

Growth-Steady Future-Ready



As we embark on a journey of 9 years in our present avatar, we carry forward a legacy of over two decades – grounded in trust, led by passion, driven by growth, and strengthened by enduring & inclusive partnerships.



What started as **India's first local area bank in 2000** has grown into a trusted national institution, built on resilience, guided by values, and powered by people.

We owe this journey to every individual who stood by us and treaded along.



To our customers who believe in us.
To our employees who shape our culture.
To the Government, regulators, and stakeholders who nurture our vision.



Together, we have expanded access where there was once none.

We have created a banking experience rooted in inclusion and trust.

We have embraced technology while staying true to human connection.

We have built a resilient and agile institution which is future-ready.



Now, we look ahead with renewed clarity and purpose.

We will continue to grow with integrity.

We will continue to serve with empathy.

We are striding forward confidently to materialise our potential, guided by trust and performance.



Each number tells a story – a testament to collective aspirations realised, communities uplifted, and the trust earned, one relationship at a time. These milestones are not just metrics; they are markers of our collective journey and the impact we have created together. As we look at how far we have come, we are reminded that meaningful growth is measured not just in numbers, but in the lives touched, the futures enabled, and the trust earned.

Our 9-Year Journey

Gross Advances (in ₹ crores)



Total Deposits (in ₹ crores)



Net Total Income (in ₹ crores)



Profit after Tax (in ₹ crores)



Return on Assets (%)



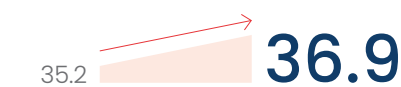
Net Interest Margin (%)



Net NPA (%)



CASA (%)



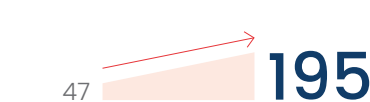
Capital Adequacy Ratio (%)



States and UTs



Number of Branches



● FY16 ● FY25

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Investor Information

CIN:
L65110PB1999PLC022634

BSE Code:
544120

NSE Symbol:
CAPITALSFB

Dividend:
40%

AGM Date:
August 01, 2025

AGM Mode:
Video Conference/Other Audio-Visual Means

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For more investor-related information, please visit
<https://www.capitalbank.co.in/investors/annual-reports>
Or simply scan the QR code below



Disclaimer: This document contains statements about expected future events and financials of Capital Small Finance Bank ('Capital SFB' or 'the Bank' or 'We'), which are 'forward-looking.' By their nature, forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions, and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as several factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis section of this Annual Report.

Growth-Steady Future-Ready

Our Journey

Defined by Discipline

At Capital Small Finance Bank ('Capital SFB,' or 'The Bank,' or 'We'), our journey has been one of trust, consistency, and resilience. As we embark on a journey of 9 years in our present avatar, carrying a legacy spanning over two decades, we have steadily built an institution that puts fundamentals first and stays true to its purpose: delivering inclusive, secure, responsible, resilient and sturdy banking.

Our Strength

Proven Across Cycles

Through economic cycles, regulatory changes, sectoral headwinds, and a global pandemic, we have consistently delivered sturdy performances — marching ahead with vigour and resilience through every cycle and in every black swan event, depicting inherent fundamental strength and poise.

Our foundation remains strong and resilient:

High CASA and granular liability franchise

Secured, diversified loan book with minimal delinquencies

Customer-first approach, special emphasis on the middle-income segment

Disciplined expansion across North India

This inherent strength enables us to withstand business cycles and continue sturdy growth — responsibly and profitably.

We have built a business that endures and evolves, not merely reacts.

Our Focus

Preparing for Tomorrow

This year's theme — **Growth-Steady. Future-Ready.** — reflects both our journey and our intent. As we step into the next phase of growth, our focus remains anchored in strengthening our foundation while adapting to emerging opportunities.

Our strategy is purpose-driven and aligned with our identity as a prudent, customer-centric, and growth-oriented institution. We are building on four key pillars:

Organically growing our secured loan book, especially in MSME, mortgage, and agriculture segments

Elevating our liability franchise by deepening existing relationships and sustaining our strong CASA foundation

Expanding brand outreach through calibrated branch expansion in contiguous markets and enhanced digital connect

Improving operational and profitability metrics by leveraging our mature branch mix and optimising the credit-deposit ratio

With clarity in direction and consistency in execution, we are building an institution that is trusted, resilient, and ready to seize tomorrow's opportunities.

About the Bank

Rooted in Values - Poised for Growth

At Capital Small Finance Bank, our journey is defined by integrity, trust, and a deep sense of responsibility to the people and niche we serve. As a value-driven institution, we are committed to creating lasting impact by bridging financial gaps, empowering underserved communities, and making everyday banking more accessible, inclusive, and humane with value creation for all stakeholders at the core.

Though formally established as India's first small finance bank (SFB) in April 2016, our journey began much earlier, as Capital Local Area Bank, India's largest and most successful local area bank since 2000. From strong local roots to a scalable, retail-focussed institution, our growth has been guided by a clear mission: to deliver affordable, accessible banking to underserved and aspiring middle-income segments.

- ◆ A legacy spanning over two decades, built on trust and performance, based on inclusive and responsible banking
- ◆ A retail-focussed, customer-first approach that serves the financial aspirations of middle-income households, entrepreneurs, and farmers with a special focus on SURU
- ◆ A strong liability franchise led by a high CASA ratio and granular deposit base
- ◆ A diversified portfolio across secured granular MSME, Mortgage and Agri-lending, with a focus on sustainable credit practices
- ◆ A growing geographic footprint, driven by contiguous expansion across North India
- ◆ An integrated phygital banking experience, combining physical access and digital convenience to serve both urban and rural India
- ◆ A culture of prudence, compliance, and operational discipline and professional excellence that ensures resilience across market cycles

From expanding digital payment solutions to creating seamless, tech-enabled customer experiences through a 'phygital' model, we are investing in the future of banking that is more responsive, inclusive, intuitive, and enriching.



Value
Research



Our Journey

2024

- ◆ Successfully listed on NSE and BSE
- ◆ Surpassed ₹ 100 crore in net profit, marking a new profitability milestone
- ◆ Formed a strategic partnership with Edelweiss Life Insurance to enhance financial solutions, offering tailored life insurance products and strengthening customer trust
- ◆ Expanded network to the Union Territory of Jammu and Kashmir



2025

- ◆ Strengthened profitability and growth momentum in the first-year post listing, with net profit reaching approximately ₹ 132 crore and total business exceeding ₹13,500 crore, with disbursements amounting to ₹ 2,846 crores registering a +38% YoY growth
- ◆ Deepened our presence further in North India with a sharper focus on the middle-income segment

2023

- ◆ Exceeded ₹ 93 crores in net profit, reflecting a 50% year-on-year (YoY) growth, with total business crossing ₹ 12,000 crores
- ◆ Increased the share of digital transactions in non-cash transactions to 81%

2022

Increased net profit to ₹ 63 crores, marking a 53.42% growth over the previous financial year

2021

- ◆ Expanded the customer base to approximately 6 lakhs accounts
- ◆ Surpassed ₹ 8,900 crore in total business

2020

Raised ₹ 134 crores in equity through private placement

2019

Surpassed ₹ 6,000 crores in total business

2000

Commenced operations in Jalandhar, Kapurthala, and Hoshiarpur as a local area bank

2011

Crossed ₹ 1,000 crores in total business

2013

Expanded operations to Ludhiana and Amritsar, extending our reach across five districts

2016

- ◆ Commenced operations as an SFB
- ◆ Achieved a total business exceeding ₹ 2,500 crores

2017

Raised ₹ 65 crores in equity through private placement

2018

Expanded branch network, crossing the 100-branch milestone



Geographical Mix

Our branch-led model is deliberately anchored in semi-urban and rural geographies, underscoring our expertise in specially carved niche and enduring commitment to financial inclusion at the grassroots. Through a focussed and contiguous branch expansion strategy, we have established a strong and growing presence across North India, with operations spanning Punjab, Haryana, Rajasthan, NCR, Himachal Pradesh, UT Chandigarh and UT Jammu and Kashmir. This contiguous expansion enables us to deliver high-touch, full-service banking to communities that remain underserved by mainstream financial institutions.

7

States and UTs

195

Branches

41

Districts

197

ATMs

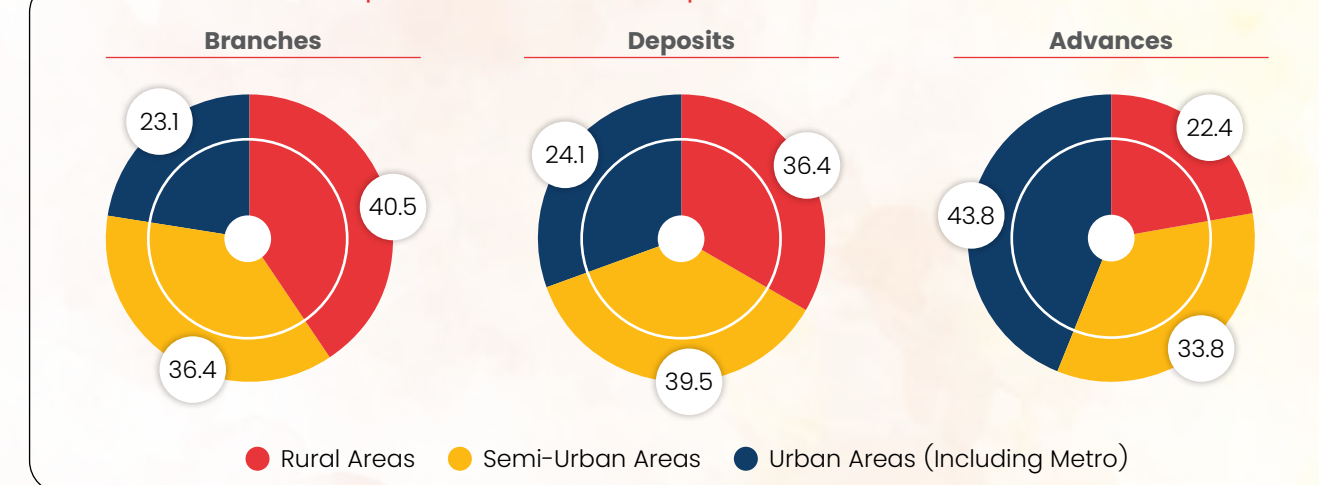


No. of Branches



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

Break-up of Branches, Deposits and Advances (in %)



Management Message

Letter from the Managing Director

Our journey is anchored in purposeful growth, steady progress, and a constant readiness for what lies ahead.

“We don’t chase growth. We build it — with intention, discipline, and lasting purpose.”

- Sarvjit Singh Samra



Dear Stakeholders,

This year marks a significant milestone for Capital SFB as we embark on the ninth year of our present avatar, carrying forward a proud legacy built over 25 years of dedicated service. It is a moment of reflection, not only on the path we have travelled, but on the values, vision, and business model that we have nurtured and remained

committed to throughout our journey. From our earlier days as India’s largest local area bank to our transformation into a differentiated and respected SFB, our journey has been guided by governing principles of advancing with consistency, building with purpose, and evolving with integrity.

‘Growth–Steady Future–Ready’, encapsulates the equilibrium we strive to maintain. For us, growth goes beyond balance sheet metrics. It is reflected in the sustainability of our decisions, the continued relevance of our offerings, and the trust we consistently build. Our legacy has never been defined by expansion alone, but by building

with compassion, scaling with purpose, and staying resilient through cycles.

The Broader Economic Backdrop and Why It Matters

FY25 unfolded against a backdrop of volatility, marked by elevated inflation initially in developed economies, encompassing higher and volatile interest rate movements and ongoing geopolitical disruptions and the US tariff saga. Yet, amid this uncertainty, India demonstrated remarkable macroeconomic resilience, solidifying its position as one of the fastest-growing major economies. Domestic demand remained robust, government-led capital expenditure sustained momentum, and inflation showed signs of easing.

Amid the evolving macroeconomic landscape, the RBI implemented two consecutive repo rate cuts, driven primarily by sustained moderation in headline inflation, particularly food prices. This brought the benchmark rate down to 6.00% by April 2025. The back-to-back rate cuts signalled growing confidence in India’s monetary stability and opened space for calibrated credit expansion. GDP projections for FY26 were revised to 6.5%, which was slightly lower than previous estimates, but still among the highest globally.

This policy action has direct implications for SFBs, Capital SFB in particular. In this environment, our granular, retail-led liability franchise offers a distinct advantage. With 92.5% of our deposits sourced from retail customers and a healthy CASA ratio of ~37%, our cost of funds remains structurally competitive. The easing of policy rates enhances our ability to mobilise adequate deposits to maintain healthy margins without

engaging in aggressive deposit pricing. This financial flexibility enables us to grow our loan book with discipline, thereby prioritising quality over yield compromises.

Additionally, credit demand across our core focus segments, agriculture, MSMEs, and mortgages, has shown encouraging momentum, especially in regions where formal credit penetration remains limited. These areas, which have always been the backbone of our portfolio, are closely aligned with India’s broader growth story. For us, this evolving landscape has created opportunities to deepen our relevance and extend our footprint, while maintaining the prudence and structural integrity of our balance sheet.

Steadiness in Structure, Strength in Strategy

Over the years, we have remained grounded in the principles that define our lending approach. In FY25, we registered a 17% year-on-year (YoY) growth in gross advances, closing the year at ₹ 7,184 crores with disbursements of ₹ 2,846 crores, registering a 38% YoY growth. Our asset book continues to be 99.8% secured, and portfolio diversification remains intact, with 32% in agriculture, 27% in mortgages, and 21% in MSMEs, with the remainder of the loan book making up the rest of the 20%. This portfolio reflects not only our prudent approach but also our strategic alignment with sectors that are deeply embedded in regional economic ecosystems.

We sustained strong control over asset quality, with Gross and Net NPAs at 2.58% and 1.30%, respectively, and minimal write-offs as of March 31, 2025. Our credit-deposit ratio improved to 81.4%, supported by calibrated disbursements and enhanced

customer-level productivity. Risk discipline remained firmly intact, reflected in consistently high collection efficiencies across our loan book. Simultaneously, our capital to risk-weighted assets ratio (CRAR) stood at a healthy 25.4%, providing ample headroom to support future growth without compromising capital adequacy or breaching regulatory thresholds.

₹ **7,184** crores
Gross Advances

₹ **2,846** crores
Disbursements

In FY25, we registered a 17% YoY growth in advances.

During the same period, we continued to demonstrate long-term resilience on the deposit side. In an increasingly competitive environment, particularly for mid-sized banks, our deposit growth has been relationship-led rather than rate-driven. Our deposit base expanded to ₹ 8,323 crores, consistently maintaining a high CASA ratio above 37% and 92.5% retail deposit with funding mix positively skewed towards deposits, constituting 82.3%, high rollover ratio of more than 90% for FY25, underpinned by strong retail franchise, customer loyalty,

high retention rates, and a deep understanding of depositor behaviour.

Our liability strategy will continue to evolve with a clear focus on continuing with high CASA, deepening retail penetration, and optimising the cost of funds. We remain focussed on maintaining low deposit concentration and high customer trust, a philosophy that has consistently supported high rollover ratios. We remain committed to our retail-dominant, low-volatility deposit model, which has consistently proven resilient across interest rate cycles.

Branch-Led, Technology-Assisted, Customer-Centric Growth

FY25 was a year of purposeful expansion, in terms of both reach and capability. Our network grew to 195 branches across five states and two union territories, with new additions driven by market adjacency, demographic potential, and distribution efficiency. Looking ahead to FY26, we plan to open 20-25 new branches, including our entry into one additional state. These decisions are guided by granular insights into credit and savings patterns, allowing us to replicate our model in high-potential areas without compromising cost efficiencies and discipline.

At the same time, we are investing purposefully in digitisation, not to replace our physical model, but to enhance and extend it. Our strategy is anchored in a phygital model, blending the trust and familiarity of our branch-led presence with the speed, efficiency, and scalability of digital platforms. Capital Mobile+ has matured into a full-service banking application with growing adoption across our core customer segments.

We are leveraging technology and data analytics for scalability and profitable growth, improving operational efficiencies and effective customer engagements to create multiple opportunities. This integrated approach enables us to meet customers where they are, whether at a branch, or on a mobile device, while ensuring that the experience remains intuitive, secure, responsive and user-friendly. For us, technology is an enabler that simplifies banking, sharpens governance, and empowers every team member to deliver more.

Above all, we remain deeply customer-centric. Today, over 7.8 lakh customers choose to bank with us, not merely for our credit or deposit products, but because we strive to be their primary financial partner, supporting them through every stage of their financial journey. Our operating model is structured to foster relationship-driven service, especially across semi-urban and rural markets. This not only builds trust but also enables us to drive meaningful insights into borrower behaviour, repayment capacity, and lifecycle needs.



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A Legacy Spanning over Two Decades and Its Enablers

This year, we celebrated nine years in our current avatar as a Small Finance Bank, building on a rich legacy of over two decades. More than just a marker of time, this milestone highlights the agility, trust, and enduring impact that have shaped our journey. Over the years, we have built a business that has withstood policy shifts, credit cycles, pandemic disruptions, and macroeconomic inflection points. This has been done without ever losing sight of who we serve and how we serve them.

From being India's largest local area bank to becoming the first SFB in the country, our story has been one of quintessential leadership. We introduced branch banking to credit-deprived regions, offered full-service banking to underserved communities, and grew without deviating from our secured lending model. These foundations are not only historical but also a testament to our future readiness.

Building Profitability, Expanding Purposely

Looking ahead, we are intensifying our focus on profitability drivers. While our return metrics have strengthened with ROA at 1.4% and Net Interest Margin (NIM) at 4.2%, we believe there is scope to further enhance returns through:

- ◆ Accelerating the credit-to-deposit ratio to enhance the NIM
- ◆ Improving operating efficiency through scaling and increasing proportion of mature branch mix
- ◆ Leveraging partnerships to expedite cross-selling opportunities

- ◆ Extending presence into contiguous states and intensifying penetration in current markets
- ◆ Capitalising on anticipated tailwinds in middle-income segments

This continuity in leadership and business model reflects our long-term vision and intent to deliver greater value per customer, per relationship.

Grounding Sustainability in Business

At Capital SFB, sustainability is embedded in how we lend, operate, and grow. In FY25, we deepened our alignment with ESG principles by advancing further towards digitisation of banking operations, optimising branch energy use and prioritising regulatory-compliant vendors across our sourcing ecosystem.

Our model, anchored in collateral-backed lending and focussed on underbanked regions, naturally aligns with the principles of responsible finance. With over 75% of our branches in semi-urban and rural areas, we deliver meaningful credit access without resorting to unsecured or high-risk products. We see sustainability not as a policy checkbox but as a driver of long-term resilience for our balance sheet, customers, and the communities we serve.

The Road Ahead: Future-Ready, Striving Responsibly

FY26 will be a year of acceleration. Our priorities include growing our secured loan book, strengthening our presence in high-potential markets, and enhancing operating efficiency across locations. This is not a

symbolic goal but a natural progression of a model that has demonstrated resilience, earned stakeholder trust, and proven its relevance at scale.

We are driving this progression with purposeful intent and steadfast discipline. Our aim is to achieve higher standards of professional excellence, strengthen internal systems and controls, ensure regulatory compliance in both letter and spirit, and foster the leadership mindset required to operate across a broader geographical footprint and an expanded business profile, ultimately creating long-term value for all stakeholders. With a CRAR well above regulatory requirements and ample liquidity, a tested model, and deep stakeholder trust, we are strategically positioned to pursue growth while withstanding external shocks, entering the next phase with both readiness and resolve.



FY26 will be a year of acceleration. Our priorities include growing our secured loan book, strengthening our presence in high-potential markets, and enhancing operating efficiency across locations.

A Word of Gratitude

To all our stakeholders including our regulators, Board members, shareholders, customers, and employees, I offer my deepest thanks. Your belief in our journey remains our greatest strength. Your trust enables us to evolve.

Behind every number and milestone is the commitment of our people. Our teams, deeply rooted in the communities we serve, remain the driving force behind our success. As we evolve, we continue to invest in their growth, encourage ownership and foster a culture anchored in integrity, agility, and long-term thinking. We believe our next phase will be defined not just by strategy, but by the strength of our people who deliver it.

Capital SFB is now a nine years old SFB. However, in many ways, our journey is just beginning. With experience behind us, capital in place, and strategy aligned with abundance of opportunities, we are ready to chart our next chapter of acceleration. Our journey ahead is rooted in resolve and strength for momentous growth, shaped by foresight, and prepared for the future we are forging with intent.

Warm Regards,

Sarvjit Singh Samra

Managing Director and Chief Executive Officer

Management Message

Letter from the Executive Director

Reimagining
Growth with
Purpose

“This was a year defined not by coincidence or reaction, but by deliberate choices, disciplined execution, and a steadfast belief in the power of inclusive and responsible banking.”

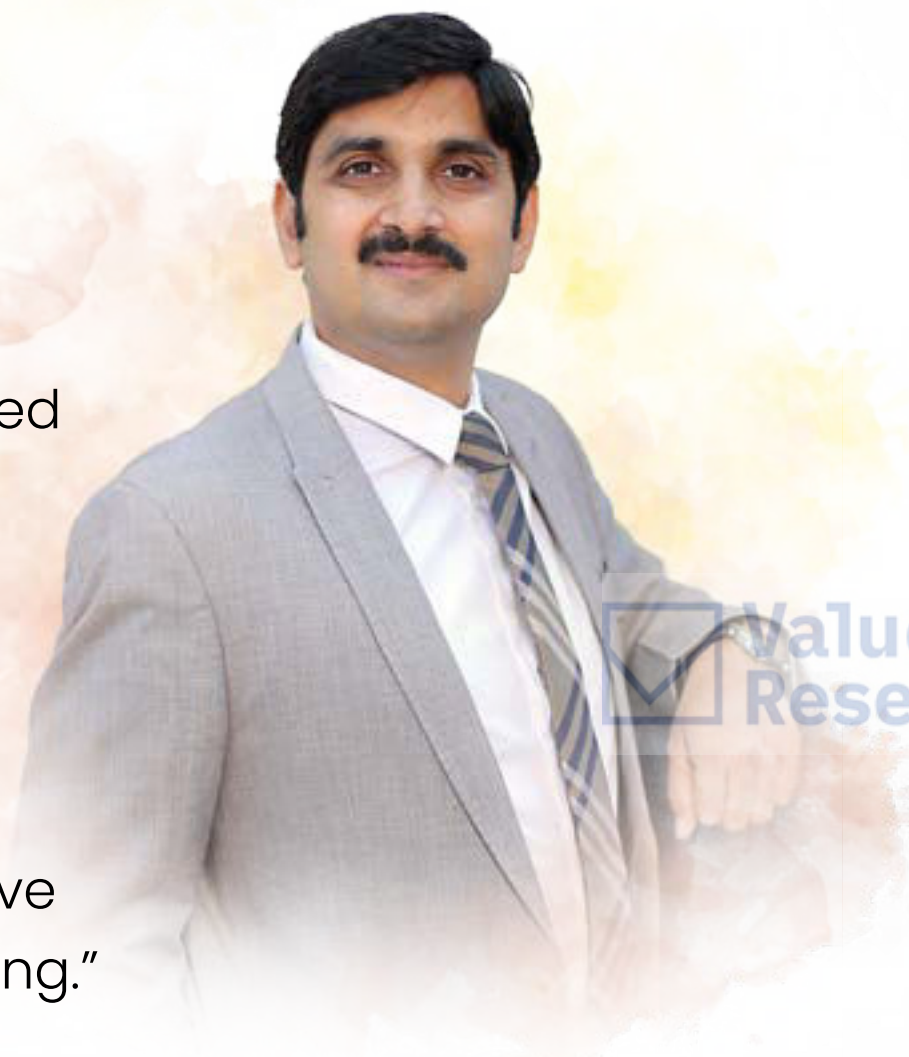
- Munish Jain

As we draw the curtain on FY25, the year stands out not merely for the milestones we achieved, but for the clarity of intent and conviction that guided our journey. This was a year defined not by coincidence or reaction, but by deliberate choices, disciplined execution, and a steadfast belief in the power of inclusive and responsible banking. In a landscape influenced by evolving macroeconomic

dynamics, rapid digitalisation, and changing customer expectations, Capital SFB remained focussed—not on racing ahead of the market, but on strengthening our relevance within it.

Against this backdrop, Capital SFB stayed focussed, not on outpacing the market, but on deepening our relevance within it. Our growth was rooted in the realities of those we serve. Every branch we

opened, every small business we backed, every customer we onboarded reflected our ongoing commitment to expanding the reach of formal banking with purpose. As we look ahead, we remain committed to building a bank that is not only financially strong but socially impactful—driven by trust, guided by purpose, and powered by people.



Macroeconomic Landscape and Industry Outlook

Resilience, Reform, and Renewed Opportunity

India's macroeconomic environment in FY25 demonstrated remarkable resilience amid ongoing domestic fundamentals held firm, with real GDP projected to grow at 6.5% driven by robust consumption and a steady pickup in investment activity. The year was characterised by consolidation and directional reform, particularly in infrastructure development, digital enablement, and rural access.

SFBs, including Capital SFB, found themselves in a strategically opportune position. As a growing share of India's population enters the formal economy and credit demand intensifies in underserved regions, SFBs are evolving from niche enablers to mainstream financial engines. Despite a slight moderation in system-wide loan growth, the SFB segment continued to grow in reach and relevance. The emphasis has rightly shifted towards deeper customer engagement, branch-led expansion into new regions, and improving deposit quality.

Even as funding costs edged up across the banking sector, we remained resilient, anchored by the strength of our retail deposit franchise. Our consistently healthy CASA ratio and high rollover rates provide a structural advantage, helping us contain the cost of funds and navigate interest rate cycles with confidence. At the industry level, improvements in CASA, greater reliance on secured lending, and deeper technology integration are collectively enhancing long-term operating leverage.

Staying Anchored to Our Strategy

Purposeful Growth, Rooted in Core Principles

At Capital SFB, our journey has never been trend-driven; it has been conviction-led. We have always believed in staying true to our core customer segment, India's middle-income population, and building every operational layer around their needs. This strategy has allowed us to grow steadily, even in periods of volatility, with FY25 being no exception.

Our gross advances crossed ₹ 7,184 crores, registering healthy YoY growth. The portfolio remains intentionally diversified across key segments including agriculture, MSMEs, mortgages, and allied sectors.

Importantly, we have consciously avoided unsecured microfinance lending. Over 99% of our lending remains secured, with more than 79% backed by tangible collateral such as immovable property, gold, or fixed deposits. This is not merely a conservative stance—it is a deliberate risk strategy that balances access with accountability, ensuring both financial resilience and customer relevance.



Even as funding costs edged up across the banking sector, we remained resilient, anchored by the strength of our retail deposit franchise.

Our approach is built for the long term: prudent, inclusive, and deeply aligned with the aspirations of the communities we serve.

A Liability Franchise Built on Trust

Granular Growth, Enduring Relationships

Our deposit base grew to ₹ 8,323 crores, reflecting a healthy CAGR of 15%, which is a testament to the strength and depth of our retail relationships. A consistent 92.5% of deposits continue to be retail in nature, supported by a CASA ratio of 36.9% and a rollover rate of ~90%. Apart from reflecting balance-sheet resilience, this deposit profile also underscores customer confidence in the Bank as their primary financial partner.

Our branch-led approach prioritises granular, sticky relationships, ensuring that our liabilities stem from enduring customer associations rather than rate-sensitive, transactional deposits. This approach has helped us manage our cost of funds with greater stability, even in a dynamic rate environment where larger peers have faced sharper recalibrations. The strength of our deposit franchise has given us the flexibility to pursue credit growth without compromising on margin integrity.

At the same time, we are broadening our liability strategy to drive deeper wallet share through customised engagement, improved savings products, and bundled offerings that serve both transactional and long-term financial needs. This continued evolution of our deposit engine—anchored in trust, relevance, and long-term value—will remain central to our ability to scale sustainably and serve as the foundation for our future credit deployment.

Profitability Anchored in Fundamentals

Disciplined Execution, Resilient Outcomes

Our financial performance in FY25 reflected the strength of disciplined execution and a resilient operating model. Our PAT rose to ₹ 132 crores, registering a CAGR of 38%, while Return on Assets stood at 1.4% and Return on Equity reached 10.4%. These outcomes were supported by sustained NIM strength, higher fee-based income, and operating leverage from a maturing branch network.

Our cost of deposits and cost of funds stood at 5.90% and 6.02%, respectively, reflecting a stable spread, shaped by the timing of fund deployment and a deliberate focus on expanding secured lending offerings. Our credit-deposit ratio improved steadily, and our Liquidity Coverage Ratio (LCR) at 235.1% provided us with the flexibility to pursue growth without straining the balance sheet.

Asset Quality as a Strategic Priority

Disciplined Design, Relationship-Driven Risk Management

We continued to maintain high collection efficiency and prudent asset quality controls across the portfolio. The Bank's Gross and Net NPAs stood at 2.58% and 1.30%, respectively, with minimal write-offs. This reflects the integrity of our credit framework and the maturity of our underwriting practices.

Our approach is grounded in cash flow visibility, real-world borrower behaviour, and high collateral coverage. From farmers and traders to salaried individuals and small business owners, our credit supports tangible economic activity across the middle-income segment.

Larger exposures continue to be evaluated through a robust, committee-based sanctioning process, data analytics and early warning systems. These tools enhance our ability to respond proactively, especially as the broader SFB sector contends with rising credit costs and evolving liquidity dynamics. At Capital SFB, asset quality isn't a metric—it is the outcome of conservative design, long-term thinking, and relationship-led lending practices. This focus will remain central to sustaining our resilience and enabling responsible growth in the years ahead.

Deepening Relationships through Presence

Branch-Led Expansion, Relevance-Led Engagement

As of FY25, we operate 195 branches across five states and two union territories, with plans to add 20-25 more in FY26. Our latest geographic foray into Jammu and Kashmir reflects our intent to extend formal banking into underpenetrated regions that align with our branch-led, relationship-driven model.

We see Haryana and other contiguous markets as vital growth corridors. Our strategy remains clear: deepen our presence in regions where trust is already established and expand into areas where our model can be replicated successfully. This is growth anchored in viability.

But reach alone does not build relationships, relevance does. Across our branch network, we are investing in relationship management, customer profiling, and personalised engagement, enabling our teams to move beyond transaction fulfilment to financial guidance. Our single-window delivery model, backed by frontline staff with local insight,

ensures that every interaction is rooted in context and continuity.

With an average ticket size of ₹ 16 lakhs, our products are designed for meaningful credit access. Supported by our expanding product suite across savings, insurance, and investments, we are positioned as a comprehensive financial partner, focussed not just on customer acquisition, but on growing alongside them.

Digital that Complements, Not Replaces

Hybrid by Design, Human at the Core

Our digital transformation journey is aimed at simplifying banking, empowering employees, and enhancing customer relevance. With 88% of non-cash transactions now taking place digitally, we see clear behavioural shifts among our customers, even in rural and semi-urban segments.

We have automated several back-end functions, strengthened



Across our branch network, we are investing in relationship management, customer profiling, and personalised engagement, enabling our teams to move beyond transaction fulfilment to financial guidance.

digital onboarding, and integrated decision engines for credit assessment and customer service workflows. However, all this has been done without compromising on our physical model. We continue to believe that in our markets, a hybrid model, where digital enhances but does not replace branch engagement, is the most effective path forward.

In essence, we are building a digital ecosystem that serves people—not systems—ensuring that technology complements the trust, familiarity, and contextual understanding that our branch network uniquely delivers.

What Lies Ahead

Focussed Growth. Sustained Momentum. Enduring Value.

As we enter FY26, our strategy is guided by a clear ambition: to reinforce our role as the primary banker for our customers by strengthening our secured lending engine, expanding our footprint, and unlocking greater operating leverage. On the asset side, we will continue to grow our secured loan book across MSMEs, trading, mortgages, and agriculture, capitalising on anticipated tailwinds in the middle-income segment. This growth will be calibrated and backed by our conservative credit philosophy.

In liabilities, we aim to further elevate our retail-led deposit franchise by leveraging brand strength, enhancing customer primacy, and sustaining a healthy CASA ratio. In this regard, our focus will be on deepening existing relationships through more personalised engagement and product penetration.

Our distribution strategy will blend physical expansion with enhanced digital outreach. We aim to scale up branch

additions, deepen our presence across contiguous states, and strengthen digital engagement to drive a higher share of cashless transactions.

Operationally, we are prioritising key levers of sustainable profitability:

- ◆ **Enhancing our credit-to-deposit ratio** to protect and expand margins
- ◆ **Improving efficiency** as our branch network matures
- ◆ **Accelerating non-interest income** through deeper bancassurance and fee-based offerings

Each of these pillars is aligned to measurable outcomes: growing quality advances, optimising balance sheet metrics, and delivering sustained improvements in profitability, return ratios, and long-term stakeholder value.



As we enter FY26, our strategy is guided by a clear ambition: to reinforce our role as the primary banker for our customers by strengthening our secured lending engine, expanding our footprint, and unlocking greater operating leverage.

FY26 marks not just the next chapter in our journey—but an opportunity to build on our momentum with sharper focus, stronger execution, and deeper purpose.

Closing Thoughts

Consolidation. Confidence. Compounding.

FY25 was not merely a year of progress—it was a year of strategic consolidation. We strengthened what worked, recalibrated where needed, and prepared deliberately for the next phase of growth. With ROA and NIM showing consistency, fee income on the rise, and a secure credit book in place, we are positioned not just for continuity but for compounding.

As always, we are deeply grateful for the continued trust and support of our customers, regulators, shareholders, and employees. It is this shared commitment that enables us to advance our mission: **to build a modern, inclusive, and resilient banking institution — one that delivers lasting impact, year after year.**

"The future is not something we enter — it is something we build. At Capital SFB, we are building it with CONVICTION, CONSISTENCY, and CARE."

With this foundation, we step into FY26 with **clarity of direction, confidence in execution, and an unwavering focus on delivering enduring value to every stakeholder we serve.**

Warm Regards,

Munish Jain

Executive Director

Note: All CAGR figures for FY19-FY25

Business Model

Empowering Growth - Ensuring Stability

Our business model is centred on creating a lasting impact on the middle-income group segment through a secure, inclusive, and deeply trusted financial architecture. Our distinctiveness lies in a secured credit-only approach, phygital delivery, and a primary banking relationship strategy rooted in semi-urban and rural markets – segments often underserved by both commercial banks and NBFCs. By building long-term relationships in our well-identified segments, we are creating a franchise that balances profitability with purpose, scale with sustainability. This approach allows us to maintain high asset quality, build a granular liability base, and ensure meaningful financial participation across our core customer segments.

