIXED ASSETS

Particulars	As on March 31, 2023	As on March 31, 2022
<b>I</b>		
Premises	1,07,641	64,524
At cost as on 31st March of the preceding year		43,117
Additions during the year		
Deductions during the year		
<b>Total</b>	1,07,641	1,07,641
Depreciation		
As at 31st March of the preceding year	723	723
Charge for the year	1,367	723
<b>Total</b>	2,090	1,06,918
<b>Net Block I</b>		
Other Fixed Assets (including furniture & fixtures)		
At cost as on 31st March of the preceding year	17,28,695	16,46,161
Additions during the year	1,97,644	91,817
Deductions during the year	(3,462)	(9,283)
<b>Total</b>	19,22,877	17,28,695
Depreciation		
As at 31st March of the preceding year	9,99,747	8,45,145
Charge for the year	2,06,437	1,60,437
Reversed on sale	(2,562)	(5,635)
<b>Total</b>	12,02,488	9,99,747
<b>Net Block II</b>		
<b>Total (I &amp; II)</b>	7,20,379	7,28,948
	8,25,930	8,38,866

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

## SCHEDULE 11 - OTHER ASSETS

Particulars	As on March 31, 2023	As on March 31, 2022
<b>I</b>		
Inter-office adjustments (net)	3,68,725	391,535
Interest accrued	277	3,638
Taxes paid in advance (TDS/net of provision for taxes)	5,762	1,98,978
Stationery & Stamps	7,25,744	5,94,151
Non-banking assets acquired in satisfaction of claims		
Others (includes deposits amounting to ₹49,29,277 (Thousands) as on March 31, 2023)	11,00,508	
<b>Total</b>		

## SCHEDULE 12 - CONTINGENT LIABILITIES

Particulars	As on March 31, 2023	As on March 31, 2022
<b>I</b>		
Claims against the Bank not acknowledged as debts	12,208	
Liability for partly paid investments		
Liability on account of outstanding forward exchange contracts		
Guarantees given on behalf of constituents		
(a) In India	4,72,526	3,70,491
(b) Outside India	14,791	13,643
Acceptances, endorsements and other obligations	65,215	72,083
Other items for which bank is contingently liable	5,64,740	4,56,217
<b>Total</b>		

## SCHEDULE 13 - INTEREST EARNED

Particulars	Year Ended March 31, 2023	Year ended March 31, 2022
<b>I</b>		
Interest/discount on advances/bills	63,28,584	43,73,015
Income on investments	9,76,164	8,60,235
Interest on balance with Reserve Bank of India and inter-bank funds	4,48,441	5,48,880
Others	6,866	47
<b>Total</b>	67,60,075	57,82,177

## SCHEDULE 14 - OTHER INCOME

Particulars	Year Ended March 31, 2023	Year ended March 31, 2022
<b>I</b>		
Commission, exchange and brokerage	4,69,205	4,26,341
Profit on sale of investments (Net)	4,743	29,500
Profit/(Loss) on revaluation of investments (Net)	(13,398)	245
Profit/(Loss) on sale of Land, Building & other assets (Net)	103	(57)
Profit on Exchange Transactions (Net)	33,923	27,488
Income earned by way of dividends etc.	172	58,336
Miscellaneous income	4,94,748	5,41,853
<b>Total</b>		

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

### SCHEDULE 15 - INTEREST EXPENDED

Particulars	₹ (in thousands)	
	Year Ended March 31, 2023	Year ended March 31, 2022
I Interest on deposits	31,14,332	28,54,207
II Interest on Reserve bank of India/ Inter-Bank Borrowings	26,002	1,225
III Others	3,99,903	3,73,929
Total	35,40,237	32,29,361

### SCHEDULE 16 - OPERATING EXPENSES

Particulars	₹ (in thousands)	
	Year Ended March 31, 2023	Year ended March 31, 2022
I Payments to and provisions for employees	11,79,824	10,65,603
II Rent, Taxes and Lighting	2,76,742	2,59,095
III Printing and Stationery	32,282	24,017
IV Advertisement and Publicity	10,422	3,807
V Depreciation on Bank's property	2,06,670	1,61,160
VI Directors Fees, Allowances & Expenses	9,434	4,950
VII Auditors' Fees and Expenses	7,571	8,272
VIII Law charges	-	-
IX Postage, Telegrams, Telephones, etc.	39,473	32,899
X Repairs and Maintenance	87,825	76,300
XI Insurance	82,335	82,897
XII Other expenditure	2,96,260	2,43,529
Total	22,27,538	19,62,529

### SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPLIED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

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

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

### 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 of the Companies Act 2013, is as follows:

Asset	Depreciation rate per annum
Computers	33.33%
Automated Teller Machines (ATMs)	9.50%
Mobile Phones	33.33%
Cash Sorting Machines	33.33%
Software and System Development Expenditure	20%

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

Asset	Depreciation rate per annum
Plant and Machinery	6.33%
Office Equipment	19.00%
Furniture & Fixture	9.50%
Motor Car	11.88%
Two Wheeler	9.50%
Cycle	9.50%

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

4.7 An item of fixed assets is 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 and Loss account.

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

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

### 5 Impairment of Assets

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

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

- 6 Investments**  
Classification and valuation of the Bank's investments are carried out in accordance with RBI guidelines which are as follows:
- 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 Joint Ventures and (vi) Other Investments.
- Investments outside India are classified under three groups viz., (i) Government Securities (including local authorities), (ii) Subsidiaries and/or Joint Ventures abroad and (iii) Other Investments.
- 6.3 Acquisition cost**
- 6.3.1** Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss account.
- 6.3.2** Cost of investments is computed based on the weighted average cost method.
- 6.4 Valuation of Investments**
- 6.4.1** Held to Maturity – Each security in this category is carried at its acquisition cost or amortised 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 Primary Dealers Association of India (PDAI) jointly with 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 RBI guidelines.
- 6.4.9** Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account.

## Schedules Forming Part of Financial Statements

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- 6.4.10** In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA). The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.
- 6.4.11** Units of the scheme of Mutual Funds are valued at the lower of cost and Net asset value (NAV) provided by the respective schemes of Mutual Funds.
- 6.4.12** In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively.
- 6.4.13** Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.
- 6.5 Broken period Interest**  
Broken period interest on debt instruments is treated as a Revenue item.
- 6.6 Transfer of Security between Categories**  
Transfer of Securities from one category to another is carried out as per the RBI guidelines at acquisition cost or book value or market value, whichever is lower on the date of transfer and the depreciation, if any, on such transfer is fully provided for.
- 7 Advances**
- 7.1** Advances are classified as per the RBI guidelines into standard, sub-standard, doubtful and loss assets. Advances are stated net of specific loan loss provision.
- 7.2** Specific provisions for non-performing advances and floating provisions are made in conformity with the RBI guidelines.
- 7.3** In addition, the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.
- 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 07, 2017, is made @ 0.25%. However, provision for banks direct advances to agriculture and SME sectors is made @ 0.25%, medium enterprises sector is made @ 0.4%, commercial real estate sector is made @ 1% and housing loans at teaser rates @ 2% in pursuance to the RBI circulars issued from time to time. Further the same is shown under the head 'Other Liabilities and Provisions'.
- 7.5** Amounts recovered during the year against bad debts written off in earlier years are credited to the Profit and Loss account.
- 7.6** Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.
- 7.7** The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. Provision for restructuring is considered at borrower level.

## Schedules Forming Part of Financial Statements

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7.8 The Bank enters into transactions for the sale/purchase of Priority Sector Lending Certificates (PSLCs) through the RBI platform. There is no transfer of risks of loan assets. The net fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the net expense paid on purchase of PSLC is recorded as 'Miscellaneous Expense'.

### 8 Net Profit

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 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 for stock options granted after the period ending March 31, 2021 is measured using the fair value method and for stock options granted prior to such period, is measured using the intrinsic value method. The costs are recognised, together with a corresponding increase in the 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

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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.

### 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 and Loss account on straight line basis over the lease term in accordance with AS-19, Leases.

### 12 Segment Reporting

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

#### Business Segment

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

#### Geographical Segment

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

### 13 Earnings per Share

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

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

### 14 Taxes

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

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

Current tax assets and liabilities and deferred tax assets and liabilities are calculated at the rates w/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.

## Schedules Forming Part of Financial Statements

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15.2.A Disclosure of contingent liability is made when there is:

- possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- present obligation arising from a past event which is not 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.

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 realized.

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

### 16 Cash and Cash Equivalents

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

### 17 Transaction involving Foreign Exchange

17.1 All transactions in foreign currency are 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 Financial Statements

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SCHEDULE 18 - NOTES ON ACCOUNTS APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

### 1 CAPITAL

#### 1.1 Regulatory Capital

Capital to risk-weighted asset ratio ("Capital Adequacy Ratio") of the Bank has been computed in accordance with the Reserve Bank of India ("RBI") circular no. DBR, NBD, No.26/ 16.13.21/8/2016-17, dated October 06, 2016 on "Operating Guidelines for Small Finance Banks".

