



**7 DAY  
BRANCH BANKING**



# 15 years of Trust & Performance

**Capital Local Area Bank** 

## *Vision*

“To provide superior banking service, focused on customers’ needs. To contribute to the economic development of the area through innovative ideas, technology and new products. To maintain a long lasting and trustworthy relationship with the local community.”

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### Management Committee

Sarvjit Singh Samra  
Inder Krishan Sardana  
Dinesh Gupta

### Audit Committee

Madan Gopal Sharma  
Dinesh Gupta  
Bhagwant Singh Sangha  
Sukhpal Singh Gill

### Nomination & Remuneration Committee

Madan Gopal Sharma  
Bhagwant Singh Sangha  
Sham Singh Bains  
Dinesh Gupta

### Securities Allotment Committee

Sarvjit Singh Samra  
Dinesh Gupta  
Bhagwant Singh Sangha

### Stake Holders Relationship Committee

Sarvjit Singh Samra  
Inder Krishan Sardana  
Ranbir Singh

### Investor Grievance Redressal Committee

Sarvjit Singh Samra  
Dinesh Gupta  
Bhagwant Singh Sangha

### Credit Sanctioning Committee

Sarvjit Singh Samra  
Dinesh Gupta  
Sham Singh Bains

### Risk Management Committee

Sarvjit Singh Samra  
Dinesh Gupta  
Sukhpal Singh Gill

### Securities Transfer Committee

Sarvjit Singh Samra  
Dinesh Gupta  
Bhagwant Singh Sangha

### Special Committee (Fraud Monitoring)

Inder Krishan Sardana  
Sarvjit Singh Samra  
Dinesh Gupta

### Corporate Social Responsibility Committee

Bhagwant Singh Sangha  
Sarvjit Singh Samra  
Ranbir Singh

**Chairman**  
Inder Krishan Sardana

**Managing Director**  
Sarvjit Singh Samra

**Directors**  
Dinesh Gupta  
Santokh Singh Chhokar  
Bhagwant Singh Sangha  
Sham Singh Bains  
Ranbir Singh  
Madan Gopal Sharma  
Sukhpal Singh Gill

**Auditors**  
M/s V. P. Vijh & Co.  
Chartered Accountants  
Jalandhar

**Chief Operating Officer &  
Company Secretary**  
Munish Jain

## Financial Highlights

**15** years of  
Trust & Performance

Business Analysis	2014-15	2013-14	2012-13	CAGR
Deposits	1506.78	1264.14	977.78	24.14%
Advances	929.30	757.61	605.91	23.84%
Total Business	2436.08	2021.75	1583.69	24.03%
Net Worth	89.51	79.77	71.29	12.06%

Profitability Analysis				
Gross Revenue	171.99	140.73	119.39	20.03%
Net Interest Income	54.62	46.24	39.80	17.15%
Operating Profit	19.26	18.70	17.25	5.67%
Net Profit	14.22	10.61	12.51	6.61%

Ratio Analysis	2014-15	2013-14	2012-13
CASA %	35.72	37.94	39.56
Return On Equity	16.80	14.05	18.80
Return On Assets	0.92	0.84	1.17
Interest Spread	3.87	4.02	4.09
Net Interest Margin	3.53	3.65	3.72
EPS(Rs.)	8.24	6.14*	7.97
Book Value Per Share(Rs.)	51.85	50.83	45.42
Capital Adequacy Ratio	15.22	15.01	15.58
Gross NPAs %	0.39	0.36	0.45
Net NPAs %	0.13	0.09	Nil
Dividend %	16.00	10.00	16.00

₹ In Crores

\* Adjusted EPS

- Pioneer in bringing state-of-the-art banking facilities in rural areas at low cost.
- Promoting financial inclusion in the area of operation since inception by providing easy access of banking services to the masses.
- Extension of banking services to the unbanked villages through Suvidha Kendras (Brick & Mortar B.C. Outlets).
- 7 day branch banking from day one with extended and uninterrupted banking hours.
- Maintaining a high credit deposit ratio of above 60%.
- Business CAGR of more than 24%.
- One-stop financial hub in rural and semi urban areas.
- Contribution towards economic development and employment generation in the area.
- Surpassed national targets in priority sector, agriculture and weaker section advances.
- Average business per branch of ₹ 67 crores.
- Accredited with 'ICAI' Award for excellence in financial reporting for two consecutive years.
- Ranked amongst India's 100 best companies to work for by 'Great Place to Work Institute' in India for two consecutive years



“From day one, the Bank has provided a gateway to the unbanked population to avail banking services at low cost. The focus to serve common man and the local touch advantage has given Capital Local Area Bank a competitive edge over other banks in the region.”

### Dear Shareholders,

Capital Local Area Bank Limited, the largest Local Area Bank in the country, completed 15 years of operation on January 14, 2015 with excellent performance in all spheres. The Bank has been operating in three contiguous Districts of Jalandhar, Kapurthala and Hoshiarpur in Punjab for the initial 13 years. In January 2013, the Reserve Bank of India accorded the approval for expansion in the area of operation of the Bank to two more Districts of Ludhiana and Amritsar in Punjab.

The Bank pioneered in bringing modern banking facilities to the rural areas at low cost. In line with the purpose for which the Local Area Banks have been set up, the Bank focused on promoting Financial Inclusion in the area of operation since inception by making banking services accessible to the common man. The Bank is providing a safe, efficient and service oriented repository of savings to the local community on one hand, and reducing their dependence on moneylenders by making need based credit easily available on the other hand.

The total business of the Bank has crossed ₹2500 crores spread out in 39 branches (18

rural, 15 semi urban, 4 urban and 2 metropolitan), with more than 3,21,000 number of accounts. During the current financial year 10 new branches will become operational. The Bank has about 80% of its business in rural and semi urban areas, with Priority Sector Lending of 68.27% of the Adjusted Net Bank Credit as on March 31, 2015. The Bank is extending loans primarily to small borrowers as 59.65% of the total advances are up to the ticket size of ₹25 lacs as on March 31, 2015. The tremendous performance of the Bank is evident from the fact that most of its branches have become the largest branches at their respective centers in this short span.

The Bank has shown remarkable results across board during the year ended March 31, 2015. The total deposit of the Bank increased from ₹1264.14 crores as on March 31, 2014 to ₹1506.78 crores as on March 31, 2015 registering a growth of 19.19%. Total advances have increased to ₹926.84 crores as on March 31, 2015 as against ₹755.56 crores as on March 31, 2014, registering a growth of 22.67%. The total Business of the Bank has increased to ₹2433.62 crores as against ₹2019.70 crores as



on March 31, 2014 registering a growth of 20.49%. The gross revenue of the Bank increased to ₹171.99 crores as on March 31, 2015 as against ₹140.73 crores as on March 31, 2014. The net interest income increased to ₹54.62 crores as on March 31, 2015 as against ₹46.24 crores as on March 31, 2014. The Net Profit of the Bank has increased to ₹14.22 crores as on March 31, 2015 as against ₹10.61 crores as on March 31, 2014, resulting a growth of 34.02%.

#### Financial Inclusion

Going ahead with the national agenda to provide banking services in every unbanked village with population of 2000 and above, the Bank has voluntarily adopted 10 villages in the first phase out of 178 such villages identified in the area of operation of the Bank. The Bank has taken the lead in its area of operation with extension of Banking Services in these centers through Business Correspondent Model by opening 14 Suvidha Kendras (Brick & Mortar BC outlets) whereas SLBC allocated only 3 unbanked villages. In a short span, the Bank has generated a total business of more than ₹155.00 crores through 'Suvidha Kendras' by opening 24,000 accounts.

From day one, the Bank has provided a gateway to the unbanked population to avail banking services at low cost. The Bank has set a rare example in this regard as 26.74% of the total Savings Bank Accounts are 'No Frill Accounts' as on March 31, 2015.

The focus to serve common man and the local touch advantage has given Capital Local Area Bank a competitive edge over other banks in the region.

I am glad to share with you that Capital Local Area Bank has been ranked as number 1 in Banking Sector amongst India's 100 Best Companies to work for 2015. The Bank has made to the list of India's 100 Best Companies to work for the second consecutive year. This year 'Great Place to Work Institute' in India has covered more than 700 organisations to assess top 100 best workplaces. Great Place to Work is a global Institute with its Headquarters at San Francisco, USA and has presence in more than 45 countries across globe. This Institute has covered more than 25 years of research,

recognising and building great work places worldwide and conducts the world's largest and most reputed study of workplace excellence and people management practices. The Indian branch of this Institute started working about 12 years ago. Every year, they conduct a research of more than 600-700 organisations working in India.

The Reserve Bank of India issued guidelines for Licensing of Small Finance Banks in the private sector on November 27, 2014 and allowed Local Area Banks to apply for conversion to Small Finance Bank. The objective for setting up of Small Finance Banks is to further financial inclusion by providing savings opportunities to the common man and supply of credit to small business units, small and marginal farmers, micro and small industries and other unorganized sector entities, through high technology low cost operations. There is going to be no restriction in the area of operation of Small Finance Banks and these Banks will get the Scheduled Bank status apart from a number of other benefits. Accordingly, Capital Local Area Bank has applied for conversion to Small Finance Bank. The objective and business plan on which the Bank has been working commensurates with the objective for which 'Small Finance Banks' are being set up. Conversion of Capital Local Area Bank to Small Finance Bank will give a great boost to the expansion plan of the Bank, resulting immense growth in business and profitability.

The Bank which is already a proud market leader at most of its operational centers and endeavours to hold this similar position at the new centers to be added in future as well. I am thankful from the core of my heart to the Promoters, Directors, Government Authorities and Reserve Bank of India for their guidance and support. I sincerely offer my gratitude to the entire team of the Bank for its dedication, sincerity, team work, commitment, selfless initiative and hard work.

**Sarjit Singh Samra**  
Managing Director



## Dear Shareholders,

The Directors of the Bank have great pleasure in presenting the 16<sup>th</sup> Annual Report on the business and operations of the Bank along with the audited accounts for the year ended March 31, 2015.

### Economic Overview

The Indian economy in the year 2014-15 has emerged as one of the largest economies with a promising economic outlook on the back of controlled inflation, rise in domestic demand, increase in investment, decline in oil prices and reforms among others. The economy of India is the seventh largest in the world by nominal GDP and the third largest by Purchasing Power Parity (PPP). According to Finance Ministry, Government of India, the annual growth rate of the Indian economy is projected to have increased to 7.4% in 2014-15 as compared with 6.9% in the fiscal year 2013-14. Over the six and half decades since independence, the country has brought about a landmark agricultural revolution that has transformed the nation from chronic dependence on grain imports into a global agricultural powerhouse that is now a net exporter of food. Life expectancy has more than doubled, literacy rates have quadrupled, health conditions have improved, and a sizeable middle class has emerged. India is now home to globally recognized companies in pharmaceuticals and steel and information and space technologies, and a growing voice on the international stage that is more in keeping with its enormous size and potential.

The financial year 2014-15 has been characterized by mega events. The socio-economic scene at the global level has been multi faced where on one side in the developed world the US has staged a remarkable economic recovery and Japan trying its level best to edge past decades long deflation and on the other hand Euro zone has been marred by rising government debt and deteriorating fiscal health and fast deteriorating economic health with fears of deflation looming large and on the other hand, the developing world economies too have witnessed varied developments. India, has emerged as a big winner of the current financial year on many fronts, first and foremost, India has

elected a central government with a strong mandate with a strong economic developmental agenda, secondly, the fall in commodity prices, specially crude oil has benefited India to a great extent as India is primarily a crude oil importer, the massive fall in crude oil prices has improved India's fiscal and current account deficits to a large extent, making India a favorite investment destination. The green shoots are visible and economic cycle looks promising for a turnaround in the quarters and years to come. However, economic growth and industrial growth rates are yet to revive. As for banks, mounting non-performing assets continue to remain as an area of concern. The good thing is the future expectations of economic recovery gives glimpse of hope to the banking industry for business revival and improvement in asset quality.

Now, coming to our land, Punjab, the land of unlimited possibilities where agriculture, small and medium scale industry and entrepreneurship is blossoming. Capital Local Area Bank, is putting in its share in the fast paced economic development of the state of Punjab. Punjab has witnessed fast track economic development and structural shift over the past half century. Punjab was a state known primarily for its agriculture, livestock, forestry, and less for industries, minerals, tourism. The demographics are changing and changing for the good. There is a growing middle class with regular monthly income besides agriculture income. Punjab was looked upon as an agricultural economy where big industrial units were a rarity and banking industry did not play its role effectively besides being a deposit unit because of its huge NRI base. Set up with the objective to augment credit for viable economic activities in the rural areas and bridging the credit gap, Capital Local Area Bank Limited, caters to the needs of rural India and have been delivering a wide range of financial services and providing world-class banking services to the local rural community at a low cost. The hardworking youth is making a difference to the state by diversifying away from agriculture based occupation to urbanization and industrialization; most of the educated segment of the youth is striving to become entrepreneurs creating more job

opportunities for their peers. Capital Local Area Bank endeavor to nurture the entrepreneurship of the youth to accelerate the economic growth of the area through provision of credit at grass root level and employment generation. In order to remove institutional inhibition and create awakening among masses to avail banking facilities, the Bank endeavored for inclusive growth from the very inception and introduced very low cost deposit products and later no frill deposit accounts and has been instrumental in rural upliftment in the area of operation. The Bank is pioneering the 7 Day Banking role that we have been playing from the day one. The Bank is proud and privileged that it had been successful in bringing high-tech, customized, thorough professional banking services with a personal touch to the rural populous which have now been well recognized resulting in the tremendous response which the bank received at the time of opening new branches in the area of operation. The Bank has completed 15 years during the year 2014-15 and achieved a phenomenal growth in all its operations. The Bank has been delivering record breaking performance in every sphere, depicting faith by the stakeholder and dedication by team members. The Board is elated to share with you that as the result of consistent, trustworthy and ethics based performance of our Bank, the Bank has been rewarded by Reserve Bank of India operational expansion to serve a bigger community. Our Bank have always and will always strive to serve the bigger purpose by strong values and world class banking services at an affordable price.

We were granted permission for opening of five new branches by the Reserve Bank of India on July 25, 2014 out of which four branches have been opened during the financial year 2014 -15. The Bank has a total of 38 branches as on date. Out of which 17 branches are rural, 15 are semi-urban and 4 are urban and 2 are metropolitan. The 39<sup>th</sup> Branch at Lambra, which is a rural branch will be opened on April 27, 2015. Exponential growth has been recorded in rural business during the year-ended March 31, 2015. The Bank has partnered in the growth and development of its various stakeholders, which has in turn made the Bank post record performance in every sphere. The year has

ended at a positive and a progressive note for all of our stakeholders with a pickup in the investment climate and our bank will make the most of all the opportunities in hand.

### Operating Performance

The Banking sector has witnessed extreme divergent scenarios. The year gone by saw softening monetary policy by the RBI as inflation got well within the target range. The Banking Sector, though has been facing asset quality issues but the fiscal and monetary policies going forwards along with developmental agenda of the central government augurs well for the future of banking industry as a whole in the years to come. Our Bank has always held sound business ethics and performed reasonably well with handsome growth during this tough time. The Bank has achieved another milestone with the total business surpassing ₹2436 crores during the year 2014-15. Despite the economic slowdown, the Bank has shown remarkable growth for the year ended March 31, 2015 at a glance is as under:

1. Deposits of the Bank increased to ₹1506.78 crores as on March 31, 2015 as against ₹1264.14 crores as on March 31, 2014 registering a growth of 19.19%.
2. Advances of the Bank increased to ₹929.30 crores as on March 31, 2015 as against ₹757.61 crores as on March 31, 2014 registering a growth of 22.66%.
3. Total business of the Bank increased to ₹2436.08 crores as on March 31, 2015 as against ₹2021.75 crores as on March 31, 2014 resulting in a growth of 20.49%.
4. Gross income increased to ₹171.99 crores as on March 31, 2015 as against ₹140.73 crores as on March 31, 2014 registering a growth of 22.21%.
5. Net interest income of the Bank increased to ₹54.62 crores as on March 31, 2015 as against ₹46.24 crores as on March 31, 2014 depicting a growth of 18.12%.
6. Net Profit increased to ₹14.22 crores as on March 31, 2015 as against ₹10.61 crores as on March 31, 2014 registering an increase of 34.02%.

7. Fixed assets of the Bank have increased to ₹3254.13 lacs as on March 31, 2015 as against ₹3192.25 lacs as on March 31, 2014.

8. Net Worth of the Bank has increased to ₹89.51 crores as on March 31, 2015 as against ₹79.77 crores as on March 31, 2014.

9. Reserves & Surplus as on March 31, 2015 increased to ₹72.25 crores as on March 31, 2015 against ₹64.08 crores as on March 31, 2014.