Who We Serve

Our customer strategy is sharply focussed on middle-income households, small and medium businesses, farmers, and traders, particularly in semi-urban and rural India. These customer groups represent the backbone of India's economy and have historically faced limited access to customised, secured financial products. Our customer selection is purposeful – we engage with income-generating segments where credit is a tool for productive use and long-term value creation, with a strong emphasis on fostering long-term financial inclusion and economic resilience.

Focus on Serving the Middle-Income Segments



What We Offer

We specialise in secured lending solutions tailored to the needs of our core customer base. With an average loan ticket size of ₹ 16 lakhs, our credit offerings include mortgage lending (loans against property and housing loans), agriculture and farm-related financing, and MSME and business working capital solutions, corporate loans (lending to NBFCs and MFIs), all deployed with conservative loan-to-value (LTV) ratios. On the liability side, we offer comprehensive and competitive savings and term deposit products with high renewal rates, fostering deposit stickiness and strengthening our liability franchise. Our approach ensures financial discipline, reduces volatility, and aligns with customers' long-term goals. Our CASA ratio has remained consistently at 37% and above since conversion into an SFB, supported by ~90% renewal rate on term deposits. This reflects strong customer stickiness and low-cost, stable funding.

₹ 15.9 lakhs
Average Loan Ticket Size

₹ 1.2 lakhs
Average Deposit Ticket Size



How We Deliver

Our delivery model blends on-ground presence with digital ease, a true phygital architecture. We operate through 195 branches across 5 states and 2 union territories, predominantly in non-metro regions. These branches serve as centres for customer acquisition, servicing, and trust-building. Complementing this is our digital banking ecosystem, which enables remote access, digital onboarding, and transaction convenience. This dual-channel model allows us to scale efficiently, ensure accessibility, and optimise customer experience across different segments.

195 Branches across 5 States and 2 Union Territories

88%

Non-Cash Transactions in FY25 were Completed through Digital Channels, Reflecting Strong Adoption of Mobile-First, Self-Service Banking



Customer Relationships

We aim to be the go-to banking partner for every customer, not just a transactional lender. Our relationship strategy is built on personalised, high-engagement service, especially for MSMEs and business customers, supported by dedicated relationship managers. At the same time, we actively support financial literacy efforts to empower customers and promote responsible financial behaviour. Our digital channels offer contextual nudges and actionable insights, helping us deepen engagement and stay relevant across every stage of the customer journey. We also seek to understand our customers' financial patterns and business cycles, enabling us to offer timely, relevant solutions that support their long-term success.

7.8 lakh+
Customer Base



Key Activities

Our key operational pillars include mobilising sticky deposits, disbursing secured loans, and ensuring asset quality through strong risk management practices and efficient collections. In FY25, we disbursed ₹ 2,846 crores in loans registering a 38% growth on a YoY basis and maintained collection efficiency at 98.7%, showcasing both growth and control. Our focus is on expanding lending to productive sectors such as agriculture, MSMEs, and mortgages, while maintaining robust asset quality (GNPA at 2.6%, NNPA at 1.3%). Additionally, we continue to invest in digital transformation, data analytics, customer behaviour, and branch network maturity, ensuring sustainable operational leverage.

₹ 2,846 crores
Loans Disbursed in FY25

98.7%
Collection Efficiency



Revenue Engine

Our revenue engine is powered by interest income from a secured and diversified loan book, which grew to ₹ 7,184 crores in FY25. Alongside this, we generate non-interest income from bancassurance commissions, operational fees, forex, money transfer, treasury operations and other ancillary fee generating services, which contributed ₹ 86 crores in FY25. These fee-based revenue streams not only diversify our income but also enhance customer value by offering comprehensive financial solutions.

₹ 995 crores
Revenue in FY25



Key Enablers

Our core enablers namely, our well-identified niche, people, technology, granular approach, risk frameworks and customer trust, form the foundation of our business strength. We have over 2,000 employees with deep domain knowledge and regional understanding. Our risk management framework ensures prudent underwriting and early warning systems, enabling us to sustain low NPAs. Our digital platforms support end-to-end banking services, enhancing operational agility. Most importantly, our 90% deposit rollover ratio reflects enduring customer confidence and brand credibility.

2,000+
Employees

4 Days
Average Complaint Resolution TaT



Partnerships

We maintain a strong and collaborative relationship with regulatory bodies such as the RBI and SEBI, ensuring that our operations uphold the highest standards of compliance and governance. Our commitment to regulatory alignment forms the foundation of our sustainable growth strategy. In parallel, we also maintain strategic alliances with business partners to offer a diverse range of third-party financial products. These partnerships not only enrich customer portfolios but also contribute to our fee-based income. Together, these collaborations reinforce our operational agility, broaden our market reach, and support our pursuit of excellence in both governance and business generation.

0.9%
Non-Interest Income as Percentage to Average Assets



Cost Structure

Our lean, scalable cost structure is driven by increasing branch-level efficiency, growing adoption of digital self-service and deeper process automation. Despite being in a growth and expansionary phase, we managed our cost-to-income ratio at 62.3% in FY25 compared to 70.75% in FY21, reflecting operational discipline and efficiency. While we continue to invest in risk management, technology, infrastructure, and compliance, these expenditures are strategic and contribute directly to long-term capability building and regulatory resilience.

3.2%
Opex as a Percentage of Avg. Assets

Strengths and Strategies

Built to Thrive - Leading with Purpose

At Capital SFB, we are at a strategic crossover, transitioning from a legacy of stability to a future defined by leadership and market distinction, anchored in robust foundations and driven by forward-looking strategies. Our enduring strength lies in disciplined banking practices, long-standing customer relationships, and a commitment to financial inclusion. In a dynamic economic environment, our strategies are designed to balance resilience with agility. We are actively building for the future by strengthening three pillars of long-term growth: advanced technology, capable talent, and customer-first approach. These investments are helping us broaden our footprint and deliver more responsive, meaningful service experiences. Guided by our core values and a clear vision for what lies ahead, we are stepping forward to lead the change.

Our Strategies



Organic Loan
Book Growth and
Secured Lending



Elevating
Liability
Franchise



Expanding
Our Brand
Outreach



Strengthening
Operational and
Profitability Metrics

Retail-Focussed
Liability Franchise



Steady and Sturdy Growth
Trajectory



Professional and
Experienced Leadership



Value
Research

Commitment to Customer
Satisfaction



Streamlined Credit
Assessment and Risk
Management Processes



Secured and Diversified
Advances Portfolio



Our Strengths



01 02 03 04 05 06

Our Liability Franchise

Since our inception as an SFB, we have strategically leveraged the trust and recognition of our brand to steadily grow our robust retail deposit portfolio. Our sharp focus on customer-centric, granular retail banking has helped us build a deposit base that is both well-diversified and inherently stable. This solid foundation strengthens our ability to grow sustainably, while ensuring we remain responsive and reliable in meeting our customers' evolving financial needs.

Our Strength: Retail Focussed Liability Franchise with a High CASA Share

Retail deposits not only provide a more affordable source of funding but also offer greater stickiness, contributing to a consistent and reliable funding foundation. This approach has enabled us to maintain a healthy proportion of CASA deposits, thereby strengthening our liquidity position and supporting the Bank's broader growth objectives.

Driven by a strong brand and a deep understanding of customer needs, we offer a comprehensive suite of banking solutions tailored to individuals, businesses, and communities alike. With a significant emphasis on secured lending and digital banking, we remain committed to providing seamless, accessible, and customer-centric financial services that foster long-term relationships and inclusive growth.

High-Impact Numbers

The Bank continued with calibrated deposit growth, owing to lower CD ratio and high liquidity ratios. This positions us well for the upcoming growth after capital infusion. We take pride in our ability to swiftly scale up deposit mobilisation as needed. Our focus remains firmly on granular, retail-centric deposits, ensuring minimal reliance on bulk deposits. This approach has resulted in low concentration risk, with our top 20 depositors accounting for only 7.9% of total deposits. We have consistently achieved a strong rollover ratio of term deposits, averaging around 90% or higher. Furthermore, we continue to maintain a healthy CASA ratio, with the interest rate on savings accounts standing at 3.5%.

Total Deposits (in ₹ crores)

FY25	8,322.60
FY24	7,477.74
FY23	6,560.62
FY22	6,046.36
FY21	5,221.07

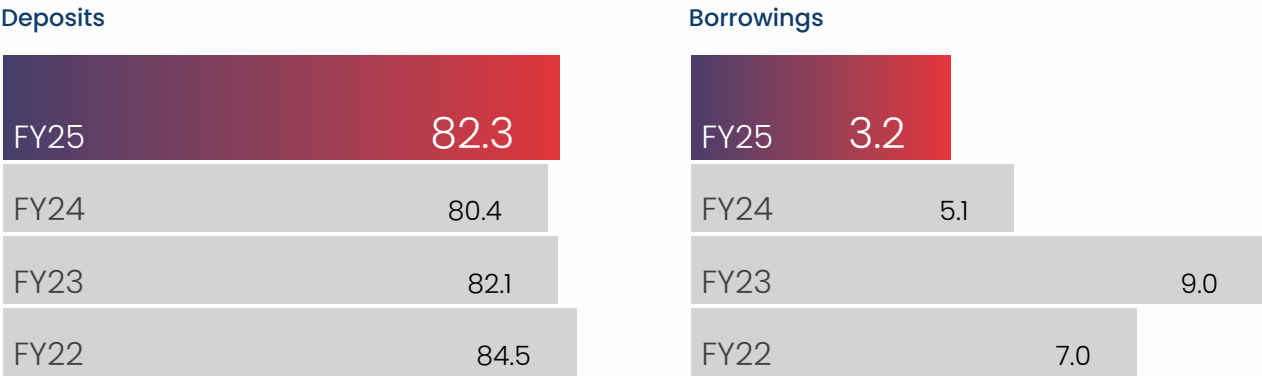
CASA Deposits (in ₹ crores)

FY25	3,074.48
FY24	2,863.75
FY23	2,747.90
FY22	2,549.40
FY21	2,092.63

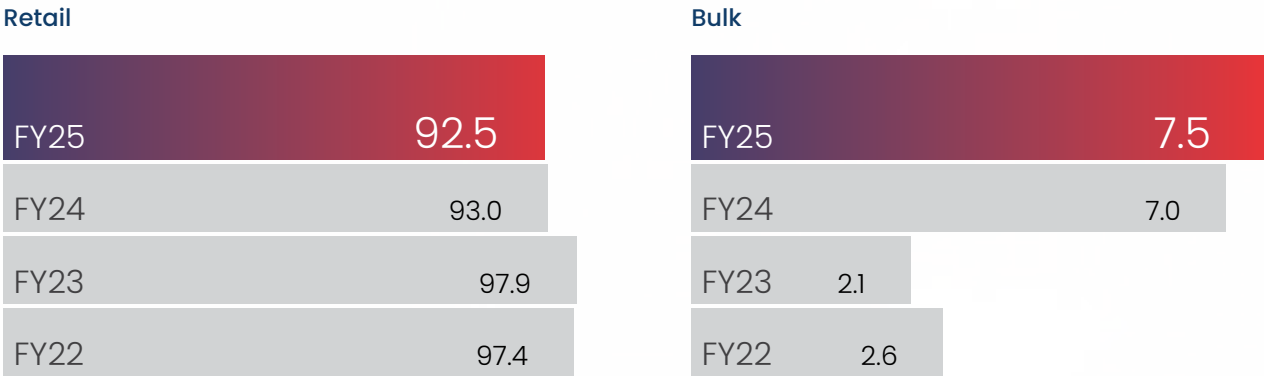
CASA Ratio (in %)

FY25	36.9
FY24	38.3
FY23	41.9
FY22	42.2
FY21	40.1

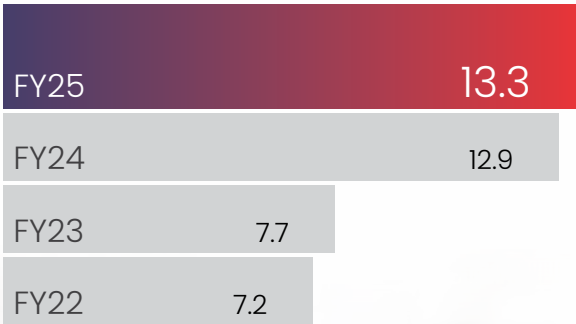
Funding Mix – Positively Skewed towards Deposits
(in %)



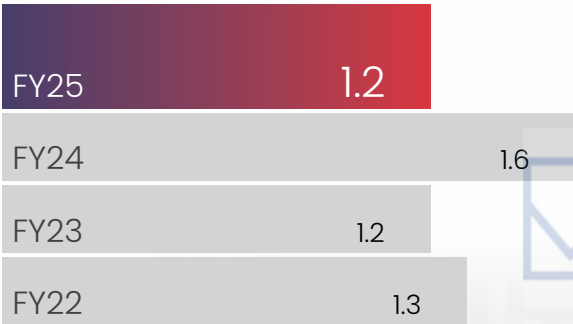
Retail-Centric Deposit Mix
(in %)



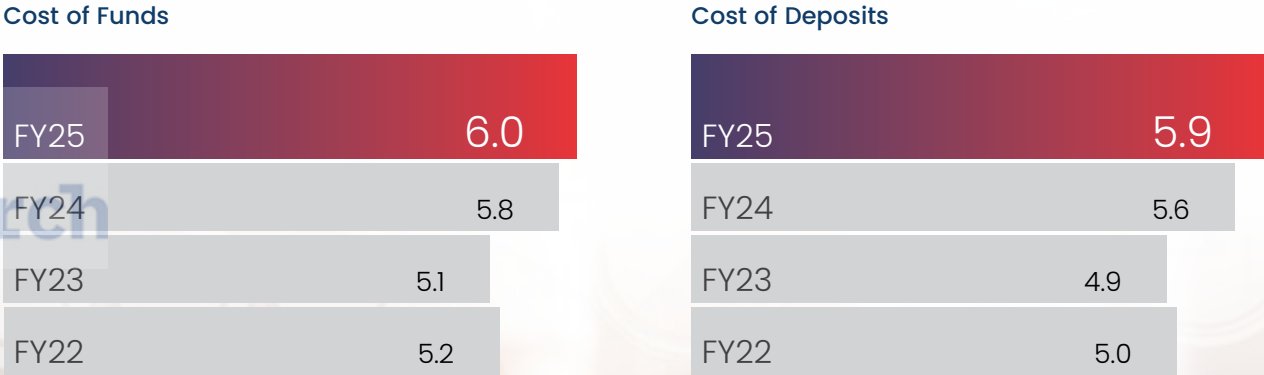
Shareholders' Funds



Other Liabilities



All Leading to Low Financing Cost
(in %)



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Strong Brand Equity

We have strengthened our market presence through focussed brand recognition and strategic outreach. By actively engaging with our customers and truly understanding their evolving needs, we are positioning ourselves as their trusted, one-stop financial partner, offering a comprehensive range of solutions under one institution.

Our inclusive banking initiatives and commitment to reliability have helped us build deeper client relationships, earning long-term loyalty and trust. These efforts are driving new cross-selling opportunities and increasing customer lifecycle value. As we continue to evolve and innovate, we remain dedicated to delivering holistic financial experiences that meet the diverse needs of every customer we serve.



Our Strategy: Elevating Our Liability Franchise

We are reshaping the way we grow our liability franchise by placing customer needs and innovation at the core. To keep our CASA base expanding, we combine personalisation with proactive service, making each customer feel genuinely valued. This approach not only builds stronger relationships but also drives retention and accelerates new customer acquisition.

01 02 03 04 05 06

Delivering Growth - Strengthening Performance

With a sharp focus on credit products, we have embraced a progressive approach to tracking growth metrics, ensuring resilience while strategically venturing into new markets. This disciplined methodology has not only accelerated customer acquisition but also fortified our financial health, paving the way for sustained momentum and a dynamic, expanding loan portfolio.

Our Strength: Steady Growth Trajectory

Since FY19, our Return on Average Advances Assets (ROAA) has improved 2.6x, reaching 2.1% in FY25. This performance highlights our ability to efficiently deploy capital while managing risks in a competitive environment. A key driver of our growth has been the consistent improvement in our credit-to-deposit (CD) ratio, which has helped expand our NIMs. Alongside this, we have strengthened financial stability by diversifying income streams and increasing our share of non-fund-based revenue. This disciplined and balanced approach to growth and risk ensures we remain resilient in the face of market volatility while continuing to create long-term value.

Our advantage of the lowest cost of funds among SFBs and the highest retail deposits has enabled us to build a robust, low-cost liability base. This highlights our strong customer trust and operational efficiency, enabling

us to finance credit growth in a more efficient and sustainable manner without undue reliance on expensive borrowings. Our ability to optimise yields and manage interest spreads across fluctuating rate cycles has driven consistent margin expansion, highlighting the strength of our disciplined and adaptive market strategy.

Between FY19 and FY25, our strong CAGRs, 38% in PAT, 18% in advances, and 15% in deposits,

reflect not just growth in scale, but the success of our focussed strategy in serving underserved market segments. The growing proportion of matured branches has contributed to operating leverage, lowering costs, and boosting profitability. Our ability to maintain resilient asset quality through significant macroeconomic challenges demonstrates robust credit underwriting and prudent risk management.



Loan Book (₹ in crores)

FY25	7,183.89
FY24	6,159.80
FY23	5,507.27
FY22	4,688.70
FY21	3,762.99

17% YoY Growth 18% CAGR

Total Deposits (₹ in crores)

FY25	8,322.60
FY24	7,477.74
FY23	6,560.62
FY22	6,046.36
FY21	5,221.07

11% YoY Growth 15% CAGR

Balance Sheet Size (₹ in crores)

FY25	10,107.51
FY24	9,295.28
FY23	7,990.77
FY22	7,153.92
FY21	6,371.24

9% YoY Growth 15% CAGR

Net Worth (Capital + Reserves) (₹ in crores)

FY25	1,340.14
FY24	1,197.42
FY23	610.61
FY22	515.78
FY21	450.79

12% YoY Growth 32% CAGR

Loan Disbursement (₹ in crores)

FY25	2,846.20
FY24	2,068.11
FY23	1,990.67
FY22	1,842.63
FY21	1,344.22

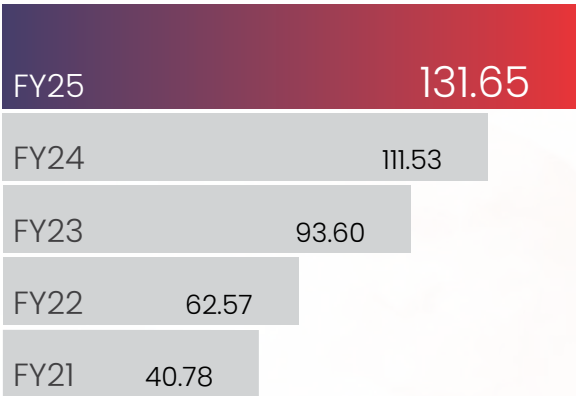
38% YoY Growth 17% CAGR

Average CD Ratio (in %)

FY25	81.4
FY24	79.0
FY23	78.0
FY22	70.6
FY21	67.5

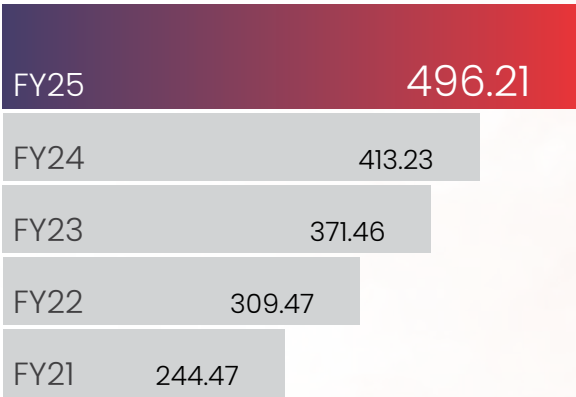
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Profit After Tax (₹ in crores)



18% YoY Growth 38% CAGR

Net Total Income (₹ in crores)

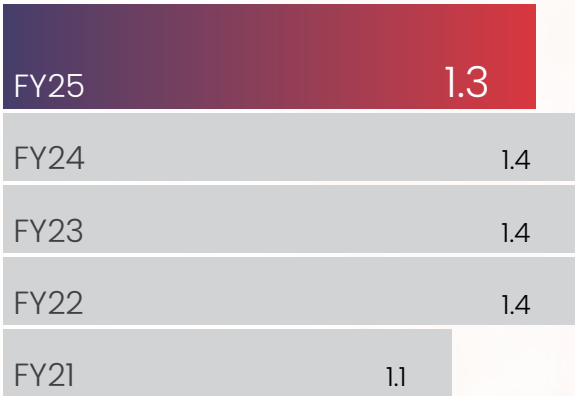


20% YoY Growth 20% CAGR

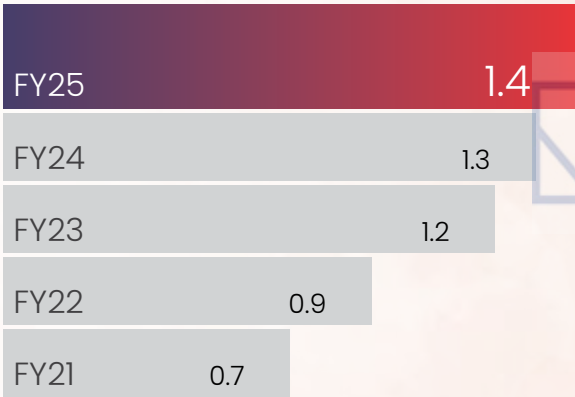
Net Interest Margin (in %)



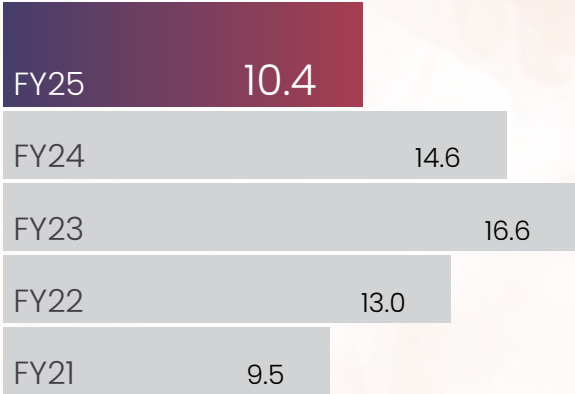
Net Non-Performing Assets (in %)



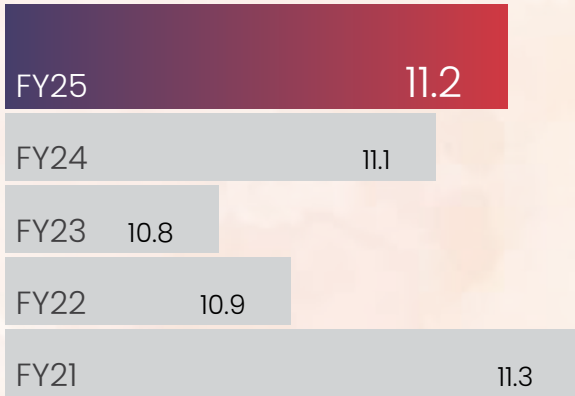
Return on Assets (in %)



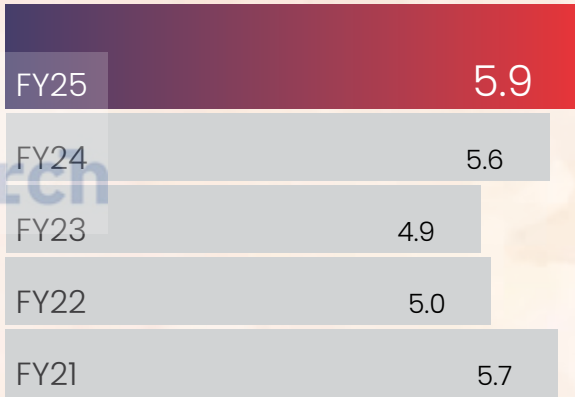
Return on Equity (in %)



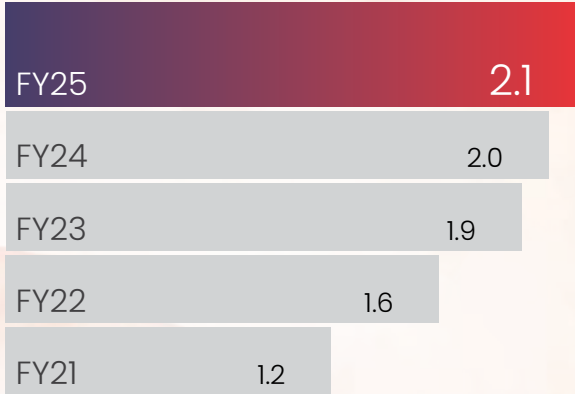
Yield on Advances (in %)



Cost of Deposits (in %)



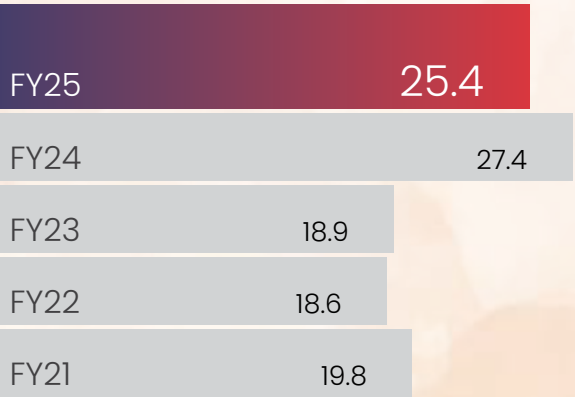
Return on Average Advances (in %)



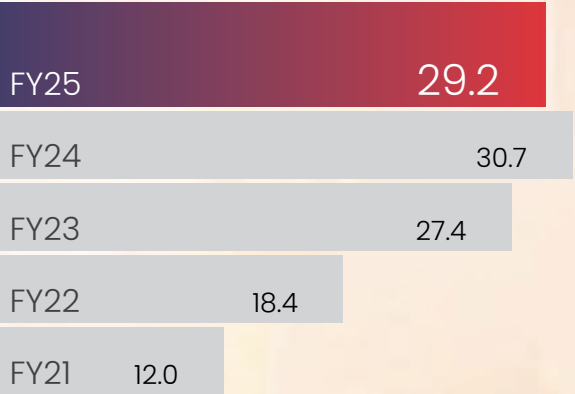
Cost of Funds (in %)



Capital Adequacy Ratio (in %)



Earnings Per Share (in ₹)



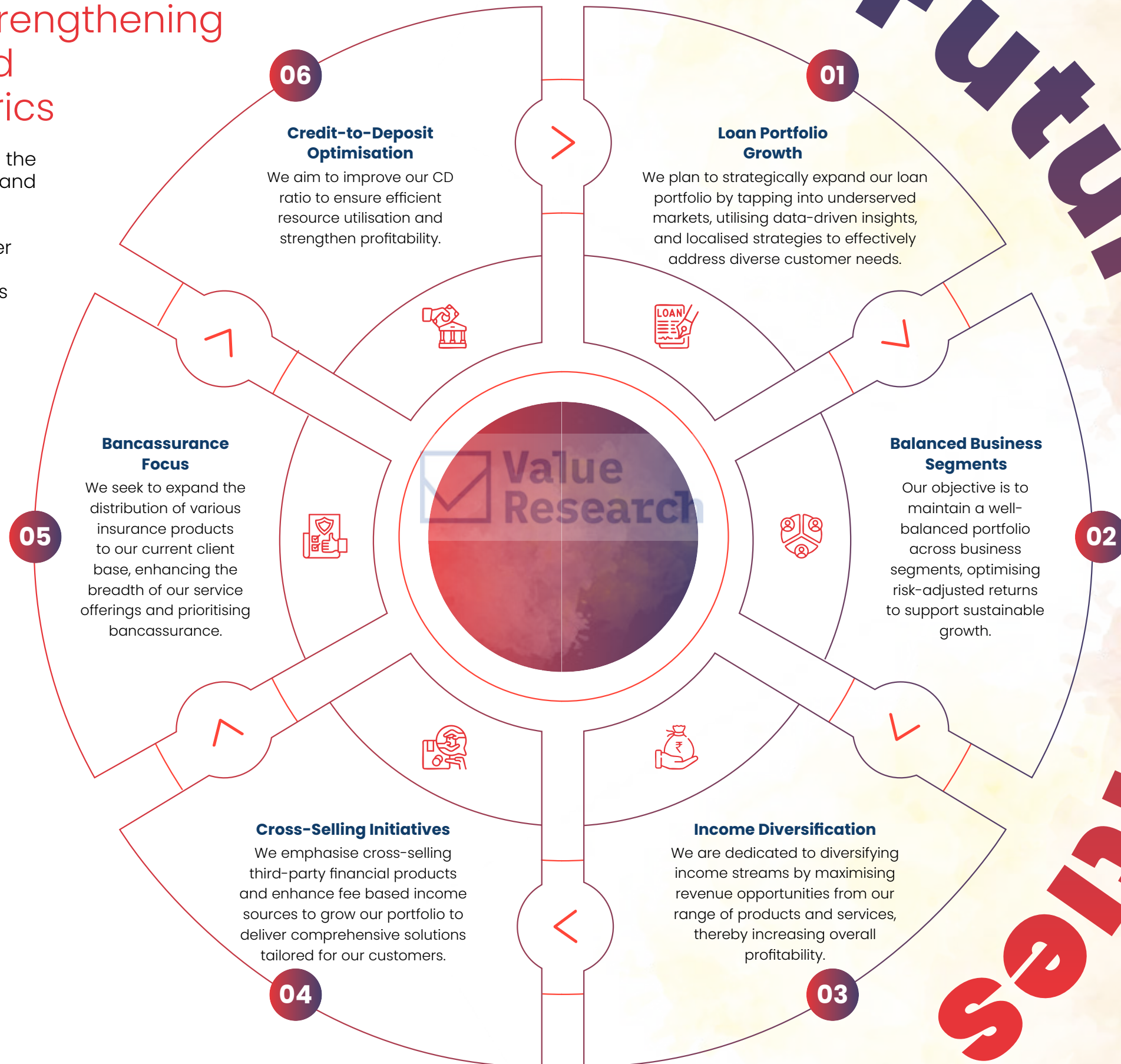
CAGR represents FY19-FY25
YoY Growth pertains to the growth in FY25 over FY24

01 02 03 04 05 06

Our Strategy: Strengthening Operational and Profitability Metrics

Our core focus is on enhancing the credit-to-deposit ratio and expand NIM through agile resource deployment and targeted profitability initiatives. A key lever in this journey is increasing the share of fully matured branches by accelerating customer acquisition, deepening local market penetration, and refining branch-level product strategies. This approach is designed to maximise productivity and operational efficiency across our physical network.

In parallel, we are strengthening our collaboration with our business partners including bancassurance partners to drive cross-selling momentum. These integrated financial offerings not only enhance customer value but also generate incremental fee-based income, directly contributing to improved profitability metrics. These collective efforts lay the groundwork for enhanced performance and long-term sustainable growth.



Future Priorities

01 02 03 04 05 06

Guiding with Insight - Leading with Experience

Our Board and Senior Management Team comprises seasoned professionals with vast expertise in financial services. Their deep understanding of business cycles and interest rate movements equips us to respond decisively and promptly to changing economic conditions, fostering both stability and forward-looking approach.

The diversity of our leadership team plays a crucial role in the successful implementation of a wide range of strategies. They are proficient in managing a broad array of products and services while skilfully addressing the risks inherent in the banking industry. This team is further supported by a dedicated group of trained professionals at both our headquarters and branch locations, who contribute valuable local insights and connections.

Board of Directors



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

Mr. Maini is an Independent Director and Part-Time Chairman of Capital SFB. He holds a Bachelor's degree in Law and Science (Honours) from the University of Delhi. He also has a postgraduate diploma in international trade from the Indian Institute of Foreign Trade, a certificate of participation in the NIBM-Stanford Advanced Management Programme presented by the Stanford University Graduate School of Business, and a Postgraduate Diploma in Management from the Management Development Institute. Mr. Maini has completed

an executive course on Financial Institutions for Private Enterprise Development, conducted by the Harvard Law School and the International Institute for Advanced Studies. He is also a certified associate of the Indian Institute of Bankers. Mr. Maini has over four decades of experience in the banking industry. He has previously served as the Deputy Managing Director of SIDBI and has been associated with the Industrial Development Bank of India and United Commercial Bank. He has also served as a director of various entities, including

SIDBI Trustee Company Limited, SIDBI Venture Capital Limited, National Credit Guarantee Trustee Company Limited, India SME Asset Reconstruction Company Limited, NSE Clearing Limited, Bhartiya Samruddhi Finance Limited, and Acuite Ratings and Research Limited. He also served as a director of Subhlakshmi Finance Private Limited and Member of Advisory Council of Ananya Finance for Inclusive Growth Private Limited. He currently serves as Member of Advisory Council of Arthimpact Digital Loans Private Limited and IVY Cap Ventures Trust Fund I.



Mr. Sarvjit Singh Samra
MD and CEO

Mr. Samra is the Managing Director and Chief Executive Officer of Capital SFB. He holds a Bachelor's Degree in Arts and a Master's Degree in Business Administration from Guru Nanak Dev University. Mr. Samra has over 37 years of experience in the banking and financial industry in various leadership and senior decision-making positions. He has been associated with the Bank since its inception and been instrumental in its conversion from a local area bank into an SFB. Mr. Samra has previously served as the Managing Director of various asset financing companies. In addition to his current position as the Managing Director and Chief Executive Officer, he boasts a distinguished history within the Bank, having previously served as Chairman for a period of over three years.



Mr. Munish Jain
Executive Director

Mr. Jain is the Executive Director of the Bank. He holds a bachelor's degree in commerce from Guru Nanak Dev University. He is a fellow member of the Institute of Chartered Accountants of India and a fellow member of the Institute of Company Secretaries of India. He has over 24 years of experience in the banking sector, including finance, compliance, treasury, strategic decision-making and execution of strategic decisions. He has completed programmes on leadership of banks and financial institutions, advanced corporate finance and risk modelling and management from the Indian Institute of Management, Ahmedabad. He has also completed a programme on the International Financial Reporting Standards from the Reserve Bank of India and the 'Strategem -Strategy Meets Leadership Programme' from INSEAD, Fontainebleau, France. He has previously served as the company secretary as well as Chief Financial Officer of the Bank and has been associated with our Bank since 2000. He was appointed as Chief Operating Officer in 2014 and the Executive Director in August 2023.