The Bank has followed Basel II Standardised Approach for credit risk, in accordance with the RBI circular no. DBR, NBD, No.26/ 16.13.21/8/2016-17, dated October 06, 2016 on "Operating Guidelines for Small Finance Banks". Market Risk and Operational 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.4502/16.13.21/8/2017-18 dated November 08, 2017 to all the small finance banks.

The total Capital Adequacy Ratio of the Bank as at March 31, 2023 is 18.87% (previous year: 18.63%) against the regulatory requirement of 15% as prescribed by RBI. No Capital Conservation Buffer and Counter - Cyclical Capital Buffer is applicable on Small Finance Bank (SFB) as per operating guidelines issued on SFB by RBI.

#### 1.1.1 Composition of Regulatory Capital

S. No.	Particulars	Year ended March 31, 2023	Year ended March 31, 2022
1.	Common Equity Tier 1 Capital (CET 1)	586.47	490.86
2.	Additional Tier 1 Capital	586.47	490.86
3.	Tier 1 Capital (1+2)	221.80	201.70
4.	Tier 2 Capital	808.27	692.56
5.	Total Capital (Tier 1 + Tier 2)	4,284.43	3,716.90
6.	Total Risk Weighted Assets (RWAs)	13.69%	13.21%
7.	CET 1 Ratio (CET 1 as a percentage of RWAs)	13.69%	13.21%
8.	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	5.18%	5.42%
9.	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	18.87%	18.63%
10.	Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	7.21%	6.73%
11.	Leverage Ratio	-	-
12.	Percentage of the shareholding of	-	-
	(a) Government of India	-	-
	(b) State Government	-	-
	(c) Sponsor Bank	-	-
13.	Amount of paid-up equity capital raised during the year	0.21	0.13
14.	Amount of non-equity Tier 1 capital raised during the year of which	-	-
	(a) Basel III compliant Perpetual Non-Cumulative Preference Shares	-	-
	(b) Basel III compliant Perpetual Debt Instruments	-	-
15.	Amount of Tier 2 capital raised during the year	32.17	31.35

#### 1.1.2 Tier I Capital Infusion

During the year ended March 31, 2023, the Bank has allotted 2,08,363 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, 2022, the Bank has allotted 1,33,410 equity shares to employees of the Bank in form of employee stock option as per the ESOP plan of the Bank.

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### 1.1 Regulatory Capital (Contd.)

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

Particulars	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
Opening Balance	34.04	33.91
Addition pursuant to Amount of equity raised on private placement	0.21	0.13
basis under preferential allotment		
Closing Balance	34.25	34.04

### 1.1.3 Tier 2 Capital Infusion/Redemption

Issue

During the year ended March 31, 2023, the Bank has raised Unsecured Redeemable Non-Convertible Lower Tier II Bond, detailed as below:

Series	Date of Allotment	Coupon (%)	Tenure	Amount
Series XX	12-May-22	9.25%	10 Years	32.17

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

Series	Date of Allotment	Coupon (%)	Tenure	Amount
Series XIX	29-Jun-21	9.25%	10 Years	31.35

Maturity

During the year ended March 31, 2023, the following Unsecured Redeemable Non-Convertible Lower Tier II Bonds have matured:

Series	Date of Maturity	Coupon (%)	Amount
Series VII	25-Aug-22	11.00%	6.04

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

Series	Date of Maturity	Coupon (%)	Amount
Series V	04-Jun-21	11.00%	5.71
Series VI	18-Jun-21	11.00%	3.02

### 1.1.4 Maturity Profile of total bonds outstanding as on March 31, 2023:

Unsecured Redeemable Non-Convertible Lower Tier II Bonds

Series	Amount	Maturity Date
11% Tier II Bonds Series VIII	5.03	May 04, 2023
11% Tier II Bonds Series IX	3.10	May 20, 2023
11% Tier II Bonds Series X	9.47	May 24, 2024
10.50% Tier II Bonds Series XII	12.00	February 17, 2025
9.75% Tier II Bonds Series XIV	15.90	November 25, 2025
9.25% Tier II Bonds Series XV	20.95	May 15, 2028
10% Tier II Bonds Series XVI	18.00	February 28, 2029
10% Tier II Bonds Series XVII	22.50	March 31, 2029
9.25% Tier II Bonds Series XVIII	31.40	November 18, 2030
9.25% Tier II Bonds Series XIX	31.35	June 29, 2031
9.25% Tier II Bonds Series XX	32.17	May 12, 2032
TOTAL	201.87	

## Schedules Forming Part of Financial Statements

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### 1.1 Regulatory Capital (Contd.)

Unsecured Redeemable Non-Convertible Upper Tier II Bonds

Series	Amount	Maturity Date
11.75% Upper Tier II Bonds Series XI	14.00	March 31, 2030
11.75% Upper Tier II Bonds Series XIII	25.00	March 30, 2031
TOTAL	39.00	

### 1.1.5 Proposed Dividend

For the year ended March 31, 2023, the Board of Directors, in its meeting held on May 19, 2023 recommended a dividend of ₹1.20 (₹1.00 per share for the year ended March 31, 2022) per equity share having face value of ₹10 each. The recommendation made is in accordance with the guidelines issued by the Reserve Bank of India on declaration of dividend by banks.

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. However, the Bank has reckoned proposed dividend in determining capital funds for computing capital adequacy ratio as on March 31, 2023.

### 1.1.6 Drawdown from Reserves

Particulars	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
Revenue & Other Reserves Account		
Investment Fluctuation Reserve Account (IFR)	2.08	1.59
ESOP Reserve	2.48	
Investment Reserve Account	0.76	

The draw down in the IFR is as per the RBI guidelines and the Bank has maintained IFR of 2% and above as a percentage of closing balance of investments in AFS and HFT category.

The draw down in the ESOP Reserve is on account of ESOPs issued during the year in terms of ESOP plans of the Bank.

The draw down from the Investment Reserve Account is against the depreciation provided on investment, net of applicable taxes and statutory reserve requirement.



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Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

2.1 Maturity Pattern of certain items of Assets & Liabilities as on March 31, 2023 and as on March 31, 2022

(₹ in crores)

	March 2023		March 2022	
	Days	Over 3 years	Days	Over 3 years
Loans & Advances	175.23	2,954.12	149.18	2,627.69
Investment	258.15	605.68	244.39	1,009.72
Deposits	174.41	530.95	174.41	530.95
Borrowing	26.36	203.99	26.36	203.99
Foreign Currency Assets	-	163.20	-	163.20
Foreign Currency Liabilities	-	498.43	-	498.43

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.

2.2 Liquidity Coverage Ratio (LCR)

Qualitative Disclosure

The Liquidity Coverage Ratio (LCR) measures a bank's liquidity risk profile, ensures that a bank has an adequate stock of unencumbered high-quality liquid assets that can be easily and immediately converted into cash, in financial markets, at no or little loss of value. The LCR requirements are designed to ensure banks maintain an adequate level of readily available, high-quality liquid assets, or HQLA, that can quickly and easily be converted into cash to meet any liquidity needs that might arise during a 30-day period of liquidity stress.

The LCR is the percentage resulting from dividing the bank's stock of high-quality assets by the estimated total net cash outflows over a 30 calendar day stress scenario. The minimum liquidity coverage ratio required for a 100% in other words, the stock of high-quality assets must be at least as large as the expected total net cash outflows over the 30-day stress period. The Bank adheres to RBI guidelines 'Basel III Framework on Liquidity Standards - on Liquidity Coverage Ratio (LCR)', Liquidity Risk Monitoring Tools and the LCR Disclosure Standards that are applicable to banks in India. As per the RBI directions, the Banks are prescribed to maintain minimum LCR of 100% from January 01, 2021 onwards.

The Bank during the quarter ended March 31, 2023 maintained average HQLA of ₹1,594.99 crores against the average net cash outflows of ₹741.93 crores. The entire HQLA was Level 1 HQLA. The average LCR of the Bank for the quarter ended March 31, 2023 was 214.98%, 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.

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.