### Financial Highlights

₹ In Crores	Year Ended March 31, 2015	Year Ended March 31, 2014	Growth % age
Deposits	1506.78	1264.14	19.19%
Advances	929.30	757.61	22.66%
Total Business	2436.08	2021.75	20.49%
Gross Revenue	171.99	140.73	22.21%
Net Interest Income	54.62	46.24	18.12%
Operating Expenses	46.93	37.83	24.05%
Provision & Contingencies	5.04	8.09	(37.70%)
Profit Before Tax	20.82	16.15	28.92%
Profit After Tax	14.22	10.61	34.02%
<b>Appropriations</b>			
Transfer To Statutory Reserve	3.55	2.65	
Transfer To Other Reserves	1.38	0.24	
Depreciation Charge Of Earlier Years	0.25	Nil	
Proposed Dividend	2.76	1.57	
Corporate Dividend Tax	0.57	0.27	
Leaving Balance To Be Carried Forward To The Next Year	5.71	5.88	
<b>No. Of Branches</b>			
1. Rural	17	16	
2. Semi Urban	15	13	
3. Urban	4	3	
4. Metropolitan	2	2	
Credit Deposit Ratio	61.67%	59.93%	
Business Per Employee *	4.30	3.88	
Return On Equity (pre-tax)	24.60%	21.38%	
Capital Adequacy Ratio	15.22%	15.01%	
Non-performing Assets(net)*	1.19	0.69	
Paid Up Capital*	17.26	15.69	
Net Worth*	89.51	79.77	
Book Value Per Share (₹)	51.85	50.83	
Earnings Per Share (₹)	8.24	6.14**	

\* ₹ In Crores

\*\*Adjusted EPS

The Bank values its customer satisfaction and we base our every endeavor around it. The Bank has been continuously striving to provide world class banking services under single roof at low cost since day one. Envisioned to establish long lasting relationship with the local communities, the Bank focuses towards personalized banking and strives to create an innovative and responsive approach in its area of operation with an ultimate objective to further financial inclusion in its area of operation since inception. Our business model has been designed such, that it enhances our performance and backs us up in tough times. It has been set up and strengthened over the years with the faith and trust of local communities.

There has been an increase of 25.26% in Net Advances with Credit Deposit ratio of 61.67% as on March 31, 2015 which shows the commitment of Bank in achieving its objective for provision of credit and promoting inclusive growth. The Bank as envisioned is obligated for economic development of the area of its operation. The loan portfolio is well diversified coupled with customer delight, competitive pricing, faster credit delivery with an overall objective of bringing modern banking services at low cost in rural areas.

#### **Extension in Area of Operation**

The area of operation of the Bank was extended from 3 districts of Jalandhar, Hoshiarpur and Kapurthala to 5 districts with addition of big, largely populated commercially developed districts of Amritsar and Ludhiana. This extension has given an impetus for substantial growth. The Bank has opened 4 branches during the year 2014 -15 i.e. Jagraon and Khanna Branches in Ludhiana district, Rayya Branch in Amritsar district and Nadala Branch in Kapurthala district.

**Bonus Issue & Capital Adequacy Ratio (CAR)**  
During the financial year 2014-15, the Bank issued 15,69,543 number of bonus shares to the existing shareholders of the Bank in proportion of 1 (One) Bonus Equity Share of ₹10/- each for every 10 (Ten) fully Paid-up Equity Shares of ₹10/- each held by them with capitalization of sum to the extent of ₹1,56,95,430 (Rupees One Crore Fifty Six Lacs Ninety Five Thousand Four Hundred Thirty only) standing to the credit of Securities Premium Account of the Bank.

To enhance the Capital Adequacy Ratio, the Bank issued Upper Tier II Base - I Compliant Bonds 2014-15 in the nature of debenture of face value ₹10.00 lakh each for cash, to the extent of ₹14.00 crores on March 31, 2015, which are listed in the Bombay Stock Exchange w.e.f. April 17, 2015. During the year, the Bank issued Lower Tier II Subordinated Debt Bonds in the nature of debentures of face value of ₹1,00,000/- each to the extent of ₹9.47 Crores.

The Paid up Capital of the Bank as on March 31, 2015 was ₹1726.50 lacs. The Capital Adequacy of the Bank as on March 31, 2015 was 15.22%.

#### **Great Place to Work**

Capital Local Area Bank has been ranked amongst India's 100 Best Companies to work for 2015 for the second consecutive year by 'Great Place to Work Institute' in India. The awards in this regard are likely to be announced in a function at Mumbai by first week of July, 2015. This year the Institute has covered more than 700 organisations to assess top 100 best workplaces. Great Place to Work is a global Institute with its Headquarters at San Francisco, USA and has presence in more than 45 countries across globe. This Institute has covered more than 25 years of research, recognising and building great work places worldwide and conducts the world's largest and most reputed study of workplace excellence and people management practices. The Indian branch of this Institute started working about 12 years ago. Every year, they conduct a research of more than 600-700 organisations working in India.

#### **Small Finance Bank**

The Reserve Bank of India issued guidelines for Licensing of Small Finance Banks in the private sector on November 27, 2014 and allowed Local Area Banks to apply for conversion to Small Finance Bank. The objective for setting up of Small Finance Banks is to further financial inclusion by providing savings opportunities to the common man and supply of credit to small business units, small and marginal farmers, micro and small industries and other unorganized sector entities, through high technology low cost operations. There is going to be no restriction in the area of operation of Small Finance Banks and these Banks will get the Scheduled Bank status apart from a number

of other benefits. Accordingly, Capital Local Area Bank has applied for conversion to Small Finance Bank. The objective and business plan on which the Bank has been working commensurate with the objective for which 'Small Finance Banks' are being set up. Conversion of Capital Local Area Bank to Small Finance Bank will give a great boost to the expansion plan of the Bank, resulting immense growth in business and profitability.

#### Dividend

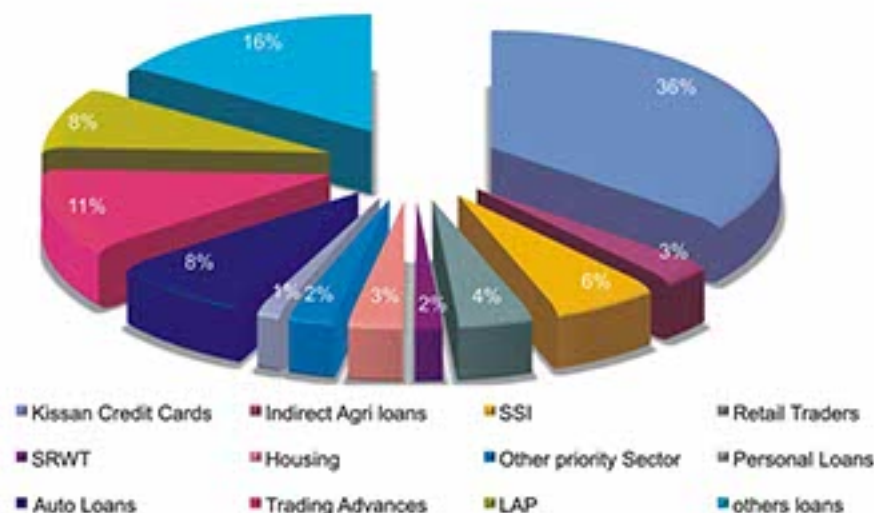
The year gone by has been monumental in several respects. The Bank has shown stellar performance in every sphere. The Bank has generational opportunity to expand in newer geographies and reap the benefits of its brand equity. The years of hard efforts and providing this golden opportunity to the Bank. The Bank constantly endeavors to share the growth of the bank with the shareholders in the form of dividend distribution and higher capital appreciation by retaining adequate quantum of profits to meet future expansion plans. A sum of ₹355.49 lakhs out of the profits has been transferred to Statutory, besides making provisions against Standard Assets as per norms of the Reserve Bank of India. Keeping in view the twin objectives to strengthen our Capital base and reward the shareholders, the Directors propose to plough back 80.57% of the profit and have recommended a dividend of 16% for the year 2014-15 as against 10% for the year 2013-14.

#### Advance to Priority Sector and Weaker Section

The basic model of the bank has been built around catering to the financial needs of its

clientele in the best possible way with continuous focus on facilitating Priority Sector Advances and to meet the banking needs of the weaker sections of the society. The Bank has always been striving for adequacy and genuineness of the facilities provided in the major thrust areas, namely Priority Sector and Weaker Sections. Being a Local Area Bank, the Bank has taken the responsibility in its true sense to be one step ahead in discharging banking and other related financial requirements of people in the rural sector. Priority sector advances increased to ₹515.88 crores as on March 31, 2015 as against ₹392.59 crores as on March 31, 2014, registering a growth of 31.40%. The Priority Sector Advances stood at 68.27% of the Adjusted Net Bank Credit of previous year i.e. March 31, 2014 above the 40% benchmark set by the Reserve Bank of India. The total credit to agriculture has increased ₹344.94 crores as on March 31, 2015 as against ₹260.75 crores as on March 31, 2014 showing a growth of 32.29% which stood at 45.65% of the Adjusted Net Bank Credit of previous year i.e. March 31, 2014. The Bank has made majority of its Direct Agriculture Advances under its CAPITAL KISAN CREDIT CARD Scheme. The scheme is customer friendly and has given impetus to the flow of credit to agriculturists. This scheme has been largely instrumental in upliftment of credit availability in rural areas under the jurisdiction of our bank. Advances to Weaker Sections also continue to receive special priority. The advances made to Weaker Section including Small and Marginal Farmers, Scheduled Castes, etc. stood at ₹105.01 crores. The advances to weaker sections stood at 13.90% of Adjusted

#### Advance Profile



Net Bank Credit of previous year i.e. March 31, 2015 as against the regulatory benchmark of 10%. The Bank has initiated number of steps to increase lending to Priority Sector/Weaker Sections, including identifying potential centers for focused lending, imparting training to officers on rural lending, liberalised credit norms and softening interest rates.

#### **Financial Inclusion through 'Suvidha Kendras'**

To spearhead 'Inclusive Growth' in the area of operation, the Bank initiated series of measures in all its branches for achieving 100% financial inclusion. These measures include:

1. Voluntary adoption of Villages/Municipal Wards for 100% financial inclusion.
2. Door-to-Door Survey and collecting data of financially excluded households.
3. Opening of Suvidha Bachat Accounts of the financially excluded.
4. Providing credit through General Credit Card Scheme.
5. Promoting micro lending through JLG model.

The Bank has completed 100% Financial Inclusion in the adopted 129 villages and 50 Municipal Wards, covering population of 2,64,323 and 50,282 households. The Bank has submitted the branch-wise progress report to the respective Lead District Managers. The Bank has opened 52,798 Number of 'No Frill' accounts up to March 31, 2015 under Financial Inclusion of those households that did not have any access to banks/post offices constituting 26.74% of the total saving accounts of the Bank.

The promoters with local background clearly, understood the problems faced by the rural population to avail banking services. From day one, Capital Local Area Bank introduced state-of-the-art branches in rural areas with 7 day branch banking and uninterrupted extended banking hours from 10:00 am to 5:00 pm from Monday to Friday and from 10:00 am to 2:00 pm on Saturday and Sunday. This helps rural masses to avail banking services conveniently and efficiently.

The Bank has taken the lead in its area of operation with extension of Banking Services at these centres through Business Correspondent

Model by opening 14 Suvidha Kendras (Brick & Mortar BC outlets) against only 3 such centres allocated by State Level Bankers' Committee (SLBC), Punjab. In a short span, the Bank has been able to generate a total business of ₹143.00 Crores through these 'Suvidha Kendras' by opening 22,561 number of accounts. The Brick and Mortar BC outlets are not only furthering financial inclusion, but have also become a source for business generation for the Bank. The Reserve Bank of India, Rural Planning and Credit Department, Regional Office, Chandigarh conducted a study on the Banking Services and Financial Inclusion in Punjab from January, 2012 and observed that the initiatives taken by Capital Local Area Bank Limited in starting Suvidha Kendras for providing banking services has been highly successful.

The Bank has also provided credit linkage for micro lending under Joint Liability Group Model through Business Correspondent. As on March 31, 2015, total 987 groups consisting 4935 members were formed. The total disbursement of ₹888.06 lacs was made to the beneficiaries under micro lending and total outstanding as on March 31, 2015 was ₹278.87 lacs.

#### **Providing Micro Finance**

The bank has been focusing of micro finance as its prime objective. Micro finance is supposed to be the steering wheel for providing right direction to the economic upliftment. Therefore, Capital Bank has recognized its importance and is keeping up with the objective of providing modern banking facilities to the masses, especially to provide poor families with small loans and help them engage in productive activities and grow their very small businesses. Considering the financial services available to the poor, they often have serious limitations in terms of cost, risk and convenience; we have introduced a broader range of products and services including credit, savings, insurance, etc. Our aim is to provide the poor an access to a formal financial institution and let them avail benefits that put them at par with others. The Bank has introduced more micro lending products including micro finance under JLG Group Scheme through Business Correspondents. The Micro Finance of the Bank constitutes 18.63% of Adjusted Net Bank Credit

of previous year. Micro and Small Enterprises Finance of the Bank increased to ₹140.80 crores as on March 31, 2015 as against Rs.110.34 crores as on March 31, 2014, registering a growth of 27.60%.

### Investments

The Treasury Group, under the supervision and guidance of Investment Committee, is looking after the Assets and Liabilities, compliance of regulatory reserve requirements, market and liquidity risks. The core team strictly adheres to the established prudent norms for building suitable trading portfolio to make best of the available opportunities. The objective of the Treasury Desk is to constantly watch global and local developments, take proactive steps to make most of all the opportunities across asset classes and manage all the uncertainties and adverse moves prudently. Investments in SLR and Non-SLR Securities are being carried out after taking safety and liquidity into consideration. Total investments of the Bank stood at ₹452.34 crores as on March 31, 2015 comprising ₹448.34 crores in sovereign Government Securities, ₹4.00 crores in debt based instruments with a maturity mix of securities consistent with the risk perception and Investment Policy guidelines of the bank.

### Profitability

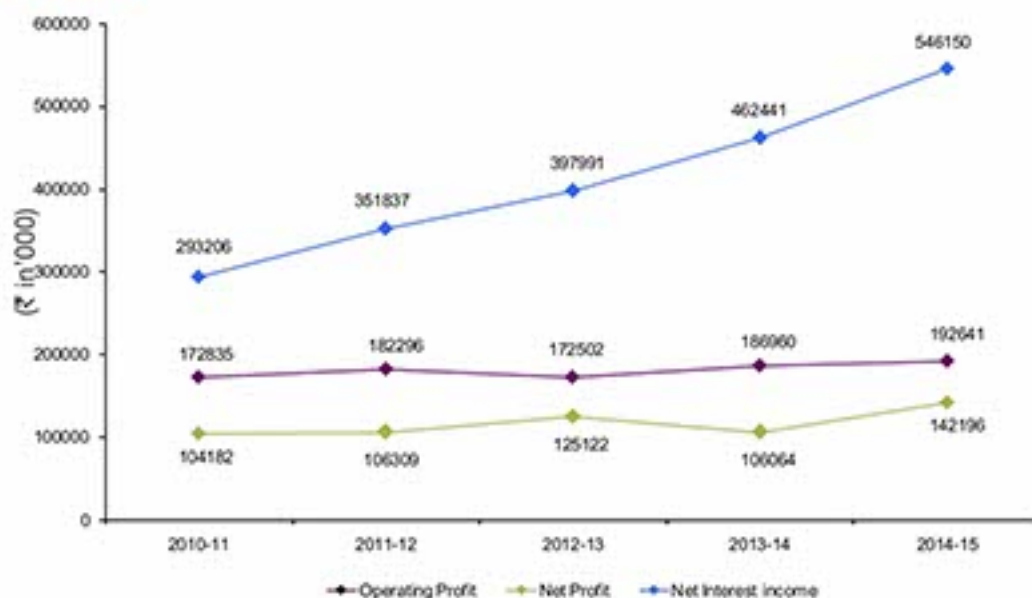
In spite of the fact that inflation remained high for most of the year and liquidity remained tight, the Bank's Profit for the year ended March 31, 2015

increased to ₹14.22 crores as against ₹10.61 crores as on March 31, 2014, resulting growth of 34.02%. The Bank has shown an overall satisfactory performance. The Bank has been able to show an upward trend despite the challenging market conditions and is poised to climb the ladder of success in coming times. The opening of new branches will boost the profitability and growth with diversified portfolio and will cater to larger base of stake holders.

### Our Strategy

With the vision to be the most innovative and one of its kinds in India, the Bank from beginning has been implementing best of its strategies for serving the plethora of entrepreneurs, individuals as well as businesses. The Bank has made possible to bring world-class financial services at the doorsteps of unprivileged rural masses of India. Technology savvy, state-of-the-art branch network, one-stop financial-hub coupled with personal touch has been one of our strongest strategic tools to grow and optimize returns in the competitive environment. The Bank aspires to further enhance its profitability by adding new fund based and non-fund based products and reducing transaction costs by increasing transaction volume through delivery channels. The strategy of the bank is empowered by competitive skills, valuable business principles, commitments and economic wisdom.

### Profitability Graph





### Great Customer Service

The Bank strives to achieve great customer services for customer delight. The Bank has been able to build brand loyalty. The immense opportunities lie ahead with commensurate responsibility for living up to our vision for delivering world class financial services at the door steps of less catered rural masses as well as expanding urban clientele. Extending the highest quality in service to its customers attracts top priority in our scheme of things. A Customer Service Committee monitors the implementation of customer service, measures periodically and looks into the customer grievances and tries to resolve them efficiently. The Bank has made all the efforts to provide maximum customer satisfaction and quick services. The implementation of customer services measures is monitored during the visit of the executives to branches. The Customer Service Committee met on four times during the financial year 2014-15.

### Complaint Database

- No. of complaints pending at the beginning of the year	1
- No. of complaints received during the year	10
- No. of complaints redressed during the year	10
- No. of complaints redressed during the year	1

### Statutory Disclosures

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

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

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

There are no employees in the Bank drawing salary of ₹60.00 lacs per annum or ₹5.00 lac per month or more; and none of the employees are relatives of Directors. Moreover, none of the employees of the Company other than Managing Director hold by himself or along with his spouse or dependent children two percent or more equity shares of the Company.

#### 3. Transfer of unclaimed dividend to Investor Education and Protection Fund

In terms of Section 125 of the Companies Act, 2013, any unclaimed or unpaid dividend relating to the financial year 2005-06 and 2006-07 was due for remittance on 30.9.2013 and 3.10.2014 respectively to the Investor Education and Protection Fund established by the Central Government. The Bank has duly transferred the requisite amount to Investor Education and Protection Fund on 15.9.2014.