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

Mr. Gupta is a Non-Executive Director of Capital SFB. He holds a bachelor's degree in commerce and law from Guru Nanak Dev University. He is also a fellow member of the Institute of Company Secretaries of India and has received the Lean Six Sigma Green Belt Certificate from Benchmark Six Sigma. Mr. Gupta currently serves as a director of DSB Law Group Private Limited. He was a Director of DSB Edutech Private Limited. He is a Practising Company Secretary and Managing Partner of M/s Dinesh Gupta & Co., Company Secretaries. He has over 36 years of experience in finance, taxation, corporate laws, corporate restructuring, commercial laws, banking, and business process management, among other things. Mr. Gupta also practised as an Advocate in the Punjab and Haryana High Court from 1988 to 1992. He previously held the position of Director of Capital Local Area Bank Limited from 2007 to 2015.



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

Mr. Parasuraman is a Non-Executive Director of the Bank and a nominee of Amicus Capital Private Equity I LLP and Amicus Capital Partners India Fund I on the Board of Capital SFB. He holds a Bachelor's degree in commerce from the Bangalore University and is an associate member of the Institute of Chartered Accountants of India. He is also a member of the Institute of Cost and Works Accountants of India. Mr. Parasuraman is also currently a Director of AAUM Investment Advisers Private Limited and a designated partner in Amicus India Capital Partners LLP, Plural Equity Partners LLP, Plurality Partners LLP, Amicus Capital

Private Equity II LLP, and Amicus Capital Private Equity I LLP. He is a Nominee Director on the Board of D2C Consulting Services Private Limited and nominee director on the board of Wonderchef Home Appliances Private Limited and nominee director on the Board of Equirus Capital Private Limited and an independent director on the board of Sundaram Home Finance Limited. He has over 25 years of experience and was previously associated with Carlyle India Advisors Private Limited (an affiliate of the Carlyle Group), Ernst & Young LLP and Arthur Andersen & Associates.



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

Mr. Singh is a Non-Executive Director of the Bank and nominee of SIDBI. He holds a Master's degree in Business Administration from the Himachal Pradesh University. He is currently designated as the General Manager and Regional Incharge of the Chandigarh Regional Office of Small Industries Development Bank of India. He has over 27 years of experience with almost 21 years in promotion and development of MSMEs. He has also served in many senior positions and been designated as Nominee Director on the Board of various companies.



Mr. Nageswara Rao Yalamanchili
Non-Executive Independent Director

Mr. Rao Yalamanchili is an Independent Director of Capital SFB. He holds a Bachelor's degree in Commerce from Nagarjuna University. He is also a Certified Associate of the Indian Institute of Bankers. Prior to joining our Board of Directors, he held the positions of General Manager and Executive Director in the Vijaya Bank. He was also Officer on Special Duty and Whole-Time Director at Syndicate Bank. Mr. Rao also served as an Executive Director at the Bank of Maharashtra.



Mr. Gurpreet Singh Chug
Non-Executive Independent Director

Mr. Chug is an Independent Director of Capital SFB. He holds a Bachelor's degree in Arts and Law from Guru Nanak Dev University. He also holds the qualification of Licentiate from the Insurance Institute of India. Mr. Chug brings over 40 years of experience across manufacturing, financial and allied services. He spent 20 years in the small-scale industry, specialising in industrial fasteners, before transitioning to BFSI. As Managing Director of Pioneer Assurance Consultants Pvt Ltd for 20+ years, he has led strategic growth and client-focussed financial solutions, combining industrial expertise with financial acumen.



Ms. Rachna Dikshit
Non-Executive Independent Director

Ms. Dikshit is an Independent Director of Capital SFB. She holds a Bachelor's degree in Arts from the Lucknow University and Master's degree in Arts from the University of Allahabad. She is also a Certified Associate of the Indian Institute of Bankers. She was previously the Chief General Manager at the Reserve Bank of India.

Leadership Team



Mr. Kamaldeep Singh Sangha
Non-Executive Independent Director

Mr. Sangha is an Independent Director of Capital SFB. He holds both Bachelor's and Master's degrees in Arts from the Punjabi University, Patiala. He also served as the Managing Director of Punjab State Cooperative Bank, deputy commissioner of Amritsar, and Fatehgarh Sahib, Secretary to Punjab State Agricultural Marketing Board and Additional Secretary to Punjab State Rural Development Board. He has previously served as the Managing Director of MILKFED, the Punjab State Cooperative Milk Producers' Federation Limited, after retiring from the Indian Administrative Service.



Mr. Sukhen Pal Babuta
Non-Executive Independent Director

Mr. Babuta is an Independent Director of Capital SFB. He holds a Bachelor's degree in Science from the Punjab University. He is a certified associate of the Institute of Chartered Accountants of India since 1987 and an insolvency professional registered with the Insolvency and Bankruptcy Board of India. He has previously served as a director on the board of directors of Punjab & Sind Bank.



Mr. Sham Singh Bains
Non-Executive Independent Director

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

58.3%

Independent Directors on the Board

61 Years

Average Age of Board Members

36 Years

Average Experience of Board Members

Board Capabilities		
Banking	Taxation and Audit	Agriculture
Finance	Law	SSI Taxation
Cooperation	Rural Economy	Business Advisory
Marketing	Information Technology	Public Administration
Accountancy	Risk Management	

Mr. Sarvjit Singh Samra
MD and CEO

Mr. Munish Jain
Executive Director

Mr. S.K. Dhawan
Head of Credit

Mr. Aseem Mahajan
Chief Financial Officer

Mr. Raghav Aggarwal
Chief Risk Officer

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

Mrs. Richa Mahajan
Chief Compliance Officer

Mr. Sahil Vijay
Chief Treasury Officer

Mr. Harvinder Singh
Chief Information Officer

Mr. Parun Gupta
Chief Marketing Officer

Mr. Kamal Tandon
Regional Business Head

Mr. Varinder Shoor
Regional Business Head

Mr. Manoj Sodhi
Regional Business Head

Mr. Arvind Dutt
Regional Business Head

01 02 03 04 05 06

Building Trust - Serving Customers

Our foundation rests on a deep commitment to understanding and meeting the unique financial needs of every customer. Through a comprehensive suite of banking services delivered via an extensive network, particularly across rural and semi-urban regions, and multiple access points, we ensure seamless access and dependable support at every step.

Emphasising relationship-driven banking, we prioritise cultivating strong bonds with clients, particularly via primary banking, to nurture deep-rooted trust and loyalty. Through continuous customer engagement and initiatives centred around community development, we strive to become the preferred and most dependable banking partner for individuals and small enterprises. Targeting the middle-income group, we provide customised financial products paired with innovative digital solutions, promoting banking that is inclusive and accessible, thereby empowering communities across India and forging lasting alliances.

Our Strength: Customer-Centric Approach and Deep Understanding of Target Customers



36.9%
CASA Ratio

92.5%
Retail Deposit Composition

88% in FY25
Digital Transaction Penetration



Fostering Relationships

We aim to be more than a service provider — we strive to be a long-term financial partner. Our customer engagement is grounded in high-touch, relationship-driven service, especially for MSMEs and business clients. Each customer journey is supported by expert guidance, personalised financial planning, and dedicated service teams that understand local needs and preferences.



Local Hiring

Our people come from the communities we serve. By prioritising local hiring, we not only create employment but also ensure our teams are aligned with the cultural and economic context of each region. This enhances customer trust, operational efficiency, and community credibility.



Branch Network-Driven

Our expansion has been deliberate and rooted in physical access. With 195 branches across 5 states and 2 UTs, we ensure accessibility to banking services for semi-urban and rural households. From 47 branches in FY16 to 195 in FY25, each location is strategically selected based on local demand and relationship potential.

Branch Expansion:
From 47 in FY16 to 195 in FY25

Customer Base:
7.8 lakh+



Deep Understanding of Target Customers

We focus on middle-income households, small businesses, farmers, and traders, with financial products and services tailored to their lifecycle needs. Our regional presence enables deep insights into credit behaviour, seasonal income patterns, and financial habits, empowering us to craft more responsive offerings.



One-Stop Solution

Our suite of products includes secured loans (against property, for agriculture, and for MSMEs), competitive savings instruments, and third-party offerings such as insurance and mutual funds. We serve as a one-stop solution, providing customers with convenience, safety, and value through every financial interaction.



Putting Customers First

Customer-centricity is at the heart of our service model from origination to servicing, we focus on:

- ◆ Financial product suitability
- ◆ Relationship-based engagement
- ◆ Digital ease and security
- ◆ Efficient grievance redressal

This comprehensive lifecycle approach ensures customer satisfaction and long-term loyalty.

01 02 03 04 05 06

Testimonials

01

Growing Together with Capital Small Finance Bank Customer since 2019

Zarc India, a leading electronics showroom based in Ludhiana, Punjab, has been a valued and trusted customer of Capital SFB for the past five years. Back in 2019, as the business planned to expand its operations and diversify its product offerings, Zarc India needed timely and reliable financial support.

Acknowledging Capital SFB's commitment to client success, Zarc India approached the Bank for working capital assistance. The Bank's team responded swiftly and efficiently, providing a customised credit solution that enabled them to increase inventory, upgrade showroom infrastructure, and improve operational efficiency.

The partnership has since grown stronger, with Capital SFB playing a key role in Zarc India's business journey.

“Capital SFB has stood by us like a true partner — helping us grow from a single-store operation to a thriving business. We're proud to be associated with a bank that believes in growing together.”

— Zarc India

02

Mr. Jaspreet Singh – A Valued Customer with Deep Agricultural Roots

Mr. Jaspreet Singh, based in Samrala, Punjab, has built a strong and trusted relationship with Capital SFB over the past 8–9 years through his engagement in agriculture-related trade. He maintains both personal and family savings accounts with the Bank and has availed the Kisan Credit Card (KCC) to efficiently manage his seasonal working capital requirements.

Throughout his association, Mr. Singh has experienced the Bank's personalised approach and prompt support, consistently delivered by his dedicated Relationship Manager. This close partnership has helped him navigate financial challenges and grow his business with confidence.

“Capital SFB is more than just a bank to me — they are a dependable partner, offering timely solutions and personalised service that empower my agricultural business to thrive.”

— Jaspreet Singh

03

Mr. Balraj Singh – A Committed Farmer Associated with Capital SFB since 2018

Mr. Balraj Singh, a dedicated farmer from Doraha, Punjab, has maintained a strong association with Capital SFB since 2018. Over the years, he has benefited from the Bank's customised agricultural financing solutions, which have supported his farming operations and helped him effectively manage seasonal expenses.

Leveraging timely credit support and personalised banking services, Mr. Singh has strengthened his farming operations, resulting in increased productivity and greater financial stability.

He has consistently experienced smooth and efficient day-to-day banking, appreciating the Bank's quick service that makes financial management hassle-free. Mr. Singh also values the strong rapport he shares with his Relationship Manager, whose proactive guidance has been vital in addressing the challenges of modern farming.

“Capital SFB has been a dependable partner throughout my farming journey, providing timely support, personalised service, and efficient banking that truly make a difference.”

— Balraj Singh

Value Research

01 02 03 04 05 06



Our Strategy: Building Brand Loyalty

We build brand loyalty by proactively engaging customers with personalised financial advice, continuous feedback mechanisms, and loyalty programmes. Leveraging data-driven insights, we anticipate customer needs and tailor our offerings to ensure every interaction delivers meaningful value. Our dedicated relationship managers provide consistent, personalised support, while our digital platforms make banking seamless and accessible. By celebrating customer milestones and rewarding long-term relationships, we cultivate deep trust and emotional connection. This holistic, customer-first approach ensures our clients feel genuinely valued and become loyal advocates of our brand.



Value Research

Deeper Relationship Banking

Strengthen customer primacy through lifecycle-based engagement, including regular financial health check-ins, milestone-linked products, and goal-oriented Investment tools.

Focus on MSMEs and Rural Banking

Set up focussed service clusters with dedicated teams for agri-entrepreneurs, traders, and micro-enterprises, offering need-based credit, advisory, and working capital support.

Community-Driven Loyalty

Build loyalty through local partnerships, in-branch events, and community banking ambassadors who represent customer voices and foster long-term engagement.

Localised Product Innovation

Design region-specific products and bundled offerings for farmers, artisans, and self-employed borrowers to drive deeper penetration and address unique needs.

Customer Advocacy Circles

Create feedback groups of long-standing customers to co-develop service improvements and new solutions — building brand trust through inclusion.

Future Priorities

01 02 03 04 **05** 06

Streamlining Credit Assessment - Ensuring Risk Management

Rooted in a culture of continuous improvement and customer-centricity, we have developed a robust risk management framework that supports our commitment to operational excellence. Since our inception, we have consistently upheld superior asset quality through rigorous credit assessments and stringent risk controls. This disciplined approach enables us to provide secure and reliable financial solutions, safeguarding our assets and earning the trust of our customers.

Our risk management framework is built on three core pillars:



This holistic strategy fosters enduring customer relationships while ensuring the financial security of both our clients and the Bank.

Customer Relationship Management

We place a strong emphasis on dedicated customer relationship management to ensure meaningful engagement with our borrowers. By gaining a deep understanding of their financial goals and capacities, we customise our products and services to address their unique needs. Serving as their primary banker provides us with valuable insights into their cash flow patterns, enabling us to mitigate risks effectively while fostering their financial stability and growth.

A dedicated customer relationship team is at the core of our approach, ensuring consistent and meaningful engagement with our customers.

By striving to be the 'Primary Banker,' we gain enhanced visibility into borrowers' cash flows, enabling more effective financial management and risk mitigation.

Credit Assessment Framework

Our comprehensive credit assessment framework is built around the risk profiles of borrowers, serving as a key tool in assessing creditworthiness and setting suitable loan terms. This structured approach ensures that our lending decisions are well-informed and in line with our risk appetite, promoting responsible financial management.

Robust Credit Assessment Matrix

Conservative Loan-to-Value (LTV) Ratios

We implement a cautious LTV strategy to protect our lending activities, emphasising the financing of productive ventures and ensuring robust collateral backing for our loans. This prudent approach to secured lending significantly reduces risks and maintains the strength of our asset portfolio.

99%+
Lending is Secured

Committee Approach and Independent Reviews

For large exposures of ₹ 12.5 million and above, a dedicated credit sanctioning committee ensures rigorous risk assessment. Adhering to the 'four eyes' principle, every decision undergoes multiple layers of scrutiny and independent evaluation, strengthening accountability and risk management. This process enhances the rigour of our credit approval system, ensuring that every lending decision is carefully examined and aligns with our established risk management guidelines.

2.6%
GNPA

1.3%
NNPA

0.1%
Credit Cost

~ minimal write-offs

One of the Most Secured Assets Portfolio in The Lending Industry



01 02 03 04 05 06

Our Advances Portfolio

India's evolving economic landscape—marked by rising household incomes, increased formalisation, and expanding aspirations—is reshaping the country's demand for credit. Within this context, Capital SFB has developed a distinct lending model tailored to the needs of middle-income households and small enterprises in semi-urban and rural India. Our model emphasises prudence, asset-backing, and regional alignment, ensuring both scalability and credit resilience.

Our Strength: Secured and Diversified Advances Portfolio

Our journey began as a local area bank, where we built meaningful relationships within communities and developed a nuanced understanding of credit demand across segments. This experience became a strong foundation when we were granted an SFB licence by the RBI, making us one of the few institutions outside the microfinance space to receive such approval. Rather than relying on a single lending model, we fostered a broader, more resilient approach, with an emphasis on secured, purpose-driven lending.

Our current lending portfolio reflects this focus. We cater to

key areas such as mortgages, MSME financing, agriculture, and corporate lending, all essential to India's emerging middle class and rural enterprise sector. These segments are well positioned to benefit from long-term economic and social progress, including urbanisation, income growth, and expanding digital access.

A defining aspect of our model is our firm commitment to risk containment. More than 99% of our portfolio is secured, highlighting our preference for lending backed by tangible assets. This ensures strong credit quality while allowing us to grow in a disciplined and sustainable manner.

Granular loan book portfolio
ATS of
₹ 15.9 lakhs

Focus on
middle-income customer segment

Emphasis on
secured lending with over 99% secured portfolio

Aim to be a **full-suite banker for the customer**



Lending Mix: Segment-Focussed, Risk-Aligned

Our loan portfolio is thoughtfully structured to prioritise key sectors, reflecting our strategic commitment to economic development and financial inclusion. A meaningful 32% of our lending portfolio is dedicated to agricultural loans, reflecting our strong commitment to rural livelihoods and sustainable farming. This focussed approach not only helps diversify risk but also strengthens our role in advancing economic development across rural communities.

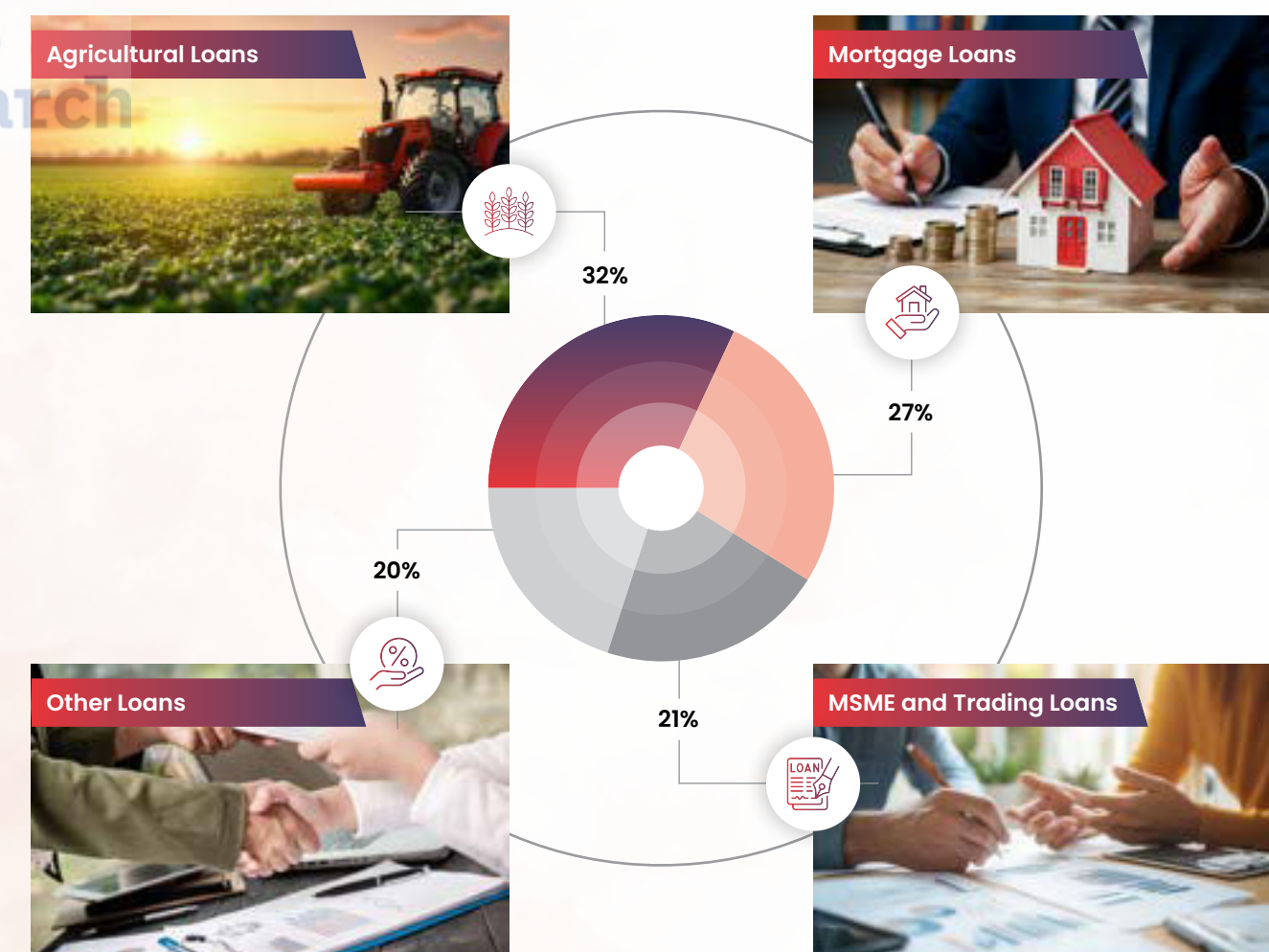
Closely complementing this is our mortgage loan segment, which accounts for 27% of the portfolio. These loans, secured by property collateral, offer a stable

and secure lending option while addressing the growing demand for housing across urban and semi-urban regions. Together, agricultural and mortgage loans form the cornerstone of our lending strategy, enabling us to build enduring relationships with customers and contribute meaningfully to community development.

In addition, approximately 21% of our portfolio is dedicated to MSME and trading loans, an essential catalyst for small business growth and local economic resilience. By providing essential capital, these loans empower entrepreneurs to expand operations, generate employment, and strengthen regional economies.

The remaining 20% comprises personal and vehicle loans, designed to offer financial flexibility to individuals and families. These products respond to evolving market demands and support personal aspirations, enhancing our ability to serve a broad customer base.

This well-balanced portfolio allows us to manage risk prudently while positioning the Bank for long-term, sustainable growth. By addressing diverse customer needs and adapting to changing market dynamics, we are well-equipped to drive inclusive development and remain competitive in an ever-evolving financial landscape.



01 02 03 04 05 06

Key Highlights of FY25



Agricultural Loans



₹ **2,335** crores
Gross Advances

2.1%
NNPA

₹ **1.26** mn
Average Ticket Size

12.6%
Interest Yield



Mortgage Loans



₹ **1,923** crores
Gross Advances

0.8%
NNPA

₹ **1.28** mn
Average Ticket Size

11.7%
Interest Yield



MSME and Trading Loans



₹ **1,512** crores
Gross Advances

1.8%
NNPA

₹ **2.19** mn
Average Ticket Size

10.7%
Interest Yield



Corporate Loans



₹ **898** crores
Gross Advances

Nil
NNPA

₹ **235.63** mn
Average Ticket Size

10.9%
Interest Yield



Consumption and Other Loans



₹ **516** crores
Gross Advances

0.4%
NNPA

₹ **0.80** mn
Average Ticket Size

9.8%
Interest Yield

Our Strategy: Organic Loan Book Growth and Secured Lending

We are building a future-ready lending business focussed on high-quality, secured credit solutions that meet diverse customer needs. Anchored in prudent risk management, our strategy balances growth with stability, positioning us as a reliable and forward-looking financial partner.

To scale our impact, we are strengthening our presence in Punjab while expanding into high-potential neighbouring markets such as Haryana, Rajasthan, Himachal Pradesh, NCR, Chandigarh, and Jammu & Kashmir. Additionally, the eastern, northeastern, and central regions offer significant opportunities for credit and deposit growth. Our targeted expansion into underserved areas underscores our commitment to financial inclusion and sustainable growth.

Future Priorities

Deepening Sector Focus

Increase engagement in agriculture, MSME, and home loans and in new markets through cross-selling and lifecycle lending

Targeted Market Expansion

Enter new regions based on credit gap analysis, focussing on secured loan products tailored to local needs

Optimised Credit Management

Use data analytics to improve risk assessment and post-disbursement monitoring, ensuring asset quality

Productivity Enhancement

Expand the loan book by boosting per-employee and per-branch productivity with training and digitised origination

Sustainable Lending

Prioritise sectors aligned with ESG principles to maintain portfolio resilience and minimise defaults

Business Segments

Foundations of Growth - Engines of the Future

Growth does not happen by chance. It is built piece by piece, guided by strategic vision, deliberate action, and measurable impact. At Capital SFB, each business segment is a purpose-driven response to real needs, carefully architected to move people forward and markets higher. This is where inclusion meets innovation, and where scale is driven not just by numbers but by a deeper commitment to progress. As we expand our reach and deepen our offerings, these segments are defining the next frontier, shaping not only what banking delivers today but what it must enable for tomorrow.

Our Business Mix

Assets



Loan Portfolio

Agricultural

Kisan Credit Card

We provide tailored credit solutions to address the short-term financial needs of farmers, supporting them in crop cultivation and managing post-harvest expenses effectively.

Agricultural Term Loan

We offer long-term credit solutions to farmers for tractors, financing agricultural equipment, and other farm-related investments.



₹ **2,334.60** crores
Loan Book

1.8%
YoY Growth

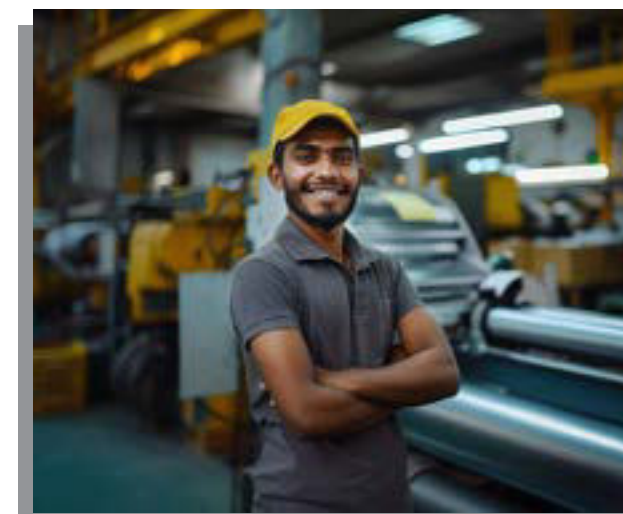
MSME and Trading

Small and Medium Enterprises

We extend financial support to traders, manufacturers, and service enterprises, empowering them to scale operations, invest in machinery and equipment, and address working capital needs.

Commission Agent Financing

We offer financing solutions to commission agents, providing advances against receivables from farmers and loans secured by stock or debtors. Additionally, we support commission agents involved in supplying agricultural inputs like fertilisers, pesticides, and seeds to farmers.



₹ **1,511.59** crores
Loan Book

27.9%
YoY Growth

Mortgage Lending

Housing Loans

We provide financial assistance for the construction, purchase, and expansion of existing structures, as well as for the repair, upgradation, and renovation of current units.

Loans against Property

We offer financing solutions for setting up new businesses, expanding existing operations, or addressing various domestic needs.



₹ **1,923.31** crores
Loan Book

18.4%
YoY Growth

Large Corporate Loans

We extend credit facilities to large corporates, including NBFCs and MFIs, supporting their growth and operations.

₹ **898.27** crores
Loan Book

58.7%
YoY Growth



Others

Auto Loans

We provide financing options for the purchase of two- and four-wheelers, including scooters, motorcycles, and cars.

Personal Loans

We offer financing solutions for setting up new businesses, expanding existing operations, or addressing various domestic needs.

Gold Loans

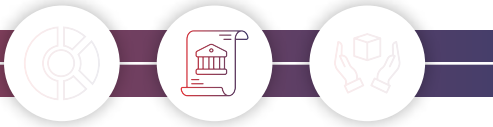
We provide specialised loan schemes for consumption, domestic needs, and medical expenses, offering financial support to help individuals manage personal and household requirements with greater flexibility and confidence.

₹ **516.13** crores
Loan Book

4.3%
YoY Growth



Liabilities



Deposit Portfolio

Savings Account

Normal Savings A/C

Our services offer seamless 24/7 access to funds through Internet and Mobile Banking, with a low minimum balance requirement of just ₹ 500. Additionally, customers enjoy the convenience of an ATM-cum-debit card, mobile banking, internet banking, and an at-par cheque book facility, ensuring enhanced accessibility and everyday banking ease.

Capital Savings A/C

Our offerings include the added advantages of an ATM cum debit card, mobile, and internet banking, and an at-par cheque book facility, ensuring greater convenience and accessibility for our customers.

Capital Saver Savings A/C

Our accounts come with additional features, including SMS Banking and free personal accidental insurance, alongside the standard Normal and Capital Savings Accounts. These benefits are available with a requirement to maintain a slightly higher quarterly average balance for enhanced financial security.

₹ **2,782.68** crores
Savings Deposit Book

6.7%
YoY Growth

Capital Super Saver Savings A/C

Along with the standard benefits of a capital savings account, this account offers additional privileges and enhanced value when maintaining a quarterly average balance of ₹ 10,000, ensuring greater flexibility and personalised banking benefits for customers.

Basic Savings Bank A/C (Suvidha Bachat)

This offering promotes financial inclusion by empowering communities and enabling them to build financial resilience and achieve their personal and professional goals.

Capital E-Savings A/C

This account offers digital convenience through online account opening, earning interest on savings, and seamless banking via the Capital Mobile+ App, ensuring easy and accessible financial management.



Current A/C

Normal Current A/C

This account provides essential banking services without any minimum balance requirements or transaction limits. This is ideal for customers with small businesses, as it offers them flexibility and ease in managing their finances.

Capital Current A/C

This account offers fundamental banking services with no transaction limits. It is specifically designed to cater to the needs of small businesses and ensures smooth and efficient financial management.

Capital Plus Current A/C

Tailored to meet the needs of SMEs, the Capital Plus Current Account requires a minimum quarterly balance of ₹ 50,000 across rural, semi-urban, urban, and metro areas. It ensures seamless business transactions and enhanced financial management.

₹ **291.79** crores
Current Deposit Book

13.8%
YoY Growth

Capital Premium Current A/C

This account is designed for large businesses seeking to unlock additional benefits by maintaining a higher quarterly average balance. It offers enhanced features and financial flexibility to support their growth and operations.

Capital Flexi A/C

Available to all individuals and entities eligible to open a current account, this option allows account holders to earn interest on their funds by maintaining a quarterly average balance of ₹ 50,000. The auto sweep-in/out facility ensures that funds are automatically transferred to a fixed deposit to generate interest, providing added financial benefits.



Term Deposits

Short-Term Deposit

This deposit offers simple interest and can be opened by any individual, group of individuals, firm, corporate entity, or club. It is available for a minimum period of 15 days and a maximum of 364 days, providing flexible terms to suit various financial needs.

Cumulative Deposit

This deposit offers interest compounded quarterly and is available for opening by any individual, group of individuals, firm, corporate entity, or club, making it a flexible and rewarding savings solution tailored to diverse customer profiles.

Quarterly Interest Deposit

This deposit allows account holders to earn interest on savings on a quarterly basis, ensuring that the principal amount remains unaffected. It can be opened for a minimum term of 12 months and a maximum term of 120 months, offering flexibility and consistent returns over time.

Tax Saver Deposit

This account offers a range of attractive features, including a minimum deposit amount as low as ₹ 100, with subsequent deposits in multiples of ₹ 100. It is available for resident individuals and Hindu Undivided Families (HUF), making it a highly accessible and inclusive savings option for a broad customer base.

₹ **5,248.12** crores
Term Deposit Book
13.7%
YoY Growth

Monthly Interest Deposit

This deposit offers the option of monthly interest payouts, providing a steady income stream. It can be opened by any individual, group of individuals, firm, corporate entity, or club, making it a versatile choice for various financial needs.

Recurring Deposit

This deposit earns interest on a quarterly basis and can be opened for a minimum term of 12 months and maximum of 120 months, providing long-term growth with regular interest accrual.



NRE/NRO Accounts

- ♦ The NRE/NRO deposit accounts are offered to NRIs as per the RBI guidelines and as specified in FEMA
- ♦ These accounts can be held jointly with residents and/or other non-residents, providing flexibility for a variety of account-holding arrangements



Third-Party Products



Fee-Based Products

Insurance Products

We offer a comprehensive range of insurance products, including traditional life insurance, term insurance, motor insurance, property insurance, personal accident insurance, health insurance, and travel insurance. We earned an insurance commission of ₹ 35.84 crore during FY25, reflecting strong performance in the insurance segment.

Safe Deposit Lockers

The Bank offers safe deposit lockers to customers for securely storing their valuables. These lockers are available for a fee, providing peace of mind and protection for important items.

Money Transfer Services

We offer customers money remittance services in collaboration with third-party service providers, ensuring secure and efficient transfer of funds across locations.

3-in-1 Demat and Trading Account

We offer resident customers the convenience of a 3-in-1 account, combining banking, Demat, and trading features for seamless transactions and integrated financial management.



Foreign Exchange Service

We are authorized dealer category II licensed bank and provide inward and outward non-trade remittance service to our retail clients under Liberalized Remittance Scheme as per AD-II guidelines of RBI

Other Services

Branches



195 Branches
across India

As of March 31, 2025

ATMs



197 ATMs
across India

As of March 31, 2025



ATM cum Debit Cards

- ◆ We provide a variety of options, including classic, classic business, platinum, and platinum business debit cards
- ◆ All cards are RuPay branded and offer a wide range of services, ensuring convenience and flexibility for our customers

Mobile Banking (Capital Mobile+)

Mobile Banking services enable customers to maintain a constant virtual connection with the Bank, offering the flexibility to manage their banking needs anytime, anywhere.

Mobile Passbook (Capital Mobile Connect)

We offer a mobile e-book application that gives our customers seamless access to their portfolios, enabling them to view and manage their investments with ease. While the app offers comprehensive insights and tracking features, financial transactions are not supported.



Internet Banking

- ◆ The Bank provides a wide range of internet banking services, allowing customers to perform banking operations anytime, anywhere, and from any device, offering unmatched convenience
- ◆ The Internet Banking platform facilitates remittance services like IMPS, NEFT, RTGS, IFT, bill payments, non-financial transactions, account statement viewing and downloading, debit card management, flight and hotel bookings, NACH mandate management, positive pay, and more



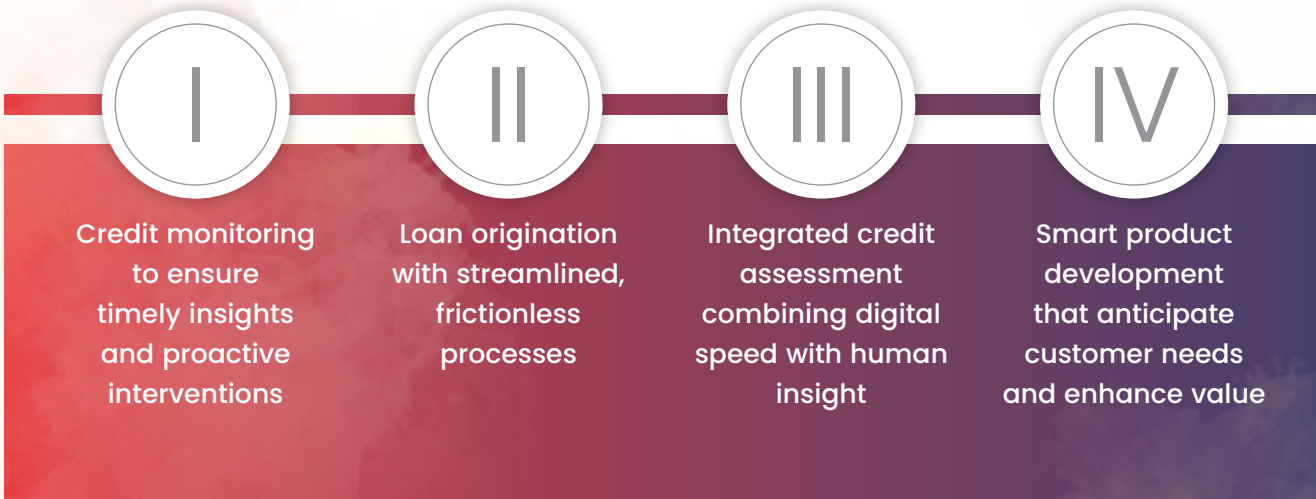
Technology Initiatives

Phyigital Foundations - Future-Ready Growth

We follow a ‘phyigital’ distribution strategy, combining a strong branch network with user-friendly digital banking solutions – to deliver a seamless and consistent customer experience across all channels, including branches, the website, internet banking, and mobile apps. This integrated approach enables us to scale our operations efficiently and profitably. Our focus remains on serving the banking needs of rural and semi-urban populations through an optimal blend of physical and digital presence, ensuring wider reach, operational consistency, and enhanced customer satisfaction.