2 Asset Liability Management (ALM)

Qualitative Disclosure

The table below sets out the average LCR of the Bank for year ended March 2023 and all the four quarters of financial year 2023:

Liquidity Coverage Ratio (LCR)

	Quarter Ended June 30, 2022		Quarter Ended Sept 30, 2022		Quarter Ended Dec 31, 2022		Quarter Ended March 31, 2023	
	Unweighted Value	Weighted Value (Average)*	Unweighted Value	Weighted Value (Average)*	Unweighted Value	Weighted Value (Average)*	Unweighted Value	Weighted Value (Average)*
1 Total High Quality Liquid Assets (HQLA)	1,572.80	1,718.41	1,789.77	1,374.26	1,658.11	1,594.99	1,594.99	1,594.99
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	83.89	1,718.41	85.92	1,789.77	89.49	1,836.49	91.77	1,836.49
(ii) Less stable deposits	371.18	3,807.20	390.72	4,032.85	403.29	4,063.34	406.33	4,063.34
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	694.71	395.09	640.28	345.72	632.56	319.59	630.60	322.62
(ii) Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(iii) Unsecured debt	3.90	102.51	19.32	32.77	-	-	-	-
4 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	206.26	14.21	194.66	10.95	199.52	17.06	188.41	14.66
6 Other contractual funding obligations	31.68	31.68	45.89	38.14	38.14	93.97	93.97	93.97
7 Other contractual funding obligations	42.03	1.39	37.82	1.26	46.72	66.90	1.82	1.82
8 Total Cash Outflows	897.44	897.44	870.46	870.46	869.02	869.02	931.17	931.17
9 Cash inflows	60.24	60.24	9.11	9.11	58.03	88.24	60.39	60.39
10 Inflows from fully performing exposures	91.12	91.12	96.4	96.4	96.77	88.24	88.24	88.24
11 Other cash inflows	73.00	73.00	75.55	75.55	83.57	246.87	138.85	138.85
12 Total Cash Inflows	117.64	117.64	134.37	134.37	141.6	341.99	189.24	189.24
13 Total HQLA	1,640.20	1,640.20	1,374.26	1,374.26	1,658.11	1,594.99	1,594.99	1,594.99
14 Total Net Cash Outflows	779.80	779.80	736.09	736.09	727.42	741.93	741.93	741.93
15 Liquidity Coverage Ratio (%)	210.91%	210.91%	186.70%	186.70%	229.32%	214.98%	214.98%	214.98%

\* The average weighted and unweighted amounts have been calculated considering simple average based on daily observation for the respective quarters.

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Particulars	Government Securities	Shares and Bonds	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total Investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India	Total Investments
Gross: Provision for non-Performing Investments (NPI)	1,171.60	-	-	-	-	1,171.60	-	-	-	1,171.60	1,171.60
Net	1,171.60	-	-	-	-	1,171.60	-	-	-	1,171.60	1,171.60
Available for Sale	-	-	-	-	-	-	-	-	-	-	-
Gross	316.78	-	-	-	-	316.78	-	-	-	316.78	316.78
Less: Provision for depreciation and NPI	1.34	-	-	-	-	1.34	-	-	-	1.34	1.34
Net	315.44	-	-	-	-	315.98	-	-	-	316.98	316.98
Held for Trading	-	-	-	-	-	-	-	-	-	-	-
Gross	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-
Total Investments	1,488.38	-	-	-	-	1,488.92	-	-	-	1,489.92	1,489.92
Less: Provision for non-Performing Investments	-	-	-	-	-	-	-	-	-	-	-
Net and NPI	1,488.38	-	-	-	-	1,488.92	-	-	-	1,489.92	1,489.92
Less: Provision for depreciation and NPI	1.34	-	-	-	-	1.34	-	-	-	1.34	1.34
Net	1,487.04	-	-	-	-	1,487.58	-	-	-	1,488.58	1,488.58

3.1 Composition of Investment Portfolio  
As on March 31, 2023

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AS ON MARCH 31, 2023

High Quality Liquid Assets	Liquidity Coverage Ratio (LCR)			
	Quarter ended March 31, 2022	Quarter ended Dec 31, 2021	Quarter ended Sep 30, 2021	Quarter ended June 30, 2021
1. Total High Quality Liquid Assets (HQLA)	1,701.93	1,997.52	1,640.69	1,837.75
2. Retail deposits and deposits from small business customers, of which:	86.99	1,739.71	83.75	78.36
(i) Stable deposits	86.99	1,739.71	83.75	78.36
(ii) Less stable deposits	-	-	-	-
(iii) Operational deposits (all counterparties)	363.41	345.88	319.38	317.57
(iv) Less stable deposits	-	-	-	-
(v) Operational deposits (all counterparties)	363.41	345.88	319.38	317.57
(vi) Non-operational deposits (all counterparties)	417.38	303.08	141.92	131.18
(vii) Unsecured debt	-	-	-	-
(viii) Secured wholesale funding	1.06	-	1.08	-
(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	16.20	239.76	15.29	228.13
(iv) Other contractual funding obligations	50.45	33.52	36.64	50.45
(v) Other contingent funding obligations	36.84	1.13	1.12	34.18
(vi) Total Cash Outflows	594.95	786.02	598.10	594.95
Cash Inflows	567.82	619.64	343.69	42.63
Secured lending (e.g. reverse repos)	567.82	619.64	343.69	42.63
Inflows from fully performing exposures	71.63	48.72	77.01	70.24
Other cash inflows	80.83	66.16	66.42	70.24
Total Cash Inflows	720.28	770.21	501.19	112.77
Total HQLA	1,837.75	1,997.52	1,640.69	1,837.75
Total Net Cash Outflows	482.18	671.16	484.67	482.18
Liquidity Coverage Ratio (%)	381.14%	288.69%	338.52%	381.14%

\* The average weighted and unweighted amounts have been calculated considering simple average based on daily observation for the respective quarters.

2 Asset Liquidity Management (Contd.)  
The table below sets out the average LCR of the Bank for year ended March 2022 and all the four quarters of financial year 2022.

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AS ON MARCH 31, 2023

Particulars	As on March 31, 2022	
	Net	Gross
Held to Maturity	999.26	999.26
Less: Provision for non-performing investments (NP)	-	-
Net	999.26	999.26
Available for Sale	366.24	366.24
Less: Provision for depreciation and NP	-	-
Net	366.24	366.24
Held for Trading	1.64	1.64
Less: Provision for depreciation and NP	-	-
Net	1.64	1.64
Total investments	1,367.14	1,367.14
Less: Provision for depreciation and NP	-	-
Net	1,367.14	1,367.14
Total investments	1,367.14	1,367.14

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

Particulars	Year ended March 31, 2023		Year ended March 31, 2022	
	₹ (in crores)	₹ (in crores)	₹ (in crores)	₹ (in crores)
3.2 Movement of Provisions for Depreciation and Investment Fluctuation Reserve				
i. Movement of provisions held towards depreciation on investments				
a) Opening balance	4.37	0.02	4.37	0.02
b) Add: Provisions made during the year	(3.02)	0.02	(3.02)	0.02
c) Less: Write off/write back of excess provisions during the year	1.34	(0.04)	1.34	(0.04)
d) Closing balance	8.45	0.02	8.45	0.02
ii. Movement of Investment Fluctuation Reserve				
a) Opening balance	2.08	1.66	2.08	1.66
b) Add: Amount transferred during the year	6.37	8.45	6.37	8.45
c) Less: Drawdown	2.00%	2.00%	2.00%	2.00%
d) Closing balance	6.37	8.45	6.37	8.45
iii. Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/ Current category	2.00%	2.30%	2.00%	2.30%

### 3.3 Sale and Transfer of Investments

During the year ended March 31, 2023 and March 31, 2022, there is no sale/transfer of securities to/from HTM categories exceeding 5% of the book value of the investments held in HTM category at the beginning of the year, which requires the disclosure as per the RBI guidelines.

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

#### During the year ended March 31, 2023

From	Category		Book Value of Securities transferred	Market Value of Securities Transferred
	To	To		
Held to Maturity	Available for sale		35.46	36.49
Total			35.46	36.49

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

#### During the year ended March 31, 2022

From	Category		Book Value of Securities transferred	Market Value of Securities Transferred
	To	To		
Available for Sale	Held to Maturity		25.98	27.01
Held to Maturity	Available for sale		91.38	96.74
Total			117.36	123.75

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

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### 3.4 Non-SLR Investment Portfolio

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

As on March 31, 2023

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

As on March 31, 2022

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

### 3.4.2 Non performing Non-SLR investments

The Bank does not have any non-performing Non-SLR investment during the year ended March 31, 2023 and March 31, 2022.

### 3.5 Repo/ Reverse Repo

During the year ended March 31, 2023

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

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, 2023 (Face Value)	(₹ in crores)
Securities sold under repo:					
1. Government Securities	8.00	199.97	40.97	29.98	
2. Corporate Debt Securities	-	-	-	-	
3. Any other securities	-	-	-	-	
Securities purchased under reverse repo:					
1. Government Securities	20.00	200.00	19.04	-	
2. Corporate Debt Securities	-	-	-	-	
3. Any other securities	-	-	-	-	

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

### 3.5 Repo/ Reverse Repo (Contd.)

During the year ended March 31, 2022

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

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

### 3.6 Security Receipts

The Bank does not hold any investment in Security Receipts during the year ended March 31, 2023 and March 31, 2022.