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

There were no qualifications, reservations or adverse remarks made by the Auditors in their report. The provisions relating to submission of Secretarial Audit Report is not applicable to the Company

#### 5. Extract of the Annual Return

The extract of the annual return in Form No. MGT – 9 shall form part of the Board's report

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

The provisions of Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 regarding conservation of energy and technology absorption is given in the Management Discussion and Analysis attached to this report. There was no foreign exchange inflow or outflow during the year under review.

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

Except as disclosed elsewhere in this report, there have been no material changes and commitments which can affect the financial position of the Company occurred between the end of the financial year of the Company and date of this report.

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

For the financial year ended March 31, 2015, the

Bank had transferred ₹355.49 lacs to the Statutory Reserve Fund (maintained under section 17(1) of RBI Act, 1934). The Bank has

transferred ₹7.00 lacs to Special Reserve maintained under section 36 (1) (VIII) of Income Tax Act, 1961.

#### 9. Other disclosures

S.No.	Disclosure	Relevant Provisions of Companies Act, 2013 and Rules	Compliance
1.	Independent Directors Declaration	Sec 134(3)(d); Sec 149(6)	The Bank has obtained declaration of Independence from Mr. Bhagwant Singh Sangha, Mr. Sukhpal Singh Gill, Mr. Dinesh Gupta, Mr. Sham Singh Bains, Mr. Ranbir Singh, Mr. Madan Gopal Sharma and they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.
2.	Company's Policy on Directors' Appointment & Remuneration including criteria for determining Qualifications, Attributes, Independence etc.	Sec 134(3)(e); Sec 178(1) & (3)	The Nomination and Remuneration Committee of the Bank has put in place 'Fit and Proper' criteria policy for considering the appointment and remuneration of Directors and Key Managerial personnel as per the guidelines issued by RBI. The policy contains detailed procedures for determining qualification, positive attributes, due diligence mechanism and reference checks for appointment of Directors and Key Managerial Personnel.
3.	State of the Company's Affairs	Sec 134(3)(l)	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.
4.	Name of the companies which has become ceased to be Subsidiaries / Associates or Joint Ventures during the year	Sec 134(3)(q) read with Rule 8(5)(iv) of Ch IX – Company (Account) Rules, 2014	The Bank does not have any Subsidiary, Joint venture or Associate Company.
5.	Disclosure Under The Sexual Harassment of Women At Workplace (Prevention, Prohibition And Redressal) Act, 2013 - Constitute Internal Complaint Committee.	The Sexual Harassment of Women at the workplace (Prevention, Prohibition & Redressal) Act, 2013	The Bank has constituted an internal compliant committee for redressal of complaints for Sexual Harassment of women at the workplace. There is no pending complaint under the said act.

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

Bank follows an integrated approach to managing risks and the processes are embedded in the fundamental business model. The Risk Management Landscape in the Bank covers the stages of identifying, assessing, measuring, managing, controlling and reporting risk concerns across all the risk classes viz. Credit, Market and Operational Risks. The organization of Risk Management function in the Bank spans various levels of oversight from operatives to the Board, offering lines of defense and escalation. The Risk Management Policies adopted and reviewed periodically articulate, codify the strategy, structure, processes and systems to manage bank wide risks. Expanding business arenas, deregulation and globalization of financial activities, emergence of new financial products and increased level of competition has necessitated the need for an effective and structured risk management practice in financial institutions. The Bank has adopted an integrated approach for the management of risk. Effective internal policies are developed in tune with the business requirements and best practices. Capital Bank has formulated 'Risk Management Policy' and an Internal Capital Adequacy Assessment Policy (ICAAP) for identifying and measuring various operational, credit and market risks. Operational risks are managed through comprehensive systems of internal control, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning. We constantly strive to enhance the risk management capabilities in accordance with the emerging regulatory guidelines and the broad risk management principles. The bank reviews the risk management system and the progress made in implementing the RBI guidelines on risk management, on a quarterly basis. The Asset Liability Management Committee (ALCO), consisting of the Bank's senior management and the Managing Director, is responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the bank (on the assets and liabilities sides) in line with the bank's budget and decided

risk management objectives. The committee actively manages and controls the structure of assets and liabilities and interest rate sensitivities with a view of optimizing profits besides maintaining capital adequacy and sufficient liquidity. Structured Liquidity and Interest Rate Sensitivity of the Bank is being prepared on monthly basis in line with the RBI guidelines. The average cost of deposit has been kept at 7.22% as on March 31, 2015 in spite of the rise in deposit rates.

#### **Directors**

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

#### **Managing Director & Chief Executive Officer (MD & CEO)**

Mr. Sarvjit Singh Samra has been serving as the Managing Director & CEO of the Bank since July 21, 2003, with the approval of Reserve Bank of India (RBI) and the shareholders, from time to time. The Board of Directors of the Bank at their meeting held on March 18, 2015 has approved the re-appointment of Mr. Sarvjit Singh Samra as Managing Director and Chief Executive Officer subject to the approval of the shareholders and the Reserve Bank of India. Accordingly, the approval of shareholders is being sought for his re-appointment as Managing Director and CEO of the Bank for a period of 3 years subject to approval of the Reserve Bank of India.

#### **Retirement Of Directors In Compliance To Section 10(2A) (i) Of The Banking Regulation Act, 1949**

Mr. Dinesh Gupta and Mr. Sham Singh Bains were appointed as directors by the Board of Directors of the Bank in the meeting held on April 21, 2007. Mr. Dinesh Gupta and Mr. Sham Singh Bains stood retired after completing their eight years tenure as directors of the Bank on April 21, 2015 in compliance to section 10(2A)(i) of the Banking Regulation Act, 1949. The Board put on record the appreciation of the valuable guidance given by Mr. Dinesh Gupta and Mr. Sham Singh Bains to the Board and Board Committees during their tenure as directors of the Bank.

#### **Directors Retiring By Rotation**

In terms of Section 152 of the Companies Act, 2013, Mr. Inder Krishan Sardana and Mr. Santokh Singh Chhokar 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**

Mr. Sarvjit Singh Samra, Managing Director and Chief Executive Officer; Mr. Munish Jain, Chief Operating Officer and Company Secretary and Mr. Sahil Vijay, Chief Financial Officer of the Bank are the Key Managerial Personnel as per the provisions of the Companies Act, 2013 and were already in office before the commencement of the Companies Act, 2013. None of the Key Managerial Personnel has resigned or appointed during the year under review.

#### **Meetings Of The Board And Committees Of The Board**

The Board of Directors of the Bank is meeting regularly to discuss and decide on various business policies, strategies and other businesses. The Bank has several committees which have been established as a part of the best Corporate Governance practices and are in compliance with the requirements of the relevant provisions of applicable laws and statutes. The Bank has following committees of the board:

1. Management Committee
2. Audit Committee
3. Credit Sanctioning Committee
4. Risk Management Committee
5. Nomination and Remuneration Committee
6. Securities Transfer Committee
7. Special Committee on Frauds
8. Stakeholders Relationship Committee
9. Corporate Social Responsibility Committee
10. Investors Grievance Redressal Committee

The Board of Directors in the meeting held on April 26, 2014 reconstituted the Nomination and Remuneration Committee. As on March 31, 2014 committee had four members consisting of Mr. Madan Gopal Sharma, Mr. Dinesh Gupta, Mr. Bhagwant Singh Sangha and Mr. Sham Singh Bains, which includes one member from Risk Management Committee of the Board. The majority of the members of the committee are independent non executive directors. The committee has been constituted to oversee the

framing, review and implementation of compensation policy of the Bank on behalf of the Board. As a matter of policy, the Bank is not presently paying any performance based variable pay to whole time director(s) / Chief Executive Officers and Key Risk Takers.

#### **Corporate Social Responsibility Committee And Statutory Disclosure**

Your Bank views Corporate Social Responsibility as its commitment to operate ethically and contributing to economic development while improving the quality of life of its employees as well as that of the local communities and society at large. Pursuing a vision towards the socio economic empowerment of under privileged and marginalized sections of society, the Bank reiterates its commitment to support social initiatives with a special focus on education, financial literacy and livelihood support. In compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Bank has established Corporate Social Responsibility (CSR) Committee. During the year the Bank has been taking various CSR initiatives including donation to Prime Minister's National Relief Fund, donations to ₹80,000/-. The CSR committee of the Bank is developing various Corporate Social Responsibility initiatives to be taken by the Bank under its CSR program.

The details of meetings of the Board and Committees are as under:

#### Board Of Directors

*Total Meetings* 8

#### *Dates Of Meetings*

April 26, 2014; May 24, 2014; August 02, 2014; September 27, 2014; November 07, 2014; January 22, 2015; March 18, 2015 and March 31, 2015.

<i>Name Of Attendee</i>	<i>Number Of Meetings Attended</i>
1. Mr. Inder Krishan Sardana	7
2. Mr. Sarvjit Singh Samra	8
3. Mr. Dinesh Gupta	8
4. Mr. Bhagwant Singh Sangha	8
5. Mr. Santokh Singh Chhokar	4
6. Mr. Sham Singh Bains	7
7. Mr. Sukhpal Singh Gill	8
8. Mr. Ranbir Singh	6
9. Mr. Madan Gopal Sharma	7

#### Management Committee

*Total Meetings* 4

#### *Dates Of Meetings*

April 11, 2014; August 2, 2014; November 7, 2014 and January 22, 2015

<i>Name Of Attendee</i>	<i>Number Of Meetings Attended</i>
1. Mr. Sarvjit Singh Samra	4
2. Mr. Inder Krishan Sardana	4
3. Mr. Dinesh Gupta	4
4. Mr. Bhagwant Singh Sangha	1

#### Audit Committee

*Total Meetings* 6

#### *Dates Of Meetings*

April 19, 2014; August 27, 2014; September 13, 2014; December 4, 2014; February 26, 2015 and March 30, 2015

<i>Name Of Attendee</i>	<i>Number Of Meetings Attended</i>
1. Mr. Madan Gopal Sharma	5
2. Mr. Bhagwant Singh Sangha	1
3. Mr. Sukhpal Singh Gill	6
4. Mr. Dinesh Gupta	6

#### Risk Management Committee

*Total Meetings* 4

#### *Dates Of Meetings*

April 11, 2014; August 2, 2014; November 7, 2014 and January 22, 2015

<i>Name Of Attendee</i>	<i>Number Of Meetings Attended</i>
1. Mr. Sarvjit Singh Samra	4
2. Mr. Dinesh Gupta	4
3. Mr. Bhagwant Singh Sangha	1
4. Mr. Sukhpal Singh Gill	4

#### Credit Sanctioning Committee

*Total Meetings* 11

#### *Dates Of Meetings*

April 25, 2014; May 29, 2014; June 26, 2014; July 24, 2014; August 25, 2014; September 22, 2014; November 5, 2014; December 29, 2014; January 22, 2015; February 14, 2015 and March 18, 2015

<i>Name Of Attendee</i>	<i>Number Of Meetings Attended</i>
1. Mr. Sarvjit Singh Samra	10
2. Mr. Dinesh Gupta	11
3. Mr. Sham Singh Bains (w.e.f. April 26, 2014)	10

#### Securities Transfer Committee

*Total Meetings* 6

#### *Dates Of Meetings*

May 2, 2014; August 11, 2014; November 12, 2014; November 30, 2014; December 29, 2014 and March 16, 2015.

<i>Name Of Attendee</i>	<i>Number Of Meetings Attended</i>
1. Mr. Sarvjit Singh Samra	6
2. Mr. Dinesh Gupta	6
3. Mr. Bhagwant Singh Sangha	6

### Nomination and Remuneration Committee

Total Meetings 3

#### Dates Of Meetings

April 19, 2014; July 30, 2014; and  
March 11, 2015

Name Of Attendee	Number Of Meetings Attended
------------------	--------------------------------

1. Mr. Madan Gopal Sharma	3
2. Mr. Bhagwant Singh Sangha	3
3. Mr. Sham Singh Bains	3
4. Mr. Dinesh Gupta (w.e.f. April 26, 2014)	2

### Corporate Social Responsibility Committee And Statutory Disclosure.

Your Bank views Corporate Social Responsibility as its commitment to operate ethically and contributing to economic development while improving the quality of life of its employees as well as that of the local communities and society at large. Pursuing a vision towards the socio economic empowerment of under privileged and marginalized sections of society, the Bank reiterates its commitment to support social initiatives with a special focus on education, financial literacy and livelihood support. In compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Bank has established Corporate Social Responsibility (CSR) Committee. During the year the Bank has been taking various CSR initiatives including donation to Prime Minister's National Relief fund, donations to ₹80,000/-. The CSR committee of the Bank is developing various Corporate Social Responsibility initiatives to be taken by the Bank under its CSR program.

### Corporate Governance

The Bank puts utmost thrust on best Corporate Governance. Capital Local Area Bank continues to believe in observing the best Corporate Governance practices and benchmarking itself against each practice on an ongoing basis. The Board of Directors and the Management of the Bank believe that a strong system of Corporate Governance is critically important to usher in a

value-based organization that is socially responsible and commercially vibrant. The Bank is committed to adhering to the highest standards of corporate governance through constantly benchmarking itself against global best practices. The essence of the Bank's Corporate Governance philosophy flows from the following:

- The Directors have distinguished themselves in different walks of life through experience and expertise.
- The Board is professional in character with a strong commitment to shareholder value, transparency, accountability, ethical standards and regulatory compliance.
- The Board's approach to and outlook on every aspect of governance is propelled by a keenness to further realization of the Bank's Vision and Mission. Capital Local Area Bank has created robust global banking facilities and services in rural areas like 7 day banking, extended and uninterrupted working hours, anywhere and anytime banking, ATMs, mobile and internet banking, life and general insurance services which led to a shift in the financial services at a global level.

We envisage attaining market leadership in our area and many of our branches have already become market leaders with respect to advances. We're operating in a lucrative market segment that has the potential to grow exponentially. Our initiatives in the area of technology, Human Capital, Product Development, Business Development and discharge of social responsibility will go a long way in achieving our mission. We believe that Corporate Governance becomes crucial for banks as they not only accept and deploy large amount of uncollateralized public funds in fiduciary capacity, but also leverage such funds through credit creation. In view of importance of the banking system for financial stability, sound Corporate Governance is not only relevant at the level of the individual bank, but is also a critical ingredient at the system level. We aim at setting newer heights of Corporate Governance to be followed by the rest. As a part of good Corporate Governance practice, the Board reviews the various reports/returns as per the calendar of reviews set by the Reserve Bank of India in addition to other reports on the working of our

bank. The basic objective of Corporate Governance is the enhancement of shareholder value, keeping in view the interests of all stakeholders. We have always believed in providing banking services with due compliance of regulatory requirements and adhering to the highest standards of Corporate Governance.

**The major role of Audit Committee lies in the following:**

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

#### **Vigil Mechanism**

The Bank has implemented a Whistle Blower Policy pursuant to which Whistle Blowers can raise concerns relating to Reportable Matters (as defined in the policy) such as breach of CAPITAL LOCAL AREA BANK Code of Conduct, fraud, bribery, corruption, employee misconduct, illegality, health & safety, environmental issues and wastage / misappropriation of bank funds/assets, etc. Further, the mechanism adopted by the Bank encourages the Whistle Blower to report genuine concerns or grievances and provides for adequate safeguards against victimization of Whistle Blower who avail of such mechanism and also provides for direct access to the Chairman of the Audit Committee, in exceptional cases. The functioning of the Vigil Mechanism is reviewed by the Audit Committee from time to time. None of the Whistle Blowers have been denied access to the Audit Committee of the Board.

#### **Loans, Guarantees or Investments in Securities**

Pursuant to Section 186(11) of the Companies Act, 2013 loans made, guarantees given or securities provided or acquisition of securities by a Banking company in the ordinary course of its business are exempted from disclosure in the Annual Report.

#### **Contracts or Arrangements with Related Parties**

All related party transactions that were entered during the financial year 2014-15 were in the ordinary course of the business of the Bank and were on arm's length basis. There were no materially significant related party transactions entered by the Bank with Promoters, Directors, Key Managerial Personnel or other persons which may have a potential conflict with the interest of the Bank. Considering the nature of the industry in which the Bank operates, transactions with related parties of the Bank are in the ordinary course of business specially with respect to the banking transactions which are also on arms' length basis. All such Related Party Transactions are placed before the Board/Audit Committee for approval, wherever applicable.

#### **Auditors & Auditors' Report**

M/s V.P. Vijh & Co., Chartered Accountants, Jalandhar, Statutory Auditors of the Bank have audited the accounts of the Bank for the financial year 2014-15 as per the accounting standards followed in India. There is no qualification, reservations or adverse remarks given by the auditors which needs comments by the Board and are self-explained and therefore, in the opinion of the Directors, do not call for any further comments.

M/s O.P Garg & Co. Chartered Accountants were appointed by the Bank pursuant to the approval by Reserve Bank of India. M/s O.P. Garg & Co. Chartered Accountants resigned as Statutory Auditors of the Bank on February 18, 2015 pursuant to taking up some other assignment. M/s V.P. Vijh & Company, Chartered Accountants, Jalandhar were appointed as Statutory Auditors of the Bank by the Board of Directors in casual vacancy in the meeting held on March 18, 2015 and their approval for appointment was conveyed by the Reserve Bank of India vide letter Ref. DBS.ARS. No.12281/08.42.005/2014-15 dated March 31, 2015 for the year 2014-15 for their first year. As per sub section (6) of Section 139, their appointment is to be confirmed by the shareholders in an Extra Ordinary General Meeting of shareholders to be convened within 90 days from the date of appointment of statutory auditors.