Our Phyigital Network

Harnessing the power of next-generation technology, we are fundamentally transforming how customers interact with our services. By combining our physical branch network with digital platforms, we offer a flexible, phyigital model that adapts to customer preferences, whether they choose in-person interactions or digital channels. Our seamless omni-channel ecosystem ensures a unified, consistent, and intuitive banking experience across branches, website, internet banking, and mobile applications. Leveraging data analytics, we gain deep customer insights that help personalise services, streamline onboarding, and enhance decision-making. AI and machine learning further accelerate innovation and operational efficiency, supporting resilient and scalable business growth.



Through these initiatives, we are not only optimising operations but also creating smarter, more personalised financial experiences for every customer.

Enhancing Customer-Centric Solutions

We leverage technology to streamline customer onboarding and strengthen our data management processes, laying a foundation for sustainable business growth. To improve customer engagement, we are undertaking a series of high-impact, tech-driven initiatives:

- ◆ Our robust approach to customer acquisition includes tailored mobile solutions that ensure ease of access and convenience, particularly for digitally inclined users
- ◆ Complementing our digital capabilities, we offer an omni-channel experience that seamlessly integrates branches, the website, internet banking, and mobile applications, allowing customers to interact through their preferred channel
- ◆ This phyigital model enhances customer satisfaction while supporting our ability to scale operations effectively and consistently
- ◆ Our advanced information technology systems enable us to achieve economies of scale by increasing productivity and reducing turnaround times and transaction costs
- ◆ Digitisation also enhances our operational efficiency through streamlined processes, improved service delivery, and cost reduction
- ◆ Through the deployment of data analytics and early warning systems, we improve credit monitoring, enhance collections, and proactively manage risk
- ◆ Additionally, insights derived from customer data allow us to identify cross-selling opportunities, deepening relationships and improving overall customer value



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

FY25	88
FY24	85
FY23	81
FY22	71
FY21	54

The share of digital transactions within our non-cash portfolio has grown from 54% in FY21 to 88% in FY25. This highlights the success of our digital transformation strategy and reinforces our commitment to delivering effortless customer experiences, while enhancing operational efficiency through innovative digital solutions.

Way Forward

We intend to continue strengthening our technology infrastructure to enhance operational agility and efficiency. This will enable us to leverage data analytics to better understand specific customer segments and design tailored products that meet diverse needs, ultimately driving higher customer satisfaction.

Environment

Rooted in Sustainability - Growing with Purpose

Every new day is a fresh opportunity to build a greener, more sustainable future. We are sowing the seeds today for a tomorrow where inclusive growth and environmental stewardship flourish in harmony. Our approach involves embedding sustainability at the core of our strategy and innovating with purpose to protect the planet for generations to come. With greener ideas and a renewed commitment, we are not just growing the Bank; we are building a better tomorrow, rooted deeply in responsibility and care for the environment. Furthermore, with greener thinking, smarter solutions, and a renewed commitment, we are not just growing the Bank; we are shaping a future that is resilient, responsible, and rooted deeply in care for the environment.

Our commitment to sustainability inspires us to take full responsibility for our environmental impact, with a clear focus on reducing our carbon footprint as a foundation for long-term growth. A key part of this commitment is minimising waste, where we actively encourage digital communication with all stakeholders, including our customers to significantly reduce paper consumption. By leveraging our digital platforms, customers enjoy both seamless, paperless transactions and easy access to information, making sustainable banking a standard rather than an exception.

We also prioritise responsible management of electronic waste, collaborating with certified partners to ensure safe disposal, efficient segregation, and environmentally sound recycling practices. This careful handling helps us reduce the risks that e-waste can pose to both the environment and human health. Guided by our responsibility to future generations, we integrate sustainability into every facet of our operations, striving to build a greener, healthier, and more equitable world for all.



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



Digital Communications
and Solutions –
Reduced Paper Usage



Social

Building Futures - Bridging Gaps

We believe that enduring growth stems from strong social roots, built not only with our customers and communities but also with our employees. From farmers and small entrepreneurs to the dedicated individuals who power the Bank, we are deeply committed to enabling and uplifting people at every level. Our initiatives focus on inclusive banking, financial literacy, employee well-being, and community development, ensuring that progress is both shared and sustainable. As we grow, we advance together, with the people we serve and the people who serve alongside us.

Reaching the Underserved

Social responsibility and sustainability are not just principles; they are deeply woven into every aspect of how we operate. Our commitment to inclusive banking drives us to reach all segments of society, especially underserved and unbanked communities that have historically remained outside the formal financial ecosystem.

By empowering MSMEs with essential financial support, we help unlock entrepreneurship, fuel job creation, and stimulate local economies. This impact-first mindset allows us to drive meaningful change, contributing significantly to economic development at the grassroots level. Our product suite spanning

agriculture, MSMEs, trade, and mortgage lending is designed to be straightforward and accessible. We focus on ease of use to ensure that more individuals and businesses can engage confidently with our services. Through responsive, customer-centric solutions and a deep commitment to financial inclusion, we continue to foster sustainable progress and drive shared prosperity in the communities we serve.

76.9%
Branches in Rural and Semi-Urban Areas

26.7%
Branches in Unbanked Rural Centres (URC)



Customers

Putting customers at the heart of our operations is not just a guiding philosophy; it defines how we function every day. From first interaction to long-term engagement, we ensure our customers feel heard, valued, and supported throughout their journey with us.

Our branch-based relationship managers and personal banking teams take a high-touch, consultative approach, building trust by deeply understanding individual needs and delivering bespoke financial solutions. We do not just listen, we act. Through robust, structured 360-degree feedback mechanisms, we continuously align our products and services with the dynamic expectations of our customers. Our Standing Committee on Customer Service meets every quarter to review insights, track

resolutions, and oversee an action-taken report, ensuring transparency, accountability, and customer satisfaction at every level. This proactive, feedback-led approach enables continuous improvement, strengthening our ability to deliver responsive, relationship-driven experiences across all customer touchpoints.

New Loans Disbursed in Agricultural Sector

Number	Cumulative Value
8,964	₹ 575.26 crores

New Loans Disbursed in the SME Sector

Number	Cumulative Value
2,981	₹ 609.11 crores

New Loans Disbursed in URC and Rural Branches

Number	Cumulative Value
6,178	₹ 529.00 crores

New Deposits in URC and Rural Branches

Number	Cumulative Value
26,308 Accounts	₹ 648.1 crores



Employees

Our people are the driving force behind everything we achieve. We are dedicated to supporting their growth through immersive learning experiences and targeted upskilling programmes that foster both professional advancement and personal well-being.

We complement this with a holistic rewards framework that includes competitive compensation, comprehensive

health coverage, retirement benefits, and an Employee Stock Ownership Plan (ESOP), empowering employees with a direct stake in our collective success. Transparency and inclusivity are the cornerstones of our culture; open communication channels encourage collaboration, trust, and a workplace where safety, respect, and ethics are uncompromising values. Upholding human rights is a core commitment integrated into every dimension of our operations. By investing in our employees' full potential, we create a resilient, future-ready workforce that propels our organisation forward.

₹ **2.20** crores
Employee Insurance

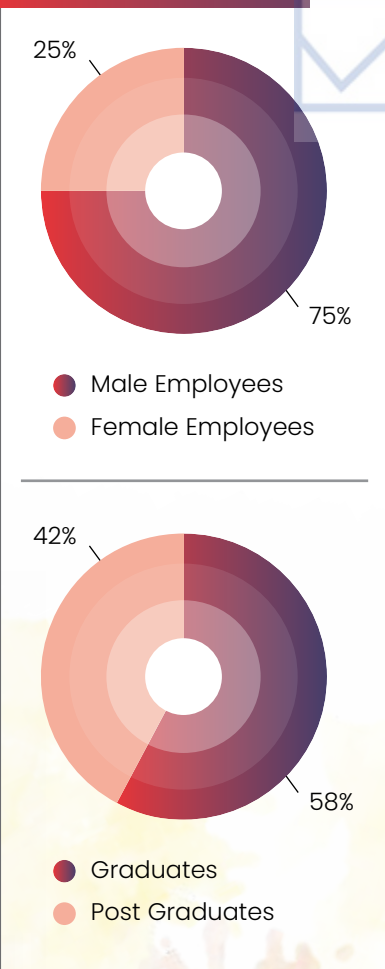
Inclusive Employment and Gender Equality

We are committed to generating meaningful employment by harnessing the potential of local communities and attracting diverse, high-calibre candidates. Our recruitment efforts focus on equipping individuals with the specific skills they need, backed by comprehensive support to enable their growth and success.

The economic empowerment of women is central to our purpose. We believe in equal pay for equal work and actively invest in the development of our female workforce through targeted skilling, leadership development, and career advancement initiatives. By cultivating an inclusive and supportive environment, we have established ourselves as a preferred employer for women, thereby enhancing our ability to understand and serve the unique financial aspirations of our female clients.

Our dedication to gender equality goes beyond the workplace, driving systemic and sustainable change towards a more just and equitable society. We believe that empowering women is key to unlocking lasting prosperity and sustainability, creating a brighter future for everyone.

Our Employee Base
(as of March 31, 2025)



Communities

Our purpose is to empower lives and build resilient communities. We are deeply committed to uplifting the economic and social well-being of underprivileged and underserved populations, particularly in low-income and remote regions. We believe that equal opportunity is a right, not a privilege, and we work tirelessly to help individuals achieve financial independence and sustainable, long-term self-sufficiency.

As we grow into new regions, we stay anchored in our core belief: true sustainability must advance people, protect the planet, and foster inclusive progress. Our initiatives are designed to drive lasting change by improving lives, protecting the environment, and reinforcing the social fabric of the communities we serve.

Key Areas of Impact

01
Education
By operating and supporting education centres, we equip underprivileged children with the skills and knowledge they need to thrive in the future workforce.

02
Sports and Youth Development
We promote active lifestyles, teamwork, and leadership by encouraging participation in sports and recreational activities.

03
Healthcare Access
Our healthcare initiatives focus on prevention and wellness, aiming to reduce the burden of disease and build healthier, more resilient communities.

We believe that investing in people today creates a brighter, more inclusive tomorrow. Every step we take is guided by our mission to drive social impact and contribute meaningfully to a more equitable future for all.

Governance

Accountability in Action - Vision in Motion

Governance is more than a framework for us; it is the dynamic force powering our commitment to integrity and transparency. We believe accountability thrives when it is actively practiced, embedding a culture of trust and ownership across every level of the Bank. Anchored by a bold vision, our governance culture fuels responsible innovation, institutional resilience, and sustainable growth. As we chart the course ahead, we remain dedicated to continuously strengthening and evolving our governance practices, translating principles into purposeful, measurable action and driving a future where trust and progress go hand in hand.

Organised Standard Operating Procedures in Place

Our policies act as a compass for employees and stakeholders alike, fostering integrity, ethical conduct, accountability, and transparency across every facet of our operations.

These policies include:

- ◆ Code of Conduct and Ethics
- ◆ Anti-Bribery and Anti-Corruption Policy
- ◆ Prevention of Sexual Harassment Policy
- ◆ Staff Accountability Policy
- ◆ Whistleblower Policy
- ◆ Employee Separation Policy
- ◆ Anti-Money Laundering Policy
- ◆ Other relevant policies

These policies form the foundation of our commitment to the highest standards of governance and ethical conduct.

Internal Control Mechanism

We have established a robust internal control system designed to ensure full compliance with statutory requirements and governance standards. To keep pace with evolving business demands, our dedicated internal auditor conducts regular reviews and evaluations of our processes. This proactive vigilance enables us to quickly identify and resolve any discrepancies, safeguarding the integrity of our operations.

Recognising the need for agility in a dynamic business environment, we continuously assess and refine our internal controls and governance protocols. This ongoing commitment ensures they remain effective, relevant, and aligned with the highest standards of corporate governance.

Open Communication

We prioritise transparent and continuous communication with regulators, fostering a proactive approach that helps us anticipate challenges and consistently adhere to all relevant regulatory requirements.



Stakeholder Engagement

Engaging with Purpose - Empowering What is Next

We believe that meaningful engagement with our stakeholders is fundamental to driving sustainable growth and creating lasting impact. By actively listening, collaborating, and responding to the diverse needs of our customers, employees, investors, and communities, today, we lay the foundation for a more resilient and inclusive financial future. Our commitment to transparent dialogue, mutual trust, and shared value creation empowers us to not only meet the challenges of the present but also unlock transformative opportunities that fuel long-term progress and prosperity for generations to come.

Our stakeholders are essential partners in our journey, providing invaluable insights that shape our decisions, and drive continuous innovation and improvement. Through proactive and meaningful engagement, we remain closely connected to their expectations, concerns, and evolving priorities. This ongoing dialogue enables us to refine our strategies, ensuring they are not only relevant but also responsive and high-impact. By aligning our efforts with their vision, we strengthen our services and create lasting positive change in the communities we proudly serve.

Stakeholders	Needs and Expectations of Our Stakeholders	Mode of Engagement	KPIs
 Investors	- Commitment to ethical business conduct and strong corporate governance - Consistent dividend distribution - Long-term sustainable growth and value generation - Seamless integration of ESG principles into strategy and operations - Clear and transparent reporting and disclosures	- Annual and quarterly reports - Investor meets/calls - Investor presentations - Annual General Meeting - Investor grievance channels - Annual Report	- Credit rating - Net profit - Revenue - Number of customers served - EPS
 Business Partners and Suppliers	Ethical and fair procurement and stakeholder engagement practices	Regular meetings, seminars, and workshops	- Timely payments - Share of procurements from MSMEs

Stakeholders	Needs and Expectations of Our Stakeholders	Mode of Engagement	KPIs
 Employees	- Continuous learning and professional development - Equitable and timely compensation - Performance-based rewards, recognition, and appreciation - Inclusive, diverse, and safe workplace culture - Support for work-life balance	- One-on-one meetings - Training and development workshops - Engagement initiatives - Learning through online modules - Digital apps for employees and collection officers - Performance appraisals	- Number of training hours - Awards received - Diversity in workforce - Number of appraisals and reviews conducted
 Local Communities	- Social empowerment and development - Promoting financial literacy - Community well-being initiatives	- Financial inclusion and literacy initiatives - Focus on health, education, livelihood, and poverty alleviation - Employee volunteering	- Number of beneficiaries - Number of families supported - Initiatives towards CSR - Current welfare initiatives in operation
 Customers	- Bespoke financial products and services - Competitive interest rates - Omni-channel accessibility through physical and digital platforms - Seamless customer service - Safe and secure transactions - Fair, transparent, and responsive grievance redressal mechanism	- Ongoing and regular engagement through E-mails, calls, SMSs, WhatsApp, branches, and relationship managers - Social media communication - Marketing campaigns - Customer satisfaction surveys	- Number of products offered - Number of loans disbursed - Number of families supported - Number of branches - Number of customers - Number of customers added during the year
 Regulatory Authorities	- Adherence to legal and regulatory standards - Commitment to ethical business practices - Active engagement in industry and regulatory forums	- Mandatory regulatory filings - Periodical submission of business performance - One-on-one or group meetings - Written communications	- Liquidity ratio - Number of customer grievances addressed - Contribution to exchequers

Awards

Recognised for Stability - Rewarded for Readiness

BFSI Best Brands
2024 Awards



01

Elets India Brands Awards –
Customer Excellence Award



02

Best Organisation for Customer
Experience by ET NOW



03

India's Best Workplaces in BFSI, 2024,
by Great Place to Work Institute, India



04

Chairman (Part-Time)

Mr. Navin Kumar Maini

Managing Director and Chief Executive Officer

Mr. Sarvjit Singh Samra

Executive Director

Mr. Munish Jain

Chief Financial Officer

Mr. Aseem Mahajan

Company Secretary

Mr. Amit Sharma

Directors

Mr. Navin Kumar Maini
Mr. Sarvjit Singh Samra
Mr. Munish Jain
Mr. Dinesh Gupta
Mr. Mahesh Parasuraman
Mr. Balbir Singh
Mr. Gurpreet Singh Chug
Ms. Rachna Dikshit
Mr. Kamaldeep Singh Sangha
Mr. Sukhen Pal Babuta
Mr. Sham Singh Bains
Mr. Nageswara Rao Yalamanchili

Statutory Auditor

S C V & Co. LLP
Chartered Accountants
505, 5th Floor,
World Trade Tower B,
C -1, Sector 16, Noida – 201 301

Secretarial Auditor

Deepak Arora & Associates
Practicing Company Secretaries
23 KA 4 Jyoti Nagar,
Near Vidhan Sabha,
Jaipur – 302 005, Rajasthan

RTA

MUFG Intime India Private Limited
CIN: U67190MH1999PTC118368
C-101, 247 Park, L.B.S. Marg,
Vikhroli (West),
Mumbai – 400 083
Phone: +91 22 4918 6000
Website: www.in.mpms.mufig.com

Debenture Trustee

IDBI Trusteeship Services Limited
Universal Insurance Building,
Ground Floor, Sir P.M. Road,
Fort, Mumbai – 400 001

NSDL

National Securities Depository
Limited,
Trade World, Wing, 4th Floor,
Kamla Mills Compound,
Lower Parel,
Mumbai – 400 013

CDSL

Central Depository Services
(India) Limited
Marathon Futurex, Mafatlal Mill
Compounds,
A-Wing, 25th Floor, N.M. Joshi Marg,
Lower Parel (East),
Mumbai – 400013

Registered Office

MIDAS Corporate Park,
3rd Floor, 37, G.T. Road,
Jalandhar – 144 001, Punjab

Stock Exchanges where the Company's Securities are listed

BSE Ltd.
(Scrip Code – Equity: 544120 and
Debt: 951995 & 953739)
National Stock Exchange
of India Limited
(Symbol – Equity: CAPITALSFB)

Corporate Identity Number

L65110PB1999PLC022634

Website

www.capitalbank.co.in

E-mail

investorrelations@capitalbank.co.in

Management Discussion and Analysis



Indian Economy

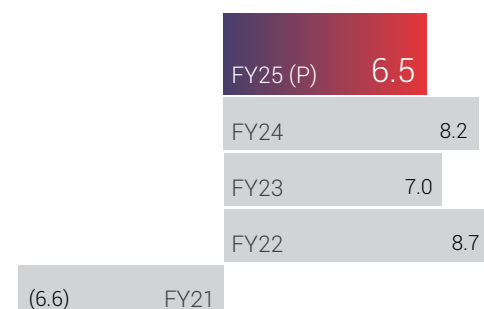
India's economy is expected to grow by 6.5% in FY25, as per the National Statistics Office's (NSO) second advance estimates released on February 28, 2025. This projection reflects solid domestic fundamentals and effective policy actions that steered the nation through global geopolitical & trade tensions and tariff conflicts.

India's economic stability remains rooted in strong domestic consumption, with rural demand playing a vital role in shielding the economy from global pressures. Growth in rural areas stands firm, backed by healthy agricultural output and proactive government initiatives that help sustain consumption levels. However, to maintain overall momentum, it is crucial to revitalise demand across both rural and urban markets, particularly amid concerns around job market stagnation and protectionist headwinds.

Structural reforms have accelerated digital adoption, while ongoing investments in infrastructure continue to bolster macroeconomic fundamentals. India benefits from several favourable factors, including a demographic advantage with a growing middle-income group segment, rising per capita income, a strong manufacturing push, declining oil prices, and

a current account deficit widely regarded as sustainable by most analysts—all of which provide additional macroeconomic support. The country now stands at a pivotal moment, poised for global leadership and sustained economic growth. To seize this generational opportunity, an increase in investment is essential. Moreover, the Reserve Bank of India's Repo Rate Cuts in monetary policy bodes well for a faster pace of economic expansion.

GDP Growth Trajectory (in %)



P - Projected

(Source: <https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf>)



The Union Budget 2025–26 lays a solid foundation for accelerated, inclusive, and sustainable growth, with a strong emphasis on capital investment, social sector expenditure, and tax reforms, while targeting a fiscal deficit of 4.4% of GDP. Key initiatives include increased support for agriculture and Micro, Small, and Medium Enterprises (MSMEs), substantial allocations for infrastructure development, and tax relief measures aimed at enhancing the spending power of the middle class. Notably, the personal income tax exemption limit has been raised to ₹ 12 lakh, thereby increasing disposable income for the average citizen. This move is expected to stimulate consumption and grassroots-level investment, reinforcing economic momentum. By empowering households with greater financial flexibility and ensuring citizen welfare, the budget not only restores private sector confidence but also aims to invigorate demand and foster broad-based, long-term economic stability and prosperity across sectors.

(Source: <https://pib.gov.in/PressReleasePage.aspx?PRID=2098352>)

A significant part of this objective lies in the agriculture sector, which is poised for a rebound, with growth projected at 3.8% in FY25, a marked improvement from the modest 1.4% increase in

FY24. This recovery is underpinned by a favourable monsoon, sustained rural consumption, and targeted government interventions like the Kisan Credit Card scheme and the e-National Agriculture Market (eNAM).

In line with these efforts, the Union Budget for 2025–26 allocated ₹ 1.52 trillion to the sector, focussing on expanding credit access, building digital agricultural marketplaces, and advancing sustainability initiatives. The government's strategy centres on enhancing productivity, promoting farmer welfare, and strengthening allied segments like horticulture and livestock. This growth marks a phase of healthy growth, laying a firm groundwork for future developments.

(Source: <https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf>)





India's export sector has posted substantial growth in FY25, achieving a major milestone with combined goods and services exports exceeding US\$ 820 bn. This represents a near 6% rise over FY24's US\$ 778 bn, underlining the country's growing influence in global trade despite economic headwinds.

As of March 31, 2025, India's foreign exchange reserves totalled US\$ 676.3 bn, up from US\$ 648.6 bn a year earlier. These reserves continue to provide ample import cover, reinforcing India's external buffer. The increase was largely driven by proactive interventions by the RBI and favourable valuation adjustments in foreign assets. Despite global challenges, the Indian rupee remained relatively stable throughout FY25. For FY25, the rupee depreciated by around 2.4% against the US dollar, outperforming many other emerging market currencies. This stability was aided by India's strong foreign exchange reserves, which acted as a crucial buffer against external pressures.

(Source: <https://www.thehindu.com/business/Economy/indias-forex-reserves-rise-to-6763-billion/article69430292.ece>)

https://www.business-standard.com/finance/news/indian-rupee-logs-best-month-in-over-6-years-ends-fy25-down-2-5-125032800756_1.html)

To boost domestic growth, the Monetary Policy Committee (MPC) unanimously decided in its February 2025 meeting to cut the policy repo rate by 25 basis points, bringing it to 6.25%, effective immediately. This started the easing cycle that began in February 2025, when the RBI implemented its first rate cut in nearly five years, ending a long pause since May 2020. The decision followed a notable decline in consumer price inflation, mainly due to falling food and fuel prices. This easing provided the RBI with the flexibility to reduce interest rates and support economic growth, while maintaining price stability. Further, the RBI's decision to cut the repo rate by 25 bps to 6.00% on April 09, 2025 signalled a clear pivot towards a more growth-supportive monetary policy framework.

The MPC has emphasised its flexibility in navigating the current global uncertainties, while staying focussed on maintaining stability in India's domestic financial markets. The recent downward revision of inflation and growth projections signals the MPC's confidence in the inflation path, even as support for economic momentum remains critical. Though the exact fallout of trade tensions is uncertain, monetary policy is playing a crucial role in stimulating the economy, stepping up to support growth.

(Source: <https://www.financialexpress.com/policy/economy-rbi-mpc-meeting-2025-live-updates-governor-sanjay-malhotra-monetary-policy-announcement-repo-rate-loan-interest-rate-cpi-data-3803643/>)

Outlook

India is set to achieve a real GDP growth rate of 6.5% between FY26 and FY28. This momentum stems from stronger manufacturing and export competitiveness, rising services exports, and rapid digital transformation, all boosting productivity and operational efficiency. However, several global and domestic challenges may pose risks to sustaining this momentum.

Key concerns include slower global growth driven by weak performance in the US and China, a delay in India's private corporate capex cycle amid concerns of China offloading surplus manufacturing capacity. Added pressure on the Chinese Renminbi could further impact India's goods trade balance.

Despite these external headwinds, shifting global policies and supply chain realignments are opening new doors. The rising preference for a 'China + 1' approach among global businesses strengthens India's appeal as an alternative in global manufacturing and supply chains. This transition, if utilised effectively, could unlock significant gains in investment, exports, and employment. Furthermore, it would reinforce the nation's position as a key driver of global growth over the coming decade.

(Source: <https://www.ubs.com/global/en/investment-bank/insights-and-data/2024/indias-outlook-2025-2026-story.html>)



Banking Sector

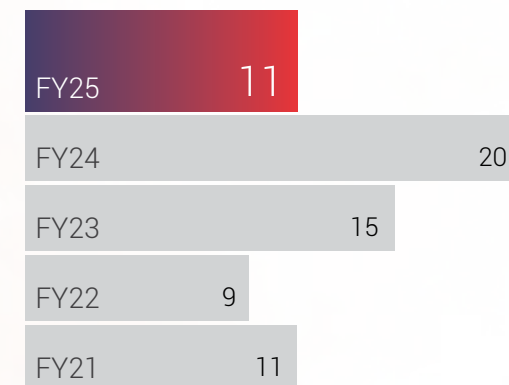
India's banking sector stands out as robust, well-capitalised, and effectively regulated, as noted by the RBI. The sector has undergone remarkable transformation, driven by innovative models such as payment banks and small finance banks. This evolution has been further supported by the government's push for greater financial inclusion, exemplified by initiatives like the Pradhan Mantri Jan Dhan Yojana and the establishment of India Post Payments Bank.

The significant drop in Gross Non-Performing Assets (GNPAs) for Indian public sector banks, from a peak of 14.98% in 2018 to around 2.6% by December 2024, signals a multi-faceted turnaround. A pivotal driver of this change was the RBI's Asset Quality Review, which enforced greater transparency in NPA recognition.

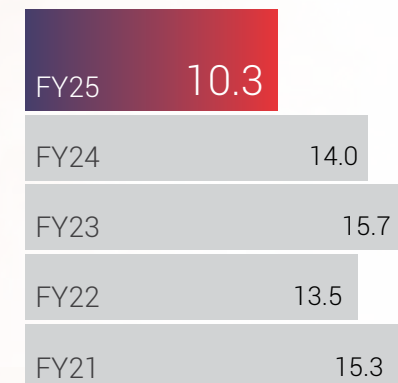
Complementing this, the government's comprehensive 4R's strategy, Recognition, Resolution, Recapitalisation, and Reforms, provided a solid foundation for systemic improvement. Additionally, enhanced operational efficiencies, stronger capital buffers, and a series of targeted reforms have significantly uplifted asset quality and overall sectoral endurance. While the broader credit market showed positive momentum, certain segments faced ongoing pressure, especially unsecured lending and microfinance. In the microfinance sector, asset quality witnessed notable stress during FY25, driven primarily by prolonged heatwaves that disrupted livelihoods and weakened borrowers' ability to repay, but green shots are clearly visible with early estimates depicting sector is coming out of the woods.

Analysts expect the gap between deposit and credit growth to continue, with normalisation likely only by FY27. To manage this imbalance and protect financial stability, the RBI has introduced measures like increasing risk weights on non-banking financial companies (NBFCs) and consumer credit.

Credit Growth Figures (in %)



Deposit Growth (%)



(Source: https://www.business-standard.com/industry/banking/bank-deposits-grow-10-83-to-rs-221-50-trn-show-steady-improvement-in-jan-125012301422_1.html)



Another key trend shaping the future of India's banking sector is the increasing adoption of digital technologies. Banks are integrating artificial intelligence (AI), machine learning (ML), and big data analytics to improve customer experiences, streamline operations, and cut costs. These tools enable more personalised offerings and enhanced operational efficiencies. These shifts are extending financial access across urban and rural India, accelerating credit growth, and fostering greater financial inclusion.

Banks are also investing heavily in cybersecurity to protect customer data and ensure secure transactions. Collaborations between traditional banks and fintech companies are driving the development of innovative financial products like UPI, and the upcoming Central Bank Digital Currency (CBDC). These innovations will further widen the reach of digital payments in India. Collectively, these trends are transforming the banking sector, creating new opportunities for growth and inclusion.

Outlook

India's banking sector holds a robust outlook, backed by a supportive environment and proactive government measures like increased capital expenditure, direct tax reforms with welcome individual income tax cuts, and monetary easing aimed at boosting consumption and growth. Corporate balance sheets have strengthened. Furthermore, a likely pickup in private capital expenditure is expected to raise credit demand and strengthen asset quality in corporate lending.

Retail loan growth continues to remain strong, alongside improvements in risk management and regulatory reforms that improve sectoral endurance.

The capitalisation of banks remains strong, supported by internal capital generation that matches asset growth. Funding and liquidity are expected to stay stable in 2025, as loan growth

keeps pace with deposits. This balance will likely be supported by government capital spending and a monetary easing.

The Reserve Bank of India's final guidelines on the Liquidity Coverage Ratio (LCR) has brought relief by easing earlier concerns. The central bank has mandated only a 2.5% additional run-off factor for retail deposits accessed through internet and mobile banking, significantly lower than the 5% proposed in the draft. This reduction means banks are required to set aside less liquidity, thereby mitigating the adverse impact on credit growth and profitability. Consequently, this change could boost credit growth by an estimated 1–1.5%.

Supported by strong retail demand and continued government backing, the banking sector is expected to maintain its growth momentum. Within this landscape, private banks are likely to outperform their public sector counterparts, thanks to their healthier balance sheets and stronger deposit mobilisation.

(Source: <https://www.livemint.com/industry/rbi-liquidity-coverage-guidelines-liquid-assets-retail-deposits-banks-lcr-11745248067021.html>)

The Deposit Dilemma

In recent years, there has been a notable shift in the way households save, with deposits making up a smaller proportion of overall savings. This decline is attributed to rising inflation and advancements in banking technology, which has made it easier for people to explore alternative investment options. Meanwhile, the demand for credit has remained steady growing at double digit, outstripping deposit growth since 2022. To address this imbalance, banks have introduced new deposit products and increased interest rates to attract more deposits. Although the gap between credit and deposit growth is narrowing, this is largely due to a slowdown in credit growth, which is expected to continue due to various factors, including rising stress in unsecured loans. Deposits are expected to rise 10–10.5% in fiscal 2025 and 11.5–12% in subsequent fiscal primarily driven by strong demand for term deposits as investors try to lock-in higher interest rates.

Banking credit growth to moderate in fiscal 2025 with sluggish deposit growth:

- ◆ India's gross banking credit grew at 16.3% during FY24 and is expected to normalise by 10.5–11.5% in fiscal 2025 and 11.5–12.5% in FY26.
- ◆ Asset quality improved further with GNPA declining to 2.8% as March 2024 and further improving to 2.6% as of September 2024.

- ◆ Deposit growth remains subdued being primarily driven by a surge in term deposits as investors seek to capitalise on high interest rates. Depositors are opting for term deposits to lock in these rates, contributing to the sluggish Current Account and Saving Account (CASA) deposit growth leading to margin compression for banks.

The dwindling deposit growth is putting pressure on banks to raise fixed deposit rates to attract new and retain existing depositors; however, with increased investment avenues and evolving socioeconomic dimensions of society, banks will have to make deposit product innovations to mobilise deposits commensurate with loan growth.

Small Finance Banks (SFBs)

India's financial ecosystem has transformed significantly over the past decade, with SFBs emerging as key enablers of financial inclusion. Their establishment stemmed from persistent gaps in basic banking and credit access for underserved segments like small businesses, marginal farmers, micro industries, and the unorganised sector. SFBs were created to address these needs by providing savings and credit products specifically designed for these groups, with a strong focus on rural and semi-urban areas.

SFBs operate under a robust regulatory framework set by the RBI. The framework aims to drive financial inclusion and ensure focussed lending to priority sectors. As per RBI norms, SFBs must direct at least 75% of their Adjusted Net Bank Credit (ANBC) towards priority sectors like agriculture, micro and small enterprises, and low-income households. Additionally, 50% of their loan portfolio must include advances up to ₹ 25 lakhs, fostering the growth of micro-loans with adjusted risk weights.

To support their evolution within the broader banking ecosystem, the Reserve Bank of India (RBI) has introduced clear eligibility criteria for SFBs aspiring to transition into universal banks. These include maintaining a satisfactory operational track record of at least five years and adhering to prescribed prudential norms. In line with the goal of regulatory consistency, the framework governing SFBs has been brought into alignment with the wider banking sector, incorporating requirements such as the Liquidity Coverage Ratio (LCR) and calibrated risk weights. This regulatory push, coupled with strong fundamentals, positions SFBs for healthy credit growth in FY25. Their continued emphasis on secured asset classes—such as loans against property, housing loans, and vehicle finance—remains a key driver of expansion.

Rising delinquencies, for a few lenders particularly in the microfinance segment, led to an increase in the GNPA ratio which rose to 2.8% by September 2024. This trend has also prompted greater risk aversion in lending practices. Parallely, for some non-banking turned banks, funding challenges have intensified, with heightened competition for deposits, increasing funding costs and compressing margins.

Elevated operating expenses from recent branch expansions and higher employee costs, though beginning to stabilise, continue to impact profitability. Despite challenges faced by a few lenders, SFBs are responding with caution, slowing credit expansion and prioritising asset quality, contributing to the expected dip in growth in FY25. Secured lenders are emerging as clear winners, with added push for those with established, cost-efficient retail franchise models.