### 4 Asset Quality

#### 4.1 Classification of advances and provisions held

As on March 31, 2023

	As on March 31, 2023				Total
	Standard	Sub-Standard	Non-performing Doubtful	Loss	
Gross Standard Advances and NPAs					
Opening balance	4,571.57	50.65	56.48	-	4,688.70
Add: Additions during the year	-	-	-	-	154.37
Less: Reductions during the year	-	-	-	-	118.88
Closing balance	5,354.55	48.48	104.32	-	5,507.35
-Reductions in Gross NPAs due to:					
i) Upgradation	-	-	-	-	98.06
ii) Recoveries (excluding recoveries from upgraded accounts)	-	-	-	-	20.70
iii) Technical/Prudential Write Offs	-	-	-	-	0.72
iv) Write Offs other than those under iii above	-	-	-	-	-
Provisions (excluding Floating Provisions)					
Opening balance of provisions held	28.40	12.06	41.84	-	82.30
Add: Fresh provisions made during the year	-	-	-	-	46.03
Less: Excess provision reversed/ Write-off loans	-	-	-	-	21.35
Closing balance of provisions held	28.28	10.34	68.24	-	106.86
Net NPAs					
Opening balance	-	38.59	24.63	-	63.23
Add: Fresh additions during the year	-	-	-	-	108.34
Less: Reductions during the year	-	37.96	36.09	-	74.05
Closing balance	-	-	-	-	-
Additional provisions made during the year	-	-	-	-	-

## Schedules Forming Part of Financial Statements

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## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

## 4.1 Classification of advances and provisions held (Contd.)

	₹ (in crores)			
	Standard Total Standard Advances	Non-performing Doubtful	Loss	Total Non-performing Advances
Less: Amount drawn down during the year				
Closing balance of floating provisions				
Technical write-offs and the recoveries made thereon				
Opening balance of Technical/Prudential write-offs accounts				
Add: Technical/ Prudential write-offs during the year				
Less: Recoveries made from previously technical/prudential written-off accounts during the year				
Closing balance				
-During the year ended March 31, 2023, the general provision against standard assets includes provision of ₹10.41 crores (year ended March 31, 2022 amounts to ₹13.42 crores) created in accordance with RBI Circular "Micro, Small and Medium Enterprises (MSME) sector -Restructuring of Advances" and "Resolution Framework for COVID-19-related Stress" issued on August 06, 2020 and May 05, 2021.				

## 4.1 Classification of advances and provisions held (Contd.)

	₹ (in crores)			
	Standard Total Standard Advances	Non-performing Doubtful	Loss	Total Non-performing Advances
Technical write-offs and the recoveries made thereon				
Opening balance of Technical/Prudential write-offs accounts				
Add: Technical/ Prudential write-offs during the year				
Less: Recoveries made from previously technical/prudential written-off accounts during the year				
Closing balance				
- During the year ended March 31, 2022, the general provision against standard assets includes provision of ₹13.42 crores (year ended March 31, 2021 amounts to ₹5.34 crores) created in accordance with RBI Circular "Micro, Small and Medium Enterprises (MSME) sector -Restructuring of Advances" and "Resolution Framework for COVID-19-related Stress" issued on August 06, 2020 and May 05, 2021.				

## 4.2 Sector-wise Advances and Gross NPAs

Sl. No.	Sector	Year ended March 31, 2023			Year ended March 31, 2022		
		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
1	A) Priority Sector	2,137.45	62.68	2.93%	1,780.74	43.54	2.44%
2	- Agriculture & allied activities	188.32	5.37	2.85%	226.03	3.27	1.45%
	- Advances to Industries sector eligible as priority sector lending of which						
	- Advances to Textile Industry	17.99	1.10	6.11%	27.96	0.05	0.19%
	- Advances to Iron/Steel and Metal Industry	37.48	1.36	3.63%	38.55		
3	- Services	658.73	26.03	3.95%	835.27	33.06	3.94%
4	- of which advances to Traders	386.82	14.34	3.71%	479.57	22.36	4.66%
	- Personal Loans						
5	- Others	555.93	2.44	0.44%	414.12	0.86	0.21%
	Sub-total (A)	3,540.33	96.52	2.73%	3,260.16	80.73	2.48%
1	B) Non - Priority Sector						
2	- Agriculture & allied activities						
3	- Services	171.93	18.12	10.54%	44.22	17.49	39.56%
4	- of which advances to Traders	157.52	18.11	11.50%	27.32	17.49	64.04%
5	- Personal Loans	8.26	1.36	16.46%	11.37	1.07	9.52%
	Others	1,786.75	36.62	2.05%	1,368.69	17.84	1.30%
	- of which advances to NBFCs	382.93	5.80	1.51%	297.6	8.41	2.83%
	Sub-Total (B)	1,966.94	56.10	2.85%	1,428.54	36.40	2.55%
	TOTAL (A+B)	5,507.27	152.62	2.77%	4,688.70	117.13	2.50%

## As on March 31, 2022

	₹ (in crores)			
	Standard Total Standard Advances	Non-performing Doubtful	Loss	Total Non-performing Advances
Gross Standard Advances and NPAs				
Opening balance	3,684.74	54.28	78.24	3,762.98
Add: Additions during the year			78.11	
Less: Reductions during the year			39.22	
Closing balance	4,571.57	66.48	117.13	4,688.70
-Reductions in Gross NPAs due to:				
i) Upgradation			32.96	
ii) Recoveries (excluding recoveries from upgraded accounts)			6.19	
iii) Technical/Prudential Write Offs			0.07	
iv) Write Offs other than those under iii above			36.10	
Provisions (excluding Floating Provisions)			28.06	
Opening balance of provisions held	17.48	30.07	10.25	53.58
Add: Fresh provisions made during the year			53.90	
Less: Excess provision reversed/Write-off loans			41.84	
Closing balance of provisions held	28.40	41.84	24.21	82.30
Net NPAs				
Opening balance			42.14	
Add: Fresh additions during the year			50.06	
Less: Reductions during the year			28.97	
Closing balance			63.23	
Floating Provisions				
Opening Balance				
Add: Additional provisions made during the year				
Less: Amount drawn down during the year				
Closing balance of floating provisions				

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

### 4.3 Ratios

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Gross NPA to Gross Advances	2.77%	2.50%
Net NPA to Net Advances	1.36%	1.36%
Provision Coverage Ratio	51.48%	45.02%

### 4.4 Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas asset/NPA as at March 31, 2023 and March 31, 2022. No overseas operations were undertaken during the year ended March 31, 2023 and March 31, 2022, hence revenue from overseas operations is Nil.

### 4.5 Impact on account of COVID-19 on Advances

The impact of COVID-19 over the last two to three years has led to substantial impact on the economic activities. The extent to which any new wave of COVID-19 will impact the Bank's results is uncertain as it depends upon the future trajectory of the pandemic.

### 4.6 Restructuring of Accounts

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

The Reserve Bank of India has issued guidelines on Prudential Framework on Resolution of Stressed Assets, dated June 07, 2019. The Bank has not restructured any account under the framework during the year ended March 31, 2023 and March 31, 2022.

#### 4.6.2 Restructuring under "Resolution Framework - 1.0: Resolution Framework for COVID-19-related Stress" and "Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses" is as under:

During the year ended March 31, 2023:

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as on September 30, 2022 (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year*	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as on March 31, 2023
Personal Loans	24.02	3.07	-	2.77	18.18
Corporate persons* Of which MSMEs	-	-	-	-	-
Others	2.86	0.20	-	0.35	2.29
Total	26.88	3.27	-	3.13	20.47

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

<sup>1</sup> Includes requests received till September 30, 2021 implemented subsequently

<sup>2</sup> Net of increase in exposure during the period

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### 4.6 Restructuring of Accounts (Contd.)

During the year ended March 31, 2023:

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as on September 30, 2021 (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year*	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as on March 31, 2022
Personal Loans	28.49	1.60	-	0.48	26.41
Corporate persons* Of which MSMEs	-	-	-	-	-
Others	3.40	-	-	0.29	3.11
Total	31.89	1.60	-	0.77	29.52

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

<sup>1</sup> Includes requests received till September 30, 2021 implemented subsequently

<sup>2</sup> Net of increase in exposure during the period

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

Particulars	Agriculture and allied activities		Corporate (excluding MSME)		Micro, Small and Medium Enterprises (MSME)		Retail (excluding agriculture and MSME)		Total	
	March 2023	March 2022	March 2023	March 2022	March 2023	March 2022	March 2023	March 2022	March 2023	March 2022
Standard										
Number of borrowers										
Gross Amount										
Provisions held										
Sub-Standard										
Number of borrowers										
Gross Amount										
Provisions held										
Doubtful										
Number of borrowers										
Gross Amount										
Provisions held										
Total										
Number of borrowers										
Gross Amount										
Provisions held										

## Schedules Forming Part of Financial Statements

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4.7 Details of loans transferred/acquired under the master directions of Reserve Bank of India on Transfer of Loan Exposures dated September 24, 2021 updated as on December 05, 2022.

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

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

The Bank has not given any loan to any intermediary for onward lending to third party during the year ended March 31, 2023 and March 31, 2022.

4.9 Fraud Accounts

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Number of frauds reported	-	-
Amount involved in fraud (₹ in crores)	-	-
Amount of provision made for such frauds (₹ in crores)	-	-
Amount of Unamortized provision debited from 'other reserves' as at the end of the year (₹ in crores)	-	-

4.10 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, 2023 and March 31, 2022.

4.11 Sale/Purchase of Non-performing financial assets

The Bank has not purchased/sold any Non-performing financial assets from/to other banks during the year ended March 31, 2023 and March 31, 2022.