M/s V. P. Vijn & Company, Chartered Accountants, Jalandhar will retire in the forthcoming Annual General Meeting of shareholders of the Bank. The Board has recommended the re-appointment of M/s V. P. Vijn & Co., Chartered Accountants, Jalandhar for a further period of three years and until the conclusion of 19th Annual General Meeting of the Bank, subject to approval of Reserve Bank of India and ratification by members every year on a remuneration (including terms of payment) to be fixed by the Board of Directors of the Bank, based on the recommendation of the Audit Committee, plus service tax and such other taxes as may be applicable, and reimbursement of all out of pocket expenses in connection with the audit of accounts of the Bank for the year ending March 31, 2016 to March 31, 2018. The Auditors have confirmed that the re-appointment if made at the Annual General Meeting, will be within the prescribed limits under section 141(3)(g) of the Companies Act, 2013 and they are not disqualified to be appointed as auditors under the provisions of Companies Act, 2013 and Companies (Audit & Auditor) Rules 2014 or under any other law."

#### **Directors' Responsibilities Statement**

In accordance with the applicable provisions of the Companies Act, 2013, the Directors confirm that -

1. In preparation of the annual accounts for the year ended March 31, 2015, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
2. The accounting policies, framed in accordance with the guidelines of The Reserve Bank of India, were consistently applied.
3. Reasonable and prudent judgement and estimates were made so as to give a true and fair view of the state of affairs of the bank at the end of the Financial Year and of the profit

of the bank for the year-ended March 31, 2015.

4. Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 2013 and applicable laws governing banks in India for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
5. The Directors have laid down adequate internal financial controls, which were fully operating during the financial year.
6. The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.
7. The accounts have been prepared on an ongoing concern basis.

#### **Acknowledgment**

The Board of Directors is grateful to the Government of India and The Reserve Bank of India and other regulatory authorities for their continued guidance and support. The Board would also like to take this opportunity to express its appreciation for the continuing commitment, sense of involvement, professionalism and dedication of the members of the staff in ensuring high level of performance and growth that the bank has achieved during the year. The Board also places on record its gratitude to the Shareholders, Bankers, Customers, Suppliers and Other Stakeholders who have extended their valuable sustained support, co-operation and encouragement. The Directors look forward to their continued contribution in realisation of the corporate goals in the years ahead. We wish to apprise our worthy members that Capital Local Area Bank will venture to strive hard to take long strides ahead and are confident that we will continue to work hard and provide world class banking services to the rural masses at affordable prices.

For and on behalf of the Board of Directors



**Form No. MGT 9 Extract Of Annual Return As On Financial Year Ended On 31.03.2015 Pursuant To Section 92 (3) Of The Companies Act, 2013 And Rule 12 (1) Of The Company (Management & Administration) Rules, 2014.**

**I. Registration & Other Details:**

i	CIN	U65110PB1999PLC022634
ii	Registration Date	31-05-1999
iii	Name Of The Company	Capital Local Area Bank Limited
iv	Category/Sub-Category Of The Company	Company Limited by Shares/Indian Non Government Company
v	Address Of The Registered Office & Contact Details	Midas Corporate Park, 3rd floor 37, G.T. Road, Jalandhar
vi	Whether Listed Company	Unlisted
vii	Name , Address & Contact Details Of The Registrar & Transfer Agent, If Any.	NA

**II. Principal Business Activities Of The Company**

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

S. No.	Name & Description Of Main Products/Services	NIC Code Of The Product /Service	% To Total Turnover Of The Company
I	Banking and Financial Services	64191	100%

**III. Particulars Of Holding, Subsidiary & Associate Companies**

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

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

Category Of Shareholders	No. Of Shares Held At The Beginning Of The Year				No. Of Shares Held At The End Of The Year				% Change During The Year
	Demat	Physical	Total	% Of Total Shares	Demat	Physical	Total	% Of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/HUF	0	3592634	3592634	22.89	0	4320489	4320489	25.02	20.26
b) Central Govt. or State Govt.	0	0	0	0	0	0	0	0	0
c) Bodies Corporates	0	0	0	0	0	0	0	0	0
d) Bank/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
<b>SUB TOTAL (A)(1)</b>	<b>0</b>	<b>3592634</b>	<b>3592634</b>	<b>22.89</b>	<b>0</b>	<b>4320489</b>	<b>4320489</b>	<b>25.02</b>	<b>20.26</b>

Category Of Shareholders	No. Of Shares Held At The Beginning Of The Year				No. Of Shares Held At The End Of The Year				% Change During The Year
	Demat	Physical	Total	% Of Total Shares	Demat	Physical	Total	% Of Total Shares	
<b>A. Promoters</b>									
(2) Foreign	0	2312000	2312000	14.73	0	2543200	2543200	14.73	10.00
a) NRI- Individuals	0	0	0	0	0	0	0	0	0
b) Other Individuals									
c) Bodies Corporates	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
<b>SUB TOTAL (A)(2)</b>	<b>0</b>	<b>2312000</b>	<b>2312000</b>	<b>14.73</b>	<b>0</b>	<b>2543200</b>	<b>2543200</b>	<b>14.73</b>	<b>10.00</b>
<b>Total Shareholding of Promoter (A) (A)(1)+(A)(2)</b>	<b>0</b>	<b>5904634</b>	<b>5904634</b>	<b>37.62</b>	<b>0</b>	<b>6863689</b>	<b>6863689</b>	<b>39.75</b>	<b>16.24</b>
<b>B. Public Shareholding</b>									
<i>(1) Institutions</i>									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt.	0	0	0	0	0	0	0	0	0
e) Venture Capital Fund	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIS	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
<b>SUB TOTAL (B)(1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>(2) Non Institutions</i>									
a) Bodies corporates									
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1 Lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)	0	0	0	0	0	0	0	0	0
<b>SUB TOTAL (B (2))</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Public Share holding (B) (B)(1)+(B)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs"</b>									
Persons Other than Promoters	0	9790794	9790794	58.9	0	10401282	10401282	60.25	6.24
<b>Grand Total (A+B+C)</b>	<b>0</b>	<b>15695428</b>	<b>15695428</b>	<b>100</b>	<b>0</b>	<b>17264971</b>	<b>17264971</b>	<b>100</b>	<b>10.00</b>

**(i) Share Holding Of Promoters**

S. No.	Shareholders Name	Shareholding At The Beginning Of The Year			Shareholding At The End Of The Year			% Change In Share Holding During The Year
		No. Of Shares	% Of Total Shares Of The Company	% Of Shares Pledged Encumbered To Total Shares	No. Of Shares	% Of Total Shares Of The Company	% Of Shares Pledged Encumbered To Total Shares	
1	Santokh Singh Chhokar	1200000	7.65	NIL	1320000	7.65	NIL	10.00
2	Tarlochan Singh Hyare	350000	2.23	NIL	385000	2.23	NIL	10.00
3	Mohan Singh Johal	498000	3.17	NIL	547800	3.17	NIL	10.00
4	Surjit Kaur	180000	1.15	NIL	198000	1.15	NIL	10.00
5	Shamly Johal	84000	0.54	NIL	92400	0.54	NIL	10.00
6	Parkash Kaur	60267	0.38	NIL	66293	0.38	NIL	10.00
7	Amarjit Singh Samra	768000	4.90	NIL	844800	4.90	NIL	10.00
8	Sarjit Singh Samra	721200	4.60	NIL	793320	4.60	NIL	10.00
9	Kuldeep Krishan Sardana	236000	1.50	NIL	224600	1.30	NIL	(4.83)
10	Amardeep Singh Samra	538800	3.43	NIL	592680	3.43	NIL	10.00
11	Amarpreet Kaur	30000	0.19	NIL	33000	0.19	NIL	10.00
12	Gagan Samra	90000	0.57	NIL	99000	0.57	NIL	10.00
13	Kuljit Singh	72700	0.46	NIL	79970	0.46	NIL	10.00
14	Navneet Kaur	144000	0.92	NIL	158400	0.92	NIL	10.00
15	Surinder Kaur Samra	336000	2.14	NIL	369600	2.14	NIL	10.00
16	Brig. Swarn Singh Saini	97200	0.62	NIL	475513	2.75	NIL	389.21
17	Gursharan Kaur	202200	1.29	NIL	222420	1.29	NIL	10.00
18	B.S. Sangha	36000	0.23	NIL	39600	0.23	NIL	10.00
19	Chanan Singh Dhillon	32000	0.20	NIL	35200	0.20	NIL	10.00
20	Randeep Dhillon	60000	0.38	NIL	66000	0.38	NIL	10.00
21	Bhavdeep Sardana	68267	0.43	NIL	110093	0.64	NIL	61.27
22	Puneet Sardana	100000	0.64	NIL	110000	0.63	NIL	10.00
<b>Total</b>		<b>5904634</b>	<b>37.62</b>		<b>6863689</b>	<b>39.75</b>		

**(ii) Change In Promoters' Shareholding**

S. No.	Shareholders Name	Shareholding At The Beginning Of The Year		Bonus Shares Allotted On 9.10.2014		Cumulative Shareholding During The Year		At The End Of The Year	
		No. Of Shares	% Of Total Shares	No. Of Shares	% Of Total Shares	No. Of Shares	% Of Total Shares	No. Of Shares	% Of Total Shares
1	Santokh Singh Chhokar	1200000	7.65	120000	0.70	1320000	7.65	1320000	7.65
2	Tarlochan Singh Hyare	350000	2.23	35000	0.20	385000	2.23	385000	2.23
3	Mohan Singh Johal	498000	3.17	49800	0.29	547800	3.17	547800	3.17
4	Surjit Kaur	180000	1.15	18000	0.10	198000	1.15	198000	1.15
5	Shamly Johal	84000	0.54	8400	0.05	92400	0.54	92400	0.54
6	Parkash Kaur	60267	0.38	6026	0.03	66293	0.38	66293	0.38
7	Amarjit Singh Samra	768000	4.90	76800	0.44	844800	4.90	844800	4.90
8	Sarjit Singh Samra	721200	4.60	72120	0.42	793320	4.60	793320	4.60
9	Kuldeep Krishan Sardana	236000	1.50	23600	0.14	224600	1.30	224600	1.30
	- Transfer on 16.3.2015			(35000)	(0.20)				
10	Amardeep Singh Samra	538800	3.43	53800	0.31	592680	3.43	592680	3.43
11	Amarpreet Kaur	30000	0.19	3000	0.02	33000	0.19	33000	0.19
12	Gagan Samra	90000	0.57	9000	0.05	99000	0.57	99000	0.57
13	Kuljit Singh	72700	0.46	7270	0.04	79970	0.46	79970	0.46
14	Navneet Kaur	144000	0.92	14400	0.08	158400	0.92	158400	0.92
15	Surinder Kaur Samra	336000	2.14	33600	0.19	369600	2.14	369600	2.14
16	Brig. Swarn Singh Saini	97200	0.62	9720	0.05	475513	2.75	475513	2.75
	- Transfer on 30.11.2014			(26400)	(0.15)				
	- Transfer on 29.12.2014			394993	2.29				
17	Gursharan Kaur	202200	1.29	20220	0.12	222420	1.29	222420	1.29
18	B.S. Sangha	36000	0.23	3600	0.02	39600	0.23	39600	0.23
19	Chanan Singh Dhillon	32000	0.20	3200	0.02	35200	0.20	35200	0.20
20	Randeep Dhillon	60000	0.38	6000	0.03	66000	0.38	66000	0.38
21	Bhavdeep Sardana	68267	0.43	6826	0.04	110093	0.64	110093	0.64
	- Transfer on 16.03.2015			35000	0.20				
22	Puneet Sardana	100000	0.64	10000	0.06	110000	0.64	110000	0.64

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

S. No.	Shareholders Name	Shareholding At The Beginning Of The Year		Changes In The Shareholding Due To Bonus Issue On 09.10.2014		Share Holding At The End Of The Year	
		No. Of Shares	% Of Total Shares	No. Of Shares	% Of Total Shares	No. Of Shares	% Of Total Shares
1	Balbir Singh	784000	4.99	78400	0.45	862400	4.99
2	Raspal Singh Virk	540000	3.44	54000	0.31	594000	3.44
3	International Township	472800	3.01	47280	0.27	520080	3.01
4	Karnail Singh	425000	2.71	42500	0.25	467500	2.71
5	Piara Singh	329300	2.10	32930	0.19	362230	2.10
6	Gurnam Singh	325850	2.08	32585	0.19	358435	2.08
7	Gurinder Mann	266667	1.70	26666	0.15	293333	1.70
8	Gurdev Singh	235000	1.50	23500	0.14	258500	1.50
9	Robert S Simon	228500	1.46	22850	0.13	251350	1.46
10	Karnail Singh	167000	1.06	16700	0.10	183700	1.06
<b>Total</b>		<b>3774117</b>	<b>24.05</b>	<b>377411</b>	<b>2.15</b>	<b>4151528</b>	<b>24.05</b>

**(iv) Shareholding Of Directors & KMP**

S. No.	For Each Of The Directors & KMP	Shareholding At The Beginning Of The Year		Bonus Shares Allotted on 9.10.2014		Cumulative Shareholding During The Year		At The End Of The Year	
		No. Of Shares	% Of Total Shares	No. Of Shares	% Of Total Shares	No. Of Shares	% Of Total Shares	No. Of Shares	% Of Total Shares
1	I.K Sardana	18000	0.11	1800	0.01	19800	0.11	19800	0.11
2	M. G. Sharma	15000	0.10	1500	0.01	16500	0.10	16500	0.10
3	Sarvjit Singh Samra	721200	4.60	72120	0.42	793320	4.60	793320	4.60
4	B. S. Sangha	36000	0.23	3600	0.02	39600	0.23	39600	0.23
5	S. S Chhokar	1200000	7.65	120000	0.70	1320000	7.65	1320000	7.65
6	Dinesh Gupta	12000	0.08	1200	0.01	13200	0.08	13200	0.08
7	- Transfer on 29.12.2014	45040	0.29	192720	1.12	205920	1.20	205920	1.20
	- Transfer on 11.08.2014			30000	0.19	75040	0.48		
	- Bonus Shares			7504	0.04	82544	0.48		
	- Transfer on 12.11.2014			7000	0.04	89544	0.52		
	- Transfer on 16.03.2015				0.01	90568	0.52	90568	0.52

**V. Indebtedness**

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

	Secured Loans excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	0	398600000	0	398600000
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
<b>Total (i+ii+iii)</b>	<b>0</b>	<b>398600000</b>	<b>0</b>	<b>398600000</b>
<b>Change in Indebtedness during the financial year</b>				
i) Additions	0	234700000	0	234700000
ii) Reduction	0	0	0	0
<b>Net Change</b>	<b>0</b>	<b>234700000</b>	<b>0</b>	<b>234700000</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	0	633300000	0	633300000
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	45068	0	45068
<b>Total (i+ii+iii)</b>	<b>0</b>	<b>633345068</b>	<b>0</b>	<b>1266645068</b>

## VI. Remuneration Of Directors And Key Managerial Personnel

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

S. No.	Particulars Of Remuneration	Name Of The MD/WTD/Manager	Total Amount
1.	Gross Salary	Sarvjit Singh Samra (Managing Director)	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	2436000	2436000
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	405000	405000
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0
2.	Stock option	0	0
3.	Sweat Equity	0	0
4.	Commission as % of profit others (specify)	0	0
5.	Others, please specify	0	0
	<b>Total (A)</b>	<b>2841000</b>	<b>2841000</b>
	<b>Ceiling as per the Act</b>	<b>7109803</b>	<b>7109803</b>

### B. Remuneration To Other Directors:

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

Particulars Of Remuneration	Name Of The Directors								
	I.K Sardana	Ranbir Singh	B.S. Sangha	S.S. Chhokar	M.G. Sharma	Sukhpal Singh Gill	Dinesh Gupta	S.S. Bains	Total Amount
1. Independent Directors									
(a) Fee for attending board committee meetings	0	45000	0	0	0	90000	156000	88500	379500
(b) Commission	0	0	0	0	0	0	0	0	0
(c) Others, please specify	0	0	0	0	0	0	0	0	0
<b>Total (1)</b>	<b>0</b>	<b>45000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>90000</b>	<b>156000</b>	<b>88500</b>	<b>379500</b>
2. Other Non Executive Directors									
(a) Fee for attending board committee meetings	64500	0	105000	30000	76500	0	0	0	276000
(b) Commission	0	0	0	0	0	0	0	0	0
(c) Others, please specify.	0	0	0	0	0	0	0	0	0
<b>Total (2)</b>	<b>64500</b>	<b>0</b>	<b>105000</b>	<b>30000</b>	<b>76500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>276000</b>
<b>Total (B)=(1+2)</b>	<b>64500</b>	<b>45000</b>	<b>105000</b>	<b>30000</b>	<b>76500</b>	<b>90000</b>	<b>156000</b>	<b>88500</b>	<b>655500</b>
<b>Total Managerial Remuneration</b>	<b>64500</b>	<b>45000</b>	<b>105000</b>	<b>30000</b>	<b>76500</b>	<b>90000</b>	<b>156000</b>	<b>88500</b>	
<b>Overall Ceiling as per the Act.</b>	<b>1100000</b>	<b>600000</b>	<b>2000000</b>	<b>400000</b>	<b>1500000</b>	<b>1800000</b>	<b>4100000</b>	<b>2000000</b>	

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

S. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		CEO	Company Secretary	CFO	
1	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	0	3891339	826135	4717474
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	0	233605	23054	256659
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0	0	0
2	Stock Option	0	0	0	0
3	Sweat Equity	0	0	0	0
4	Commission as % of profit others, specify	0	0	0	0
5	Others, please specify	0	0	0	0
	<b>Total</b>	<b>0</b>	<b>4124944</b>	<b>849189</b>	<b>4974133</b>

### VII. Penalties/Punishment/Compounding Of Offences

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

For and on behalf of the Board of Directors

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## Global Economic Environment

Global economic activity appears to be stabilizing, but with markedly divergent growth profiles between advanced and emerging economies, and between commodity exporters and importers. While Advanced Economies (AEs) remain susceptible to the risk of deflation, inflationary pressures subsided in key Emerging Economies (EMEs) giving leeway for easing monetary policy. Global commodity prices continue to decline. Financial markets were buoyant but volatile in pricing policy developments in major economies.