(Source: <https://www.thehindubusinessline.com/money-and-banking/small-finance-banks-credit-growth-to-slow-in-fy25-profitability-to-face-challenges/article69098594.ece>)

Growth Drivers for Small Finance Banks

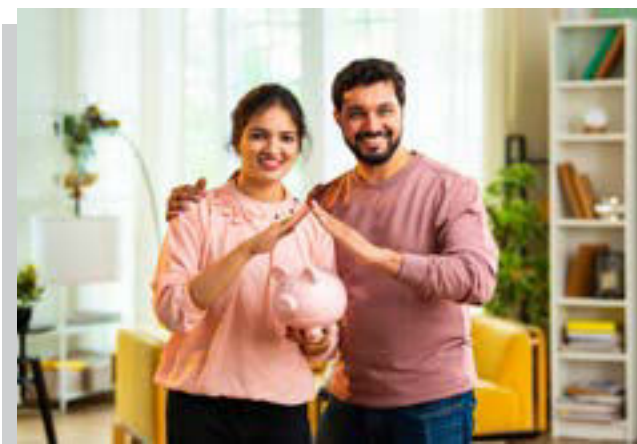


Geographical Expansion

The significant expansion of the SFB branch network has played a pivotal role in growth. From March 2019 to March 2024, the number of branches more than doubled, reaching nearly 7,400. This growth has been particularly pronounced in the eastern region, where branch presence increased from 11% in March 2019 to 15% of the total network in March 2024.

Notably, over half of the existing branches now serve rural and semi-urban areas, tapping into substantial market potential and driving financial inclusion. This geographic spread improves accessibility and enables SFBs to reach underserved customers, fuelling long-term growth and sustainability.

(Source: <https://www.crisilratings.com/en/home/newsroom/press-releases/2024/08/small-finance-banks-to-grow-advances-25-27-percent-this-fiscal.html>)





New Asset Classes

The estimated credit growth for Small Finance Banks (SFBs) can be categorised into two segments – traditional and new, with the latter being the key driver of momentum. These emerging asset classes vary by each SFB's focus. Most include mortgage loans, MSME funding, vehicle loans, and unsecured personal credit. By diversifying into these fast-growing areas, SFBs tap into fresh demand, strengthen revenue streams, and accelerate growth. This shift towards new lending avenues fuels their expansion and positions them for long-term success in a competitive financial environment.



Regulatory Support

The supportive regulatory environment, led by the RBI, has played a key role in driving the growth of SFBs. Initiatives like Priority Sector Lending (PSL) targets and the introduction of the Unified Lending Interface (ULI) platform have reinforced the mandate of SFBs to serve the underserved.



Digital Transformation

The adoption of technology has proven to be a transformative catalyst for SFBs, boosting operational efficiency, data security, and customer experience. Mobile banking and digital payments have widened access, allowing customers in even the remotest areas access financial services anytime, anywhere.

In rural India, 82.1% of individuals aged 15–24 years now have internet access, reflecting a shift towards a more digitally connected generation. This transformation increases customer convenience and aligns with the national objective of fostering a digitally empowered economy, supporting SFBs in their role as key contributors to financial inclusion and growth.

(Source: <https://pib.gov.in/PressNoteDetails.aspx?NotelId=153358&ModuleId=3®=3&lang=1#:~:text=In%20rural%20area%2C%20among%20those,the%20gap%20is%20steadily%20narrowing.>)



Government Initiatives

Government initiatives like the Pradhan Mantri Jan Dhan Yojana (PMJDY) and credit-linked subsidy programmes serve as powerful growth drivers for SFBs. These initiatives boost financial inclusion by helping SFBs reach unbanked and underserved segments, while easing financial barriers through direct subsidy support. By capitalising on these programmes, SFBs can scale faster, deliver better service, and ensure their sustainability in a competitive banking ecosystem.

Outlook

The outlook for FY26 for SFBs is more positive, with credit growth forecasted to recover to 14–16%. This improvement is expected to come from a strategic shift towards secured lending segments. This diversification will fuel credit growth and help stabilise asset quality, which came under pressure in FY25, particularly in the microfinance portfolio.

(Source: <https://www.thehindubusinessline.com/money-and-banking/small-finance-banks-credit-growth-to-slow-in-fy25-profitability-to-face-challenges/article69098594.ece>)



Capital Small Finance Bank

Capital Small Finance Bank Limited (also referred to as 'Capital SFB,' 'The Bank' or 'We') has evolved into a prominent player in India's banking sector. We began as a Local Area Bank (LAB) and became the country's first SFB on April 24, 2016. Initially serving five districts in Punjab as the largest LAB for over 16 years, the Bank began its journey with just 47 branches. Today, we operate 195 branches across Punjab, Haryana, Rajasthan, Delhi, and Himachal Pradesh, and the Union Territories (UTs) of Chandigarh and Jammu & Kashmir, cementing our footprint in Northern India.



For over two decades, the Bank has been dedicated to serving the middle-income group, with a strategic focus on rural and semi-urban areas where demand for banking services has been rapidly growing. We aim to close the gap in formal banking, reaching areas where financial access has long been limited. Our target segment, with an average annual income ranging from ₹ 4 lakhs to ₹ 50 lakhs, fuels our growth.

Capital SFB provides a full suite of asset and liability products. We deliver integrated financial solutions, helping customers secure homes, grow businesses, support agricultural endeavours, and procure ancillary banking services.

As of March 31, 2025, the average ticket sizes for our agricultural loans, MSME, trading and other business loans, and mortgage lending products are as follows:

₹ 1.3 mn

Agricultural Loans

₹ 2.2 mn

MSME, Trading and Other Business Loans

₹ 1.3 mn

Mortgage Lending

Advance Portfolio Split (in %)



Agriculture

MSME, Trading
and Other
Business Loans

Mortgages

Corporate
LoansConsumer
Loans

The Bank's emphasis has always been on building strong, long-term relationships with customers by offering a full spectrum of banking products under one roof. Its distinct two-step expansion strategy begins by setting up loan-focussed branches in key locations. Then, it moves into nearby regions with a wider range of services. This approach helps the Bank meet every financial need while earning customer trust and loyalty and become primary banker of its clientele.

This year marks a significant occasion for Capital SFB, as it celebrates 25 years of its existence. What began as a local area bank is now a listed entity with outreach spanning North India, a robust retail franchise, a well-carved niche, and is geared to optimise opportunities for sustainable, fast-track growth with superior asset quality, consistent performance, and trust. The Bank's journey is a story of endurance, commitment, and growth. A relationship-first model, strong leadership, and a dedicated team have shaped the Bank's solid reputation.

Looking ahead, we remain focussed on our aim to empower the middle-income segment. By continuing to innovate, expand our digital and physical presence, and deliver customer-centric solutions, we are well-positioned to meet the evolving needs of our customers and capitalise on the significant opportunities in the northern region of India.



Business Overview



Advance Portfolio/Loan Book

We have consistently demonstrated steady growth, maintaining a strong track record of healthy disbursements and the overall expansion of our advances book. Nearly all our loans remain secured, emphasising our strategic focus on building a granular and secure retail asset portfolio. Additionally, most of our advances are concentrated in key sectors such as agriculture, MSMEs, trading, and mortgage lending, which are integral to our customer base.

The Bank has maintained a highly prudent approach to secured lending. This disciplined strategy, underpinned by strong underwriting standards and rigorous cash flow monitoring, has contributed to low levels of non-performing assets

(NPAs) and negligible loan write-offs since our inception. We saw an increase in our disbursements, rising from ₹ 2,068.12 crores in FY24 to ₹ 2,846.20 crores in FY25. As of March 31, 2025, an impressive 99.8% of our loan book was secured, with 79.0% of loans backed by immovable properties and fixed deposits, further highlighting our risk-mitigation strategy.

We follow a disciplined risk management framework built on a balanced portfolio approach. This helps diversify project risks effectively. Our lending strategy focusses on optimising funding decisions based on risk-adjusted returns, ensuring each project contributes to both profitability and asset quality.



Agriculture

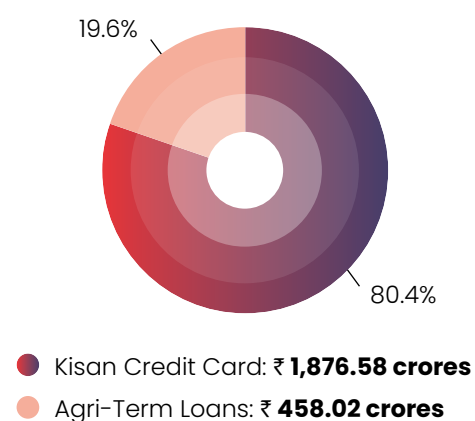
Agriculture in India is more than just a sector. It plays a central role in both economic and social fabric. The sector supports rural economy and also contributes to urban growth through its supply chains. In addition to its critical role in food security, agriculture provides essential raw materials that power industries like pharmaceuticals, textiles, biotechnology, and renewable energy, making it foundational to their growth and innovation.

With the advent of technology and sustainable farming practices, agriculture is undergoing a transformation that emphasises innovation, efficiency, and environmental stewardship. This evolving scenario places agriculture as a key sector in India's move towards building a more solid and diversified economy.

At Capital SFB, agricultural financing has always been fundamental to our business, reflecting our deep-rooted commitment to supporting the backbone of India's economy, its farmers. A significant portion of our lending portfolio is dedicated to agriculture, as we recognise the sector's vital role in driving rural development.

Over the years, we have tailored our financial products to meet the unique needs of the agricultural communities, particularly targeting mid-sized farmers who typically own five acres of land or more. This targeted approach enables us to effectively address the unique credit and equipment financing needs of farmers, supporting both short-term crop-related requirements and long-term investments in agricultural machinery and infrastructure.

Capital SFB's Agri-Finance (in ₹ crores)



Our agricultural loan offerings primarily encompass two key categories: the Kisan Credit Card (KCC) and Agri-Term Loans. These provide farmers with the financial flexibility they need to manage their agricultural activities, including crop production and infrastructure development. By offering competitive rates and easy repayment terms, we ensure our agricultural customers have the necessary support to thrive.

What sets us apart is our deep understanding of agriculture and the real-world challenges farmers' face. We have created products and systems that are specifically suited to the needs of this sector, making us a trusted partner for farmers. To mitigate risks, especially price fluctuations, our crop loans come with minimum guaranteed prices, which provide a safety net for farmers and ensure stable cash flows, even during exceptional production.

Financial Highlights FY25

32.5%

Share in Loan Book

₹ 2,334.6 crores

Loan Book

₹ 0.13 crores

ATS at Portfolio

99.9%

Secured Portfolio

₹ 0.12 crores

ATS at Disbursements

₹ 575.26 crores

Disbursements



MSMEs, Trading and Other Business Loans

MSMEs form a vital pillar of the Indian economy, contributing significantly to employment, GDP and industrial growth. Accounting for nearly 30% of India's GDP, the sector provides employment to over 110 mn people, second only to agriculture. MSMEs also play a key role in fostering innovation, promoting inclusive growth, and supporting regional development by creating jobs in rural and semi-urban areas. They contribute to the diversification of industrial output and enhance India's competitiveness in global markets. Furthermore, MSMEs help in the development of ancillary industries, contribute to export growth, and provide a foundation for larger industries to thrive.

We are dedicated to addressing the varied financing needs of our clients, whether they are looking for short-term liquidity or long-term financial support. Our loan offerings are specifically designed for small and medium-sized enterprises (SMEs), small traders, and businesses within the service sector.

While we prioritise working capital financing, we understand that businesses require more than just day-to-day funding. Therefore, we also offer a range of other financial solutions, including machinery loans and project financing, to aid business growth and expansion. These tailored products help entrepreneurs invest in the right resources and infrastructure to realise their business ambition.

Financial Highlights FY25

21.0%

Share in Loan Book

₹ 1,511.59 crores

Loan Book

₹ 0.22 crores

ATS at Portfolio

99.8%

Secured Portfolio

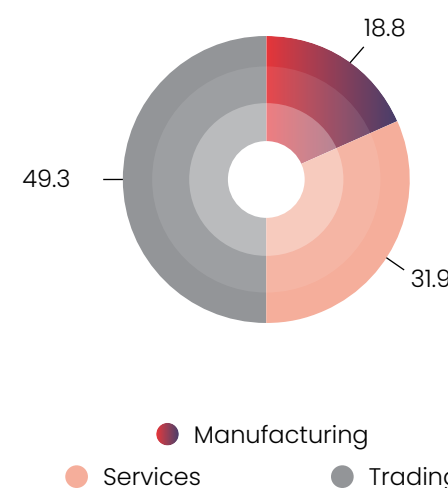
₹ 0.24 crores

ATS at Disbursements

₹ 609.11 crores

Disbursements

MSME (in %)



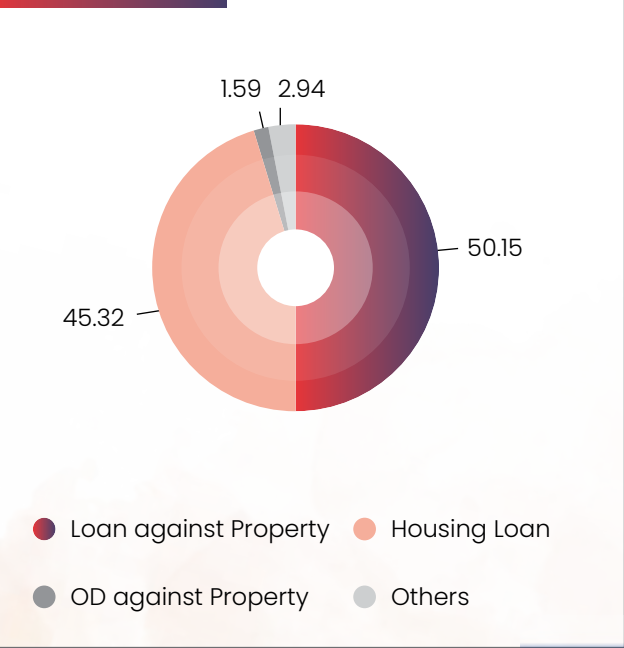


Mortgage

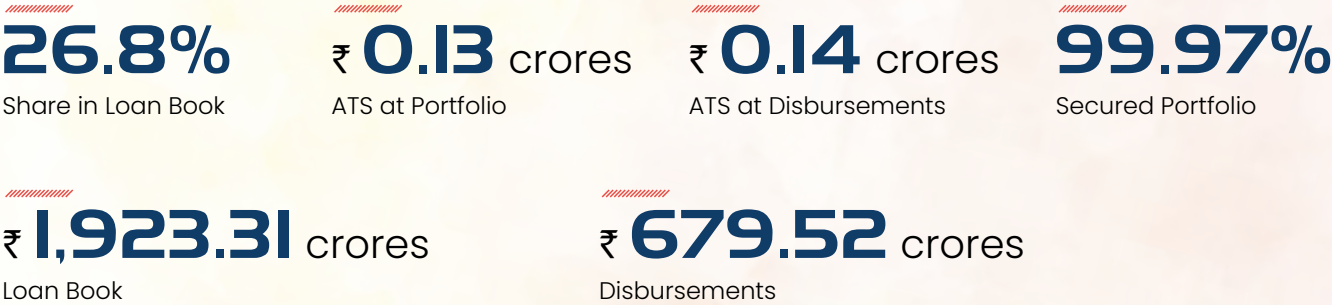
The Bank's core focus is on serving mid-income individuals, particularly emphasising small-ticket assets to maintain a granular and secure loan book. We understand this segment's aspirations and design solutions to meet their financial goals. In addition to providing loans for small assets, we also support homeownership dreams by offering loans for the purchase, construction, expansion, and renovation of residential properties. By empowering individuals to invest in homes, our approach contributes to stimulating the demand side of the economy.

Furthermore, we offer loans against properties, enabling property owners to unlock the potential of their assets. These loans can be utilised for financing viable economic activities or fulfilling personal financial needs, providing flexibility and financial freedom to our customers. Through these offerings, Capital SFB continues to play a central role in enhancing financial accessibility for middle-income individuals and driving economic growth.

Mortgage (in %)



Financial Highlights FY25

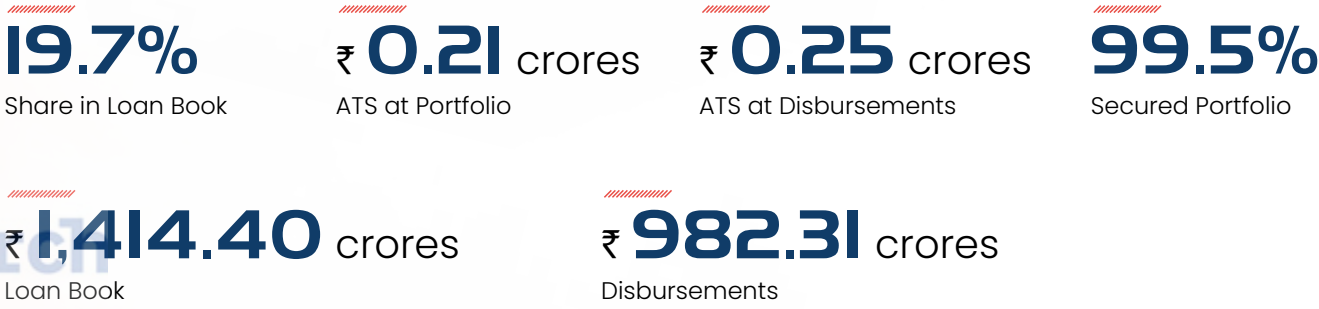


Others

In addition to the three core pillars of our loan portfolio—MSME, Agriculture, and Mortgage—we offer a comprehensive suite of loan products that form the remainder of our loan book. These include corporate loans, personal loans, gold loans, and other credit offerings, serving as secondary and tertiary engagement hooks for our existing customer base. This diversified approach enables us to meet a wide range of financial needs, deepen customer relationships, and enhance overall portfolio resilience.



Financial Highlights FY25



Funding Mix

Our success stems from a strong, granular base of retail deposits. Since our inception as an SFB in 2016, we have strategically focussed on expanding our retail deposits, which have proven to be a reliable and cost-effective source of funding. These deposits are more stable than wholesale deposits and tend to remain with the Bank over extended periods, fostering long-term growth. By capitalising on the strength of our brand and our deep connection with customers, we have been able to rapidly grow our deposit portfolio.

In FY25, the Bank's deposit portfolio comprised ₹ 2,782.68 crores in savings accounts, ₹ 291.80 crores in current accounts, and ₹ 5,248.12 crores in term deposits, reflecting our robust deposit growth. In addition to our domestic customer base, we cater to the needs of Non-Resident Indians (NRIs) by offering specialised NRE and NRO accounts.

We adopt a retail-centric approach to deposit mobilisation, emphasising the growth of a stable CASA base and maintaining a strong term deposit rollover ratio of approximately 90%. This dedicated approach helps insulate Capital SFB from short-term interest rate fluctuations, while ensuring a low, competitive cost of funds and stable deposit base. We also strengthen long-term customer relationships, support cross-selling opportunities, and secure a reliable funding foundation for sustainable growth, thereby delivering lasting value to both the Bank and our customers.

As of March 31, 2025, the Bank saw a growth in total deposits rising from ₹ 7,477.74 crores to ₹ 8,322.60 crores. The Bank continued with calibrated deposit growth owing to lower CD ratio and surplus liquidity available. Retail deposits made up 92.5% of the total deposit base that spanned 8,02,069 accounts

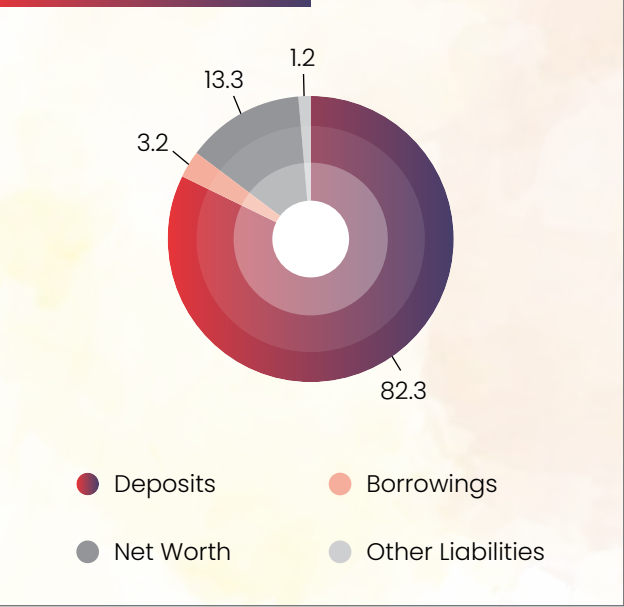
with high CASA ratio of 36.9% and consistent CASA between 37%-42% since FY19. Despite industry-wide pressure on CASA due to the shift towards higher-yielding term deposits, the Bank's strong CASA share reflects its robust retail liability franchise.

We are set to transform banking services in rural and semi-urban markets through a dynamic phygital distribution model, seamlessly integrating the accessibility of physical branches with the convenience of digital platforms. Alongside driving expansion, our approach helps us serve as a true financial partner, offering tailored solutions that address the specific needs of diverse local communities.

By investing in both technology and human touchpoints, Capital SFB ensures that every customer, from farmers to micro-entrepreneurs and small business owners, receives personalised, efficient, and trustworthy services. Our emphasis on relationship-driven engagement fosters long-term customer loyalty and strengthens community trust.

We also focus on addressing the banking requirements of central and state government departments, agencies, cooperative banks, and public trusts. A key milestone in this regard is our recognition as one of the only two SFBs empanelled by the Punjab Government for managing their deposit placements. This highlights our rising credibility and strength in the sector.

Funding Mix Split (in %)



As depicted in the table above, the funding mix is positively skewed towards deposits, contributing lion's share of the funding mix with 82.3% share (retail deposits constituting 92.5%). This also depicts the huge leg room available with the bank to romp up resources via increasing share of bulk deposits and other components of funding mix (including borrowings and availing refinance facilities) to provide for credit offtake at cost-effective terms as and when required

Types of Deposits

Deposits	FY25		FY24	
	₹ crores	% of Total Deposits	₹ crores	% of Total Deposits
CASA	3,074.48	36.9	2,863.75	38.3
Term Deposits	5,248.12	63.1	4,613.98	61.7
Total Deposits	8,322.60	100.00	7,477.74	100.00
Bulk Deposit	622.43	7.5	525.33	7.01
Retail Deposits	7,700.17	92.5	6,952.41	93.0

Slab	No. of Saving Accounts	%
Slab 1: ₹ 0 ≥ to ≤ ₹ 1 lakh	6,29,940	93.5
Slab 2: > ₹ 1 lakh to ≤ ₹ 5 lakhs	31,399	4.7
Slab 3: > ₹ 5 lakhs to ≤ ₹ 10 lakhs	7,409	1.1
Slab 4: > ₹ 10 lakhs to ≤ ₹ 25 lakhs	3,995	0.5
Slab 5: ≥ ₹ 25 lakhs to ≤ ₹ 50 lakhs	840	0.1
Slab 6: ≥ ₹ 50 lakhs	309	0.1
Total	6,73,892	100.00

Third-Party and Other Products

Our ambition is to be the leading provider of comprehensive financial services, offering a broad range of third-party products to meet the diverse needs of our customers, beyond our core banking services. Our offerings include insurance, locker facilities, and foreign exchange services like remittances, ensuring we address the full range of financial requirements.

We actively cross-sell insurance products to our borrowers, offering them the security and peace of mind that comes with protecting their families against unforeseen events. This initiative is made possible through our strong collaborations with renowned insurance providers. Our collaborations with ICICI Prudential Life Insurance, HDFC Life Insurance, Max Life Insurance and Edelweiss Life Insurance enable us to offer a wide range of life insurance products. Furthermore, through partnerships with Bajaj Allianz General Insurance and ICICI Lombard General Insurance, we provide general and health insurance options, covering life, term, motor, property, personal accident, health, and travel insurance.

In addition, Capital SFB offers a variety of foreign exchange services as an AD-II banker. We facilitate both inward and outward remittances services, having secured partnerships with several AD-I Banks

and other reputable financial institutions. We also offer money remittance services through global leaders like Western Union, MoneyGram, and Ria Money Transfer.

We further enhance customer experience by offering 3-in-1 demat-cum-trading accounts in collaboration with leading brokers. This allows our customers to seamlessly manage their investments, trading, and demat accounts in one place, providing them with a complete financial platform. For those seeking a safe place to store their valuables, we offer safe deposit lockers, giving our customers a secure space to store their valuables for a nominal fee.



SCOT Analysis



Strengths

Diverse Product Portfolio

Capital SFB offers a comprehensive range of financial products, including agriculture loans, MSME, trading loans, and mortgages, effectively addressing the diverse needs of its customer base.

Customer-Centric Approach

With a focus on understanding the unique needs of middle-income customers, the Bank provides tailored services, building strong relationships through personalised engagement.

Technological Integration

We have harnessed the power of technology to enhance digital transactions, streamline operations, and elevate the overall customer experience. This is evident in our achievement of over 18.9 mn digital transactions in FY25.

Security-Backed Loan Portfolio

The Bank’s loan book is primarily secured, with 99.8 % of loans being secured, and 79.0% secured by immovable properties. This structure helps mitigate risk exposure, ensuring financial stability.

Consistent Growth

Demonstrating robust performance, we have achieved a CAGR of 20.3% in net interest income and 37.6% in profits between FY19 and FY25, indicating our ability to sustain growth.

Focus on Financial Inclusion

As a key player in advancing financial inclusion, we are dedicated to serving underserved regions and demographics, thereby contributing to broader economic development.



Challenges

Competition

The Bank competes in a crowded market alongside PSUs, other small finance banks, SCBs, NBFCs as well as emerging fintech firms, intensifying pressure on market share and profitability.

Interest Rate Volatility

The Bank’s performance is sensitive to fluctuations in interest rates, which could affect profitability, particularly in a changing macroeconomic environment.

Maintaining Asset Quality

Maintaining and improving asset quality is vital to maintaining Capital SFB’s financial strength and aspirations of universal banking license, as any lapse could adversely impact its overall stability and performance.

Collateral against Loans

The value of the collateral securing our loans plays a pivotal role in safeguarding the Bank’s financial stability. Any decline in this value could expose Capital SFB to potential losses.



Opportunities

Untapped Markets

We hold significant growth potential by expanding into underserved regions in North India. This would diversify our geographic footprint and provide huge business opportunities.

Digital Innovation

Continued investments in digital banking solutions like mobile apps and online banking presents an opportunity to enhance customer experience, attract tech-savvy users, and stay competitive in a growing digital environment.

Product Development

By introducing additional products such as insurance and investment options, we can further diversify the Bank’s revenue streams, creating new avenues for growth and market expansion.

Customer Relationships

Focussing on relationship management and personalised services can help us build deeper customer loyalty, increase satisfaction, and drive long-term business growth.



Threats

Regulatory Scrutiny

Non-compliance with RBI regulations or changes in the regulatory framework could lead to increased scrutiny, operational disruptions, or financial penalties, affecting the Bank’s reputation and operational efficiency.



Financial Highlights

Statement of Profit and Loss

Particulars (in ₹ crores)	FY22	FY23	FY24	FY25	CAGR (%) (FY19-FY25)
Net Interest Income	255.28	321.98	345.15	410.19	20.3
Other Income	54.19	49.47	68.08	86.02	18.2
Gross Total Income	309.47	371.46	413.23	496.21	19.9
Operating Expenses	196.25	222.75	258.33	309.13	15.2
Profit for the Period	62.57	93.60	111.53	131.65	37.6
Earnings per Equity Share					
Basic (₹)	18.41	27.35	30.65	29.18	27.4
Diluted (₹)	18.22	27.21	30.45	29.09	27.4

Statement of Balance Sheet

Particulars (in ₹ crores)	FY22	FY23	FY24	FY25	CAGR (%) (FY19-FY25)
Capital and Liabilities					
Net Worth	515.78	610.61	1,197.42	1,340.14	32.3
Deposits	6,046.36	6,560.62	7,477.74	8,322.60	14.6
Borrowings	498.43	721.38	472.25	320.58	
Other Liabilities and Provisions	93.35	98.16	147.78	124.20	
Total	7,153.92	7,990.77	9,295.28	10,107.51	15.2
Assets					
Cash and Balances with Reserve Bank of India	363.99	462.65	568.98	649.84	
Balances with Banks and Money at Call and Short Notice	655.06	418.21	752.18	349.88	
Investments	1,357.06	1,488.58	1,705.71	1,819.45	13.3
Advances	4,634.80	5,428.69	6,047.69	7,090.39	18.2
Fixed Assets	83.59	82.59	83.73	87.75	
Other Assets	59.42	110.05	109.99	110.20	
Total	7,153.92	7,990.77	9,295.28	10,107.51	15.2

Key Ratios (in %)

Particulars (in ₹ crores)	FY25	FY24
Net Interest Margin ¹	4.2	3.9
Gross NPAs	2.6	2.8
Net NPAs	1.3	1.4
Return on Assets ²	1.4	1.3
Return on Equity	10.4	14.6
Return on Average Advances	2.1	2.0
Cost of Deposits	5.9	5.6
CRAR	25.4	27.4

¹ Net Interest Margin has been computed based on the Net Interest Income (Interest Income - Interest Expense) and the average of total assets, as reported to the RBI in Form X under Section 27 of the Banking Regulation Act, 1949, for the year.

² Return on Assets is calculated with reference to the monthly average working funds, which consist of the total assets excluding any accumulated losses.



Information Technology (IT)

At Capital SFB, technology is not just a support system, it is the central element of our customer-centric approach, operational excellence, innovation, and overall growth. We view IT as a strategic enabler, empowering us to scale efficiently while improving the quality and accessibility of our services. Over the years, we have developed a solid digital foundation, partnering with top software and service providers to automate and streamline critical banking functions, including loan management, all underpinned by a powerful core banking system.

We are deeply committed to promoting financial inclusion by harnessing advanced technology to reach even the most underserved and remote areas. We recognise that access to digital banking is just the beginning, which is why we actively run financial literacy programmes and hands-on training sessions. These efforts help our customers better understand the benefits and practical use of internet banking, mobile banking, digital payments, and secure transaction tools, overcoming communication or technological barriers.

We also believe in providing personalised support. Our staff and local agents work closely with customers, guiding them through the digital process and addressing concerns about security and usability. To build trust and familiarity, we host community engagement events such as live demonstrations and workshops, where we can interact directly with customers.

Additionally, we partner with fintech firms and local authorities to enhance digital infrastructure and introduce technologies tailored to the needs of rural communities. This comprehensive approach ensures that digital adoption is not only achievable but sustainable, empowering our customers to access banking services anytime, anywhere, and participate fully in the digital economy.

Capital SFB offers two mobile applications, Capital Bank Mobile+ and Capital Bank Mobile Connect, designed to meet banking needs with user-friendly interfaces and real-time services. We have also launched an upgraded internet banking platform, enhancing security, and providing a richer digital experience.

With the growing demand for digital transactions and evolving customer needs, we have integrated advanced security measures, including robust encryption and authentication, ensuring safe and reliable access. This platform provides 24/7 access to an array of banking services, offering convenience and peace of mind. Our aim is to provide a world-class banking experience that supports financial inclusion and meets the needs of both urban and rural customers.

Through continuous innovation and a commitment to seamless service, we are reshaping digital banking to make it more intuitive, inclusive and secure for our customers. At Capital SFB, we are not just adopting technology, we are using it to redefine the way banking is experienced.



Treasury Operations

Our integrated Treasury function has evolved into a vital component of our overall financial strategy. It plays a crucial role in optimising our balance sheet, enhancing operational resilience, and ensuring sustainable growth. The function oversees liquidity management, funding, and investments, while rigorously adhering to regulatory frameworks, especially those prescribed by the RBI.

The Treasury department actively manages key areas such as fundraising, asset-liability alignment, liquidity, and interest rate risk—each essential for optimising our overall cost of funds. It invests in a diversified mix of instruments, following a Board-

approved Investment Portfolio Policy and Standard Operating Procedures (SOPs). These guidelines promote disciplined execution, transparency, and full compliance with RBI regulations.

Our treasury operations are structured into three core functional layers: Front Office, Mid Office, and Back Office. This layered setup ensures seamless execution, effective monitoring, and comprehensive risk management. Collectively, these layers facilitate end-to-end efficiency in managing cash flows, payment settlements, and inter-branch fund transfers. Acting as a strategic linkage between the head office and branch network, Treasury guarantees optimal liquidity flow and financial consistency across the Bank.

Central to our treasury philosophy are three foundational principles: safety, liquidity, and superior risk-adjusted returns (alpha generation). This guiding ethos influences all our investment choices, supporting a robust, high-quality portfolio. The outcome is a reliable liquidity cushion, prudent risk exposure, and enhanced earnings driven by well-calibrated returns.

Treasury's contribution to bottom-line growth combines strategic foresight with consistent execution. By efficiently managing the Bank's average cost of funds and capitalising on yield opportunities within acceptable risk parameters, Treasury bolsters profitability. Our diverse and high-performing investment portfolio continues to deliver healthy returns, reinforcing our long-term capital efficiency and financial strength.



Risk Management

A strong risk management framework forms the foundation of a stable and resilient bank. At Capital SFB, we understand that besides regulatory compliance, risk management is also about building trust, ensuring financial security, and enabling sustainable growth. Through proactive risk assessment and strong governance, we create a secure banking environment that safeguards both our customers and the institution.

1

Business Risk

We recognise the business risks associated with a high concentration in microfinance lending and the rising stress on asset quality, which can affect our profitability and overall stability. To mitigate these risks, we are proactively diversifying our loan portfolio into more secured asset classes such as loans against property, housing finance, and vehicle loans. We are also exploring strategic opportunities, including potential mergers or amalgamations, to reduce concentration risk and strengthen our capital base. These measures are part of our commitment to building a more resilient and sustainable growth trajectory.

2

Credit Risk

We follow a responsible lending approach, anchored in thorough creditworthiness and repayment assessments. Each loan passes through a stringent evaluation process. By implementing a well-defined credit policy, we ensure that financial assistance is extended prudently, reducing default risks while facilitating financial inclusion.

3

Operational Risk

To mitigate operational risks, we prioritise process efficiency and strong internal controls. Our employees are trained to adhere to standardised protocols, reducing the likelihood of errors and fraud. Additionally, our advanced IT infrastructure acts as a safeguard against cyber threats, ensuring data security and system resilience.