4.12 Letter of comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2023 and year ended March 31, 2022.

4.13 Credit Default Swaps

The Bank has not entered into any Credit Default Swaps (CDS) during the year ended March 31, 2023 and year ended March 31, 2022.

4.14 Divergence in the asset classification and provisioning for NPAs

The Inspection for Supervisory Evaluation (ISE) was conducted by Reserve Bank of India under Section 35 of Banking Regulation Act 1949 for reference period of March 31, 2022. As per RBI circular No. DOR.ACC.REC. No.74/21.04.018/2022-23 dated October 11, 2022, for the financial statements for the financial year ending March 31, 2023, in case the additional provisioning for NPAs assessed by RBI exceeds 10% of the reported profit before provisions and contingencies and additional gross NPAs identified by RBI exceeds 10% of published incremental gross NPAs for the reference period, then the banks are required to disclose divergence from prudential norms on income recognition, assets classification and provisioning.

In view of the above, the details relating to divergence between the non-performing advances reported by the Bank, and as assessed by Reserve Bank of India as on March 31, 2022, in the format as prescribed by the Reserve Bank of India, are as below:

Sr. No.	Particulars	(₹ in crores) Amount
1	Gross NPAs as on March 31, 2022 as reported by the Bank	117.13
2	Gross NPAs as on March 31, 2022 as assessed by RBI	154.36
3	Divergence in Gross NPAs (2-1)	37.23
4	Net NPAs as on March 31, 2022 as reported by the Bank	63.23
5	Net NPAs as on March 31, 2022 as assessed by RBI	91.01

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4.14 Divergence in the asset classification and provisioning for NPAs (Contd.)

Sr. No.	Particulars	(₹ in crores) Amount
6	Divergence in Net NPAs (5-4)	27.78
7	Provisions for NPAs as on March 31, 2022 as reported by the Bank	53.90
8	Provisions for NPAs as on March 31, 2022 as assessed by RBI	63.36
9	Divergence in provisioning (8-7)	9.45
10	Reported Profit before Provisions and Contingencies for the year ended March 31, 2022	113.22
11	Reported Net Profit after Tax (PAT) for the year ended March 31, 2022	62.57
12	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2022 after considering the divergence in provisioning	53.99

The financial impact of the above divergence, as applicable as on date has been accounted for while preparation of the financial results for the year ending March 31, 2023. However, the Bank is in the process of filing representation to the Reserve Bank of India w.r.t. the divergence amounting to ₹18.64 crores.

5 Exposures

5.1 Exposure to Real Estate Sector

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
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	536.66	394.84
b. Others	620.06	489.63
ii. Commercial Real Estate - Lending secured by mortgages on commercial real estate (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	305.31	278.56
iii. Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
a. Residential	-	-
b. Commercial Real Estate	-	-
2. Indirect Exposure	49.94	9.27
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		
- Total Exposure to Real Estate Sector	1,511.97	1,172.30

5.2 Exposure to Capital Market

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
i. direct investments in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	1.54	1.54
ii. advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPO/ESOPs), convertible bonds, convertible debentures and units of equity oriented mutual funds;	-	-

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

### 5.2 Exposure to Capital Market (Contd.)

Particulars	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
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/bond/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)	1,54	1,54
<b>Total Exposure to Capital Market</b>	<b>1,54</b>	<b>1,54</b>

### 5.3 Risk Category Wise Country Exposure

The Bank is operating in the state of Punjab, Union Territory of Chandigarh, Haryana, Rajasthan, Himachal and Delhi. Hence, the Bank does not have any country risk exposure.

### 5.4 Unsecured Advances against Intangible Assets

The Bank has not extended any advance against intangible securities such as charge over the rights, licenses, authority etc. during the year ended March 31, 2023 and March 31, 2022.

### 5.5 Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2023 and March 31, 2022 is Nil.

### 5.6 Intra group exposure

The Bank has no intra group exposure during the year ended March 31, 2023 and March 31, 2022.

### 5.7 Unhedged Foreign currency exposure

The Bank does not have any unhedged foreign currency exposure as on March 31, 2023 and on March 31, 2022.

### 5.8 Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the Bank

The Bank has not exceeded the prudential exposure limits for Single Borrower Limit (SBL) and Group Borrower Limit (GBL) during the year ended March 31, 2023 and March 31, 2022.

### 6 Concentration of Deposits, Advances, Exposures and NPAs

#### 6.1 Concentration of Deposits

Particulars	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
Total Deposits of twenty largest depositors	255.34	285.92
Percentage of Deposits of twenty largest depositors to total Deposits of the Bank	3.85%	4.73%

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AS ON MARCH 31, 2023

### 6.2 Concentration of Advances

Particulars	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
Total Advances to twenty largest borrowers	327.67	345.23
Percentage of Advances to twenty largest borrowers to total Advances of the Bank	5.39%	6.63%

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

### 6.3 Concentration of Exposures

Particulars	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
Total Exposure to twenty largest borrowers/customers	327.67	345.23
Percentage of Exposures to twenty largest borrowers/ customers to total Exposure of the Bank on Borrowers/ customers	5.39%	6.53%

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

### 6.4 Concentration of NPAs

Particulars	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
Total Exposure to the top twenty NPA accounts	58.72	61.39
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs	38.15%	52.41%

### 7 Derivatives

The Bank has not undertaken any derivative business during the year ended March 31, 2023 and March 31, 2022.

### 8 Securitization transactions

The Bank has not done any securitization transactions during the year ended March 31, 2023 and year ended March 31, 2022.

### 9 Off Balance Sheet SPVs sponsored

The Bank does not hold any sponsored off-balance sheet SPVs during the year ended March 31, 2023 and March 31, 2022.

### 10 Transfer to Depositor Education and Awareness Fund (DEAF)

The Bank has transferred ₹1,36 crores during the year ended March 31, 2023 and ₹1,04 crores for the year ended March 31, 2022 to the Depositor Education and Awareness Fund (DEAF) as per the details below:

Particulars	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
Opening balance of amount transferred to DEAF	---	4.17
Add: Amounts transferred to DEAF during the year	1.26	1.04
Less: Amounts reimbursed by DEAF towards claims	0.19	0.04
Closing balance of amounts transferred to DEAF	6.34	5.17



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### 11 Segment Reporting

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

Business Segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
Revenue	141.60	143.89	54.19	45.58	616.03	429.98	14.67	12.95	725.48	632.40
Result	(1.97)	6.61	2.95	3.94	191.64	124.72	12.47	11.17	205.10	146.44
Unallocated Expenses	-	-	-	-	-	-	-	-	80.94	61.95
Operating Profit (PBT)	-	-	-	-	-	-	-	-	124.16	84.49
Income Taxes	-	-	-	-	-	-	-	-	30.56	21.92
Extraordinary profit/loss	-	-	-	-	-	-	-	-	-	-
Net Profit	-	-	-	-	-	-	-	-	93.60	62.57
Other Information:	-	-	-	-	-	-	-	-	-	-
Segment Assets	1,949.79	2,075.15	541.80	509.11	5,452.43	4,525.34	0.57	0.82	7,944.59	7,110.42
Unallocated Assets	-	-	-	-	-	-	-	-	46.19	43.50
Total Assets	-	-	-	-	-	-	-	-	7,990.77	7,153.92
Segment Liabilities	29.98	-	146.08	156.29	6,938.02	6,245.63	-	0.02	7,114.08	6,401.94
Unallocated Liabilities	-	-	-	-	-	-	-	-	266.08	236.20
Total Liabilities	-	-	-	-	-	-	-	-	7,380.16	6,638.14

Note:

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

### 12 Related Party Disclosure

12.1 Related parties as per Accounting Standard 18

Key Management Personnel:

- Mr. Sarvjit Singh Samra – Managing Director
- Mr. Munish Jain – Chief Operating Officer & Chief Financial Officer
- Mr. Amit Sharma – Company Secretary
- Mr. S.K. Dhawan – Head of Credit (KMP from October 22, 2021 to February 09, 2023)
- Mrs. Richa Mahajan – Chief Compliance Officer (KMP from October 22, 2021 to February 09, 2023)
- Mr. Raghav Aggarwal – Chief Risk Officer (KMP from October 22, 2021 to February 09, 2023)

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12.1 Related parties as per Accounting Standard 18 (Contd.)