The collapse of international commodity prices, especially of crude oil, seems to have reallocated demand across economies. Monetary policy stances across countries have been easing, including unconventionally, and market expectations on the timing of the US monetary policy normalization have been pushed back for commodity exporters, however, risk spreads have widened and currency depreciations have been sizable. Thus, even though financial conditions are easy and are being reflected in financial asset prices, the outlook for global growth remains moderate, held back by still-weak demand.

In advanced countries, such as in the United States, growth has been firming up, aided by improving labor and housing market conditions. The sharp appreciation in the US dollar in recent months could, however, dampen prospects for exports. In the Euro area, economic conditions remain weak although some pick-up in later part of 2015 is being observed, supported by lower crude prices and the depreciation in the euro as well as increased bank lending. The contraction of activity in Japan moderated in the final quarter of 2014, with mixed signals.

Whereas, most EMEs continue to decelerate due to subdued external demand, political uncertainties and domestic supply-side constraints. In China, activity has slowed as investment demand lost pace and the real estate sector weakened on deleveraging and financial repair among households and corporations. The Russian economy slowed sharply due to falling oil prices and Western sanctions. Contraction continues in Brazil as high inflation squeezes domestic demand. Falling oil and commodity

prices also weighed on growth prospects of countries in the Middle East, Eastern Europe and Latin America.

Overall, although the near-term outlook is improving slowly, AEs are yet to fully recover from the after effects of the global financial crisis and EME's are facing their own challenges. In fact, the sluggish global recovery over the course of FY 2014- 2015 has warranted successive downward adjustments to forecast the world over, raising concerns of 'secular stagnation.'

## International Financial Markets

Financial Markets have been volatile all through the FY 2014-15, triggered by uncertainty over the Fed's normalization of monetary policy, political tensions in Europe relating to Greece, lower oil prices and country-specific events have also impacted investor sentiment. Unprecedented low interest rates and compressed risk premium have led to a precipitous fall in long-term government bond yields while raising most asset prices to near record highs as the search for yield pushed investors to riskier assets. Capital flows to EMEs remained healthy, but very selective, and asset class and geographical churning has been the hallmark of investment destination preference this year around

## Global Price Level Stability

The Global Price Level have more or less continued to soften during the FY 2014-15. The year gone by is historic as far as the fall in crude oil price is concerned. The sharp and severe fall of crude oil below \$50 has been beyond the realms of imagination of one and all. This severe fall in crude oil prices has more or less curtailed inflation and inflationary expectations across geographies. The oil importing countries and businesses are benefitting from reduction in input costs and consumer sentiment is getting big boost which is setting the stage for sound global economic recovery to take place. But, every market move has manifold implications. The oil producing countries are facing severe slowdowns and their currencies are depreciating fast.

Inflation continues to drift downward in AEs and many EMEs albeit in varying degrees. Given weak demand conditions, falling commodity



prices have made deflation a major concern for many AEs. The Euro area is struggling to emerge out of a deflationary spiral. In the US, appreciation of the dollar has also had a disinflationary effect.

Although EMEs, in general, have benefited from the sharp fall in commodity prices, inflation has remained stubbornly high in a few countries. While China faces the risk of deflation due to weak domestic demand and falling factory prices. By contrast, inflationary pressures remain high in Brazil and Russia, attributable to domestic factors and substantial currency depreciation.

Looking ahead, commodity prices will likely remain stable as slack in the global economy persists. Tepid and uneven economic recovery across major economies could intensify disinflationary pressures. On the other hand, monetary policy easing measures undertaken by major central banks should support demand. International Monetary Policy Action Faced by the combination of deflationary/disinflationary pressures and weak growth, central banks in both AEs and EMEs have pursued accommodative monetary policies. In the US, monetary policy remains highly accommodative with interest rates close to zero even after the cessation of the Fed's asset purchases in October. Facing persistent deflation, the Bank of Japan has continued with its target of monetary base expansion of 80 trillion yen per year. The ECB began its asset purchase program since March 2015 which, in turn, has produced sizable depreciation of the euro. Many EMEs have eased their policy stances as inflationary pressures subsided on weak domestic demand and the sharp fall in energy prices.

#### **Domestic Macro Economic Environment**

The financial year 2014-15 has brought inflation under control, sentiment both consumer and investment has improved, political stability and growth bottomed out. In nutshell, the year has set the stage for a sustainable economic growth. The macro economic environment is expected to improve in 2015-16, with fiscal policy gearing to an investment-led growth strategy and monetary policy using available room for accommodation. Business conditions in Indian

manufacturing is improving and the strong impetus of the government to make India global manufacturing hub are going to further augment economic activity. Large declines in commodity prices and the benign inflation outlook for the near-term should provide a boost to growth. The consumer sentiment is picking up reflecting purchasing power gains arising from lower inflation as well as improved perception of income, spending and employment growth.

Domestic economic activity firmed up in 2014-15, spurred by a pick-up in manufacturing and services. Recent upgrades to the national accounts by the CSO indicate that a rebound in economic activity that started in 2013-14 has gathered pace in the second half of 2014-15. While these estimates have generated considerable public scrutiny and debate, there is a building optimism that an inflexion point in the economic cycle is approaching. As inflation retreats in an environment of macro economic and political stability, confidence in setting a double-digit growth trajectory for the Indian economy over the medium-term is flooding back. Unleashing of these growth impulses hinges around various factors such as investments locked in stalled projects and shortfalls in the availability of key inputs such as power, land, infrastructure and human skill formation. Business sentiment is also buoyed by investor-friendly tax proposals, planned switches in public spending from subsidies to investment that crowd in private enterprise, structural reforms and the intention to continue fiscal consolidation announced in the Union Budget for 2015-16. But still there is presence of considerable slack in the economy and bottlenecks need to be removed before fast paced growth can become a routine.

#### **Policy Framework**

Stable political environment, falling inflation, pro growth fiscal and monetary policies, special impetus to encourage manufacturing sector and skill development for job creation are the seeds of the crop of sustainable multi decade fast paced growth which we can envisage going forward.

#### **Fiscal Policy**

India can balance the short-term imperative of boosting public investment to revitalize growth

with the need to maintain fiscal discipline. Expenditure control and expenditure switching, from consumption to investment, is going to be the biggest challenge for fiscal policy. Central Government is committed to create fine balance between Fiscal Consolidation and augmenting sustainable economic growth.

### **Monetary Policy**

The goal of Monetary Policy is primarily price stability, while keeping in mind the objective of balance between inflation and growth. Price stability is a necessary (if not sufficient) precondition to sustainable growth and financial stability. The relative emphasis assigned to price stability and growth objectives in the conduct of monetary policy varies from time to time depending on the evolving macro economic environment.

With the agreement on Monetary Policy Framework between the Government and the Reserve Bank of India dated February 20, 2015, the Reserve Bank has formally adopted a Flexible Inflation Targeting (FIT) framework going forward, the accommodative stance of monetary policy will be maintained, but monetary policy actions will be conditioned by incoming data.

### **Domestic Financial Markets and Liquidity Conditions**

Amidst abundant global liquidity and risk-on risk-off fluctuations in investor appetite, financial markets in India performed well during 2014-15, supported by improvement in domestic macro economic conditions. Liquidity was comfortable in all segments and this was reflected in a pick-up in turnover, softening of interest rates as government bond yields cooled off, an appreciating bias in the exchange rate of the rupee and equity markets scaling historic highs.

### **Capital Markets**

Barring soft patches, equity markets rallied throughout 2014-15, scaling all-time highs. Indian indices were among the better performing in the world, with significantly attractive valuations relative to fundamentals and the cross-country EME experience. Government Securities markets too rallied and yields softened with the monetary stance getting dovish and monetary easing measures taken by

the Reserve Bank of India. In the foreign currency markets, the rupee more or less remained stable with a negative bias and within tolerance range.

With credit and deposit growth moving broadly in tandem, liquidity conditions in the system remained comfortable throughout the year. Liquidity conditions remained stable and movements in the overnight call money rate were, by and large, anchored around the policy repo rate.

Overall, financial markets traded on a bullish note during the year 2014-15 against the backdrop of improved domestic fundamentals and a global appetite for risk.

### **Growth Dynamics**

The outlook for growth is improving gradually. Comfortable liquidity conditions should enable banks to transmit the recent reductions in the policy rate into their lending rates, thereby improving financing conditions for the productive sectors of the economy. Along with initiatives announced in the Union Budget to boost investment in infrastructure and to improve the business environment, these factors should provide confidence to private investment and, together with the conducive outlook on inflation, deliver real income gains to consumers and lower input cost advantages to corporate. GDP growth estimates of the CSO for 2014-15 already project a robust pick-up. Further declines in inflation and the resulting monetary easing will provide policy support for growth both by encouraging household spending in interest-sensitive sectors and reducing the debt burden of firms, strengthening their balance sheets. The structural reforms, fiscal prudence, infrastructure development and new project launches from the government are going to kick start sustainable economic development and private sector shall jump to augment its investment in stable and promising economic and political scenario. The next decades belong to India, and we can be the global power in the years to come.

### **Strategy for Furthering Financial Inclusion**

Financial Inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income

groups. The various financial services include credit, savings, insurance, payments and remittance facilities, etc. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include people with low incomes within its gambit. Through graduated credit, the attempt must be to lift the poor from one level to another so that they come out of poverty. Over the past few years, your Bank has been working on a number of initiatives to promote financial inclusion across identified sections of rural, under-banked and un-banked consumers. These initiatives target segments of the population that have limited or no access to the formal banking system for their basic banking and credit requirements. The Bank's financial inclusion initiatives have been integrated across its various businesses, as well as across product groups. Capital Local Area Bank has been actively involved in providing micro-credit facility at grassroot level recognizing its emerging potential as an approach for empowerment of women and poverty alleviation. We anticipate the living standards to significantly improve as a result of augmenting the income / business cycles of these individuals. This would create more jobs and therefore more stable families, supported by new incomes and employment. As basic needs are met, borrowers will be able to put in more effort into other income-generating projects – such as, irrigation projects – and therefore maximize the use of available resources. The Bank has opened 52,798 'No Frill' accounts under Financial Inclusion of those households, which did not have any access to banks or post offices. The 'No Frill' Accounts of the Bank constitutes 26.74% of total savings bank accounts. Several measures are being taken in our areas of operation to promote financial inclusion by inculcating banking habits. These accounts are regularly monitored to avoid them for being dormant.

#### **Strengthening the Knowledge Proposition**

A knowledge-led culture has been the Bank's core strength. While the knowledge of the customer enables the Bank to address delinquency risk, the knowledge of the territory enables it to prudently invest into relevant markets. Product knowledge enables it to address and control the credit quality across

product verticals. The Bank has created a scalable business model based on creation of an organizational structure that readily addresses all the risks concerning Customers, Territory and Products. As a result, the Bank is able to mitigate its credit risk efficiently, in wake of its growing volumes.

#### **Retail Banking**

The Banks focus since inception has been on Retail Bank both for deposits and loans. The Bank caters to various customer segments with a wide range products and services. The Bank is a "one stop shop" financial services provider of various deposit products, retail loans (auto loans, personal loans, commercial vehicle loans, mortgages, business banking, loan against gold jewellery etc., money exchange and several transactional services. Apart from its own products, our Bank distributes third party financial products such as life and general insurance and money transfer. The growth in our Bank's retail banking business was robust during the financial year ended March 31, 2015. The Bank has a separate vertical for micro credit for promoting micro finance to poor and loans for two wheelers, car, other transport and consumer durables. In order to provide its customers greater choices, flexibility and convenience, our Bank continued to make significant headway in its multichannel servicing strategy, offering its customers the use of ATMs, internet, phone and Mobile Banking in addition to its expanded branch network and Business Correspondent Brick and Mortar outlets to serve their banking need. The Bank is committed to investing in advanced technology in this area which will provide a cutting edge in the Bank's product and service offerings.

#### **Customer Service**

The Bank believes that the customer satisfaction is at the core of its existence and customers must be served proactively beyond their expectations. The Bank has put in place a system for identifying problems faced by customers, coordinating speedy rectification of issues, actively looking for process improvement opportunities, scientifically tracking customer satisfaction and facilitating implementation of customer friendly automation. The Bank has installed "Centralised Complaint Management" so that customer

queries and complaints are not inadvertently missed out and also to provide uniform quality service. All complaints are tracked rigorously for timely closure and delays if any are escalated to the senior management. Standing Committee on customer services meet on periodic intervals and addresses the issues concerning the customers. Branch level surveys are undertaken independently by the HO through random selection of customers in every wake of service and areas requiring improvement are identified and corrective action is taken.

#### **Human Capital**

Capital Local Area Bank is a young and growing bank where we strive to create a culture of dynamism which fosters development and recognizes its employees as its greatest assets – The Life-Line. We envision attaining the pinnacle of success, into our areas of operations by providing escalation prospects to our HUMAN CAPITAL.

We work hard to ensure that our workplace is a diverse, inclusive and meritocratic environment and have a strong commitment to sustainability. Our values are a vital way in which we bring our unique culture to life, and we seek to build a team that shares in and actively lives these values in their day-to-day work. We always strive to search for people who possess the qualities that make up our values of – Integrity, Pride, Credibility, Respect, Ownership, Professionalism, Innovation, Agility & Speed. Our transparent and strategic HRD policy of recruiting local work force has also been successful in attracting and retaining the best talent of the region. The unique culture, built upon strong values and a foundation of teamwork, commitment, trust and performance is a strong competitive advantage for the Bank which has been recognized as GREAT PLACE TO WORK and share the platform with TOP 100 COMPANIES TO WORK FOR.

Our approach to remuneration, including recognitions and awards is designed to reward success appropriately. We want our people to excel. By leveraging their unique strengths, providing the workforce with the right technical and professional training, we help them realize their potential and also help them perform to exceptional standards which are in line with the

growth plans of the bank. Our Winning Learning and Development Policy offers a range of technical and behavioral programs along with Orientation workshops aimed to ensure that the employees thrive in their current role and are well positioned to take on new opportunities as they rise. Building a high performance culture is our prerogative. The Bank envisages a credible and transparent performance management process that helps in aligning individual goals with corporate objectives. CEO Club – a reward of appreciation for the top performers and a token of inspiration for others.

To maintain a perfect work - life balance, the bank has introduced various employee engagement activities like sports meet, festival celebrations and establishment day celebrations.

#### **Internal Control And Audit**

The bank is committed and believes in absolute functional autonomy and well being of internal control and audit so that the functioning of the bank is proper and all the regulatory and internal standards are met with. To be in line with the changing economic environment, Capital Bank has resorted towards enhancing its risk management systems. Utmost importance is given to proper maintenance and safety of public money, while providing all the banking services and fulfilling prudent risk-mitigation and risk management principles. We believe in maintaining highest standards of internal control and taking pro-active steps and rigorous monitoring of the bank's overall operations.

A well developed committed Internal Audit Team and Compliance Department is working at an independent level for evaluating the adequacy of all internal controls and ensuring adherence to internal procedures as well as regulatory and legal requirements. The Internal Audit and Compliance Department has direct reporting to the Managing Director. The Team has initiated a few new improvements in FY 2014 that are expected to further assist in proactively identifying risks in changing business dynamics and assist in improving overall control environment. All the branches are subject to regular half-yearly inspections with short quarterly inspections and various other audits, viz; concurrent audit to FPMC, revenue audit,

etc. The Bank has a system of rating the quantitative and qualitative performance of the branches in all the critical functional areas. The Audit Committee of the Board reviews the performance of the effectiveness of controls and compliances with regulatory guidelines and reviews the internal audit reports. The Bank has also introduced an irregularities eradication system for prompt rectification of irregularities and avoidance of recurrence. The system is reviewed and revised from time to time depending on the changing business conditions. As a result of the improvements initiated last year, Internal Control and Audit is continuously emerging as a unit providing valuable inputs for improving the overall risk management and controls.

#### **Energy Conservation and Information Technology**

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

Indian banking industry, today is in the midst of an IT revolution. A combination of regulatory and competitive reasons has led to increasing importance of total banking automation in the Indian Banking Industry. Information Technology has basically been used under two different avenues in Banking. One is Communication and Connectivity and other is Business Process Re-engineering. Information Technology enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets. In view of this, technology has changed the contours of three major functions performed by banks, i.e., access to liquidity, transformation of assets and monitoring of risks. Further, Information Technology and the communication networking

systems have a crucial bearing on the efficiency of money, capital and foreign exchange markets. The Bank continues to leverage Information Technology as a strategic tool in business operations for customer delight by offering efficient and improved service as well as improving internal productivity, efficiency and controls. The Bank is equipped with a full fledged Information Technology Department having four verticals of expertise; Software, System & Support, Network and Help desk with good strength of man power to strengthen develop, maintain and support IT infrastructure to the following:-

1. System/hardware support and trouble shooting.
2. LAN/WAN maintenance & troubleshooting.
3. Level 1 support on CBS application to branches
4. Secure Systems towards any potential threat. Develop and implement automation.
5. Perform and maintain backups for any disaster recovery.
6. Process planning and implementation under Business Continuity Plan and disaster recovery.
7. Project planning and implementation on new management goals.
8. Functional and level 1 support to end users on Intellect for CBS branches, Foreign exchange transactions, Payroll, Mail Server, Resume fox Under HRM, Tally for Head Office accounting, Western Union Money Transfer, Web - Magnox Intranet site & e-attendance.