4

Technology Risk

We are mindful of the significant technology risks that come with rapid digital transformation – ranging from cyber threats and data breaches to evolving compliance challenges. To address these, we are investing in advanced AI-driven risk assessment systems, strengthening our cybersecurity infrastructure, and deploying real-time compliance tools. These initiatives are designed to ensure secure, resilient operations while maintaining strict regulatory adherence in an increasingly dynamic and digital banking environment.

5

Market Risk

We track market risk closely, including shifts in interest rates, currency movements, and liquidity pressure. Our dedicated risk management team uses advanced analytical tools to assess market dynamics and implement contingency plans, ensuring stability amid uncertain economic conditions.

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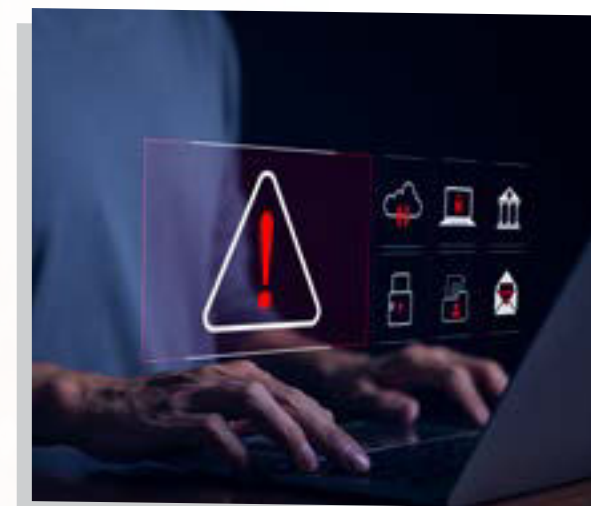
Regulatory Risk

Adherence to regulatory frameworks is embedded in our corporate ethos. Our compliance team continuously reviews policies and procedures to align with evolving laws and industry standards, reinforcing our commitment to ethical banking and transparency.

7

Reputation Risk

We go beyond financial and regulatory risks and actively protect our reputation by prioritising customer satisfaction. A structured grievance redressal mechanism and strong service commitment help us resolve concerns swiftly and effectively. Moreover, the Risk Management Committee, under the Board's guidance, ensures strategic oversight by evaluating and strengthening our risk strategy.





Compliance

Our operations are guided by a comprehensive framework of internal policies and external regulatory mandates that shape our approach across diverse business functions. We diligently adhere to RBI directives and meet corporate governance, KYC, AML, and IT compliance standards. These regulations, tailored to specific operational contexts, serve as the foundation for our commitment to transparency, accountability, and ethical business conduct. By integrating best industry practices with evolving market standards, we ensure a compliance-driven culture that safeguards trust and drives long-term sustainability.

Our compliance function is structured to be independent, vigilant, and aligned with the highest governance standards. It covers a wide range of statutory and regulatory provisions, including the Banking Regulation Act, Companies Act, RBI Act, FEMA, and PMLA. It also adheres to directives from IBA, FEDAI, and FIMMDA.

Beyond external legal obligations, we maintain a strict internal governance framework built on our fair practices code and internal policies. Guided by principles of integrity, objectivity, and discretion, we embed compliance into every facet of our operations, ensuring a culture where regulatory adherence is not just a requirement, but a shared responsibility across the Bank.



Human Resources

At Capital SFB, we see a motivated workforce as the root of outstanding customer service. Our people bring sharp expertise and stay in step with industry shifts to offer smart, reliable solutions. To strengthen this asset, we continuously invest in their growth and create an environment that fosters collaboration, innovation, and well-being.

We are committed to promoting a healthy work-life balance by offering flexible work schedules, ample leave benefits, and a supportive workplace culture. Our emphasis on local hiring allows us to

nurture home-grown talent, while maintaining a fair and transparent evaluation process, empowering employees to advance in their careers confidently.

As of March 31, 2025, we have 2,059 employees on our payroll.



Corporate Social Responsibility (CSR)

We believe that our responsibility goes beyond banking. It extends to the communities we serve. To honour this commitment, we established Capital Foundation, a not-for-profit nodal body dedicated to driving our community development efforts and fulfilling our CSR commitments with purpose and integrity.

Through Capital Foundation, we are committed to promoting inclusive socioeconomic development. We do this by undertaking participatory and need-based initiatives that empower the underprivileged and marginalised sections of society. Our aim is to help individuals become self-reliant, enabling them to shape a better and more sustainable future for themselves and their families.

We strive to create a positive and lasting impact across various areas that matter most. These include education, health, livelihood, and social welfare. Every initiative we undertake follows a strong governance framework that upholds transparency, accountability, and alignment with our core values.

In line with the Companies Act, 2013 and the Companies (Corporate Social Responsibility) Rules, 2014, as notified by the Government of India, Capital SFB has adopted a well-defined CSR policy. Our CSR Committee identifies focus areas, recommends initiatives, and monitors execution through regular reviews to ensure effectiveness.



As part of this commitment, we allocated ₹ 2.38 crores towards our CSR initiatives for FY25, underscoring our dedication to driving sustainable and inclusive community development.

Sarv Shiksha Abhiyan

We believe education forms the foundation for a brighter future. Through the Sarv Shiksha Abhiyan, we promote learning by organising talent hunts, offering scholarships, and distributing books, bags, stationery, uniform, shoes to deserving students. Our efforts extend beyond the classroom; we invest in improving infrastructure and support facilities, especially in rural and semi-urban areas. Furthermore, we advocate vocational training and life skills for diverse groups, including children, women, the elderly, and differently abled individuals, nurturing a culture of continuous learning.



Commitment to Environmental Stewardship

We are deeply committed to protecting our planet and maintaining ecological harmony. Our initiatives include the development of green belts, regular tree plantation drives, promotion and distribution of eco-friendly, bio-degradable jute bags for pollution free environment and activities that promote environmental awareness. These measures are part of our broader aim of ensuring a greener, healthier future.



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

Our WFH initiative meets vital needs that support a dignified life. We are focussing on installing water coolers and purifiers, tube wells, and hand pumps to ensure access to clean and safe drinking water. We also distribute winter wear, including warm clothes & blankets to homeless and destitute/needy section of society. We are also continuously organising preventive health camps, providing medical aid for the underprivileged, and conducting food distribution drives. These efforts reflect our commitment to health and nutrition equity.

Tomorrow Ready Relief Project

Preparedness enables effective response in times of crisis. Under the Tomorrow Ready Relief Project, we are actively supporting disaster management efforts, by providing relief, rehabilitation, and reconstruction assistance - helping communities recover and rebuild with resilience.



Inclusions and Empowerment

We are working consistently to uplift the quality of life for senior citizens and women from economically and socially disadvantaged backgrounds. Through our programmes, we are promoting digital and financial literacy, and creating pathways for skill development and livelihood generation, and advancing gender equality to reduce social disparities.

Gear Up India (Aka Rural Sports Development)

We back sports with a deep belief in its power to inspire and bring people together. Through Gear Up India, we are helping Olympic athletes, funding rural sports programmes, supporting emerging leagues, honing player skills, and investing in training and infrastructure. These initiatives are aimed at building a strong sporting culture and empowering the next generation of athletes.



Healthcare/Donation under COVID-19

We promote healthcare by supporting the treatment of poor and needy individuals in society. We also organise preventive healthcare camps and provide medical facilities, treatments (both preventive and curative), and vaccines to underserved sections of the population, including socially and economically disadvantaged groups, senior citizens, and women and girls. Additionally, we organise eye check-up camps to reach those in need, arrange surgeries, and provide spectacles as required.



Marketing

Our marketing objective is to enhance our brand recognition and establish ourselves as the go-to banking partner in both the regions we currently serve and future markets. We are committed to fostering strong relationships and deepening community engagement, building trust and reliability at every touchpoint.

This approach aligns seamlessly with our customer-centric approach and business model, utilising a mix of digital and traditional channels to maximise reach. With a strong presence in rural and semi-urban areas, we use digital platforms like social media, websites, and online campaigns to engage our audience. We complement this with traditional media such as outdoor displays, newspapers, and radio to build deeper connections.

To boost visibility and engagement, we focus on launching targeted campaigns that highlight our products, services, and brand values. Our marketing initiatives focus on three core areas:



Brand Building

Establishing a strong, recognisable presence in the market.



Product Awareness

Educating customers about our diverse offerings.



Lead Generation

Attracting new customers while strengthening existing relationships.



Cautionary Statement

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

BOARD'S REPORT

DEAR SHAREHOLDERS,

The Board of Directors ("Board") of Capital Small Finance Bank Limited ("Bank" or "Company") are pleased to share the financial performance of Bank for the financial year ended March 31, 2025 – year marked by healthy advance growth, improved asset quality and improving return matrix. The key performance highlights includes:

- As of March 31, 2025, the Bank's gross advances stood at ₹7,184 crores, reflecting a Year-over-Year ("Y-o-Y") growth of 17%. The loan disbursements for the year ended March 31, 2025 shown a growth of 38% Y-o-Y basis and stood at ₹2,846 crores. The total deposits of the Bank aggregated to ₹8,323 crores registering a Y-o-Y growth of 11.3%. The Bank continued to maintain high CASA 36.9% as of March 31, 2025 despite industry-wide pressure on CASA due to the shift towards higher-yielding term deposits, the Bank's strong CASA share reflects its robust retail liability franchise.
- The asset quality remained robust, with Gross Non-Performing Asset ("GNPA") reduced to 2.58% and Net NPA Non-Performing Asset ("NNPA") reduced to 1.3%

as of March 31, 2025 against Gross NPA of 2.76% and Net NPA of 1.4% as of March 31, 2024 with negligible write offs.

- The profit after tax for FY'25 stood at ₹132 crores registering 18% growth on Y-o-Y basis. Return on Assets ("ROA") improved to 1.4% in FY'25 against 1.3% in FY'24 and Net Interest Margin ("NIM") increased to 4.2% in FY'25 against 3.9% in FY'24.

This year marks a special moment in our journey – 9 years as India's first Small Finance Bank and 25 years as a trusted financial institution. The milestone reflects our commitment to inclusive banking and long-term value creation. We focused on deepening customer trust, expanding responsibly and building a resilient and agile institution which is Future Ready.

The Board conveys its deep gratitude to all stakeholders for their enduring trust and support. Guided by a long-term vision, the Bank remains resolutely focused on creating sustainable value for all stakeholders.

1

Financial Performance

Profit and Loss Summary

	₹ in crores	
	FY 2025	FY 2024
Income Earned	908.50	794.33
Income Expended	498.31	449.18
Net Interest Income	410.19	345.15
Other Income	86.02	68.08
Net Total Income	496.21	413.23
Operating Expenses	310.78	258.33
Provision for Advances	10.30	6.69
Provisions for Taxes	43.48	36.68
Profit after Tax	131.65	111.53

Asset and Liability Composition

	₹ in crores	
	FY 2025	FY 2024
LIABILITIES		
Capital	45.25	45.04
Reserves and Surplus	1,294.89	1,152.38
Deposits	8,322.60	7,477.74
Borrowings	320.58	472.25
Other Liabilities and Provisions	124.20	147.87
Total Liabilities	10,107.51	9,295.28

BOARD'S REPORT

	₹ in crores	
	FY 2025	FY 2024
ASSETS		
Cash and Balances with Reserve Bank of India	649.84	568.98
Balances with Banks and Money at call and short notice	349.88	752.18
Investments	1,819.45	1,705.71
Advances	7,090.39	6,074.69
Fixed Assets	87.75	83.73
Other Assets	110.20	109.99
Total Assets	10,107.51	9,295.28

Key Ratios

	In %age	
	FY 2025	FY 2024
Net Interest Margin ¹	4.20	3.94
Gross NPAs	2.58	2.76
Net NPAs	1.30	1.40
Return on Assets ²	1.35	1.27
Return on Equity	10.38	14.64
Return on Average Advances	2.05	1.98
Cost of Deposits	5.87	5.61
Yield on Advance	11.20	11.10
CRAR	25.39	27.39

Notes:

¹ Net Interest Margin has been computed based on the Net Interest income (Interest Income – Interest Expense) and average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the year

² Return on Assets is calculated with reference to monthly average working funds (Working funds taken as total of assets excluding accumulated losses, if any)

In Financial Year 2024-25, the Indian economy continued its strong growth trajectory, albeit at a moderated pace compared to the previous year. Despite global economic headwinds, the demand for credit remained robust, significantly benefiting the banking sector, especially Small Finance Banks ("SFBs"). Rising disposable incomes, coupled with increased urbanisation and financial awareness, further spurred demand for small business loans from SFBs. Additionally, the government's ongoing initiatives to promote financial inclusion, including targeted policies to support SFBs in rural and semi-urban areas, have contributed to their expansion and operational strength. As a result, SFBs have played a crucial role in

fostering inclusive economic growth, strengthening their foothold in previously underserved markets.

For the financial year ending March 31, 2025, the Bank recorded solid growth across its financial performance metrics, demonstrating resilience amidst a dynamic economic environment. Key indicators such as total assets, deposits, and loans disbursed showed steady upward movement, signaling the Bank's ability to adapt and thrive in evolving market conditions. This progress is a result of our focused strategy to balance expansion with risk mitigation, which has ensured the maintenance of a robust loan portfolio with a controlled level of non-performing assets ("NPAs").

BOARD'S REPORT

In line with this growth, the Bank achieved a consistent increase in net profit, driven by ongoing improvements in operational efficiency and targeted enhancements to our product and service offerings. These results reflect the strategic efforts to innovate and respond proactively to changing customer needs and market trends. Our team's dedication and agility in executing these strategies have been key to delivering these results, positioning us for continued growth and success in the years ahead.

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

In managing the Bank's liability profile, there is a continued commitment to strengthening existing relationships and maintaining robust levels of Current Account and Savings Account ("CASA") deposits. The Bank has consistently upheld strong CASA ratios, with a ratio of 36.94% as of March 31, 2025, compared to 38.30% as of March 31, 2024. These figures continue to reflect the Bank's strong position in this key segment, well above industry averages. Despite the challenges posed by a rising interest environment, our dedication to cost management is apparent in the sustained favourable cost of funds. For the FY ended March 31, 2025, it stood at 6.02%, while for the previous financial year ending March 31, 2024, it was 5.82%. Additionally, its retail deposits constitute a significant proportion, accounting for 92.52% as on March 31, 2025. Going forward, the Bank remains committed to further increasing its CASA and retail deposits to optimise its cost of funds.

On the asset front, the Bank continues to uphold a strong secured lending strategy, with secured loans making up ~99% of the overall portfolio—approximately ~80% of which is backed by immovable property and fixed deposits. This prudent approach, supported by rigorous credit evaluation and robust risk management practices, has contributed to further improvements in asset quality. As of March 31, 2025, the Bank's Gross Non-Performing Assets ("GNPA") stood at 2.58%, down from 2.76% the previous year, while Net Non-Performing Assets ("NNPA") improved to 1.30% from 1.40%. This year-on-year enhancement reflects the Bank's deep understanding of its borrower profile and its continued emphasis on credit discipline and portfolio quality.

The Bank recognises that interest rates are largely influenced by market dynamics, and our focus remains on actively managing our interest margin through disciplined

pricing strategies. Over various interest rate cycles, we have consistently maintained a stable spread in the range of 5.3% to 5.6%, reflecting the resilience of our business model. On the liabilities side, deposits account for approximately 80%–85% of our funding base, including a strong CASA contribution of 37%. On the asset side, 45%–50% of the loan portfolio is linked to floating interest rates, with nearly 75% of that benchmarked to the Marginal Cost of Funds based Lending Rate ("MCLR"), ensuring timely transmission of rate movements.

Furthermore, the Bank's loan portfolio diversification is noteworthy, with advances in agriculture, MSME, Trading & Other Business Loans, and mortgages segments amounting to ₹2,334.60 crores, ₹1,511.59 crores, and ₹1,923.31 crores, respectively, as of March 31, 2025. In the previous year, as of March 31, 2024, these segments accounted for ₹2,293.12 crores, ₹1,181.58 crores and ₹1,624.03 crores respectively. The average ticket size for these segments as of March 31, 2025, stood at ₹1.26 mn, ₹2.19 mn and ₹1.28 mn respectively.

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

The Bank has consistently delivered strong growth in both profitability and operational performance, reflecting its steadfast commitment to excellence. Over recent years, operating profit before provisions has experienced an exceptional compound annual growth rate ("CAGR") of approximately 33%, increasing from ₹34.28 crores in FY'19 to ₹187.07 crores in FY'25. Profit before Tax ("PBT") has also seen significant growth, rising from ₹26.92 crores in FY'19 to ₹175.13 crores in FY'25. Similarly, Profit after Tax ("PAT") surged from ₹19.42 crores in FY'19 to ₹131.65 crores in FY'25. These impressive results underscore the Bank's strong financial position and operational efficiency, backed by its experienced leadership and a dedicated group of shareholders committed to upholding the highest standards of corporate governance.

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

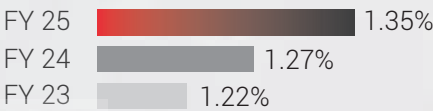
BOARD'S REPORT

Cost optimisation remains a central focus for the Bank, and we take pride in our enhanced operational efficiency, reflected in the significant improvement in the operating expense (opex) ratio as a percentage of average assets. This ratio has reduced to 3.17% in FY25, down from 3.50% in FY19, highlighting our successful cost management strategies. Additionally, the cost-to-income ratio continues to show positive momentum, reaching approximately 62.30% in FY25, building on the improvements from 70.75% in FY21.

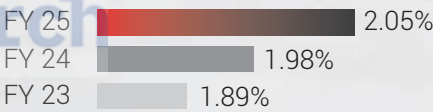
The Board is confident that the continued focus on maintaining strong liabilities and assets positions will contribute to the sustained growth and success of Bank.

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

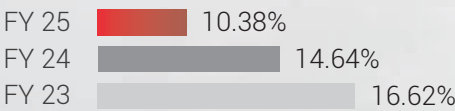
Return on Assets (RoA)



Return on Average Advances



Return on Equity (RoE)



3 Transfer to Reserve

In terms of RBI regulations and other applicable regulations, the Bank has appropriated the following amounts to various reserves for the financial year ended March 31, 2025:

Particulars	Amount (₹ in crore)
Profit after tax	131.65
Profit brought forward	305.90
Accumulated profit (before appropriations)	437.55
Appropriations	
To Statutory Reserve	32.91
To Special Reserve	3.94

2 Dividend

Based on the robust financial performance and profitability of the Bank, the Board of Directors at its meeting held on April 29, 2025 has recommended a Final Dividend of ₹4 per equity share (face value of ₹10 each) for the financial year ended March 31, 2025 resulting in a total dividend payout of 13.75% against earnings of FY 2025, subject to the approval of the Shareholders at the ensuing 26th Annual General Meeting ("AGM") of the Bank. This dividend payout demonstrates the Bank's commitment to delivering value to its esteemed shareholders. The Board believes in sharing the success of the institution with those who have placed their trust and invested in Capital Small Finance Bank Limited. The Board remains dedicated to maintaining a healthy dividend payout ratio while carefully considering the need for reinvestment in the Bank's growth initiatives. The support and confidence of shareholders are greatly appreciated, and the Board is pleased to reward their trust through this dividend declaration.

Further, the dividend is not paid from Reserves. In terms of the provisions of the Income Tax Act, 1961, the dividend income is taxable in the hands of the shareholders and the dividend will be paid to the shareholders by the Bank after deduction of tax at source ('TDS') at the applicable rates.

Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") is not applicable, as your Bank does not fall in top 1,000 listed entities based on market capitalisation. Accordingly, your Bank has not yet formulated and adopted a Dividend Distribution Policy.

BOARD'S REPORT

Particulars	Amount (₹ in crore)
To Revenue and other reserves (Investment Fluctuations reserve)	1.52
To Revenue and other reserves (Investment Reserve reserve)	0.00
To Revenue and other reserves (Other Revenue reserve)	(0.62)
Dividend paid during the year	5.41
Balance carried forward to balance sheet	394.39

4

Capital Adequacy Ratio (CAR)

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

Your Bank formulated a comprehensive capital adequacy plan that considers both systematic and idiosyncratic risks. Systematic risks are those that affect the entire banking industry, such as changes in interest rates, macroeconomic volatility, sectoral disruptions, economic conditions etc. are monitored and factored into capital planning. Idiosyncratic risks are those that are specific to the bank, including credit, market, and operational risks such as problems with its lending or investment activities are monitored and assessed. To ensure regulatory compliance and business continuity, the Bank maintains a prudent capital buffer over and above the minimum regulatory requirements. This buffer not only acts as a cushion during periods of financial stress but also enables the Bank to pursue its growth objectives in a sustainable manner and manage and mitigate risk in a better way. Your Bank has consistently maintained a strong and resilient Capital Adequacy Ratio (CAR), underscoring its robust capital position and strict adherence to regulatory norms. As of March 31, 2025, the Bank's CAR stood at **25.39%**, significantly exceeding the minimum regulatory requirement of **15%**. This substantial buffer reflects the Bank's prudent capital management practices and its unwavering commitment to financial stability.

A sound capital base not only underpins the Bank's day-to-day operations but also empowers it to pursue strategic growth initiatives while withstanding potential economic or sectoral shocks. Your Bank remains firmly focused on maintaining adequate capital buffers to absorb unforeseen losses, support future expansion, and instill continued confidence among regulators, investors, and other stakeholders.

Looking ahead, the Bank will continue to proactively manage its capital position, aligning with evolving regulatory expectations and emerging market opportunities in a dynamic and competitive financial environment.

5

Capital and Debt Structure

a) Authorised Share Capital:

During the year under review, there was no change in the Authorised Share Capital of the Bank and as on March 31, 2025 the authorised share capital of the Bank stood at ₹50.00 crores comprising of 5,00,00,000 equity shares of ₹10 each.

b) Issued and Subscribed Share Capital:

The Bank has issued, subscribed and paid up Share Capital of ₹45,24,69,370 as on March 31, 2025. The Bank, during the year under review, has issued and allotted 6,417 equity shares to Material Risk Taker (MRT as identified by the Board in terms of Compensation policy) on July 19, 2024 of ₹ 10/- each at face value in the form of Employee Stock Option as per CSFB ESOP Plan for Material Risk Takers. Further, the Bank has issued and allotted 20,250 equity shares on September 11, 2024 and 1,77,750 equity shares on November 22, 2024, having face value of ₹ 10/- each at a premium of ₹ 88/- (i.e. at the total issue price of ₹ 98/-) per share in the form of Employee Stock Option as per CSFB ESOP Plan 2018 of the Bank. The equity shares issued during the year under review rank pari-passu with the existing equity shares of the Bank.

Apart from the above, the Bank did not raise any additional equity share capital during the year.

c) Non - Convertible Bonds:

During the financial year under review, the Bank has redeemed 947 units of 11% Unsecured Redeemable Non-Convertible Subordinated

BOARD'S REPORT

Bond (Lower Tier II) in the nature of Debenture Series - X (ISIN - INE646H08095), on May 24, 2024 and the interest amount along with principal amount due thereon was credited to the accounts of debentures holders as on May 24, 2024.

Further, during the financial year under review, the Bank has not issued and allotted any Non - Convertible bonds.

6

Listing of Equity Shares of the Bank with BSE and NSE

The equity shares of the Bank are listed on BSE Limited and National Stock Exchange of India Limited and open for trade for public at large.

The listing fee for the FY 2025 - 2026 have been duly paid.

7

Disclosure regarding Employee Stock Option schemes

Capital Small Finance Bank Limited - Employees Stock Option Plan 2018 ("CSFB ESOP Plan 2018") was approved by the shareholders of the Bank in the Annual General Meeting held on August 18, 2018, amended further in Extra Ordinary General meeting

held on October 22, 2021, for granting equity options to its employees. Further, the Capital Small Finance Bank Limited - Employees Stock Option Plan for Material Risk Takers ("CSFB ESOP Plan MRT") was approved by the shareholders of the Bank through Postal Ballot on July 11, 2020, amended further on October 22, 2021, for granting equity options to Material Risk Takers (MRTs as identified by the Board in terms of Compensation policy). Furthermore, Capital Small Finance Bank Limited - Employees Stock Option Plan 2023 ("CSFB ESOP Plan 2023") was approved by the shareholders of the Bank in the Extra Ordinary General Meeting held on May 12, 2023 for granting equity options to its employees.

As per Regulation 12 of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, no company shall make any fresh grant which involves allotment to its employees under any scheme formulated prior to its IPO and prior to the listing of its equity shares ('pre-IPO scheme') unless such scheme is ratified by its shareholders subsequent to the IPO.

In lieu of the above regulation, the Shareholders of the Bank in the Annual General meeting held on August 30, 2024 approved the CSFB Limited - Employee Stock Option Plan For Material Risk Takers and further both the Stock Exchanges accorded their In-principal approval on October 24, 2024 for 74,316 equity shares.

The details of the said existing ESOP schemes as required under Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 are as under:

Scheme	CSFB ESOP Plan 2018	CSFB ESOP Plan for MRTs	CSFB ESOP Plan 2023
Date of Shareholders approval	August 18, 2018	July 11, 2020	May 12, 2023
Total number of Options approved	8,54,720	1,00,000	6,85,049
Exercise price per Option	₹98	₹10	₹171
Total No. of Options outstanding at the beginning of the year	2,55,000	6,417	6,70,000
Total Options granted during the year	-	19,220	-
Total Options vested during the year	2,22,500	6,417	-
Total Options exercised	1,98,000	6,417	-
Total number of shares arising as a result of exercise of Option	1,98,000	6,417	-

BOARD'S REPORT

Scheme	CSFB ESOP Plan 2018	CSFB ESOP Plan for MRTs	CSFB ESOP Plan 2023
Options forfeited / lapsed	16,250	-	45,000
Total Options in force as on March 31, 2025	40,750	19,220	6,25,000
Variations in terms of Options	Nil	Nil	Nil
Money realised by exercise of Options	₹1,94,04,000	₹64,170	-
Details of Stock Options granted to Directors and KMPs during the year	KMP : Mr. Munish Jain: NIL Mr. Aseem Mahajan : Nil Mr. Amit Sharma: Nil	KMP : Mr. Munish Jain: 19,220 Mr. Aseem Mahajan – Nil Mr. Amit Sharma - Nil	KMP : Mr. Munish Jain : NIL Mr. Aseem Mahajan - Nil Mr. Amit Sharma: Nil
Any other employee who receives a grant of Options in any one year of Options amounting to five percent or more of total Options granted during that period	Nil	Nil	Nil
Identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding, warrants and conversions) of the Bank at the time of grant	Nil	Nil	Nil
any material change to the scheme and whether such scheme is in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014	Nil	Nil	Nil
web-link of disclosures made on the website of the Company, as required under SEBI (Share Based Employee Benefits) Regulations, 2014	https://www.capitalbank.co.in/investors/disclosures-under-regulation-46-Of-the-LODR		

8

Registered office

During the year under review, there is no change in the registered office of the Bank.

The Registered office of the Bank is situated at Midas Corporate Park, 3rd Floor, 37, G.T. Jalandhar - 144001, Punjab, India

9

Sweat Equity Shares and Equity Shares with Differential Rights

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

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

BOARD'S REPORT

10

Listed Securities, Debenture Trustee Detail and Credit Rating

The debt securities of the Bank issued in the form of Upper Tier-II Bonds, which are listed on the BSE Limited and detail of the same is as under:

NCD Series	Coupon Rate	ISIN	Rating by Brickwork Ratings India Private Limited on April 12, 2024	Rating by Brickwork Ratings India Private Limited on April 09, 2025	Rating by Care Ratings Limited on March 12, 2024	Rating by Care Ratings Limited on March 07, 2025
Unsecured Redeemable Non-Convertible (Upper Tier II), Basel I Compliant Bonds 2014-15 (Series XI)	11.75%	INE646H08012	BWR A+ Outlook: (Stable) (Reaffirmation)	BWR A+ Outlook: (Stable) (Reaffirmation)	CARE A-; Stable (Single A Minus; Outlook: Stable)	CARE A-; Stable (Single A Minus; Outlook: Stable)
Unsecured Redeemable Non-Convertible (Upper Tier II), Basel I Compliant Bonds 2015-16 (SERIES XIII)	11.75%	INE646H08020	BWR A+ Outlook: (Stable) (Reaffirmation)	BWR A+ Outlook: (Stable) (Reaffirmation)	CARE A-; Stable (Single A Minus; Outlook: Stable)	CARE A-; Stable (Single A Minus; Outlook: Stable)

The Bank has got the following credit rating in respect of unlisted debt securities of the Bank issued in the form of Lower Tier-II Bonds

NCD Series	Coupon Rate	ISIN	Rating by Brickwork Ratings India Private Limited on April 12, 2024	Rating by Brickwork Ratings India Private Limited on April 09, 2025	Rating by Care Ratings Limited on March 12, 2024	Rating by Care Ratings Limited on March 07, 2025
Unsecured Redeemable Non-Convertible Lower Tier II Basel-II Compliant Bonds 2018-19 in the nature of debentures (Series-XVII)	10%	INE646H08129	BWR A+ Outlook: (Stable) (Reaffirmation)	BWR A+ Outlook: (Stable) (Reaffirmation)	CARE A; Stable	CARE A; Stable

Note: The above rating details can be accessed on the website of the Bank at <https://www.capitalbank.co.in/investors/credit-ratings>

Contact Details of Debenture Trustee:

Name : IDBI Trusteeship Services Limited

Address : Universal Insurance Building,

Ground Floor, Sir P.M. Road,

Fort, Mumbai – 400001

E-mail : itsl@idbitrustee.co.in

Tel No. +91-22-40807000

BOARD'S REPORT

11 Dematerialisation of Securities

The Bank has been issued ISIN for the Equity Shares and debt securities by NSDL and CDSL. The equity Shares of all the Directors, KMPs and Promoters have been dematerialised and the Bank is making all possible efforts to make the security holders aware and get their securities converted into Dematerialised form. Out of total paid up capital, 85.74% of shares are in dematerialisation form as on March 31, 2025.

12 Compliances as per the Reserve Bank of India and the Government of India

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

13 Particulars of employees

The information in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in **Annexure A**. Further, the statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in **Annexure B** and forms part of this report.

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report. In terms of Section 136 of the Companies Act, 2013, the Annual Report excluding the said information is

being sent to the members of the Bank and others entitled thereto. The said information is available for inspection by the members during working hours at the Registered Office of the Bank up to the date of ensuing AGM. A copy of this statement may be obtained by the Members by writing to the Company Secretary of the Bank.

14 Transfer of unclaimed dividend to Investor Education and Protection Fund

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

Shareholders may note that both the unclaimed dividend and corresponding shares, which have been transferred to IEPF in previous financial years, including all benefits arising on such shares, can be claimed from IEPF as per the procedure provided under the applicable provisions of the Companies Act, 2013. The Bank sends periodic intimation to shareholders, advising them to lodge their claims with respect to unclaimed dividend. Mr. Amit Sharma, Company Secretary, has been appointed as nodal officer to ensure compliance with the IEPF Rules. The detail of Nodal officer is also provided on the website of the Bank.

Accordingly, Unclaimed Dividends for and up to the financial year ended March 31, 2017 have already been transferred to the IEPF. Further, the Unclaimed Dividend in respect of the financial year ended March 31, 2018 must be claimed by the concerned Shareholders on or before September 24, 2025 failing which it will be transferred to IEPF in accordance with the Rules. The data for the same is available on the website of the Bank at <https://www.capitalbank.co.in/investors/disclosures-under-regulation-62-Of-the-LODR/unclaimed-dividends-equity>.

BOARD'S REPORT

The details of Unclaimed Dividends as on March 31, 2025 and the last date for claiming the same, prior to its transfer to the IEPF, are as under:

Dividend for the year ended	Date of declaration of Dividend	Last date for claiming Dividend	Unclaimed Dividend as on March 31, 2025 (Amt. in ₹)
March 31, 2018	August 18, 2018	September 24, 2025	2,16,652.80
March 31, 2019	September 27, 2019	November 03, 2026	1,04,140.00
March 31, 2020	-	-	-
March 31, 2021	August 20, 2021	September 26, 2028	1,39,522.00
March 31, 2022	August 05, 2022	September 11, 2029	5,52,360.58
March 31, 2023	August 11, 2023	September 10, 2030	7,04,269.50
March 31, 2024	August 30, 2024	September 30, 2031	72,11,329.08

Transfer of Underlying Equity shares in respect of the unclaimed Dividend to IEPF

Pursuant to the relevant provisions of Section 124 and Section 125 of the Companies Act, 2013 read with the IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended from time to time, the unclaimed Dividend and the underlying Equity Shares of the Bank for the Financial Year 2016 -17 (in case where the Dividend for subsequent 7 financial years have not been claimed by the concerned Shareholder), were liable to be transferred by the Bank to IEPF Authority and the same has been transferred, pursuant to the notification issued by the Ministry of Corporate Affairs (MCA) dated October 16, 2017.

15 Annual Return pursuant to sub-section (3) of Section 92 of the Companies Act, 2013

The draft Annual Return of the Bank for FY ended March 31, 2025 is available on the website of the Bank at [https://www.capitalbank.co.in/investors/yearly-compliances-in-the-format-\(MGT-7\)-prescribed-under-the-Companies-Act,-2013](https://www.capitalbank.co.in/investors/yearly-compliances-in-the-format-(MGT-7)-prescribed-under-the-Companies-Act,-2013).

16 Requirement for maintenance of cost records

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

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

Energy Conservation:

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



The steps taken by the Bank for conservation of energy:

- Encouraging green plants in / outside the Bank's premises to lower air conditioning needs and keeping temperatures at 24°C or higher.
- Switching to LED lights instead of traditional ones to cut down on electricity usage.

BOARD'S REPORT

- Using timers for signage to optimise energy usage.
- Installing power factor systems in electrical panels for efficient electricity use and implementing power factor corrections.
- Recognising the importance of renewable energy for a cleaner future, the Bank has installed a 220 KW solar plant at its Head Office situated at Jalandhar, Punjab

Technology Absorption:

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

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

Digital banking for asset products offers convenient Banking for Customers, eliminating the need for excessive paperwork and enhancing banking experience. This technological advancement allows the Bank to leverage its capabilities and streamline operations, ultimately leading to increased efficiency and faster service.



Benefits derived like product improvement, cost reduction, product development or import substitution:

Bank is investing in initiatives and innovations to build a digital gateway to a sustainable lifestyle. The Bank's investments in digital technologies have simplified banking and enabled a smoother customer journey.

In addition, the Bank continues to strengthen its core systems and applications with planned upgrades and offers a robust technology platform.