Relatives of Key Management Personnel:

- Mr. Sarvjit Singh Samra; Mr. Amardeep Samra, Mr. Amardip Samra, Mrs. Surinder Kaur Samra, Mrs. Navneet Samra, Mrs. Amarpreet Kaur Heyer; Mr. Shahbaz Singh Samra, Mr. Sangram Singh Samra and Sarvjit Singh Samra HUF.
- Mr. Munish Jain; Mr. Kirti 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. Binla Sharma, Mrs. Gitika Sharma, Mr. Kunal Sharma, Miss Ananya Sharma, Mrs. Poonam Sharma, Mrs. Seema Sharma, Mr. Ajay Sharma and Mrs. Sheetal Sharma.
- Mr. S.K. Dhawan; Mrs. Jeewan Asha, Mrs. Sujata Dhawan, Mrs. Rajni Dhawan, Mr. Vijay Kumar Dhawan, Mr. Ashwani Kumar Dhawan, Mr. Atun Kumar Dhawan and Mr. Anil Kumar Dhawan.
- Mrs. Richa Mahajan; Mr. Gaurav Mahajan, Mr. Amey Mahajan, Miss Arshya Mahajan, Mrs. Neelam Sehgal, Mr. R.K. Sehgal and Mr. Akhil Sehgal.
- Mr. Raghav Aggarwal; Mr. Sunil Aggarwal, Mrs. Indu Aggarwal, Mrs. Himani Mittal and Mr. Karan Aggarwal

Associates/ Joint Ventures/ Others:

- Capital Foundation Trust

12.2 The balances payable to/receivable from the related parties of the Bank as on March 31, 2023 are given below:

Items/ Related Party	Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	March 2023	-	-	0.89	-	2.89
	March 2022	-	-	0.24	-	2.16
Deposits	March 2023	-	1.67	1.45	-	5.31
	March 2022	-	0.82	1.43	-	3.94
Placement of Deposits	March 2023	-	-	-	-	-
	March 2022	-	-	-	-	-
Advances	March 2023	-	-	0.73	-	0.74
	March 2022	-	-	0.81	-	0.83
Investments	March 2023	-	-	-	-	-
	March 2022	-	-	-	-	-
Non funded commitments	March 2023	-	-	-	-	-
	March 2022	-	-	-	-	-
Leasing / HP arrangements availed	March 2023	-	-	-	-	-
	March 2022	-	-	-	-	-
Leasing / HP arrangements provided	March 2023	-	-	-	-	-
	March 2022	-	-	-	-	-

12.3 The maximum balances payable to/receivable from the related parties of the Bank for the year ended March 31, 2023 are given below:

Items/ Related Party	Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	March 2023	-	-	0.89	-	2.02
	March 2022	-	-	0.40	-	2.72
Deposits	March 2023	-	1.90	2.52	-	7.89
	March 2022	-	1.04	2.74	-	9.95
Placement of Deposits	March 2023	-	-	-	-	-
	March 2022	-	-	-	-	-



## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

### 15.2 Customer Complaints other than above

S. No.	Particulars	Year ended March 31, 2023	Year ended March 31, 2022
1	Complaints received by bank from its customers	5	3
2	Number of complaints pending at beginning of the year	199	297
3	Number of complaints disposed during the year	202	295
3.1	Of which, number of complaints rejected by the bank	52	86
4	Number of complaints pending at the end of the year	2	5
5	Maintainable complaints received by the Bank from the OBOs	11	18
5.1	Of 5, number of complaints resolved in favour of the bank by BOs	4	13
5.2	Of 5, number of complaints resolved through conciliation/ mediation/ advisees issued by BOs	6	6
5.3	Of 5, number of complaints resolved after passing of Awards by BOs against the bank	-	-
6	Number of awards unimplemented within the stipulated time (other than those appealed)	-	-

### 15.3 Top 5 grounds of Complaints received by the Bank

Grounds of complaints (i.e. complaints relating to)	Number of complaints pending at the beginning of this year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1 Internet/Mobile/Electronic Banking	2	3	4	5	6
Ground - 1 ATM/Debit Cards	8	883	(2.75)%	8	-
Ground - 2 Loans and Advances	5	421	(23.59)%	7	-
Ground - 3 Account Opening/ Difficulty in operation of accounts	2	49	(15.51)%	-	-
Ground - 4 Levy of charges without prior notice/ Excessive charges/ Foreclosure Charges	-	43	30.30%	-	-
Ground - 5 Others (Complaints not covered in above top 5 grounds)	1	85	(41.78)%	-	-
Total	16	1,504	(13.36)%	15	-

\* 1,212 complaints are related to acquiring banks

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

### During the year ended March 31, 2022

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

\* 1,379 complaints are related to acquiring banks

### 15.4 Awards Passed by the Banking Ombudsman

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
No of Unimplemented Awards at the beginning of the year	-	-
No. of Awards passed by the Banking Ombudsman during the year	-	-
No. of Awards implemented during the year	-	-
No. of Unimplemented Awards at the end of the year	-	-

### 16 Disclosure of Penalties imposed by the RBI

There has been no penalty imposed by the Reserve Bank of India on the Bank except that of ₹0.06 crores during the year ended March 31, 2023 for non-replenishment of ATMs in terms of RBI circular no. RBI/2021-22/84 DCM (RMMAT) No. S153/11.01/2021-22 on Monitoring of Availability of Cash in ATMs dated August 10, 2021.

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 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:

- 17 Remuneration
- 17.1 Qualitative information with reference to Whole Time Directors / Managing Director & Chief Executive Officer/Material Risk Takers (MRT)
- i) Nomination and Remuneration Committee
- The Bank has constituted Nomination and Remuneration Committee (NRC) for overseeing
- Mr. Gurpreet Singh Chugh, Chairman
  - Mr. Rakesh Soni, Member
  - Mr. Sham Singh Bains, Member
  - Mr. Gurdeep Singh, Member

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

### 17 Remuneration (Contd.)

#### ii) Philosophy and Key Objectives

The Compensation Policy ("the Policy") of the Bank aims at the Bank's philosophy to recruit, motivate, reward and retain employees who believe in, and live by, our culture and values. The Bank 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.

#### iii) Fixed Pay

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

#### iv) Variable Pay

The variable pay is the reward element of the remuneration, focussed to create a performance culture in the Bank, is payable as a reward to individuals or teams for achieving strong results in terms of pre-determined goals. The variable remuneration of an employee(s) can be short term or long term depending upon the category of the employee(s): (1) Short Term Variable Remuneration is paid either on half yearly or yearly frequency on the basis of performance based scorecard or individual employee rating; or/and (2) Long Term Variable Remuneration is paid on more than annual frequency on the basis of longevity and long-term performance of the employees in the form of ESOPs only (including Cash Linked Stock Appreciation Rights).

- The variable pay should be:
  - At least 100% but not more than 200% of the fixed pay in case of Managing Director and CEO and Whole Time Director or as approved by the Reserve Bank of India;
  - At least 50% but not more than 70% (earlier 60%) of the fixed pay for executive overseeing one business line and at least 75% (earlier 50%) but not more than 125% (earlier 70%) of the fixed pay for executive overseeing more than one business line in case of other MRTs.
  - Out of above, 50% of the variable pay should be via non cash instruments. In case, any the executive, is barred by statute or regulation from grant of Share-linked Instruments, the whole amount can be paid via cash.
  - Within the said range and as per the above ceiling, the MRC decides the short term variable pay %age for the period keeping in 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

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

### 17 Remuneration (Contd.)

Period and accordingly the performance measurement is done basis various key performance indicators including:

- Individual Rating;
- Profitability Achievement;
- Business Growth Achievement;
- Credit Risk (NPA position, SMA 2 position);
- Market Risk (LCR, Duration gap Analysis);
- Solvency Risk (Leverage Ratio, Capital Adequacy Ratio)
- A minimum of 60% of the total variable pay (including at least 50% of the cash component if cash component is ₹25 lakhs or more), is deferred over a period of 3 years. Further, in case of various events,

#### v) Guaranteed Bonus

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

#### vi) Hedging

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

the deferred compensation is subject to the malus arrangement.

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

S. No.	Particulars	Year ended March 31, 2023	Year ended March 31, 2022
A	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	Number of Meetings: 6 The Bank is paying remuneration to its MRC members, except Mr. Rakesh Sont, each amounting to ₹4 lakhs per annum other than the sitting fees. - 2	Number of Meetings: 6 No remuneration is being paid to members except the sitting fees.
B.1	Number of employees having received a variable remuneration award during the financial year.	- 2	- 2
B.2	Number and total amount of sign-on awards made during the financial year.	-	-
B.3	Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-
B.4	Details of severance pay, in addition to accrued benefits, if any.	-	-
C.1	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Total amount of deferred remuneration as on March 31, 2023 (Cumulative including the previous year remuneration) is • Cash incentive ₹1.35 crores; and • No. of Employee Stock Options 46,008 Cash incentive ₹0.19 crores; and • No. of Employee Stock Options vested 6,417	Total amount of deferred remuneration as on March 31, 2022 (Cumulative including the previous year remuneration) is • Cash incentive ₹1.25 crores; and • No. of Employee Stock Options 38,580
C.2	Total amount of deferred remuneration paid out in the financial year.	-	-

### Schedules Forming Part of Financial Statements

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17 Remuneration (Contd.)