#### **New Developments in Technology Field**

1. Implemented the new Internet Banking
2. Implemented the NGRTGS XML Converter
3. Implemented Online Electronic Journal on all ATMs
4. Upgraded Domain Controller from Windows to Linux
5. Upgraded file server from Windows to Linux
6. Completed DIP Card Reader upgradation on ATMs
7. Mobile Application "Capital Bank Mobile Connect" launched on IOS & Android

**Technology Architecture Content -Application for CBS in all Branches and Head Office**

The Bank is using Core Banking System from Polaris Financial Technology Ltd., Chennai which enables bank clientele to avail any branch banking and anytime banking through different delivery channels like ATMs, I-banking, Mobile Banking and E-Alerts. All the branches are on new CBS application.

**Brief Technical Functionality – CBS**

Under "Intellect CBS" the application, database & the storage servers are placed centrally in the Data Centre at the Head Office. The Application runs on Linux Operating System at the server end using Oracle as database (RDBMS). Branches are connected to the servers through WAN links using standard Internet browser for secure and reliable communication on Windows and/or Linux platforms. All the Delivery channel requests are handled by the CBS component internally which communicates securely with the external network using a different sub-module.

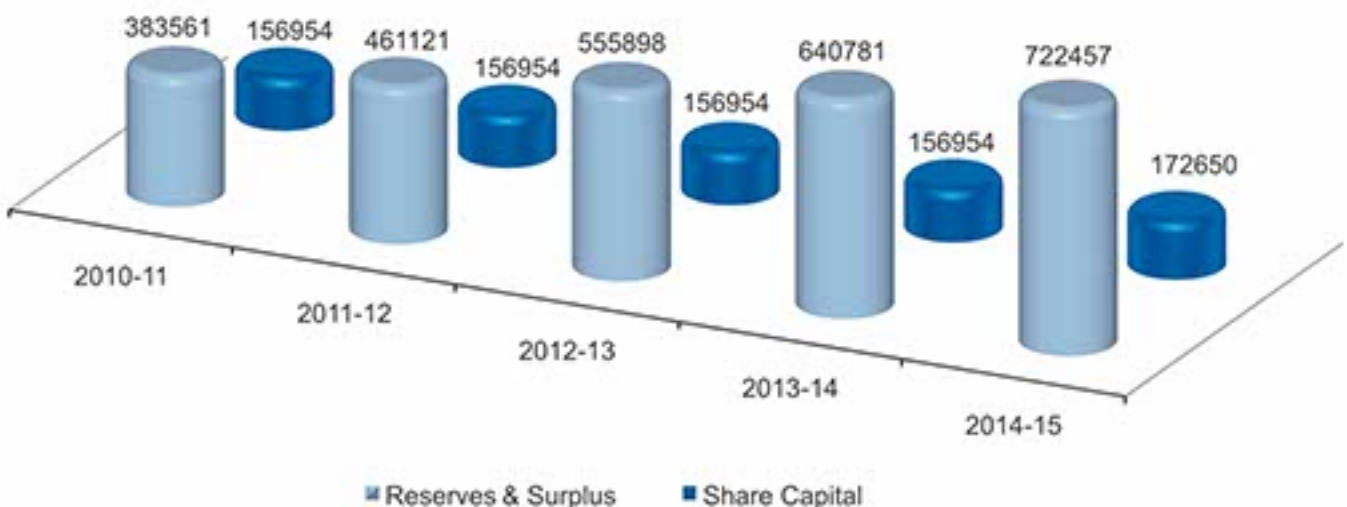
For and on behalf of the Board of Directors

Place: Jalandhar  
Date : April 25, 2015

**Sarvjit Singh Samra**  
Managing Director

**Inder Krishan Sardana**  
Chairman

**Net worth Analysis**



### Deposits

#### Savings

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

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

#### Current

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

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

#### Term Deposit

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

- Cumulative Deposit A/c
- Short Term Deposit A/c
- QIDS A/c
- MIDS A/c
- Recurring A/c

#### Loans

- Housing Loans
- Personal Loans
- Auto Loans
- Gold Loans
- Kisan Credit Cards
- Advances To Retail Traders
- Education Loans
- Mortgage Loans Against Property
- Advances Against Rentals

- Advances for construction/Real Estate Projects
- Overdraft Facility

#### Money Transfer

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

#### Forex Services

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

#### Insurance

We at Capital Local Area Bank, understand that different people have different needs at various stages of their lives. That's why, we, in association with ICICI Prudential Life Insurance Company Ltd., offer a host of Life Insurance solutions, depending on whether a customer is a young individual planning for the years ahead or an established professional planning for the retirement.

Banking services should not just meet the financial needs, but also help to protect what is important to us, be it our home, office, machine, vehicle or health. We're associated with Bajaj Allianz General Insurance Co. Ltd., and offer numerous flexible options that fulfill all General Insurance needs of the customers.

# Elated Workforce



Ranked No. 1 In Banking Sector





# Delighted Customers



Ranked No. 1 In Banking Sector



## To The Members of Capital Local Area Bank Limited

1. We have audited the financial statements of Capital Local Area Bank Limited (hereinafter referred to as "the Bank"), which comprise the Balance Sheet as at 31st March, 2015 and the Statement of Profit and Loss and the Cash Flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility

2. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the banking companies and give a true and fair view of the state of affairs of the Bank as at 31st March 2015, and its profit and its cash flows for the year then ended.

## Report on Other Legal and Regulatory Matters

9. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance

with the Provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

10. As required sub section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.

(b) The transactions of the Bank, which have come to our notice, have been within the powers of the bank.

(c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

11. Further, as required by section 143(3) of the Companies Act, 2013, we further report that:

(a) We have sought and obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books

(c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by us in the Report are in agreement with the books of account (including branches)

(d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) On the basis of the written representations received from the directors as on 31st March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

(i) As explained to us, the Company does not have any pending litigations which would impact its financial position as explained to us.

(ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as certified by the management.

(iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company, except on amount of ₹14,770/- has been deposited on 15th September 2014 (due date 30.09.2013).

For V.P.VIJH & CO.  
Chartered Accountants  
(Firm's Registration No.01248N)

(R.K.Gupta)  
(Partner)  
Membership No.016274

Jalandhar City  
Dated: April 25, 2015

## Balance Sheet As On March 31, 2015

(₹ In'000)

PARTICULARS	SCHEDULE	As on 31/03/2015	As on 31/03/2014
<b>CAPITAL &amp; LIABILITIES</b>			
Capital	1	172650	156954
Reserve and Surplus	2	722457	640781
Deposits	3	15067803	12641389
Borrowings	4	633300	468188
Other Liabilities and Provisions	5	205304	159004
<b>Total</b>		<b>16801514</b>	<b>14066316</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	562927	494393
Balances With banks and Money at call and short notice	7	1921358	1765246
Investments	8	4523363	3746444
Advances	9	9268456	7555601
Fixed assets	10	325413	319225
Other Assets	11	199997	185407
<b>Total</b>		<b>16801514</b>	<b>14066316</b>
Contingent Liabilities	12	152992	170783
Bills for Collection		-	-
Significant Accounting Policies	17		
Notes to Accounts	18		

Munish Jain  
Chief Operating Officer  
& Company Secretary

Sarvjit Singh Samra  
Managing Director

B.S. Sangha  
Ranbir Singh  
I. K. Sardana  
Madan Gopal Sharma  
Directors

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

R.K.Gupta  
(Partner)  
Membership No.016274

Date: April 25, 2015  
Place: Jalandhar

**Profit And Loss A/c For The Year Ended March 31, 2015**

(₹ In'000)

<b>PARTICULARS</b>	<b>SCHEDULE</b>	<b>As on 31/03/2015</b>	<b>As on 31/03/2014</b>
<b>INCOME</b>			
Interest Earned	13	1604112	1304491
Other Income	14	115766	102805
<b>Total</b>		<b>1719878</b>	<b>1407296</b>
<b>EXPENDITURE</b>			
Interest Expended	15	1057962	842050
Operating Expenses	16	469275	378286
Provisions and Contingencies		50445	80896
<b>Total</b>		<b>1577682</b>	<b>1301232</b>
<b>PROFIT/LOSS</b>			
Net profit for the year		142196	106064
Profit brought forward		378021	319208
<b>Total</b>		<b>520217</b>	<b>425272</b>
<b>APPROPRIATIONS</b>			
Transfer to Statutory Reserves		35549	26516
Transfer to Special Reserve		685	700
Transfer to Deferred Tax Liability (Special Reserve)		-	1513
Transfer to/from Investment Reserve Account		13181	-
Depreciation charge on fixed assets for earlier years		2453	-
Transfer to Capital Reserve		-	159
Transfer to Proposed Dividend		27624	15695
Tax on Proposed Dividend		5656	2668
Balance carried over to Balance sheet		435069	378021
<b>Total</b>		<b>520217</b>	<b>425272</b>
<b>EARNING PER SHARE</b>			
Basic (Rupees)		8.24	6.14*
Diluted (Rupees)		8.24	6.14*
(Face value) (Rupees) (*Adjusted EPS)		10.00	10.00

Munish Jain  
Chief Operating Officer  
& Company Secretary

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Managing Director

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Directors

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

R.K.Gupta  
(Partner)  
Membership No.016274

Date: April 25, 2015  
Place: Jalandhar

**Cash Flow Statement For The Year Ended March 31, 2015**

(₹ In '000)

PARTICULARS	As on 31/03/2015	As on 31/03/2014
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before Taxes	208243	161473
<b>Adjustment For:</b>		
Depreciation Charge on Fixed Assets for The Year	53048	37649
Loan Loss Provision	9203	(845)
Loss on Revaluation of Investment	0	50
Loss on Sale of Fixed Assets	940	(217)
Other Provision	1820	-
Depreciation on Investment	(26625)	26332
	246629	224442
<b>Adjustment For:</b>		
(Increase)/Decrease in Term Deposits with other Banks	(46012)	(301362)
(Increase)/Decrease In Investments	(750294)	(641195)
(Increase)/Decrease In Advances	(1716843)	(1517039)
Increase/(Decrease) In Borrowings	(69588)	(52301)
Increase/(Decrease) In Deposits	2426414	2863586
(Increase)/Decrease In Other Assets	(9594)	(34083)
Increase/(Decrease) In Other Liabilities & Provision	26169	(304085)
	106881	237963
Refund/(Payment) of Direct Taxes	(72863)	(53761)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>34018</b>	<b>184202</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(64491)	(81565)
Proceeds from Sale of Fixed Assets	1862	1077
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(62629)</b>	<b>(80488)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net Proceeds from the new issue of		
Unsecured Redeemable Non Convertible Bonds	225608	79995
Dividend Payment ( Including C D T)	(18363)	(29381)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>207245</b>	<b>50614</b>
Net Increase / (Decrease) In Cash & Cash Equivalent	178634	154328
Cash & Cash Equivalents In the Beginning	609598	455270
Cash & Cash Equivalents At the end	788232	609598

Munish Jain  
Chief Operating Officer  
& Company Secretary

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Directors

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

R.K.Gupta  
(Partner)  
Membership No.016274

Date: April 25, 2015  
Place: Jalandhar

Schedules Forming Part Of The Balance Sheet As On March 31, 2015

(₹ In'000)

	As on 31/03/2015	As on 31/03/2014
<b>SCHEDULE - 1 CAPITAL</b>		
Authorised Capital	250000	250000
25000000 equity shares of ₹ 10 each		
Issued, Subscribed and Paid-up Capital		
17264971 equity shares (Previous year 15695428 equity shares) issued of ₹ 10 each fully paid-up (Of the above shares 2769543 shares (Previous year 1200000 equity shares) are allotted as fully paid-up equity shares by way of bonus shares)	172650	156954
<b>Total</b>	<b>172650</b>	<b>156954</b>
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		
I. Statutory Reserves		
Opening Balance	204186	177670
Additions during the Year	35549	26516
II. Capital Reserves		
Opening Balance	159	-
Additions during the Year	-	159
III. Special Reserves		
Opening Balance	5150	4450
Additions during the Year	685	700
IV. Investment Reserves Account		
Opening Balance	-	-
Additions during the Year	13181	11842
Deductions during the Year	-	11842
V. Security Premium Account		
Opening Balance	53265	54570
Additions during the Year	-	-
Deductions during the Year	24787	1305
VI. Balance in Profit & Loss Account	435069	378021
<b>Total</b>	<b>722457</b>	<b>640781</b>

(₹ In'000)

As on 31/03/2015 As on 31/03/2014

**SCHEDULE 3 - DEPOSITS**

A. I. Demand Deposits		
From banks	26	54
From others	344514	289638
II. Saving Bank Deposits	5038154	4506118
III. Term deposits		
From banks	-	-
From others	9685109	7845579
<b>Total</b>	<b>15067803</b>	<b>12641389</b>
B. I. Deposits of branches in India	15067803	12641389
II. Deposits of branches outside India	-	-
<b>Total</b>	<b>15067803</b>	<b>12641389</b>

**SCHEDULE 4 - BORROWINGS**

I. Borrowings in India	-	-
- Reserve Bank of India	-	-
- Other Banks	-	69588
- Unsecured Redeemable Non-Convertible Bonds (Subordinated debt - Tier II Capital)	493300	398600
- Hybrid debt Capital instrument issued as debentures	140000	-
II. Borrowings outside India	-	-
<b>Total</b>	<b>633300</b>	<b>468188</b>

**SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS**

I. Bills Payable	61552	61278
II. Inter-office adjustments (net)	20	545
III. Interest accrued	22404	14760
IV. Others (including provisions)	88048	64058
V. Proposed Dividend(includes tax on Dividend)	33280	18363
<b>Total</b>	<b>205304</b>	<b>159004</b>

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

I. Cash in hand	264624	232710
II. Balance with Reserve Bank of India		
a) in current accounts	298303	261683
b) in other deposits accounts	-	-
<b>Total</b>	<b>562927</b>	<b>494393</b>



(₹ In'000)

As on 31/03/2015 As on 31/03/2014

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

I.	In India		
i)	Balance with banks		
	a) in current accounts	225305	115205
	b) in other deposit accounts	1696053	1650041
ii)	Money at call and short notice	-	-
	a) With Banks		
	b) With other Institutions	-	-
	<b>Total (I)</b>	<b>1921358</b>	<b>1765246</b>
II.	Outside India		
	a) in current accounts	-	-
	b) in other deposits accounts	-	-
	c) Money at call and short notice	-	-
	<b>Total (II)</b>	<b>-</b>	<b>-</b>
	<b>G. Total(I+II)</b>	<b>1921358</b>	<b>1765246</b>

**SCHEDULE 8 - INVESTMENTS**

I.	Investments in India in		
i)	Government securities	4483363	3378123
ii)	Other approved securities	-	-
iii)	Shares	-	-
iv)	Debentures and Bonds	40000	39155
v)	Subsidiaries and/or joint ventures	-	-
vi)	Others(certificate of deposits, money market based mutual funds )		329166
	<b>Total (I)</b>	<b>4523363</b>	<b>3746444</b>
II.	Investments outside India in		
i)	Government securities	-	-
ii)	Subsidiaries and/or joint ventures abroad	-	-
iii)	Other Investments	-	-
	<b>Total (II)</b>	<b>-</b>	<b>-</b>
	<b>G. Total(I+II)</b>	<b>4523363</b>	<b>3746444</b>

(₹ In'000)

As on 31/03/2015 As on 31/03/2014

**SCHEDULE 9 - ADVANCES**

A. I.	Bills purchased and discounted	-	257
II.	Cash credits, overdrafts and loans repayable on demand	6230831	4872010
III.	Term Loans	3037625	2683334
	<b>Total</b>	<b>9268456</b>	<b>7555601</b>
B. I.	Secured by Tangible Assets	9148780	7460873
II.	Covered by Bank / Government Guarantees	-	-
III.	Unsecured	119676	94728
	<b>Total</b>	<b>9268456</b>	<b>7555601</b>
C. I.	Advances in India		
	i) Priority Sector	5158772	3925931
	ii) Public Sector	-	-
	iii) Banks	-	-
	iv) Other	4109684	3629670
	<b>Total (I)</b>	<b>9268456</b>	<b>7555601</b>
II.	Advances outside India		
	i) Due from Banks	-	-
	ii) Due from Others	-	-
	a) Bills Purchased & Discounted	-	-
	b) Syndicated Loans	-	-
	c) Others	-	-
	<b>Total (II)</b>	<b>-</b>	<b>-</b>
	<b>G.Total (I+II)</b>	<b>9268456</b>	<b>7555601</b>

**SCHEDULE 10 - FIXED ASSETS**

I.	Premises		
	At cost as on 31st March of the preceding year	61256	61256
	Add : Additions during the year	3143	-
	Less : Deductions during the year	-	-
	<b>Total</b>	<b>64399</b>	<b>61256</b>
	Depreciation		
	As on 31st March of the preceding year	-	-
	Charge for the year	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>
	<b>Net Block I</b>	<b>64399</b>	<b>61256</b>

(₹ In'000)

	As on 31/03/2015	As on 31/03/2014
<b>II. Other Fixed Assets (including furniture &amp; fixtures)</b>		
At cost as on 31st March of the preceding year	444805	365972
Add : Additions during the year	61348	81565
Less : Deductions during the year	6563	2732
<b>Total</b>	<b>499590</b>	<b>444805</b>
Depreciation		
As on 31st March of the preceding year	186836	151059
Charge for the year	55501	37649
Less : Reversed on sale	3761	1872
<b>Total</b>	<b>238576</b>	<b>186836</b>
<b>Net Block II</b>	<b>261014</b>	<b>257969</b>
<b>Grand Total ( I &amp; II )</b>	<b>325413</b>	<b>319225</b>