In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):

- The details of technology imported: Nil
- The year of import: Nil
- Whether the technology been fully absorbed: Nil
- If not fully absorbed, areas where absorption has not taken place, and the reasons thereof: Nil

Expenditure incurred on Research and Development:

Since financial services is being primarily covered under Service Sector, the details of this clause are not applicable to the Bank.

Foreign exchange earnings and outgo:

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

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

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

19

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

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

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Disclosure of Penalties imposed on the Bank during the Financial Year

- Please refer note 16 to Schedule 18 forming part of the financial statements, which forms part of this annual report.
- Penalties imposed by stock exchanges or SEBI or any statutory authority, on any matter relating to capital markets.

BOARD'S REPORT

During the review period, no penalty was imposed by stock exchanges or SEBI or any statutory authority on any matters relating to capital markets.

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Deposits

Being a Banking company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014 read with Section 73 and 74 of the Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014 are not applicable. The details of the deposits received and accepted by your Bank as a Banking company have been disclosed in the financial statements for the financial year ended March 31, 2025.

22

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

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

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

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

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

BOARD'S REPORT

The Bank has constituted a Risk Management Committee. The details of the said committee and its terms of reference are set out in the report on corporate governance, which forms part of this annual report.

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

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

The Bank has a strong impetus on risk management and it realised that risk management is backbone of banking industry and being an evolving topic, the bank attempts to keep evolving various newer avenues to manage risk effectively and efficiently as per the risk management policy and framework of the bank so that the whole structure is well aligned with the risk appetite, risk assessment and risk mitigation strategy of the Bank. The risk management committee monitor and review the risk management plan and to perform functions as defined under the Companies Act, 2013 and SEBI Listing Regulations.

23

Independent Directors Declaration in terms of Section 134(3)(d); Section 149(6) of Companies Act 2013 and Regulation 16(1) (b) of SEBI Listing Regulations

The composition of Board of Directors of the Bank is governed by the provisions of the Companies Act, 2013 and the Banking Regulation Act, 1949. The Board of the Bank as on March 31, 2025 consisted of twelve Directors, out of which seven directors are Independent Directors.

Mr. Srinath Srinivasan (DIN : 00107184), Nominee Director of Oman India Joint Investment Fund II resigned from the Board of the Bank on February 27, 2025 due to his personal reasons. There was no other change in the Board of Directors of the Bank during the year under review.

The Bank has obtained declaration of Independence from Mr. Navin Kumar Maini (DIN : 00419921), Mr. Gurpreet Singh Chug (DIN : 01003380), Mr. Sham Singh Bains (DIN : 01537844), Ms. Rachna Dikshit (DIN : 08759332), Mr. Kamaldeep Singh Sangha (DIN : 08242130), Mr. Sukhen Pal Babuta (DIN : 01739016) and Mr. Nageswara Rao Yalamanchili (DIN : 06651230) and they meet the criteria of independence as laid down under Section 149(6) and 149(7), Schedule IV of the Companies Act, 2013 and Regulation 16(1)(b) & Regulation 25(8) of SEBI Listing Regulations. Further, all the Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Companies Act, 2013. During the year under review, the separate meeting of Independent Directors was conducted on January 13, 2025.

Pursuant to the Rule 8(5)(iiiia) of the Companies (Accounts) Rules, 2014, the Board opines that all the Independent Directors of the Bank adhere to corporate integrity, possess the requisite expertise, experience and qualifications to discharge the responsibilities as an Independent Director as mandated by the Companies Act, 2013 and other applicable laws and fulfil the conditions of independence specified in the Companies Act, 2013 and the SEBI Listing Regulations and that they are independent of the management.

All the Independent Directors of the Bank have been registered and are members of the Independent Directors Databank maintained by the Indian Institute

BOARD'S REPORT

of Corporate Affairs (IICA). Three Independent Directors were granted exemption and the four Independent Directors had already passed the online Proficiency self-assessment test.

During the year under review, Mr. Navin Kumar Maini (DIN : 00419921) was re-appointed as Part – Time Chairman of the Bank w.e.f April 24, 2025 till January 29, 2027.

24

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

Basis the 'Fit and Proper' criteria laid down by the Reserve Bank of India, the Nomination and Remuneration Committee (NRC) of the Bank conducts the due diligence of the Board members on yearly basis except for the Directors who are member of the NRC.

Further, Board also conducts due diligence of all the Directors on yearly basis. The due diligence process involves considering the appointment and remuneration of Directors and Key Managerial Personnel as per the guidelines issued by Reserve Bank of India and the Companies Act, 2013. The process contains detailed procedures for determining qualifications, positive attributes, due diligence mechanism and reference checks for appointment of Directors and Key Managerial Personnel.

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

25

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

The Nomination and Remuneration Committee (NRC) and the Board has approved the evaluation process for evaluating the performance of the Board

and Committees as whole and individual director. During the year under review, a separate meeting of Independent Directors was held on January 13, 2025, which carried out the annual evaluation of the performance of Non- Executive Non-Independent Directors, Executive Directors, Chairperson, Board as a Whole and Board Committees. Further, the Board of Directors in its meeting held on January 29, 2025 had also conducted the Annual evaluation of performance of Board as a whole, Board Committees, Chairperson, Managing Director, Executive Director, Independent Directors and Non-Executive Directors.

In accordance with the provisions of Section 149(8) read with Schedule IV, Section 178(2) of the Companies Act, 2013, Regulation 17 and other applicable Regulations of SEBI Listing Regulations, and in consonance with Guidance Note on Board Evaluation issued by the SEBI, the Board assesses the performance of the Individual Director, Board Committees and Board as a whole on the basis of various criteria with the aim to improve the effectiveness of the individual Director, Committees and the Board. The description and process of annual performance evaluation has been provided in Report on Corporate Governance annexed with Board's Report as **Annexure C**.

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

The state of affairs of the Bank in details has been given separately in different sections of the Board Report and also under Management Discussion and Analysis. There was no change in status of the Bank during the year ended March 31, 2025.

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

The Bank has no subsidiary and joint venture. Further, no company have become or ceased to be the Subsidiary, Joint venture or Associate company of the Bank during the financial year under review.

BOARD'S REPORT

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Disclosure Under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Bank is dedicated to fostering a safe and healthy work environment for all employees, free from prejudice, gender bias, and sexual harassment. The Bank uphold a zero-tolerance policy towards any form of sexual harassment and strive to promote a positive and productive workplace for everyone. In alignment with the guidelines set forth in the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the Bank ensures a safe and conducive work environment for all employees and associates by implementation of a Policy on Prevention and Redressal against Sexual Harassment at the workplace.

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

The following is the summary of the complaints received and disposed off during the Financial Year 2024-25:-

In Head Office (including Regional Offices)

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

In Branches:

- No. of SH complaints received: 1
- No. of SH complaints disposed off: 1

The Committee believes in ethics and takes appropriate action against the employees who have violated the norms, which includes disciplinary action

such as warning letter and in some cases termination of employment depending upon the gravity of violation.

29

Adequacy of Internal Financial Controls Related to Financial Statements

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

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

The internal financial controls of the Bank with respect to the financial statements are adequate and are operating effectively.

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

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Directors

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

Mr. Sarvjit Singh Samra (DIN : 00477444) has held the office as Managing Director & CEO of the Bank w.e.f. April 24, 2022 for a period of three years. He has been further re-appointed as Managing Director and CEO of the Bank w.e.f. April 24, 2025 for a period of three years. Mr. Sarvjit Singh Samra has been instrumental in taking key decisions from day one that have contributed to the Bank emerging as the most preferred Bank in its area of operation. His vision to

BOARD'S REPORT

serve common man and the local touch has given the Bank a competitive edge over other banks operating in the area and the Bank is able to provide safe, efficient and service oriented repository of savings to the local community while reducing their dependence on moneylenders by making need-based credit easily available.

Part-time Chairman

Pursuant to the approval of the Reserve Bank of India, Mr. Navin Kumar Maini (DIN: 00419921) is acting as Part-time Chairman of Capital Small Finance Bank Limited for a period of three years w.e.f. April 24, 2022. He is re-appointed as Part-time Chairman of the Bank w.e.f. April 24, 2025 till January 29, 2027.

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

The Board is duly constituted as per the provisions of the Banking Regulation Act, 1949, Companies Act, 2013, RBI guidelines for Small Finance Banks and SEBI Listing Regulations, as may be applicable. As of March 31, 2025, the Board consisted of 12 Directors, including 7 Independent Directors, 1 Non – Executive Director, 2 Non – Executive Nominee Directors and 2 Executive Directors.

Except the resignation of Mr. Srinath Srinivasan (DIN :00107184) as Nominee Director, there is no other change in the composition of the Board of Directors during the period under review.

The composition of the Board of Directors of the Bank as on March 31, 2025 are as follows

S. No.	Name of Director	DIN	Designation
1.	Mr. Navin Kumar Maini	00419921	Part Time Chairman - Non Executive Independent Director
2.	Mr. Sarvjit Singh Samra	00477444	Managing Director and CEO
3.	Mr. Munish Jain	10132430	Executive Director
4.	Mr. Dinesh Gupta	00475319	Non – Executive Director
5.	Mr. Mahesh Parasuraman	00233782	Non – Executive Director (Nominee Director of Amicus Capital Private Equity I LLP and Amicus Capital Partners India Fund I)
6.	Mr. Balbir Singh	02284941	Non – Executive Director (Nominee Director of SIDBI)
7.	Mr. Gurpreet Singh Chug	01003380	Non Executive Independent Director
8.	Mr. Sham Singh Bains	01537844	Non Executive Independent Director
9.	Ms. Rachna Dikshit	08759332	Non Executive Independent Director
10.	Mr. Nageswara Rao Yalamanchili	06651230	Non Executive Independent Director
11.	Mr. Kamaldeep Singh Sangha	08242130	Non Executive Independent Director
12.	Mr. Sukhen Pal Babuta	01739016	Non Executive Independent Director

BOARD'S REPORT

Certificate of Non – Disqualification of Directors

In terms of Regulation 34(3) read with Schedule V of the SEBI Listing Regulations, the Bank has obtained a certificate from Deepak Arora & Associates, Company Secretaries, confirming that none of the directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as directors of the companies either by SEBI or MCA or any other statutory / regulatory authority. The said certificate is available on the website of the Bank at <https://www.capitalbank.co.in/investors/yearly-compliances>

Directors Retiring by Rotation

In terms of Section 152 of the Companies Act, 2013, Mr. Balbir Singh (DIN : 02284941), Nominee Director being longest in the office shall retire by rotation at the forthcoming Annual General Meeting and being eligible for re- appointment, offers himself for re-appointment.

Appointments/Resignations of the Key Managerial Personnel

The Bank had following Key Managerial Personnel as on March 31, 2024:

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

The Board of Directors appointed Mr. Aseem Mahajan as the Chief Financial Officer w.e.f. April 24, 2024 of the Bank and pursuant to said appointment, Mr. Munish Jain ceased to hold the position of Chief Financial Officer of the Bank as on even date.

As on March 31, 2025 and on the date of this report, following are the Key Managerial Personnel ('KMP') as per Section 203(1) read with Section 2(51) of the Companies Act, 2013 and Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

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

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Corporate Governance

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

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

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

BOARD'S REPORT

The Board's supervisory role is independent and separate from the executive management and the Board Committees. The Composition of the Board of Directors as on March 31, 2025 comprised of majority of Independent directors and this is a great step of the Bank towards better Corporate Governance.

The Board presently comprises of twelve Directors including one-woman director and it provides diverse combination of professionalism, knowledge, expertise and experience as required in the banking business for long-term success. The Board has seven Independent Directors constituting more than one-half of its total membership strength including one women Director and two Nominee Directors. The Directors have distinguished themselves in different walks of life through experience and expertise. The Bank recognises and embraces the benefits of having a diverse Board of Directors to enhance the quality of its performance. The Bank considers increasing diversity at Board level as an essential element in maintaining a competitive advantage in the complex business that it operates. The identified key skills/ expertise/competencies of the Board and mapping with individual director are provided in the 'Corporate Governance Report', forms a part of this Report.

The Bank has duly framed policies and codes which are required under the Companies Act, 2013, SEBI Listing Regulations and other Laws/Rules/

Regulations as applicable on the Bank. The policies/ codes as required to disclose on the website of the Bank are available at <https://www.capitalbank.co.in>.

A report on Corporate Governance and Certificate from the Company Secretary in Practice confirming compliance of conditions, as stipulated under SEBI Listing Regulations, is annexed as **Annexure C** and forms an integral part of this Annual Report.

Business Responsibility and Sustainability Report

Your Bank does not fall in top 1000 listed entities based on the market capitalisation. Hence, Business Responsibility and Sustainability Report is not applicable.

Code of Conduct for Directors and SMPs

In accordance with Regulation 17(5) of SEBI Listing Regulations, the Bank has adopted the Code of Conduct for Directors and Senior Management Personnel ("SMPs"). The code of conduct sets forth the guiding principles for orderly & fair conduct by Directors and SMPs. All Directors and SMPs have affirmed the compliance of the code for the FY'25 and a declaration to this effect signed by the MD & CEO forms part of Report on Corporate Governance annexed with Board's Report as **Annexure - C**. The Bank's Code of Conduct for Directors and SMPs is disclosed on the website of the Bank at <https://www.capitalbank.co.in/investors/secreterial-policies>.

MEETINGS OF THE BOARD AND COMMITTEES OF THE BOARD

Board of Directors

Details of the Board of Directors and Board meetings held during the year, are provided in the 'Corporate Governance Report', forms a part of this Report.

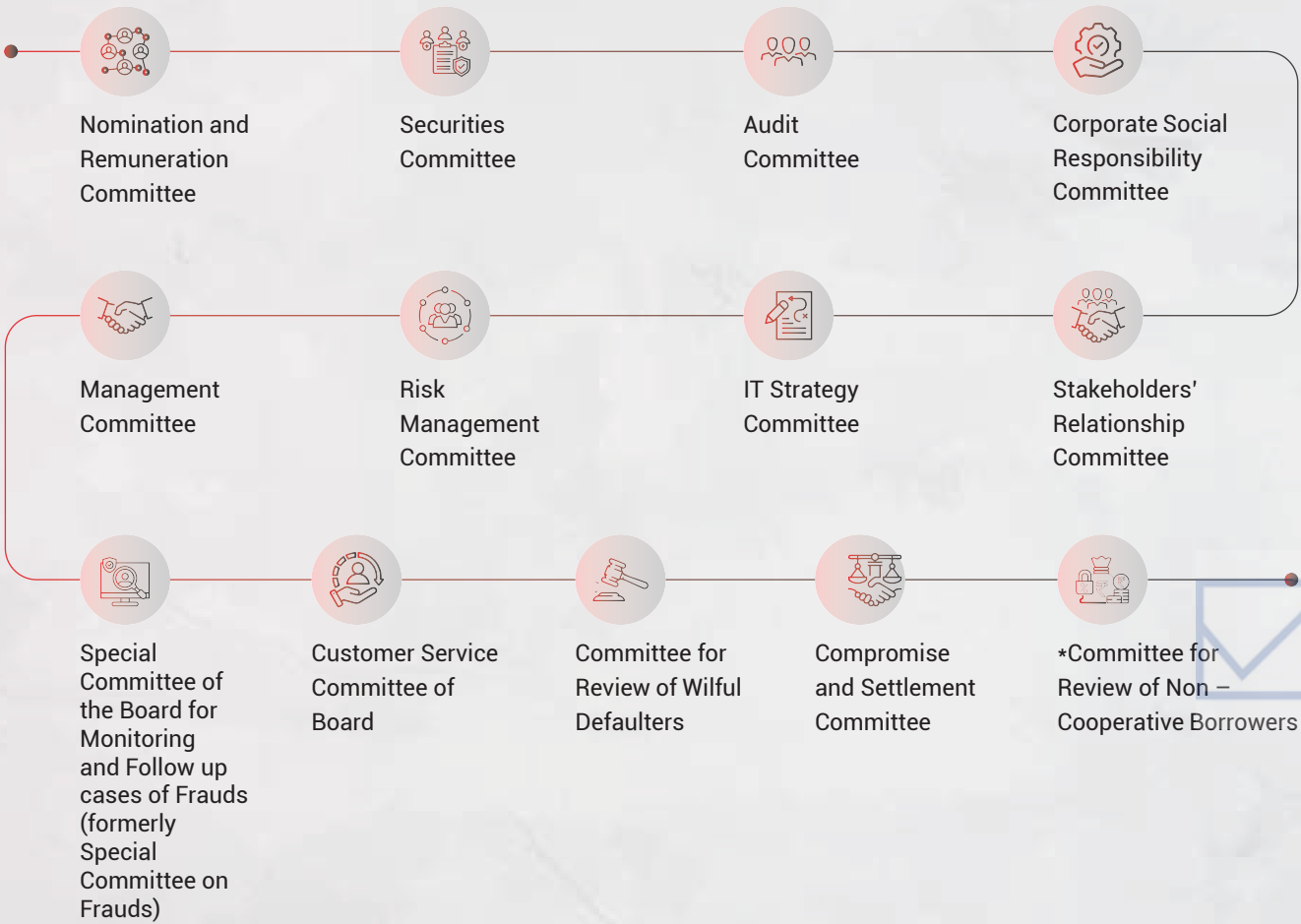
During the year under review, eleven Board Meetings were convened and held, the details of which are given in the 'Corporate Governance Report', forms a part of this Report. The maximum interval between any two consecutive meetings did not exceed 120 days as prescribed under the Companies Act, 2013.

Committees of Directors

The Bank has several committees which have been established as a part of best Corporate Governance practices and are in compliance with the requirements of the relevant provisions of applicable laws and statutes. The Bank has following Committees of the Board as on March 31, 2025

BOARD'S REPORT

Committees of the Board
as on March 31, 2025



*Committee for review of Non – Cooperative Borrower was merged with Committee for review of Wilful Defaulter during the year under review

Details of the Committees, along with their composition, charters and meetings held during the year, are provided in the 'Corporate Governance Report', forms a part of this Report. During the financial year 2024-25, the Board has accepted all the recommendations of its Committees.

BOARD'S REPORT

32 Meeting of independent directors

As per the requirement of the Section 149(8) read with Schedule IV of Companies Act, 2013 (Code for Independent Directors) and Regulation 25 of SEBI Listing Regulations, the independent directors of the company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management.

During the year under review, the Independent Directors of the Bank met on January 13, 2025.

33 Details of General Body Meetings

A. Location and time of last three Annual General Meetings (AGMs) and details of special resolutions passed thereat:

Financial Year	Particulars of Meeting	Date and Time	Location	Special Resolution passed
2022 - 2023	23 rd Annual General Meeting	August 05, 2022 at 11 a.m. (IST)	Through Video Conferencing ("VC") / Other Audio – Visual Means ("OAVM")	To Re-Appoint Mr. Sham Singh Bains (DIN: 01537844) as a Non- Executive Independent director for a second term of Three years.
2023 - 2024	24 th Annual General Meeting	August 11, 2023 at 11:00 am (IST)	Through Video Conferencing ("VC") / Other Audio – Visual Means ("OAVM")	- To approve the revised remuneration of Mr. Sarvjit Singh Samra (DIN: 00477444), Managing Director & CEO for the period commencing from April 24, 2022 till April 23, 2023 - To approve the updated remuneration of Mr. Sarvjit Singh Samra (DIN: 00477444), Managing Director & CEO for financial year 2023-24 onwards
2024 – 2025	25 th Annual General Meeting	August 30, 2024 at 11:00 am (IST)	Through Video Conferencing ("VC") / Other Audio – Visual Means ("OAVM")	- To approve the remuneration of Mr. Sarvjit Singh Samra (DIN: 00477444), Managing Director & Chief Executive Officer from April 01, 2024 to April 23, 2025 - To approve the remuneration of Mr. Munish Jain (DIN: 10132430), Executive Director from April 01, 2024 to August 27, 2026 - Ratification of CSFB Limited - Employee Stock Option Plan for Material Risk Takers

BOARD'S REPORT

B. Postal Ballot during the FY 2024-25

Pursuant to provisions of Section 110 and other applicable provisions, if any, of the Companies Act, 2013, read with Rule 20 and 22 of the Companies (Management and Administration) Rules, 2014, Regulation 44 of SEBI Listing Regulations, Secretarial Standard on General Meetings issued by Institute of Company Secretaries of India, General Circulars Nos. 14/2020 dated April 8, 2020, 17/2020 dated April 13, 2020, 20/2020 dated May 05, 2020, 22/2020 dated June 15, 2020, 33/2020 dated September 28, 2020, 39/2020 dated December 31, 2020, 10/2021 dated June 23, 2021, 20/2021 dated December 08, 2021, 03/2022 dated May 05, 2022, 11/2022 dated December 28, 2022, 09/2023 dated September 25, 2023 and 9/2024 dated September 19, 2024 issued by the Ministry of Corporate Affairs and other applicable rules/regulations/guidelines/circulars/notifications, the Bank has received shareholders' approval by passing following special resolutions on January 22, 2025:

Date of Postal Ballot Notice	Agenda Heading	Number of Votes		Percentage of Votes	
		In favour	Against	In favour	Against
December 05, 2024	TO APPROVE THE RE-APPOINTMENT OF MR. SARVJIT SINGH SAMRA (DIN: 00477444) AS MANAGING DIRECTOR AND CEO OF THE BANK FOR A PERIOD OF THREE YEARS W.E.F. APRIL 24, 2025	1,72,96,990	3,473	99.9799%	0.0201%
	RE-APPOINTMENT OF MR. NAVIN KUMAR MAINI, INDEPENDENT DIRECTOR (DIN: 00419921) AS PART-TIME CHAIRMAN OF THE BANK W.E.F. APRIL 24, 2025 TILL JANUARY 29, 2027	2,54,09,272	3,473	99.9863%	0.0137%

Mr. Brij Kishore Sharma of M/s B K Sharma and Associates, Company Secretaries, Jaipur (Membership No. F6206 & CP No. 12636) was appointed as the "Scrutiniser", to scrutinise the e-voting process in a fair and transparent manner pursuant to Rule 22(5) of the Companies (Management and Administration) Rules, 2014.

Procedure of the Postal Ballot

The Postal Ballot procedure followed by the Bank is as per the provisions of Section 108 and Section 110 of the Companies Act, 2013 read with applicable Rules and the SEBI Listing Regulations and the Secretarial Standards - 2 ("SS-2") issued by the Institute of Company Secretaries of India. Members were provided with the facility to cast their votes through e-Voting. The Board of Directors of the Bank had appointed Scrutiniser for conducting the postal ballot voting process fairly and transparently. The Scrutiniser submits his report to the Company Secretary & Compliance Officer as authorised by the Chairman of the Board after the completion of the scrutiny of the e-Voting results. Considering the results and report of the Scrutiniser of the Postal Ballot, the resolutions were considered approved. The necessary intimations as required under the applicable provisions of SEBI Listing Regulations were submitted to the Stock Exchanges and post declarations of the results, the same are displayed on the website of the Bank and e-voting service provider.

C. Extraordinary General Meeting during the FY 2024-25

No Extraordinary General Meeting ("EGM") of the Shareholders was conducted during the FY 2024 – 2025.

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Corporate Social Responsibility

As a responsible corporate entity, Capital Small Finance Bank Limited strongly believes in the idea of paying back to the society in order to run a sustainable business. Accordingly, in Capital Small Finance Bank Limited, Corporate Social Responsibility ("CSR") is considered as an important function. Our CSR activities include encouraging education, commitment to Environment Stewardship, Inclusion & Empowerment, promoting sports, eradicating

hunger and improving health care. We are managing education centres for underprivileged children.

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

BOARD'S REPORT

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

The Bank undertakes its Corporate Social Responsibility activities through Capital Foundation (a Society Registered under the Societies Registration Act, 1860). During the year under review, the Bank has disbursed the entire amount of its CSR obligation to the Capital Foundation. As per the report received from the Capital Foundation ₹ 2,00,48,593.73 has remained unspent as some of the Ongoing Projects has not been fully matured. Accordingly, as approved by the CSR Committee, the Capital Foundation has transferred the said unspent amount to Unspent Corporate Social Responsibility Account in accordance with the provisions of Section 135(6) of the Companies Act, 2013.

Impact Assessment of CSR Projects

The Bank's average CSR obligation in the three immediately preceding financial years does not exceed INR 10 crores. Hence the Bank is not required to undertake impact assessment, through an independent agency in terms of Rule 8(3)(a) of the Companies (Corporate Social Responsibility Policy) Rules, 2014.

35

Green Initiatives

The Ministry of Corporate Affairs ("MCA") has taken a "Go Green Initiative in the Corporate Governance" by allowing paperless compliances by companies. The applicable provisions of Companies Act, 2013 read with rules made thereunder permits circulation of financial statements, notices etc. to Shareholders through electronic mode as per the records of the Bank's Registrar and Share Transfer Agent or as provided by the Depositories.

In view of the same, the Bank hereby request all the stakeholders to get their E-mail registered with the Bank so as to get the Annual Reports at the E-mail ids eliminating the usage of paper mode.

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

36

Vigil Mechanism

The Bank values reliability, fairness and equality which form foundation for all the decisions taken

and believes in conducting its affairs in a fair manner to build customer trust and confidence and ensure customer delight. The Bank encourages its employees, all stakeholders and members of general public, who have concerns about suspected misconduct, to come forward and express these concerns without fear of retaliation or unfair treatment. A Whistle-Blower Policy in Banking Institutions is crucial for fostering transparency, accountability, and ethical behaviour within the organisation.

The Bank has implemented a Whistleblower Policy, which is periodically reviewed, providing which safeguards against victimisation of employees and Directors. The Policy allows to raise concerns on Reportable Matters (as defined in the policy) such as breach of Bank's Code of Conduct, fraud, bribery, corruption, employee misconduct, illegality, health & safety, environmental issues and wastage/ misappropriation of bank funds/assets, etc. and also provides for direct access to the Ombudsperson, in exceptional cases. The policy is available on the Bank's intranet and website of the Bank. The Whistleblower Policy complies with all the requirements of Vigil mechanism as stipulated under Section 177 of the Companies Act, 2013 and Regulation 4(2)(d) and Regulation 22 of the SEBI Listing Regulations, and other applicable laws, rules and regulations, as may be applicable. The updated Whistleblower Policy is also available on the website of the Bank at link www.capitalbank.co.in.

The Bank has also appointed Chief of Internal Vigilance to ensure compliance with all the internal guidelines issued by the Bank from time to time.

The functioning of the Policy is reviewed by the Audit Committee from time to time. During the review period, no concern has been reported in accordance with the said policy and none of any complainant has been denied access to the Audit Committee of the Board.

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Loans, Guarantees or Investments in securities

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

BOARD'S REPORT

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

During the year under review, no application was made or any proceeding is pending against the Bank.

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

There was no instance of one-time settlement with any other bank/financial institution during the year ended March 31, 2025.

40

Contracts or Arrangements with Related Parties

All related party transactions that were entered during the Financial Year 2024-25 were in the ordinary course of the business of the Bank and were on arm's length basis and the same is enclosed pursuant to Section 188(1) of the Companies Act, 2013, as prescribed in Form AOC-2 under Rule 8 (2) of the Companies (Accounts) Rules, 2014 as **Annexure- E** to this Report.

There were no materially significant related party transactions entered by the Bank with Promoters, Directors, Key Managerial Personnel or other persons which may have a potential conflict with the interest of the Bank. All such Related Party Transactions are being placed before the Board/Audit Committee for approval, wherever applicable. The Audit Committee of the Bank has accorded an omnibus approval for related party transactions which are of repetitive nature and entered in the ordinary course of business.

Members can refer the disclosure of transactions with related parties during the financial year under review as set out in the note no. 12 of the Schedule 18 of the notes forming part of audited Financial Statements of the Bank for the year ended March 31, 2025

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

The Bank does not have any holding or subsidiary company; therefore, no disclosure is required to be made pursuant to the provisions of Section 197(14) of

the Companies Act, 2013 and as per the relevant rules thereunder.

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Disclosure pursuant to Section 177(8) of the Companies Act, 2013

During the Financial Year 2024- 2025, there were no recommendation of the Audit Committee which was not accepted by the Board.

43

Change in Nature of Business

Pursuant to the relevant provision of Rule 8(5) of the Company (Accounts) Rules, 2014, there were no change in the nature of Business of the Bank during the FY 2024- 25.

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Auditors & Auditors' Report

Statutory Auditors and Audit

The Board of Directors, on the recommendation of the Audit Committee, in its meeting held on June 20, 2024 approved the re-appointment of M/s. S C V & Co. LLP (FRN 000235N/N500089) as Statutory Auditor of the Bank for the period of two years effective from FY 2024 – 25, which was approved by Shareholders of the Bank in 25th Annual General meeting held on August 30, 2024.

The Bank has received the approval of Reserve Bank of India ('RBI') vide its letter dated July 22, 2024 for the appointment of M/s. S C V & Co. LLP (FRN 000235N/N500089), Chartered Accountants as Statutory Auditors of the Bank for the Financial Year 2024-2025 and M/s S C V & Co. LLP (FRN 000235N/N500089), Chartered Accountants, acted as Statutory Auditors of the Bank for the Financial Year 2024-2025 till the conclusion of Annual General Meeting to be held in the Financial 2025-2026.

No qualifications, reservations or adverse remarks are reported by Statutory Auditors of the Bank, in their Audit report. Information referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank had appointed M/s Deepak Arora & Associates, Practicing Company Secretaries through

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its partner, Mr. Deepak Arora (FCS No. 5104 and COP No. 3641), to conduct Secretarial Audit of the Bank for the FY 2024 - 2025.

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

No qualifications, reservations or adverse remarks are reported by M/s Deepak Arora & Associates, Practicing Company Secretaries, Secretarial Auditors of the Bank, in their Secretarial Audit report.

Information referred to in the Secretarial Auditors' Report are self-explanatory and do not call for any further comments.

The Bank has proposed to the Shareholders the re-appointment of M/s Deepak Arora & Associates, Practicing Company Secretaries, for further period of five years w.e.f. FY 2025 – 2026 in terms of revised Regulation 24A of SEBI Listing Regulations.

Cost Audit

The Bank is not required to appoint a Cost Auditor. Therefore, maintenance of cost records as specified under subsection (1) of section 148 of the Companies Act, 2013, is not applicable to the Bank.

Annual Secretarial Compliance Report

The Bank has undertaken an audit for the financial year 2024-25 for all applicable compliances as per SEBI Listing Regulations and circulars / guidelines issued thereunder. The Annual Secretarial Compliance Report pursuant to Regulation 24A of SEBI Listing Regulations will be submitted to the Stock Exchanges within 60 days of the end of the financial year.

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Familiarisation Programme for Independent Directors

The Bank's independent directors are eminent professionals with several decades of experience in

Banking and financial services industry, technology, finance, governance and management areas and are fully conversant with the business of the Bank. In accordance with Regulation 25(7) of SEBI Listing Regulations and RBI guidelines, the Bank, at the Board / Committee meetings, presentations and deep dive sessions, covered important areas of the Bank such as annual plans and strategies, compensation strategy, impact of inflation, non-financial risks, customer services framework, risk management, priority sector lending, liquidity, new regulatory guidelines, etc. during the year under review for the Independent Directors to enable them to familiarise with the Bank, its Management, Bank's Business, and its operations for better understanding of their responsibilities, roles, and rights for effective contribution in sustainable growth of the Bank. Further, updates on key regulatory developments including RBI and other regulatory circulars/notifications/ guidelines etc. are provided to directors on regular basis at the Board and Committee meetings to keep the Directors informed about the dynamic regulatory environment and its impact. The details thereof are disclosed in the Report on Corporate Governance annexed with Board's Report as **Annexure - C** and on the website of the Bank under <https://www.capitalbank.co.in/investors/details-of-familiarization-programmes-imparted-to-independent-directors>

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Management Discussion and Analysis Report

The Management Discussion and Analysis Report of the financial conditions and results of operations of the Bank for the year under review, as required under Regulation 34(2)(e) of SEBI Listing Regulations, is being given separately and forms a part of the Annual Report.

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www.valueresearchonline.com, www.valueresearchstocks.com

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BOARD'S REPORT

47 Directors' Responsibility Statement

The Board of Directors acknowledge the responsibility for ensuring compliance with the provisions of Section 134(3) (c) read with Section 134(5) of the Companies Act, 2013, in preparation of annual accounts for the financial year ended March 31, 2025 and state that:

- In the preparation of the annual accounts for the financial year ended March 31, 2025, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent to give a true and fair view of the state of affairs of the Bank as at March 31, 2025 and of the profit of the Bank for the year ended on that date;
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- Directors had prepared the annual accounts on a going concern basis;
- The Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively.
- The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

BOARD'S REPORT

48 Compliance with Secretarial Standards

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

49 Investor Relations

Your Bank interacted with investors and analysts through one-on-one meetings, conference call and regular quarterly meetings during the year. Earnings call transcripts/recording of the meeting on quarterly/event-based meetings are posted on the website of the Bank.

50 Prevention of Insider Trading

In compliance with the provisions of Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ('SEBI (PIT) Regulations'), the Board has adopted a code of conduct to regulate, monitor and report trading by Designated Persons to preserve the confidentiality of price sensitive information, to prevent misuse thereof and regulate trading by designated persons. It prohibits the dealing in the Bank's shares by the promoters, promoter group, directors, designated persons and their immediate relatives, and connected persons, while in possession of unpublished price sensitive information in relation to the Bank and during the period(s) when the Trading Window, to deal in the Bank's shares, is closed. Pursuant to the above, the Company has put in place adequate and effective system of internal controls to ensure compliance with the requirements of the SEBI (PIT) Regulations. The code is available on the Bank's website at <https://www.capitalbank.co.in/investors/secretarial-policies>.

The Board of Directors have also formulated a code of practices and procedures for fair disclosure of unpublished price sensitive information containing policy for determination of 'legitimate purposes' as a part of this Code, which is available on the Bank's

website at <https://www.capitalbank.co.in/investors/secretarial-policies>.