S. No.	Particulars	Year ended March 31, 2023	Year ended March 31, 2022
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"> <li>Fixed pay ₹2.52 crores</li> <li>Variable pay (cash) ₹1.08 crores for FY 2023 out of which ₹0.68 crores is deferred.</li> <li>Variable pay (ESOPs to MRT) 13,875 options out of which 13,875 options are deferred.</li> </ul>	<ul style="list-style-type: none"> <li>Fixed pay ₹2.25 crores</li> <li>Variable pay (cash) ₹1.34 crores for FY 2022 out of which ₹0.67 crores is deferred.</li> <li>Variable pay (ESOPs to MRT) 19,299 options out of which 19,299 options are deferred.</li> </ul>
E.1	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	<p>The variable remuneration payable to MD &amp; CEO shall be paid subject to approval from the RBI. Total amount of deferred remuneration as on March 31, 2023 (cumulative including the previous year remuneration) is</p> <ul style="list-style-type: none"> <li>Cash incentive ₹1.35 crores; and</li> <li>No. of Employee Stock Options 46,008</li> </ul>	<p>The variable remuneration payable to MD &amp; CEO shall be paid subject to approval from the RBI. Total amount of deferred remuneration as on March 31, 2022 (cumulative including the previous year remuneration) is</p> <ul style="list-style-type: none"> <li>Cash incentive ₹1.25 crores; and</li> <li>No. of Employee Stock Options 38,550</li> </ul>
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.	2	2
F	Number of MRTs identified	-	-
G.1	Number of cases where malus has been exercised.	-	-
G.2	Number of cases where claw back has been exercised.	-	-
G.3	Number of cases where both malus and claw back have been exercised.	-	-
H	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	-	-

18 Disclosure on remuneration to Non-Executive Directors

Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees during the year ended March 31, 2023 amounted to ₹0.28 crores and ₹0.36 crores during the year ended March 31, 2022.

Further, during the current year, the Bank has paid the remuneration amounting to ₹0.54 crores and ₹0.14 crores during the year ended March 31, 2022 to the Non-Executive Directors.

19 Accounting for employee share-based payments

19.1 Capital Small Finance Bank Limited - Employees Stock Option Plan 2018 ("CSFB ESOP 2018") was approved by the shareholders of the Bank, in the Annual General Meeting held on August 18, 2018 amended further on October 22, 2021, for granting equity stock options to its employees and directors (other than independent directors) and Capital Small Finance Bank Limited - Employees Stock Option Plan for Material Risk Takers ("CSFB ESOP for MRTs") was approved by the shareholders of the Bank on July 11, 2020 amended further on October 22, 2021, for granting equity stock options to its material risk takers.

19.2 The stock options will be equity settled.

19.3 The accounting for stock options is in accordance with the Guidance Note on Accounting for Employee



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AS ON MARCH 31, 2023

19 Accounting for employee share-based payments (Contd.)

Share-based Payments issued by the Institute of Chartered Accountants of India. and supervised the plan. Its powers include determination of eligible employees, determine the parameters for grant of options, vesting conditions, determination of exercise period, among others.

19.4 The Nomination and Remuneration Committee of the Bank is empowered to administrate, implement and supervise the scheme as is under.

Scheme	Grant	Date of Grant	Vesting	Exercise Period	Exercise Price per option	Method of Settlement
CSFB ESOP 2018	Tranche 1	April 30, 2019	Graded Vesting: April 30, 2020 - 25% April 30, 2021 - 30% April 30, 2022 - 45%	Twelve months from the date of vesting	₹98	Equity
CSFB ESOP for MRTs	Tranche 1	April 30, 2021	Graded Vesting: April 30, 2022 - 33.33% April 30, 2023 - 33.33% April 30, 2024 - 33.33%	Twelve months from the date of vesting	₹10	Equity
CSFB ESOP 2018	Tranche 2	July 15, 2021	April 30, 2023 - 100%	Twelve months from the date of vesting	₹98	Equity
CSFB ESOP 2018	Tranche 3	Sep 01, 2021	Aug 31, 2024 - 100%	Twelve months from the date of vesting	₹98	Equity
CSFB ESOP for MRTs	Tranche 2	April 30, 2022	Graded Vesting: April 30, 2023 - 33.33% April 30, 2024 - 33.33% April 30, 2025 - 33.33%	Twelve months from the date of vesting	₹10	Equity
CSFB ESOP 2018	Tranche 4	June 16, 2022	Aug 31, 2024 - 100%	Twelve months from the date of vesting	₹98	Equity
CSFB ESOP for MRTs	Tranche 3	April 30, 2023	Graded Vesting: April 30, 2024 - 33.33% April 30, 2025 - 33.33% April 30, 2026 - 33.33%	Twelve months from the date of vesting	₹10	Equity

19.6 Activity in the options outstanding-

Under the CSFB ESOP 2018 plan-

Particulars	March 31, 2023 (Number of Options)	March 31, 2022 (Number of Options)
Options outstanding, beginning of the year	5,72,439	4,55,511
Granted during the year	76,000	3,26,750
Exercised during the year	2,01,946	1,23,410
Forfeited / Lapsed during the year	48,600	86,412
Options outstanding, end of the year	3,97,893	5,72,439
Options exercisable	54,893	47,940

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### 19 Accounting for employee share-based payments (Contd.) Under CSFB ESOP for MRTs-

Particulars	March 31, 2023 (Number of Options)	March 31, 2022 (Number of Options)
Options outstanding, beginning of the year	19,251	19,251
Granted during the year	19,299	—
Exercised during the year	6,417	—
Forfeited / Lapsed during the year	—	—
Options outstanding, end of the year	32,133	19,251
Options exercisable	—	—

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

Particulars	CSFB ESOP 2018 (Tranche 1) April 30, 2019	CSFB ESOP 2018 (Tranche 2) July 15, 2021	CSFB ESOP 2018 (Tranche 3) September 01, 2021	CSFB ESOP 2018 (Tranche 4) June 15, 2022
Date of grant	—	—	2021	—
Fair value of option (₹)	132.17	181.18	185.29	222.93
Risk-free interest rate (%)	5.65%-6.99%	5.06%	5.14%	5.89%
Expected life (years)	1.50-3.50 years	2.71 years	3.50 years	2.71 years
Expected volatility (%)	31.53%-33.01%	44.03%	41.80%	43.57%
Expected dividend rate (%)	—	—	—	—

Particulars	CSFB ESOP for MRTs (Tranche 1) April 30, 2021	CSFB ESOP for MRTs (Tranche 2) April 30, 2022	CSFB ESOP for MRTs (Tranche 3) April 30, 2023
Date of grant	—	255.04	294.14
Fair value of option (₹)	—	4.13%-5.15%	4.96%-6.20%
Risk-free interest rate (%)	—	1.50-3.50 years	1.50-3.50 years
Expected life (years)	—	42.07%-50.86%	44.64%-50.72%
Expected volatility (%)	—	—	37.20% - 46.14%
Expected dividend rate (%)	—	—	—

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

Had the Bank used the fair value model to determine compensation for the grant made before March 31, 2021, there would have been nil incremental cost during year ended March 31, 2023; and for year ended March 31, 2022, its profit after tax and earnings per share as reported would have changed as indicated below:

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

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

### 19 Accounting for employee share-based payments (Contd.)

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
- As reported	18.22	18.02
- Adjusted for ESOP using fair value method	—	—

### 20 Staff Retirement Benefits

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

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Defined benefit obligation liability	7.35	6.45
Opening Obligations	1.09	1.00
Service Cost	0.53	0.45
Interest Cost	(0.21)	(0.19)
Actuarial (Gain)/Loss	(0.27)	(0.35)
Liabilities extinguished on settlement	—	—
Benefits Paid	8.49	7.35
Obligations at last date of the year	7.45	6.48
Plan Assets at fair value	0.52	0.45
Opening Plan Assets, at fair value	(0.03)	(0.13)
Expected return on plan assets	—	—
Actuarial Gain/(Loss)	—	—
Assets distributed on settlement	0.92	1.00
Contributions	(0.27)	(0.36)
Benefits Paid	—	—
Plan Assets at fair value at last date of the year	8.59	7.45
Fair Value of Plan Assets at the end of the year	8.49	7.35
Present Value of the defined benefit obligation at the end of the year	0.10	0.10
Asset/(Liability) at last date of the year	0.06	(0.19)
Experience adjustments on Plan Liabilities	(0.03)	(0.13)
Experience adjustments on Plan Assets	—	—
Cost for the year	1.09	1.00
Service Cost	0.53	0.45
Interest Cost	(0.52)	(0.45)
Expected Return on Plan Assets	(0.18)	(0.06)
Actuarial (Gain)/Loss	0.92	0.93
Net Cost	—	—
Investment details of Plan Assets	—	—
Plan assets are invested in insurer managed funds.	—	—
Assumptions	—	—
Discount Rate	7.39%	7.26%
Salary escalation rate	5.00%	5.00%
Estimated rate of return on plan assets	7.39%	7.00%

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

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AS ON MARCH 31, 2023

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

Particulars	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
Earned Leaves	5.11	4.10
Sick Leaves	1.27	1.01
Total Actuarial Liability	6.38	5.11
Assumptions		
Discount Rate	7.39%	7.26%
Salary Escalation Rate	5.00%	5.00%

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

### 20.3 Liability towards Unamortized Pension

The Bank does not have any unamortized liability against pension during the year ended March 31, 2023 and year ended March 31, 2022.