#### SCHEDULE 11 - OTHER ASSETS

I. Inter-office adjustments (net)	-	-
II. Interest accrued	154476	144718
III. Stationary & Stamps	6628	5822
IV. Others	38893	34867
<b>Total</b>	<b>199997</b>	<b>185407</b>

#### SCHEDULE 12 - CONTINGENT LIABILITIES

I. Claims against the Bank not acknowledged as debts	-	-
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding forward exchange contracts	-	-
IV. Guarantees given on behalf of constituents		
(a) In India	131629	159696
(b) Outside India	-	-
V. Acceptances, endorsements and other obligations	16363	11087
VI. Other items for which bank is contingently liable	5000	-
<b>Total</b>	<b>152992</b>	<b>170783</b>

#### SCHEDULE 13 - INTEREST EARNED

I. Interest/discount on advances/bills	1086226	864421
II. Income on investments	336632	290117
III. Interest on balance with Reserve Bank of India and inter-bank funds	181254	149667
IV. Others	-	286
<b>Total</b>	<b>1604112</b>	<b>1304491</b>

(₹ In'000)

As on 31/03/2015 As on 31/03/2014

**SCHEDULE 14 - OTHER INCOME**

I. Commission, exchange and brokerage	83888	69799
II. Profit/Loss on sale of investments(Net)	18239	13821
III. Profit/Loss on revaluation of investments(Net)	-	(50)
IV. Profit/Loss on sale of Land, building & other assets(Net)	(940)	217
V. Profit/Loss on Exchange Transactions(Net)	14454	18848
VI. Income earned by way of dividends etc.	-	-
VII. Miscellaneous income	125	170
<b>Total</b>	<b>115766</b>	<b>102805</b>

**SCHEDULE 15 - INTEREST EXPENDED**

I. Interest on deposits	1003245	797326
II. Interest on inter-bank borrowings	2258	2330
III. Others	52459	42394
<b>Total</b>	<b>1057962</b>	<b>842050</b>

**SCHEDULE 16 - OPERATING EXPENSES**

I. Payments to and provisions for employees	233843	182184
II. Rent, taxes and lighting	64878	55992
III. Printing and stationery	10247	8721
IV. Advertisement and publicity	6596	6037
V. Depreciation on bank property	53048	37649
VI. Directors fees, allowances & expenses	661	703
VII. Auditors fees and expenses	781	731
VIII. Law charges	46	-
IX. Postage,telegrams & telephones etc.	9148	7609
X. Repairs and maintenance	15267	11144
XI. Insurance	19305	14072
XII. Other expenditure	55455	53444
<b>Total</b>	<b>469275</b>	<b>378286</b>

Appended To And Forming Part Of The Financial Statements For The Year Ended March 31, 2015

## SCHEDULE 17

### OVERVIEW

Capital Local Area 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.

### Basis Of Preparation

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

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

### Significant Accounting Policies

#### 1. INVESTMENTS

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

##### A. Basis Of Classification

Securities that are held principally for resale within 90 days from the date of purchase are classified as "Held for Trading". Securities that the bank intends to hold till maturity are classified as "Held to Maturity". Securities that cannot be classified in the above two categories are classified as "Available for Sale".

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

##### B. Valuation

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

##### Held For Trading:

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

##### Held To Maturity

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

##### Available For Sale

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

##### C. Broken Period Interest

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

##### D. Transfer Of Security Between Categories

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

##### E. Profit On Sale Of Investment

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

#### 2. ADVANCES

In accordance with the Reserve Bank of India guidelines, advances are classified as

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

A. All advances are classified under four categories i.e. (a) Standard Assets, (b) Sub-standard Assets, (c) Doubtful Assets and (d) Loss assets.

B. Specific provisions in respect of non performing advances are based on the management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed in the Reserve Bank of India guidelines.

C. Provisions on Standard Assets are made @ 0.40% of the outstanding advances. However provision for banks direct advances to agriculture and SME sectors is made @ 0.25%, commercial real estate sector is made @ 1%, commercial real estate – residential housing sector at 0.75% and housing loans at teaser rates @ 2% in pursuance to RBI circulars issued from time to time. Further the same is shown under the head 'Other Liabilities'.

D. Unrealized Interest of the previous year on Advances which became Non-Performing during the year is provided for.

E. Provisions in respect of NPA's are deducted from Advances.

F. Provisions are made on gross basis. Tax effects are accounted for in the year of write off.

### 3. FIXED ASSETS

A. Fixed assets are capitalized at cost which comprises of cost of purchase, site preparation, installation cost & professional fees incurred on the asset before the same is put to use.

B. Depreciation is charged over the estimated useful life of the fixed asset on a Straight line basis.

C. The rates of depreciation have been revised as per the Schedule II of The Companies Act 2013 and the impact of the change have been provided as under:

(i) Where the remaining useful life of the asset as per Schedule II of Companies Act 2013 as on 01.04.2014 is nil, the depreciation has been debited to the opening retained earnings of the current year, with an amount of ₹ 2453 ('000)

(ii) In other cases, in the profit and loss account of the current year as per the Accounting Standards issued by the Institute of Chartered Accountants of India and the same resulted in an additional charge of ₹ 9836 ('000) during the year.

D. Depreciation for key fixed assets for the year are provided as under:

- Improvement to Lease Hold Premises is charged off over the primary period of lease or useful life of the asset whichever is less.

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

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

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

Asset	Revised Depreciation (rate per annum)	Old Depreciation (rate per annum)
Office Machinery	6.33%	4.75%
Furniture & Fixture	9.50%	6.33%
Motor Vehicle:		
Motor Car	11.88%	9.50%
Two Wheeler	9.50%	9.50%
Cycle	9.50%	7.07%

E. Depreciation on Assets sold or disposed off during the year is provided for up to the date of sale.

F. Depreciation on Assets purchased or acquired during the year is provided for from the

date they are being put to use.

G. In case of revalued/impaired assets, depreciation is provided over the remaining useful life of the assets with reference to revised assets values.

#### **4. TRANSACTIONS INVOLVING FOREIGN EXCHANGE**

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

#### **5. REVENUE RECOGNITION**

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

A. Interest on Non-Performing Assets is recognized on realization basis as per RBI guidelines.

B. Interest which remains overdue for 90 days on securities not covered by Government Guarantee is recognized on realization basis as per RBI guidelines.

C. Commission (other than on Deferred Payment Guarantees and Government Transactions), Exchange and Brokerage are recognized on realization basis.

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

#### **6. NET PROFIT**

The Net Profit has been arrived at after:-

- A. Provisions of Income Tax and Wealth Tax in accordance with the statutory requirements.
- B. Provisions on Advances
- C. Adjustments to the value of Investments
- D. Other usual and necessary provisions.

#### **7. RETIREMENT BENEFITS**

A. Defined Contribution towards Provident Fund is accounted for as per statutory requirements debited to the profit & loss account of the same year.

B. The Bank contributes for Gratuity, a defined benefit retirement plan, covering all employees which is determined as per Actuarial valuation done on year end basis, charged to profit and

loss account, and contributions are deposited to a fund maintained by ICICI Prudential Life Insurance under separate Trust set up by the Bank.

C. Liability towards Leave Encashment on Retirement or on Termination of service of an employee is valued and provided for on the basis of Actuarial valuation done on year end basis.

#### **8. SEGMENT REPORTING**

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

##### **A. Treasury**

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

##### **B. Retail Banking**

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

##### **C. Corporate/Wholesale Banking**

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

##### **D. Other Banking Business**

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

#### **9. LEASES**

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

#### **10. EARNING PER SHARE**

The bank reports basic and diluted earnings per

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

#### **11. INCOME TAX**

Income Tax Expense (Current & Deferred) is accounted for in accordance with AS 22 - "Accounting for Taxes on Income", issued by ICAI. Current Tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred Tax is recognized, subject to the consideration of prudence on Timing differences, being the difference between the taxable income & accounting income that originate in one period and is capable of reversal in one or more subsequent years.

#### **12. IMPAIRMENT OF ASSETS**

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

#### **13. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements. In case of remote possibility neither provision nor disclosure is made in the financial statements The Bank does not account for contingent assets, if any.

#### **14. CASH AND CASH EQUIVALENTS**

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



Appended To And Forming Part Of The Financial Statements For The Year Ended March 31, 2015

### SCHEDULE 18

#### 1. Capital

##### 1.1

Items	Current Year	Previous Year
I) CRAR (%)	15.22	15.01
II) CRAR - Tier I capital (%)	8.89	9.79
III) CRAR - Tier II Capital (%)	6.33	5.22
IV) Amount of equity capital raised as Bonus Issue	₹15696 ('000)	-
V) Amount of debt raised as Upper Tier-II capital	₹ 1400 lacs	-
VI) Amount of subordinated debt raised as Tier-II capital (Lower Tier II capital)	₹ 947 lacs	₹ 813 Lacs

##### 1.2 Bonus Issue

The bank has issued bonus equity shares during the financial year 2014-15 by capitalizing a sum of ₹15696 ('000) from the security premium account as per the details given below:

Date of Bonus Issue	October 09, 2014
Equity Capital before Bonus Issue (15695428 shares of face value ₹ 10 each)	156954
Bonus Offer	1:10
Equity shares issued as bonus (1569543 shares of face value ₹ 10 each)	15696
Total equity capital after Bonus issue (17264971 shares of face value ₹ 10 each)	172650

##### 1.3 Tier 2 Capital

The bank has raised Unsecured Redeemable Non Convertible Upper Tier II Bonds amounting to ₹140000 ('000) during the year given here under

Particulars	Date of Allotment	Coupon (%)	Tenure	(₹ In '000) Amount
Upper Tier II	March 31, 2015	11.75% p.a.	15 years	140000
The Bank has also raised subordinated debt qualifying for Tier II capital amounting to ₹ 94700('000) during the year given here under				
Lower Tier II	May 24, 2014	11.00% p.a.	10 years	94700

##### 1.4 The Bank has drawn ₹ 24787 ('000) from securities premium account as per the following details

Particulars	(₹ In '000) Amount
Expenditure incurred on issue of Upper/Lower Tier II Bonds	9091
Bonus Issue	15696
<b>Total</b>	<b>24787</b>

##### 1.5 The Bank has appropriated an amount of ₹ 13181('000) to Investment Reserve Account (IRA), net of applicable taxes and statutory reserve requirement, being the amount of provision for depreciation on investment reversed during the year ending March 31, 2015.

## 2. Investments

(₹ In'000)

Items	Current Year	Previous Year
I) Value of Investments		
(i) Gross Value of Investments		
(a) In India	4523363	3773069
(b) Outside India,	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	Nil	26625
(b) Outside India,	Nil	Nil
(iii) Net Value of Investments		
(a) In India	4523363	3746444
(b) Outside India.	Nil	Nil
II) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	26625	293
(ii) Add: Provisions made during the year	820	28422
(iii) Less: Write-off/ write-back of excess provisions during the year	27445	2090
(iv) Closing balance	Nil	26625

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

### 2.2. Non-SLR Investment Portfolio

#### I) Issuer composition of Non SLR investments

(₹ In'000)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade Securities	Extent of Unrated Securities	Extent of Unlisted Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	30000	Nil	Nil	Nil	Nil
(ii)	FIs	Nil	Nil	Nil	Nil	Nil
(iii)	Banks	Nil	Nil	Nil	Nil	Nil
(iv)	Private Corporates	Nil	Nil	Nil	Nil	Nil
(v)	Subsidiaries / Joint Ventures	Nil	Nil	Nil	Nil	Nil
(vi)	Others	10000	Nil	Nil	Nil	Nil
(vii)	Provision held towards depreciation	Nil	Nil	Nil	Nil	Nil
	Total	40000	Nil	Nil	Nil	Nil

#### II) Non performing Non-SLR investments

(₹ In'000)

Particulars	Amount
Opening balance	Nil
Additions during the year since 1st April	Nil
Reductions during the above period	Nil
Closing balance	Nil
Total provisions held	Nil

2.3 The bank has not undertaken any derivative business during the year.

### 3. Asset Quality

#### 3.1 Non-Performing Asset

(₹ In'000)

Items	Current Year	Previous Year
I) Net NPAs to Net Advances (%)	0.13%	0.09%
II) Movement of NPAs (Gross)		
(a) Opening balance	27430	27272
(b) Additions during the year	25917	19847
(c) Reductions during the year	16912	19689
(d) Closing balance	36435	27430
III) Movement of NPAs (Net)		
(a) Opening balance	6919	Nil
(b) Additions during the year	17672	6919
(c) Reductions during the year	12655	-
(d) Closing balance	11936	6919
IV) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	20511	27272
(b) Provisions made during the year	10253	5980
(c) Write-off/ write-back of excess provisions	6265	12741
(d) Closing balance	24499	20511

#### 3.2 Particulars of Accounts Restructured

(₹ In'000)

Type Of Restructuring		Asset Classification	Under CDR Mechanism	Under SME Debt restructuring Mechanism	Others	Total
Restructured Accounts as on April 1, 2013	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil
Fresh restructuring during the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil
Upgradations to restructured standard category during the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil
Restructured standard advances which ceases to attract higher provisioning and/or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil

Downgradations of restructured accounts during the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil
Write-offs of restructured accounts during the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil
Restructured Accounts as on March 31, 2015	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		Total	Nil	Nil	Nil	Nil

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

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

**3.5** Provisions on Standard Asset

(₹ In '000)

Particulars	Current Year	Previous Year
Provisions towards Standard Assets	5214	5914

The cumulative provision towards standard assets held by the bank as at the year end amounting to ₹32535 thousands (previous year ₹ 27321 thousands) is included under Other Liabilities and Provisions in Schedule 5 to the Balance Sheet.

#### 4. Business Ratio

Items	Current Year	Previous Year
I) Interest Income as a percentage to Working Funds \$	10.25%	10.13%
II) Non-interest income as a percentage to Working Funds	0.74%	0.80%
III) Operating Profit as a percentage to Working Funds \$	1.23%	1.45%
IV) Return on Assets®	0.91%	0.82%
V) Business (Deposits plus advances) # per employee^ (₹ In '000)	43040	38805
VI) Profit per employee (Operating Profit)^ (₹ In '000)	340	359

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

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

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

^ Productivity ratios are based on average number of employees.

## 5. Asset Liability Management

### Maturity Pattern of Certain items of Assets & Liabilities as on March 31,2015

		(₹ In'000)										
		Next day	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans and Advances	(CY)	1592428	15793	24796	47695	220417	343657	615594	5695308	531854	180914	9268456
	(PY)	1094820	14058	19893	33865	191675	317755	560203	4801116	427565	94651	7555601
Investment	(CY)	146097	7032	252877	22755	79658	326029	156192	1681972	117077	1733674	4523363
	(PY)	137268	14548	4328	67673	73393	288940	233008	1345580	35667	1546039	3746444
Deposits	(CY)	557368	33889	38083	109659	345327	357997	655577	5072404	37867	7859632	15067803
	(PY)	494601	25228	19370	56760	283728	274117	603909	4504317	56113	6323246	12641389
Borrowing	(CY)	-	-	-	-	-	-	-	-	169600	463700	633300
	(PY)	-	39960	-	-	-	-	29628	-	-	398600	468188
Foreign Currency Assets	(CY)	-	-	-	-	-	-	-	-	-	-	-
	(PY)	-	-	-	-	-	-	-	-	-	-	-

## 6. Exposures

### 6.1 Exposure to Real Estate Sector

		(₹ In'000)	
Category		Current Year	Previous Year
A.	Direct exposure		
	(i) Residential Mortgages –		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
	(a) Individual Housing Loans eligible for inclusion in Priority Sector advances	279443	208858
	(b) Others	615804	483299
	(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.).	379124	358032
	Exposure would also include non-fund based (NFB) limits;		
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
	(a) Residential,	Nil	Nil
	(b) Commercial Real Estate.	Nil	Nil
B.	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil
<b>Total Exposure to Real Estate Sector</b>		<b>1274371</b>	<b>1050189</b>

## 6.2 Exposure to Capital Market

(₹ In'000)

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

Total Exposure to Capital Market

## 6.3 Risk Category Wise Country Exposure

The bank is presently operating in five districts of the state of Punjab as such disclosure regarding risk category wise country exposure is not applicable.

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

The bank has not exceeded the prudential exposure limits for Single Borrower Limit (SBL) and Group Borrower Limit (GBL) during the year ended March 31, 2015 as per directives of RBI.