### 20.4 The Code on Social Security, 2020

The Code on Social Security 2020 (the Code) 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 will assess the impact of the Code and will give appropriate impact in the financial statements in the period in which, the Code becomes effective.

### 21 Business Ratios

Particulars	Year ended	
	March 31, 2023	March 31, 2022
i. Interest Income as a percentage to Working Funds*	8.75%	8.46%
ii. Non-interest income as a percentage to Working Funds*	0.64%	0.79%
iii. Cost of Deposits	4.90%	5.02%
iv. Net Interest Margins#	4.19%	3.74%
v. Operating Profit** as a percentage to Working Fund	1.93%	1.66%
vi. Return on Assets@	1.22%	0.92%
vii. Business (Deposits plus advances) # per employee* (₹ in crores)	5.92	6.50
viii. Profit per employee (Operating Profit)* (₹ in crores)	0.09	0.07

Notes:  
\*Working funds have been reckoned as average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the year.

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

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

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

4. Productivity ratios are based on average number of employees.

# # Net Interest Margin has been computed based on the Net Interest Income (Interest Income - Interest Expense) and average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the year.

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### 22 Bancassurance Business

	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
Fee/remuneration received		
1. Life Insurance	7.96	7.27
2. General Insurance	2.98	2.56

### 23 Marketing and Distribution

	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
Fee/remuneration received		
Marketing and Distribution		

### 24 Details of Priority Sector Lending Certificates (PSLC)

Type of PSLC	Year ended March 31, 2023		Year ended March 31, 2022	
	PSLC bought during the year	PSLC sold during the year	PSLC bought during the year	PSLC sold during the year
Agriculture		500.00		985.00
Small and Marginal Farmers	535.00		345.00	
Micro enterprises				
General				
Total	535.00	500.00	345.00	985.00

### 25 Provisions and Contingencies

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

Particulars	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
Provisions towards Taxes#	30.56	21.92
Provisions towards Standard Assets	1.98	1.41
Provision towards Non-performing Advances	22.67	17.32
Total	55.11	50.65

#Details of Provisions towards Taxes

Particulars	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
Income Tax	31.72	24.97
Deferred Tax	(1.16)	(3.05)

### 26 Deferred Tax Asset/Liability

Other Assets include deferred tax asset of an amount equal to ₹7.97 crores for the year ended March 31, 2023 and ₹5.81 crores for the year ended March 31, 2022 as detailed below:

Particulars	₹ (in crores)	
	As on March 31, 2023	As on March 31, 2022
Deferred Tax Liabilities	1.79	1.71
Depreciation on Fixed Assets		0.80

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

### 25 Deferred Tax Asset/Liability (Contd.)

Particulars	₹ (in crores)	
	March 31, 2023	March 31, 2022
Special Reserve under section 35(i)(viii)	1.79	0.91
Deferred Tax Assets	9.76	8.52
Loan Loss Provisions	7.12	7.15
Others	2.64	1.37
Deferred Tax Liabilities/(Assets) (Net)	(7.97)	(6.81)

### 27 Status of Ind AS Implementation

As per RBI circular RBI/2015-16/318 DBR, BRBC, No.76/21.07.001/2015-16 dated February 11, 2016 Implementation of Indian Accounting Standards (Ind AS), Banks are advised that scheduled commercial banks (excluding RRBs) shall follow the Indian Accounting Standards as notified under the Companies (Indian Accounting Standards) Rules, 2015, subject to any guideline or direction issued by the RBI in this regard. Banks in India currently prepare their financial statements as per the guidelines issued by the RBI, the Accounting Standards notified under section 133 of the Companies Act, 2013 and generally accepted accounting principles in India (Indian GAAP). In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), which were based on convergence with the International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). In March 2019, RBI deferred the implementation of Ind AS for banks till further notice as the recommended legislative amendments were under consideration of Government of India. The Bank had undertaken preliminary diagnostic analysis of the GAAP differences between Indian GAAP vis-a-vis Ind AS and shall proceed for ensuring the compliance as per applicable requirements and directions in this regard and the Bank is submitting Proforma Ind AS Financial Statements to the RBI on a half yearly basis.

### 28 Payment of DICGC Insurance Premium

S. No.	Particulars	₹ (in crores)	
		Year ended March 31, 2023	Year ended March 31, 2022
1.	Payment of DICGC Insurance Premium	7.31	7.62
2.	Arrears in payment of DICGC premium	-	-

### 29 Dues to Micro, Small and Medium Enterprises

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

### 30 Corporate Social Responsibility

Particulars	₹ (in crores)	
	Year ended March 31, 2023	Year ended March 31, 2022
Total amount to be spent	1.15	0.77
Amount spent	1.15	0.77
Amount unspent	-	-

The Bank has formulated a trust in the name of Capital Foundation. The CSR expenses are taken care either by the Capital Foundation or directly by the Bank. The above expenditure of ₹1.15 crores and ₹0.77 crores for the year ended March 31, 2023 and March 31, 2022, respectively, has been contributed to the Capital Foundation Trust or has been spent directly by the Bank.

## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

### 31 Description of Contingent Liabilities

Particulars	Description
Claims against the bank not acknowledged as debts	Includer liability created for taxation matter in respect of which appeal is pending. The Bank expects the outcome of the appeal to be favourable, based on decisions on similar issues in the previous years by the appellate authorities.
Guarantees given on behalf of constituents in India.	As a part of its commercial banking activities, the Bank issues bank guarantees on behalf of its customers.
Acceptances, endorsements and other obligations.	Includes Letters of credit issued on behalf of the customers that enhances the credit standing of the Bank's customers.
Other items for which Bank is contingently liable.	Includes capital commitments and amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

### 32 Investor Education and Protection Fund

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

### 33 Details of Other Heads exceeding 1%

33.1 Other Expenditure includes the below expenses that exceed 1% of the total income of the Bank:

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Other Expenditure	-	-
Security and Service Charges	5.55	6.50

\*The value has been disclosed for comparative purpose. However, it does not exceed 1% of the total income of the Bank.

33.2 Miscellaneous Income and Commission, Exchange & Brokerage includes the below income that exceed 1% of the total income of the Bank

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Other Income	-	-
Miscellaneous Income	-	-
Commission-Exchange and Brokerage	-	-
-Commission-Loan Processing Fees Charges	11.44	11.01
-Commission-Bancassurance (Life)	7.95	7.27

33.3 Other Liabilities and Provisions - Others (including Provisions) and Other Assets-Others does not include any item that exceeds 1% of the total assets of the Bank as on March 31, 2023 and as on March 31, 2022

### 34 Payment to Auditors

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Audit Fees	0.51	0.45
Certificate Fees and other services	0.06	0.29
Out of Pocket Expenses	0.05	0.05

excludes ₹ 0.09 crores paid on behalf of Selling Shareholders.



## Schedules Forming Part of Financial Statements

AS ON MARCH 31, 2023

35 Change in accounting estimate of useful life of Fixed Asset

During the year ended March 31, 2023, the Bank has revised the estimated useful life of Office Equipment and Automated Teller Machines (ATMs). Depreciation on these assets has been charged prospectively over the revised useful life of assets. Consequently, depreciation charged has been increased by ₹5.08 crores and profit after tax for the period ended March 31, 2023 was lower by ₹3.83 crores.

36 Comparative Figures

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

### PILLAR 3 DISCLOSURE

The Reserve Bank of India (RBI) vide its circular DBR.No.BP/BC.4/21.06.001/2015-16 dated July 01, 2015 on Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF) requires banks to make Pillar 3 disclosures including leverage ratio, liquidity coverage ratio and net stable funding ratio. The Document has not been subject to Statutory Audit or any Limited Review. These disclosures are available on Capital Small Finance Bank's website at <https://www.capitalbank.co.in/investor-disclosures-pillar-3-disclosures>

The disclosure contains the following Qualitative and Quantitative Pillar 3 disclosures:

- Scope of Application
- Capital Adequacy Framework and Capital Structure
- Framework
- Assessment
- Capital Funds
- Capital Requirement for various Risks and Weighted Assets
- Leverage Ratio
- Credit risk
- Architecture
- Process
- Credit Concentration Risk
- RBI Classification and Provisioning requirements
- Credit Risk Exposures
- Residual contractual maturity breakdown of Assets
- Asset Quality
- Credit risk: Disclosures for Portfolios subject to the Standardised Approach
- Credit Rating Agencies
- Risk Weight Wise Exposure Distribution
- Credit Risk Mitigation: Disclosures for Standardised Approach
- Policies and processes for collateral valuation and management
- Eligible Financial Collateral
- Exposure covered by Financial Collateral post haircuts
- Securitisation Exposure
- Market Risk In Trading Book
- Operational Risk
- Liquidity Risk
- Interest Rate Risk in Banking Book
- Earnings Perspective
- Economic Value Perspective
- Main features of Regulatory Capital Instruments
- Liquidity Coverage Ratio disclosure
- Net Stable Funding Ratio disclosure

CERTIFIED TRUE  
For Capital Small Finance Bank Limited

*(Signature)*  
Authorised Signatory





**Capital Small Finance Bank**

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