## 6.5 Unsecured Advances

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

## 7. Concentration of Deposits, Advances, Exposures and NPAs

### A. Concentration of Deposits

Particulars	₹ In'000	
	Current Year	Previous Year
Total Deposits of twenty largest depositors	403229	337059
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	2.68%	2.67%

### B. Concentration of Advances

Particulars	₹ In'000	
	Current Year *	Previous Year
Total Advances to twenty largest borrowers	1246657	953202
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	10.87%	12.58%

### C. Concentration of Exposures

Particulars	₹ In'000	
	Current Year *	Previous Year
Total Exposure to twenty largest borrowers/customers	1246657	953202
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the Bank on Borrowers/ customers	10.87%	12.58%

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

### D. Concentration of NPAs

Particulars	₹ In'000	
	Current Year	Previous Year
Total Exposure to top four NPA accounts	17992	12950

### E. Movement of NPAs

Particulars	₹ In'000	
	Current Year	Previous Year
Gross NPAs as on 1st April 2014	27430	27272
Additions(fresh NPAs) during the year	25917	19847
<b>Sub Total (A)</b>	<b>53347</b>	<b>47119</b>
Less:-		
(i) Upgradations	7861	6435
(ii) Recoveries(excluding recoveries made from upgraded accounts)	9051	13254
(iii) Write-offs	Nil	Nil
<b>Sub Total (B)</b>	<b>16912</b>	<b>19689</b>
<b>Gross NPAs as on 31st March 2015(A-B)</b>	<b>36435</b>	<b>27430</b>

F. Sector-wise Advances		Current Year			Previous Year		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
S. No	Sector						
A)	Priority Sector						
1	Agriculture & allied activities	3657033	12731	0.35	2607494	6752	0.26
2	Industry(Micro & small, Medium and large)	1399091	13926	1.00	988138	4202	0.42
3	Services	0	0	0	0	0	0
4	Personal Loans	0	0	0	0	0	0
5	Others	96527	0	0	340917	0	0
Sub-total (A)		5152651	26657	0.52	3936549	10954	0.28
B)	Non - Priority Sector						
1	Agriculture & allied activities	0	0	0	0	0	0
2	Industry(Micro & small, Medium and large)	151661	0	0	57822	0	0
3	Services	50344	0	0	46505	0	0
4	Personal Loans	120067	76	0.06	95860	98	0.10
5	Others	3818233	9701	0.25	3439376	16378	0.48
Sub-total (B)		4140305	9778	0.24	3639563	16476	0.45
Total (A+B)		9292956	36435	0.39	7576112	27430	0.36

G. Overseas Assets, NPAs and Revenue

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

H. Off Balance Sheet SPVs sponsored

Name of the SPV sponsored

	Domestic		Overseas	
	Current year	Previous year	Current year	Previous year
	Nil	Nil	Nil	Nil



## 8. Bancassurance business

Particulars	(₹ In'000)	
	Current Year	Previous Year
Fee/remuneration received:		
(a) Life insurance	10188	8463
(b) General Insurance	5025	4199

## 9. Provisions and Contingencies

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

Particulars	(₹ In'000)	
	Current Year	Previous Year
Provisions towards taxes	66047	55409
Provisions towards standard Assets	5214	5914
Provision towards Non performing Advances	3989	(6759)
Depreciation on Investments	(26625)	26332
Others	1820	Nil
<b>Total</b>	<b>50445</b>	<b>80896</b>

## 10. Staff Retirement benefits

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

Particulars	(₹ In'000)	
	Current Year	Previous Year
Defined benefit obligation liability at March 31,2015		
Opening Obligations	10902	10064
Service Cost	2184	1635
Interest Cost	927	805
Actuarial (gain)/Loss	1880	(1266)
Liabilities extinguished on settlement		
Benefits Paid	(909)	(336)
Obligations at March 31,2015	14984	10902
Plan Assets at March 31,2015,at fair value		
Opening Plan Assets, at fair value	10951	10104
Expected return on plan assets	849	859
Actuarial gain/(Loss)	492	(133)
Assets distributed on settlement		-
Contributions	3601	408
Benefits Paid	(909)	(336)

Plan Assets at March 31,2015,at fair value

Fair Value of Plan Assets at the end of the year	15042	10951
Present Value of the defined benefit obligation at the end of the year	14984	10902
Asset/(Liability) at March 31,2015	58	49
Cost for the period		
Service Cost	2184	1635
Interest Cost	927	805
Expected Return on Plan Assets	(849)	(859)
Actuarial (gain)/Loss	1388	(1133)
Net Cost	3650	448

Investment details of Plan Assets

Plan assets are invested in insurer managed funds.

Assumptions

Interest Rate	7.75%	8.50%
Salary escalation rate	6.00%	6.00%
Estimated rate of return on plan assets	7.75%	8.50%

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

## 11. Miscellaneous

A Amount of Provisions made for Income tax during the year

(₹ In'000)

Particulars	Current Year	Previous Year
Income Tax	72807	54684
Wealth Tax	102	127
Deferred Tax	(6862)	598

B Disclosure of Penalties Imposed by RBI

Reserve Bank of India has not imposed any penalty on the bank during the year.

## 12. Segment Reporting

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

**PART - A BUSINESS SEGMENTS**

Business Segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	362498	303888	182600	150861	966690	765914	208090	186633	1719878	1407296
Result	55546	(15696)	47420	37150	251233	200424	64011	57669	418210	279547
Unallocated Expenses	-	-	-	-	-	-	-	-	209967	118074
Operating Profit	-	-	-	-	-	-	-	-	208243	161473
Income Taxes	-	-	-	-	-	-	-	-	66047	55049
Extraordinary profit/Loss	-	-	-	-	-	-	-	-	-	-
Net Profit	-	-	-	-	-	-	-	-	142196	106064
Other Information :										
Segment Assets	4623390	3847724	1578478	1493422	8670579	6848141	1759442	1701108	16631889	13890395
Unallocated Assets	-	-	-	-	-	-	-	-	169625	175921
<b>Total Assets</b>									<b>16801514</b>	<b>14066316</b>
Segment Liabilities	0	39960	52914	95647	15149098	13086151	0	130	15202012	13221888
Unallocated Liabilities	-	-	-	-	-	-	-	-	704395	46693
<b>Total Liabilities</b>									<b>15906407</b>	<b>13268581</b>

Note:

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

**13. Related Party Disclosure**

Related parties as per Accounting Standard 18

Key Management Personnel

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

Relatives of Key Management Personnel

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

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

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

A. The balances payable to/receivable from the related parties of the Bank as on March 31, 2015 are given below:

Items/ Related Party	Parent	Subsidiary	Associates/ Joint Ventures	Key Management Personnel	Relatives of key management Personnel	(₹ In '000)
						Total
Borrowings	-	-	-	-	3900	3900
Deposits	-	-	-	2875	13082	15957
Placement of Deposits	-	-	-	-	-	-
Advances	-	-	-	4323	-	4323
Investments	-	-	-	-	-	-
Non funded commitments	-	-	-	-	-	-
Leasing / HP arrangements availed	-	-	-	-	-	-
Leasing / HP arrangements provided	-	-	-	-	-	-

B. The maximum balances payable to/receivable from the related parties of the Bank for the year ended March 31, 2015 are given below:

Items/ Related Party	Parent	Subsidiary	Associates/ Joint Ventures	Key Management Personnel	Relatives of key management Personnel	(₹ In '000)
						Total
Borrowings	-	-	-	-	3900	3900
Deposits	-	-	-	8095	20354	28449
Placement of Deposits	-	-	-	-	-	-
Advances	-	-	-	6987	323	7310
Investments	-	-	-	-	-	-
Non funded commitments	-	-	-	-	-	-
Leasing / HP arrangements availed	-	-	-	-	-	-
Leasing / HP arrangements provided	-	-	-	-	-	-

- C. The details of transactions of the Bank with its related parties during the year ended 31 March, 2015 are given below:

Items/ Related Party	Parent	Subsidiary	Associates/ Joint Ventures	Key Management Personnel	Relatives of key management Personnel	Total
Purchase of fixed assets	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-
Interest paid	-	-	-	230	1222	1452
Interest received	-	-	-	269	8	277
Rendering of services	-	-	-	-	-	-
Receiving of services (Lease rent)	-	-	-	1665	6667	8332
Management Contracts	-	-	-	-	-	-

#### 14. Leases

##### I. Operating Leases

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

Particulars	₹ In'000)	
	Current year	Previous Year
Not later than one year	8579	8997
Later than One year and not later than five years	23182	22735
Later than five years	12210	15819
Total Minimum lease rental commitments	43971	47551

Total lease rental expenditure under cancellable and non cancellable operating leases debited to Profit & Loss Account in the current year is ₹ 37197 ('000) (Previous Year: ₹ 28808 ('000)).

##### II. Finance Lease

The Bank has not taken any asset under finance lease.

#### 15. Earnings Per Share

Particulars	₹ In'000)	
	Current Year	Previous Year *
Net profit after tax available for equity shares (₹ '000)	142196	106064
Weighted average number of equity shares	17264971	17264971
Weighted average number of equity shares For Diluted earning	17264971	17264971
Basic Earnings per share (In ₹)	8.24	6.14
Diluted Earnings per share (In ₹)	8.24	6.14
Face Value per share (In ₹)	10.00	10.00

\* Adjusted EPS in terms of Para no. 24 of AS 20 on Earnings per Share, pursuant to bonus issue made during the year 2014-15.

#### 16. Deferred Tax Asset

Other Assets includes an amount equal to 7035 thousands (Previous Year 173 thousands) of deferred tax Assets as detailed below:

(₹ In'000)

	Current Year	Previous Year
Deferred Tax Liabilities	14649	17590
Depreciation on Fixed Assets	12666	15840
Special Reserve under section 36(l) (viii)	1983	1751
Deferred Tax Assets	21684	17763
Loan Loss Provisions	11058	9286
Investment Provisions	4670	4670
Others	5956	3807
Deferred Tax Liabilities/(Assets) (Net)	(7035)	(173)

#### 17. Provision Coverage Ratio

Particulars	Current Year	Previous Year
Ratio of Provisioning to Gross Non Performing Assets	67.24%	74.78%

#### 18. Disclosure of Complaints

Customer Complaints pertaining to Automated Teller Machine (ATM)

Particulars	Current Year	Previous Year
(a) No. of Complaints pending at the beginning of the year	Nil	Nil
(b) No. of Complaints received during the year	55	123
(c) No. of Complaints redressed during the year	55	123
(d) No. of Complaints pending at the end of the year	Nil	Nil

Out of the above complaints, 18 complaints (75 previous year) are related to acquiring banks during the current year ending March 31, 2015.

Customer Complaints other than Automated Teller Machine (ATM) complaints

Particulars	Current Year	Previous Year
(a) No. of Complaints pending at the beginning of the year	01	Nil
(b) No. of Complaints received during the year	10	03
(c) No. of Complaints redressed during the year	10	02
(d) No. of Complaints pending at the end of the year	01	01

Awards Passed by the Banking Ombudsman

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

(c) No. of Awards implemented during the year	Nil	Nil
(d) No. of Unimplemented Awards at the end of the year	Nil	Nil

#### 19. Draw Down From Reserves

(₹ In'000)

Particulars	Current Year	Previous Year
Security Premium Account	24787	1305
Expenditure incurred on issue of Upper/Lower Tier II Bonds	9091	1305
Bonus Issue	15696	Nil
Profit & Loss Appropriation Account	2453	1513
Being the amount of depreciation on fixed assets whose useful life as on April 01, 2014 is Nil as per Companies Act, 2013)	2453	Nil
Being the amount of DTL created on opening balance of Special Reserve in pursuance to RBI circular no. DBOD.BP.BC.No.77/21.04.018/2013-14 dated December 20, 2013	Nil	1513

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

The Bank has transferred ₹ 5000 ('000) to the Depositor Education and Awareness Fund (DEAF) during the year ended March 31, 2015 as per the details below:

Particulars	Current Year	Previous Year
Opening balance of amount transferred to DEAF	Nil	-
ADD: Amount transferred to DEAF during the year	5000	-
LESS: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	5000	-

#### 21. Movement In Floating Provisions

The Bank has not created or utilized any floating provisions during the year ended March 31, 2015 and March 31, 2014. The floating provisions was nil as at March 31, 2015 and March 31, 2014.

#### 22. Securitization Transactions

The Bank has not done any securitization transactions during the year ended March 31, 2015 and March 31, 2014

#### 23. Letter Of Comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2015 and March 31, 2014

#### 24. Intra Group Exposure

The Bank has no intra group exposure.

#### 25. Unhedged Foreign Currency Exposure

The exposure towards unhedged foreign currency as on March 31, 2015 stands to be nil.

#### 26. Dues to Micro, Small and Medium Enterprises

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

## 27. Unamortised Pension And Gratuity Liabilities

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

## 28. Remuneration

### A. Qualitative Information

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

The Board of Directors in the meeting held on February 25, 2012 reconstituted the Remuneration Committee in compliance of Reserve Bank of India's circular DBOD.No. BC.72/29. 67.001/2011-12 dated January 13, 2012. The said committee was further reconstituted by the Board in the meeting held on April 26, 2014 as Remuneration and Nomination Committee. The committee has four members including one member from Risk Management Committee of the Board. The majority of the members of the committee are independent Non Executive Directors consisting of the following:-

#### Members

1. Mr. Madan Gopal Sharma
2. Mr. Dinesh Gupta
3. Mr. Bhagwant Singh Sangha
4. Mr. Sham Singh Bains

The committee has been constituted to oversee the framing, review and implementation of compensation policy of the Bank on behalf of the Board of CEO/WTD

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

As a matter of policy, the Bank is not presently paying any performance based variable pay to WTD/CEO and KRT. As such, said disclosure may be considered as Not Applicable.

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

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

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

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



## B. Quantitative Information

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

Number of Meetings : 2

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

---

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

NIL

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

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

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

---

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

NIL

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

---

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

N.A.

---

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

NIL

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

NIL

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

NIL

### 29. Credit Default Swaps

The Bank has not entered into any Credit Default swaps (CDS) during the year ended March 31, 2015 and March 31, 2014.

### 30. Liquidity Coverage Ratio

Since a local area bank is governed by Basel I compliance and not by Basel III compliance, liquidity coverage ratio is not applicable on the Bank.

### 31. Comparative Figures

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

## Our Network

15 years of  
Trust & Performance

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### SUVIDHA KENDRAS

- BOPA RAI KALAN
- BOOLPUR
- CHAK HAKIM
- DADUWAL
- DHALIWAL
- FATEHPUR
- KANDOLA KALAN
- KANGNA
- KASSOCHAHAL
- LAKHAN KALAN
- NAWANPIND DONEWAL
- POONIA
- RAZAPUR
- SEECHEWAL

### UPCOMING BRANCHES

#### AMRITSAR DISTRICT

- Jandiala Guru

#### HOSHIARPUR DISTRICT

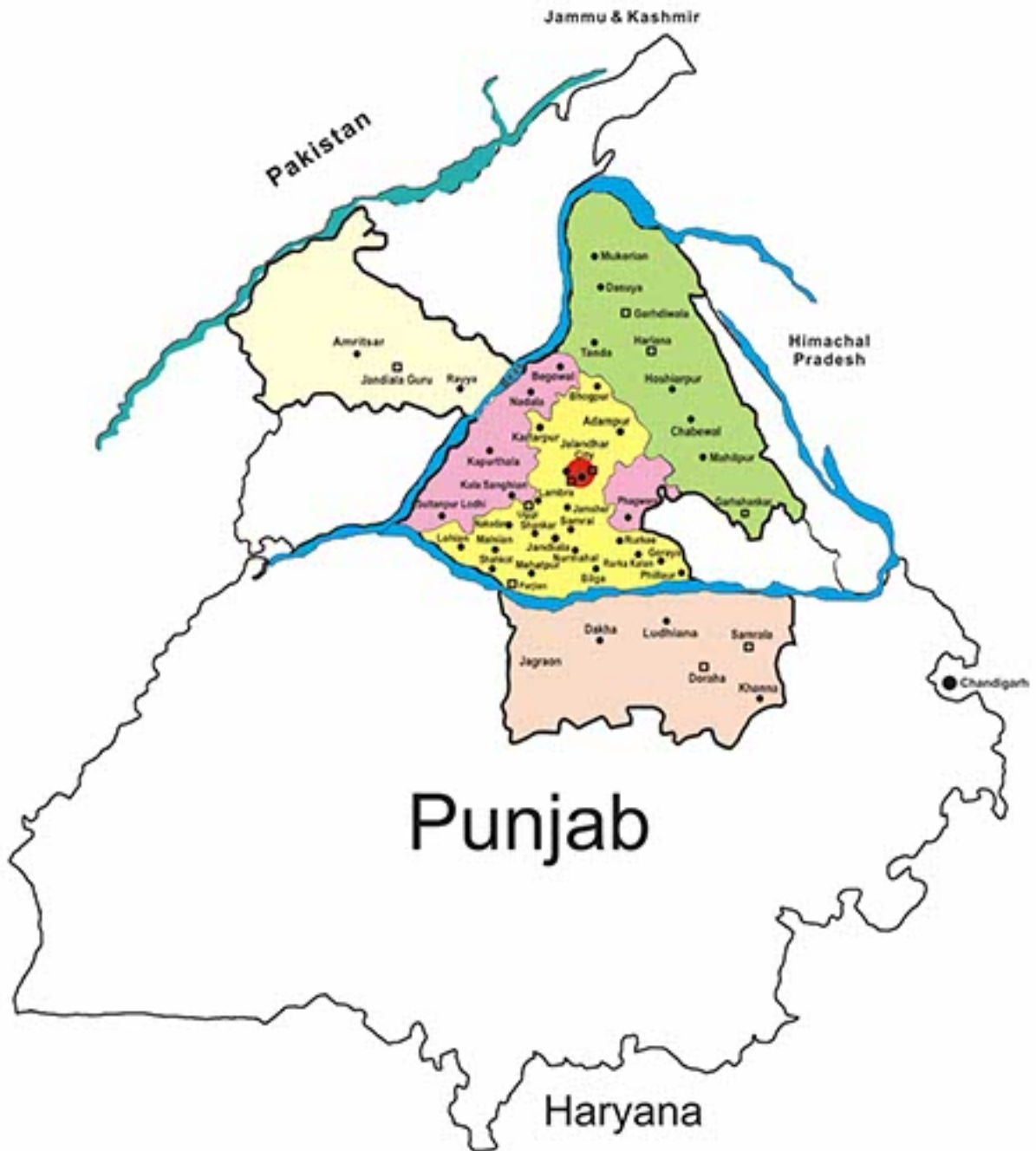
- Gardhiwal
- Haryana
- Garhshankar

#### JALANDHAR DISTRICT

- Parjian
- Uggi
- Pathankot Chowk, Jalandhar
- Model Town, Jalandhar

#### LUDHIANA DISTRICT

- Samrala
- Doraha



- Jalandhar District
- Hoshiarpur District
- Kapurthala District
- Amritsar District
- Ludhiana District
- Head Office
- Existing Branches
- Proposed Branches 2015-16



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