51 Internal Audit

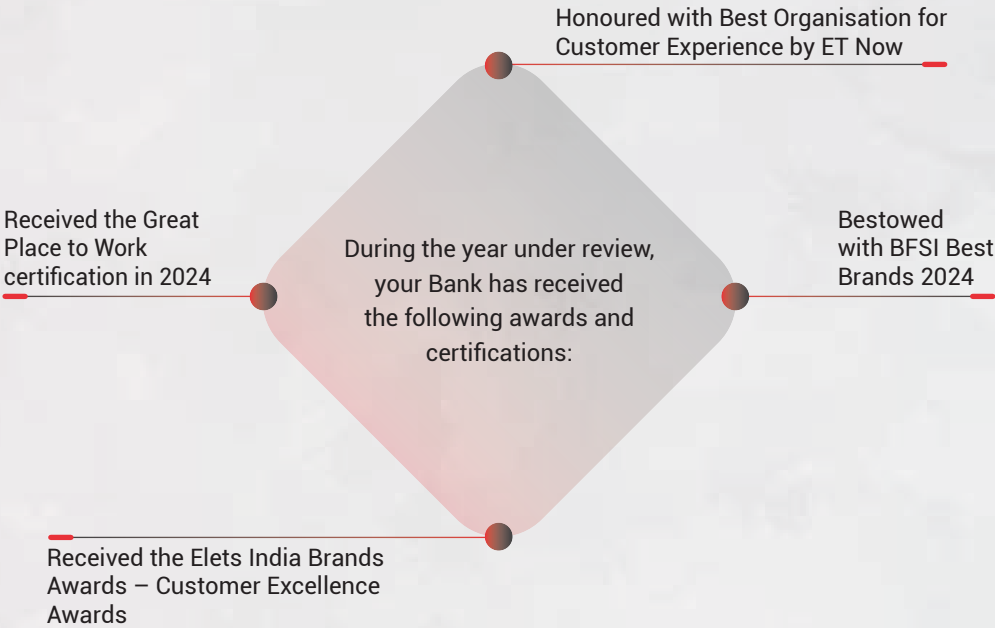
The Bank's Internal Audit function provides an independent view to its Board of Directors and Senior Management on the quality and efficacy of the internal controls, risk management systems, governance systems and processes in place on an on-going basis. This is provided to primarily ensure that the business and non-business functions are following both internal and regulatory guidelines. In line with the RBI's guidelines on Risk Based Internal Audit (RBIA), the Bank has adopted a risk based internal audit policy.

The Risk Based Internal Audit policy has been designed factoring regulatory guidelines and international best practices. The policy has a well-defined architecture for conducting Risk Based Internal Audit which articulates the audit strategy in terms of a concerted focus on strategic and emerging business risks. These inputs form a key step in the identification of the audit universe for the audit planning exercise. The audit frequencies are in congruence with the risk profile of each unit to be audited. The scope of RBIA includes examining the adequacy and effectiveness of internal control systems, external compliances, and evaluating the risk residing at the audit entities. Further to augment the internal audit function, concurrent audit, off-site audit, and thematic & snap audit reviews have been integrated into the internal audit process to make the function more robust. The Audit function recommends improvements in operational processes, design elements, policies, as part of audit report recommendations.

The Internal Audit function of the Bank operates independently under the supervision of the Audit Committee of the Board, that reviews the efficacy and performance of the internal audit function, effectiveness of the internal controls laid down by the Bank and compliance with internal and regulatory guidelines and provide guidance and directions.

BOARD'S REPORT

52 Awards and Recognitions



53 Acknowledgment

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

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

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

The Board would also like to thank BSE Limited, National Stock Exchange of India Ltd., National Securities Depository Limited, Central Depository

Services (India) Limited, Debenture Trustee, Registrar & Share Transfer Agent, Vendors and Service Providers for their continued support & co-operation.

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

For and on behalf of the Board of Directors

Sarvjit Singh Samra
Managing Director & CEO
DIN: 00477444

Gurpreet Singh Chug
Independent Director
DIN: 01003380

Place : Jalandhar
Date : April 29, 2025

ANNEXURE – A

DETAILS OF REMUNERATION

Statement under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for year ended March 31, 2025

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

Name of the Employee	Mr. Sarvjit Singh Samra	Mr. Munish Jain
Designation	Managing Director & CEO	Executive Director
Remuneration received	₹1.56 crores	₹1.65 crores
Nature of employment, whether contractual or otherwise	Permanent	Permanent
Qualification and Experience of the employee	Qualification: B.A., M.B.A. (Marketing and Finance) Experience: over 37 years of experience in the banking and financial industry spread over various roles, including senior positions.	Qualification: B.COM, FCA, FCS Experience: over 24 years of experience in the banking sector, including in finance, compliance, treasury, strategic decision making and execution of strategic decisions
Date of commencement of employment	July 20, 2003	October 09, 2000
Age of employee	60 years	48 years
Last employment held by employee before joining the Company	Business	Practising Chartered Accountant
The percentage of equity shares held by the employee along with his spouse and dependent children, if such shareholding is not less than two percent of the total equity shares	Mr. Sarvjit Singh Samra holds 11.18% of the total equity shares of the Bank alongwith his spouse as at March 31, 2025	Mr. Munish Jain does not hold 2% or more of the paid-up share capital of the Bank as at March 31, 2025
Whether any such employee is a relative of any Director or Manager of the Company and if so, the name of such Director or Manager	Nil	Nil

Notes:

1. Remuneration shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed. The values are calculated basis Income Tax rules, the same excludes gratuity, PF settlement, perquisite on ESOPs & superannuation benefits
2. The remuneration includes deferred incentives of past years paid during the current year.
3. The appointments are terminable by four months' notice to the Bank.
4. The above value does not include the number of ESOPs granted during the year.

For and on behalf of the Board of Directors

Date : April 29, 2025
Place : Jalandhar

Gurpreet Singh Chug
Independent Director
DIN: 01003380

Sarvjit Singh Samra
Managing Director & CEO
DIN : 00477444

ANNEXURE – B

DETAILS OF REMUNERATION

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

The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the Financial Year 2024 - 25, ratio of the remuneration of each Director to the median remuneration of the employees of the Bank for the Financial Year 2024- 2025 are as under:

S. No.	Name of Director / KMP	Designation	Remuneration Director / KMP for the FY'24 (₹ in crores)	Remuneration Director / KMP for the FY'25 (₹ in crores)	%age increase in remuneration in the FY'25	%age increase in remuneration in the FY'24	Ratio of Remuneration of each Director to median remuneration
1	Mr. Sarvjit Singh Samra	Managing Director and CEO	1.44	1.56	8.33%	-15.84%	38.35
2	Mr. Munish Jain	Executive Director	1.75	1.65	-5.71%	4.17%	40.69
3	Mr. Dinesh Gupta	Non – Executive Director	0.20	0.20	0.00%	Nil	4.93
4	Mr. Navin Kumar Maini	Independent Director	0.12	0.14	16.67%	9.09%	3.51
5	Mr. Gurpreet Singh Chug	Independent Director	0.04	0.09	125.00%	Nil	2.22
6	Mr. Sham Singh Bains	Independent Director	0.04	0.09	125.00%	Nil	2.22
7	Mr. Nageswara Rao Yalamanchili	Independent Director	0.09	0.09	0.00%	28.57%	2.22
8	Ms. Rachna Dikshit	Independent Director	0.07	0.09	28.57%	NA	2.22
9	Mr. Kamaldeep Singh Sangha	Independent Director	0.07	0.09	28.57%	NA	2.22
10	Mr. Sukhen Pal Babuta	Independent Director	0.06	0.09	50.00%	NA	2.22
11	Mr. Aseem Mahajan	Chief Financial Officer	0.27	0.32	31.49%	1.30%	7.92
12	Mr. Amit Sharma	Company Secretary	0.15	0.19	29.04%	15.38%	4.80

Notes:

- All the employees of the Bank have been considered.
- Salary paid shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed. The values are calculated basis Income Tax rules, the same excludes gratuity, PF settlement, perquisite on ESOPs & superannuation.
- Mr. Srinath Srinivasan, Nominee Director (Nominee of Oman India Joint Investment Fund II) and Mr. Balbir Singh, Nominee Director (Nominee of SIDBI) receives only sitting fee. Mr. Mahesh Parasuraman, Nominee Director (Nominee of Amicus Capital Private Equity I LLP and Amicus Capital Partners India Fund I) has given waiver for sitting fees.
- Mr. Srinath Srinivasan ceased to be the Director of the Bank w.e.f. February 27, 2025 due to his personal reasons.
- The remuneration to Non-executive Independent Directors is being paid w.e.f. April 01, 2024.
- Further, the Bank has paid Sitting fees to the Directors other than the above mentioned remuneration for attending the meetings.

ANNEXURE – B

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

The ratio of the remuneration of each Director to the median remuneration of the employees of the Bank for the Financial Year 2024 - 25 is provided in the above table. Median has been calculated by taking remuneration on annualised basis considering the employees as on year end.

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

In the Financial Year, there was increase of 10.80% in the median remuneration of employees.

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

There were 2059 permanent employees on the rolls of the Bank as on March 31, 2025.

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

Average percentage increase made in the salaries of employees other than the managerial personnel in the Financial Year i.e. 2024 - 25 was 11.28% whereas there was an increase in the managerial remuneration for the Financial Year 2024- 25 by 1.72%. The remuneration of the Managing Director and Executive Director is decided based on the individual performances, inflation, prevailing industry trends and benchmarks. For a person being KMP for the current year or part thereof, the consideration paid during the complete financial year has been disclosed.

The remuneration of Non-Executive Directors consists of fixed remuneration and sitting fees. While deciding the remuneration, various factors such as Director's participation in Board and Committee Meetings during the year, other responsibilities undertaken, such as Membership or Chairmanship of Committees, time spent in carrying out other duties, role and functions as envisaged in Schedule IV of the Companies Act, 2013 and SEBI Listing Regulations and such other factors as the NRC may deem fit etc. were taken into consideration.

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

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

VII. Statement showing details of employees of the Company:

Particulars of employees remuneration, as required under section 197(12) of the Companies Act, 2013, read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms a part of this report. Considering first proviso to Section 136(1) of the Companies Act, 2013, the Annual Report, excluding the said information, was sent to the members of the Bank and others entitled thereto. The said information is available for inspection at the registered office of the Bank during working hours up to the date of ensuing annual general meeting. Any member interested in obtaining such information may write to the Company Secretary at cs@capitalbank.co.in in this regard.

For and on behalf of the Board of Directors

Gurpreet Singh Chug
Independent Director
DIN: 01003380

Sarvjit Singh Samra
Managing Director & CEO
DIN: 00477444

Date : April 29, 2025
Place : Jalandhar

ANNEXURE – C

CORPORATE GOVERNANCE REPORT

1

STATEMENT ON BANK'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate governance is the system of rules, practices, and processes by which a company is directed and controlled. It essentially involves balancing the interests of a company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community. The basic principles of corporate governance are accountability, transparency, fairness, responsibility, and risk management.

●●● Basic Principles of Corporate Governance ●●●



Adopting high standards gives comfort to all existing and potential stakeholders, including government and regulatory authorities, customers, suppliers, bankers, employees and shareholders.

Your Bank is dedicated to embracing and upholding the highest standards of Corporate Governance. Capital Small Finance Bank Limited's philosophy on Corporate Governance is centered around achieving utmost transparency, comprehensive disclosures, accountability, and fairness across all aspects of its operations. The Bank is firmly committed to transparency in all transactions, prioritising ethical business practices. It firmly believes that good Corporate Governance extends beyond financial outcomes and is essential for achieving outstanding performance.

GOVERNANCE STRUCTURE:

Your Bank's governance philosophy is executed through a multi-layer governance structure with clearly defined roles and responsibilities for every constituent of the governance system.

Board of Directors

The Board of Directors is tasked with strategically supervising and overseeing the Bank's management performance and governance on behalf of shareholders and other stakeholders. The Board ensures adherence to corporate governance standards, transparency, integrity in accounting and financial reporting, and the implementation of effective control systems. They exercise independent judgment and have a critical role in monitoring the Bank's operations.

Board Committees:

The Board has constituted various Board committees to deal with specific areas that are assigned to them for either final decision-making or giving appropriate recommendations to the Board. All the committees are responsible for discharging their roles and responsibilities as per its defined charter.

Chairman:

The Bank has established separate positions for Chairman (Part Time Chairman) and Managing

CORPORATE GOVERNANCE REPORT

Director to enhance its governance structure. The Chairman presides over the meetings of the Board and the shareholders. The Chairman acts as the leader of the Board and is responsible for fostering and promoting the integrity of the Board while nurturing a culture where the Board works harmoniously for long - term benefits of the Bank and for all its stakeholders.

Managing Director (MD):

The Managing Director & Chief Executive Officer (MD & CEO) of the Bank is responsible for steering Bank's growth by implementing business strategies aligned to the vision and mission of the Bank. He is responsible for substantially the whole of the affairs of the Bank under the supervision and control of Board of Directors. He is primarily responsible to carry out the strategic plans and policies and acts as an interface between the Board and employees and between the organisation and community. The role and responsibilities of MD & CEO includes: to establish the Bank's vision and mission, to push into new areas of innovation and development, to ensure sustainable growth based on healthy customers connect, to provide differentiated banking services, to build a strong leadership team, to ensure genuine and timely two-way communication with key stakeholders.

Executive Director (ED):

The Executive Director (ED) is responsible for strategic decisions-making on the business, geographical expansion, business segments, to lead the corporate planning by active involvement in spotting new business opportunities, to lead the entire human resource function, to develop and improve efficiency and risk mitigation by establishing clear cut KRAs and SOPs for effective functioning, to strive to align organisational behaviour with Bank's vision and mission, to ensure achievement of the business targets, to make best use of the resources to provide customer satisfaction and to ensure outreach to the customers with the digital journey of the Bank. He is also entrusted with the responsibility of developing differentiated banking, Capital Raising, Business Plan Formulation, System Designing, Audit & Statutory Requirements and to lead change and ensure its acceptability across the Bank.

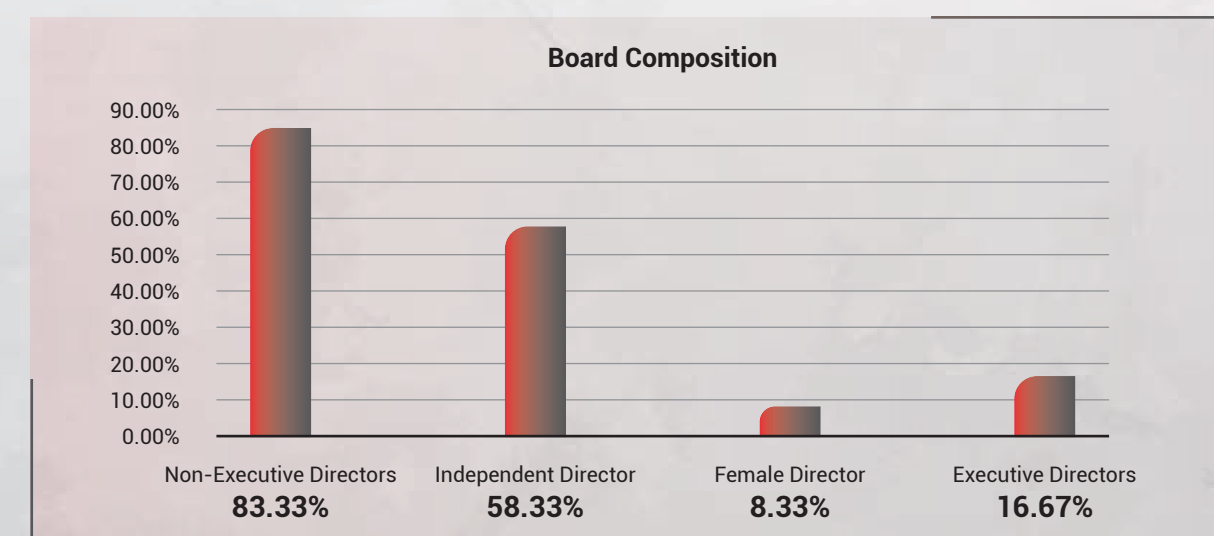
Core Management Team:

The Core Management team, to set and deliver the strategic long term growth agenda for the Bank by creating and delivering best class practices, processes and products. The team drives the growth ambition and sustainability initiatives across the organisation.

2

BOARD OF DIRECTORS

A) Board Composition



As on March 31, 2025, the Board of the Bank comprises of twelve directors, headed by Non-Executive Part – time Chairman. The Board consists of two Executive Directors (Managing Director and Executive Director), seven Non-Executive Independent Directors, two Non – Executive Nominee Directors and one Non- Executive Non-Independent Director. The Board has an appropriate mix of professionals, experience and knowledge which enables the Board to discharge its responsibilities effectively.

Profile of the Directors is available on the website of the Bank viz. www.capitalbank.co.in.

CORPORATE GOVERNANCE REPORT

Director's composition and categorisation

Category of Director	No. of Director(s)	Name of Director	DIN	Promoter / Promoters Group	Date of first Appointment	Current Tenure Till	No. of Shares held on March 31, 2025
Executive Directors		Mr. Sarvjit Singh Samra	00477444	✓	May 31, 1999	April 23, 2028	41,74,619
		Mr. Munish Jain	10132430	X	August 28, 2023	August 27, 2026	2,04,438
Non-Executive Nominee Directors		Mr. Balbir Singh	02284941	X	March 09, 2022	NA ¹	Nil
		Mr. Mahesh Parasuraman	00233782	X	December 16, 2019	NA ¹	Nil
Non – Executive Non – Independent Director		Mr. Dinesh Gupta	00475319	✓	January 30, 2019	NA ¹	2,95,920
Independent Directors		Mr. Navin Kumar Maini ²	00419921	X	January 30, 2019	January 29, 2027	Nil
		Mr. Gurpreet Singh Chug	01003380	X	February 23, 2019	February 22, 2027	31,732
		Mr. Nageswara Rao Yalamanchili	06651230	X	June 29, 2022	June 28, 2027	Nil
		Mr. Sham Singh Bains	01537844	X	November 09, 2017	November 08, 2025	188
		Mr. Sukhen Pal Babuta	01739016	X	August 11, 2023	August 10, 2028	Nil
		Mr. Kamaldeep Singh Sangha	08242130	X	June 26, 2023	June 25, 2028	Nil
		Ms. Rachna Dikshit	08759332	X	June 26, 2023	June 25, 2028	Nil

No. of Directors - 12 Director =   | Yes - ✓ No - X

¹Directors liable to retire by rotation.

²Mr. Navin Kumar Maini was appointed as Part - time chairman for a period of three years w.e.f. April 24, 2022 and further was re- appointed as Part – time Chairman of the Bank w.e.f April 24, 2025 till January 29, 2027.

There is no inter-se relationship between the Board members.

Directorship and Committee's Membership of Directors

Name of Director	Number of Directorship(s) held in other Indian public limited companies ¹	Directorship in other listed entities			Committee position (Including CSFB) ²	
		Name of the Listed entity	Category of Directorship*	Resigned in last 3 years	Membership held	Chairmanship held
Mr. Navin Kumar Maini	Nil	Nil	-	Urgo Capital Limited (February 08, 2022)	1	-
Mr. Gurpreet Singh Chug	Nil	Nil	-	Nil	-	1
Mr. Dinesh Gupta	Nil	Nil	-	Nil	1	1
Mr. Balbir Singh	2	Nil	-	Nil	-	-
Mr. Nageswara Rao Yalamanchili	Nil	Nil	-	IKF Finance Limited (August 11, 2023)	-	-

CORPORATE GOVERNANCE REPORT

Name of Director	Number of Directorship(s) held in other Indian public limited companies ¹	Directorship in other listed entities			Committee position (Including CSFB) ²	
		Name of the Listed entity	Category of Directorship*	Resigned in last 3 years	Membership held	Chairmanship held
Mr. Munish Jain	Nil	Nil	-	Nil	-	-
Mr. Sarvjit Singh Samra	Nil	Nil	-	Nil	-	-
Mr. Sham Singh Bains	Nil	Nil	-	Nil	2	-
Mr. Mahesh Parasuraman	1	Nil	-	Nil	1	-
Mr. Kamaldeep Singh Sangha	Nil	Nil	-	Nil	2	-
Ms. Rachna Dikshit	3	India Shelter Finance Corporation Limited	Non-Executive Independent Director	Capital India Finance Limited (August 08, 2023)	-	1
Mr. Sukhen Pal Babuta	Nil	Nil	-	Nil	1	-

¹Excludes directorship in Foreign Companies, Private Limited Companies and Section 8 Company

²For the purpose of considering the Committee Membership and Chairmanship of a Director, the Audit Committees and Stakeholders' Relationship Committee of all Public Limited Companies have been considered.

None of the Directors on the Board is a director in more than seven listed entities. None of the Non-Executive Directors is an Independent Director in more than seven listed entities as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'SEBI Listing Regulations').

Further, the Managing Director and Executive Director does not serve as Independent Director in any other listed company. None of the Directors held directorships in more than twenty Indian companies, with more than ten public limited companies. All Directors are in compliance with the limit on Directorships / Independent Directorships of listed companies as prescribed under Regulation 17A of the SEBI Listing Regulations.

None of the Directors on the Board is a member of more than ten committees or chairman of more than five committees (Audit Committee and Stakeholders' Relationship Committee) across all public limited companies in which he/she is a director. Necessary disclosures regarding their committee positions have been made by all the directors.

The Bank has not issued any convertible instruments to the directors.

B) Chairman of the Board

Mr. Navin Kumar Maini acted as Non-Executive Part – Time Chairman of the Board. The Part - Time Chairman presides over the meetings of the Board and of the shareholders of the Bank.

C) Independent Directors

The Independent Directors of the Bank have been appointed in terms of the requirements of Companies Act, 2013 ('the Act'), the SEBI Listing Regulations. Independent Directors have confirmed that they meet the criteria of independence as defined under Regulation 16(1) (b) of the SEBI Listing Regulations and Section 149(6) of the Act. The maximum tenure of Independent Directors is in compliance with the provision of the Act.

In terms of Regulation 25(8) of the SEBI Listing Regulations and section 149(7) of the Act, the Independent Directors have confirmed that they are not aware of any circumstances or situations which exist or may be reasonably anticipated that could impair or impact their ability to discharge their duties.

The Board is of the opinion that the Independent Directors fulfil the independence criteria specified in the Act and the SEBI Listing Regulations and that they are independent of the management. In terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment & Qualification of Directors) Rules, 2014, the Independent Directors have confirmed that they have enrolled themselves in the Independent Directors' Data bank maintained with the Indian Institute of Corporate Affairs.

CORPORATE GOVERNANCE REPORT

D) Woman Independent Director

Pursuant to the requirement of Regulation 17(1)(a) of SEBI Listing Regulations, Ms. Rachna Dikshit is a Non-Executive Woman Independent Director on the Board of the Bank.

E) Board Skills and Expertise

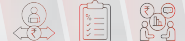
The Board of the Bank is composed of appropriately qualified people with a broad range of experience relevant to the business of the Bank, which is important to achieve effective corporate governance and sustained commercial success of the Bank.

All appointments at Board level are made on merit, in the context of skills, experience, independence, knowledge and integrity, which the Board requires to be effective.

The Board of Directors have, based on the recommendations of the Nomination and Remuneration Committee, identified the following key skills/expertise/ competencies of Directors as required in the context of business of the Bank for its effective functioning which are currently possessed by the Board Members of the Bank and mapped against each of the Directors.

Key skills and attributes which are considering while identifying, selecting and nominating the candidate to serve, which on the Board of the Bank.

Expertise Skill of individual directors are highlighted below:

Mr. Navin Kumar Maini  Banking	Mr. Sarvjit Singh Samra  Banking, Finance, Cooperation and Marketing	Mr. Munish Jain  Banking, Risk, Accountancy, Finance, Taxation, Audit & Information Technology
Mr. Gurpreet Singh Chug  Law, Finance & SSI	Mr. Dinesh Gupta  Law, Banking and Finance	Mr. Balbir Singh  Banking and Finance
Mr. Nageswara Rao Yalamanchili  Banking, Information Technology and Risk Management	Mr. Sham Singh Bains  Agriculture & Rural Economy	Mr. Mahesh Parasuraman  Finance, Taxation, Business Advisory
Mr. Kamaldeep Singh Sangha  Cooperation, Banking, Public Administration, Agriculture	Mrs. Rachna Dikshit  Banking and Finance	Mr. Sukhen Pal Babuta  Accountancy, Finance, Taxation & Audit

CORPORATE GOVERNANCE REPORT

F) Conduct of Board proceedings
The day-to-day matters concerning the business are conducted by the executives of the Bank under the direction of Managing Director and Executive Director with ultimate supervision by the Board. The Bank holds Board Meetings at regular intervals. The Directors are informed about the venue, date and time of the meeting in advance in writing at their registered e-mail IDs. Detailed agenda papers along with explanatory statements are circulated to the Directors in advance. The Board has complete access to all information of the Bank. All information stipulated in the Companies Act and SEBI Listing Regulations, are regularly provided to the Board as a part of the agenda papers. Directors actively participate in the Board meetings and contribute significantly by expressing their views, opinions and suggestions. Video conferencing facilities are used to facilitate Directors for participation in the meeting. Decisions are taken after proper and thorough discussions. The Board periodically reviews the compliance report of all laws applicable to the Bank.

G) Attendance of Directors at Board Meetings and Annual General Meeting (AGM)
Eleven Board Meetings were held during the FY 25 and the gap between two consecutive Board Meetings did not exceed 120 days. The requisite quorum was present at all the Board Meetings.

The Directors' attendance at Board Meetings and Annual General Meeting held during the year are given below:

Name of Director	Attendance at AGM held on August 30, 2024	Attendance at the Board Meeting held on										No. of Board meetings		
		April 24, 2024	May 09, 2024	June 20, 2024	July 30, 2024	August 13, 2024	October 24, 2024	November 05, 2024	December 05, 2024	January 29, 2025	February 27, 2025	March 29, 2025	Held	Attended
Mr. Sarvjit Singh Samra													11	11
Mr. Munish Jain													11	11
Mr. Dinesh Gupta								LOA	LOA				11	9
Mr. Mahesh Parasuraman	LOA											LOA	11	9
Mr. Srinath Srinivasan*												X	10	10
Mr. Balbir Singh	LOA		LOA	LOA			LOA					LOA	11	5
Mr. Navin Kumar Maini													11	11
Mr. Gurpreet Singh Chug													11	11
Mr. Sham Singh Bains	LOA												11	11
Mr. Nageswara Rao Yalamanchili													11	11
Ms. Rachna Dikshit													11	11

CORPORATE GOVERNANCE REPORT

Name of Director	Attendance at AGM held on August 30, 2024	Attendance at the Board Meeting held on										No. of Board meetings		
		April 24, 2024	May 09, 2024	June 20, 2024	July 30, 2024	August 13, 2024	October 24, 2024	November 05, 2024	December 05, 2024	January 29, 2025	February 27, 2025	March 29, 2025	Held	Attended
Mr. Kamaldeep Singh Sangha													11	11
Mr. Sukhen Pal Babuta													11	11

Present (Chairman) = | Present = | Absent = | Not Member = X | Leave of Absence = LOA

*Mr. Srinath Srinivasan, Nominee Director (DIN : 00107184) of Oman India Joint Investment Fund II, resigned from the Board w.e.f the end of Business Day of February 27, 2025 due to his personal reasons.

H) Independent Directors' meeting

As per the requirement of the Companies Act, 2013 and Regulation 25(3) of SEBI Listing Regulations, a meeting of the Independent Directors of the Bank is required to be held at least once a year in absence of non-independent directors.

During the FY 25, there were one meeting of Independent Directors of the Bank i.e., on January 13, 2025, chaired by Mr. Gurpreet Singh Chug, Non – Executive Independent Director. The Independent Directors of the Bank in their meeting held on January 13, 2025 attended by all the Independent directors and reviewed the performance of Non-Independent Directors, the Board of Directors as a whole, Chairperson of the Bank, and assessed the quality, quantity and timeliness of flow of information between the Bank's management & the Board. They have shown their satisfaction on the same.

I) Certificate of non- disqualification of directors

As per the requirements of SEBI Listing Regulations, a certificate issued by M/s. Deepak Arora & Associates, Practising Company Secretaries, confirming that none of the Directors on the Board of the Bank has been debarred or disqualified from being appointed or continuing as directors of companies by the SEBI/ Ministry of Corporate Affairs or any such statutory authority. The said certificate is available on the website of the Bank at <https://www.capitalbank.co.in/investors/yearly-compliances>

J) Familiarisation Programme for Independent Directors:

Regulation 25(7) of the SEBI Listing Regulations require that Independent Directors should be familiarised with:

- i. Nature of the industry in which the Company operates
- ii. Business model of the Company
- iii. Roles, rights, responsibilities of independent directors, and
- iv. Other relevant information

A majority of the Directors of the Bank have been associated with the Bank for more than 3 years and have deep and in depth understanding of the business model, business processes and business environment of the Bank. Each director has special knowledge and practical experience in various areas as required in terms of provisions of Section 10-A (2)(a) of the Banking Regulation Act, 1949. However, the familiarisation of directors is an ongoing process; business updates, regulatory changes, and other relevant information are communicated to directors at regular intervals.

CORPORATE GOVERNANCE REPORT

The Independent Directors of the Bank routinely engage in one-on-one discussions with the senior management of the Bank on their matters of interest and for a better understanding of the various aspects of the Bank's business and functioning.

During the year, at the Board / Committee meetings, presentations and deep dive sessions are made covering important areas of the Bank such as annual plans and strategies, compensation strategy, impact

of inflation, non-financial risks, customer services framework, risk management, priority sector lending, liquidity, new regulatory guidelines, etc.

The details regarding the familiarisation of directors are provided at the website of the Bank at <https://www.capitalbank.co.in/investors/details-of-familiarization-programmes-imparted-to-independent-directors>



CORPORATE GOVERNANCE REPORT



Audit Committee

Mr. Gurpreet Singh Chug, Chairperson

1. Audit Committee

The Audit Committee of the Bank is constituted in accordance with the provisions of Regulation 18 of the SEBI Listing Regulations and the provisions of Section 177 of Act. During the year, no reconstitution in the Audit Committee took place and further members of the Committee are stated hereunder. All Members of the Committee are financially literate. Mr. Gurpreet Singh Chug, Chairperson of the Committee, is having the relevant accounting and financial management expertise. The terms of reference of the Audit Committee are based on the role of the Audit Committee, as mentioned in Section 177 of the Act, Regulation 18 of the SEBI Listing Regulations and as determined by the Board which inter alia, includes the following:

Composition as on March 31, 2025			Number and Dates of Meetings held during the FY 25
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held - 7
Mr. Gurpreet Singh Chug	Independent Director		Dates of the meetings: - April 24, 2024
Mr. Dinesh Gupta	Non – Executive Director		May 08, 2024
Mr. Sham Singh Bains	Independent Director		June 20, 2024
Mr. Kamaldeep Singh Sangha	Independent Director		July 30, 2024
Mr. Sukhen Pal Babuta	Independent Director		October 23, 2024
			January 28, 2025
			February 26, 2025

Chairperson = | Member =

The Company Secretary acts as a Secretary to the Committee

Brief Terms of Reference and Responsibilities: -

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

CORPORATE GOVERNANCE REPORT

The composition of the Committee, details of meetings held and attendance of the members during the Financial Year 2024 – 2025 is given hereunder:

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Audit Committee Meeting held on							No. of Meetings	
			April 24, 2024	May 08, 2024	June 20, 2024	July 30, 2024	October 23, 2024	January 28, 2025	February 26, 2025	Held	Attended
Mr. Gurpreet Singh Chug	Independent Director									7	7
Mr. Dinesh Gupta	Non – Executive Director			LOA						7	6
Mr. Sham Singh Bains	Independent Director									7	7
Mr. Kamaldeep Singh Sangha	Independent Director									7	7
Mr. Sukhen Pal Babuta	Independent Director									7	7

Chairperson = | Member = | Present = Absent = | Not Member = | Leave of Absence = LOA

The gap between two consecutive Audit Committee Meetings did not exceed 120 days. Requisite quorum was present at the abovementioned Meetings. The Audit Committee meetings are usually attended by the Managing Director, Executive Director, Chief Financial Officer (CFO) and the respective head of the departments, wherever required. The Statutory Auditors and Internal Auditors also attends the Audit Committee meetings by invitation. During the year, the Audit Committee reviewed key audit findings covering Operational, Financial and Compliance areas. Risk Mitigation Plan covering key risks affecting the Bank were also presented to the Committee. Mr. Gurpreet Singh Chug, Chairperson of the Audit Committee, was present at the Annual General Meeting (AGM) of the Bank held on August 30, 2024.

2. Nomination and Remuneration Committee

The Bank has Nomination and Remuneration Committee (NR Committee) in terms of Section 178 of the Companies Act, 2013, Regulation 19 of the SEBI Listing Regulations and SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. During the year, no reconstitution in the NR Committee took place and further members of the Committee are stated hereunder.



Nomination and Remuneration Committee

Mr. Kamaldeep Singh Sangha, Chairperson

Composition as on March 31, 2025			Number and Dates of Meetings held during the FY 25
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held - 6
Mr. Kamaldeep Singh Sangha	Independent Director		Dates of the meetings: - April 24, 2024
Mr. Dinesh Gupta	Non – Executive Director		June 20, 2024
			July 29, 2024
Mr. Gurpreet Singh Chug	Independent Director		October 23, 2024
Mr. Sham Singh Bains	Independent Director		November 22, 2024
			December 13, 2024

Chairperson = | Member =

CORPORATE GOVERNANCE REPORT

The Company Secretary acts as a Secretary to the Committee. The terms of references of the Committee are in accordance with the Companies Act, 2013 and SEBI Listing Regulation inter - alia includes:

Brief Terms of Reference and Responsibilities:

- To consider 'Fit and proper' criteria for directors at the time of appointment/renewal of appointment of the Bank
- The consider the remuneration proposed to be paid to Managing Director/Whole Time Director as per Compensation Policy of the Bank and recommendation of same to the Board.
- Take into account, financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.
- To consider to be in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Bank and the shareholders.
- Carrying out any other function as may be required / mandated as per the provisions of the Companies Act, 2013, the SEBI Listing Regulations, any directions, circulars, notification issued by the Reserve Bank of India and/or any other applicable laws.

The composition of the Committee, details of meetings held and attendance of the members during the Financial Year 2024-2025 is given hereunder:

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on						No. of Meetings	
			April 24, 2024	June 20, 2024	July 29, 2024	October 23, 2024	November 22, 2024	December 13, 2024	Held	Attended
Mr. Kamaldeep Singh Sangha	Independent Director								6	6
Mr. Dinesh Gupta	Non – Executive Director				LOA				6	5
Mr. Gurpreet Singh Chug	Independent Director								6	6
Mr. Sham Singh Bains	Independent Director								6	6

Chairperson =  | Member =  | Present =  Absent =  | Not Member =  | Leave of Absence = LOA

Requisite quorum was present at the abovementioned Meetings. Mr. Kamaldeep Singh Sangha, Chairperson of the NR Committee, was present at the Annual General Meeting (AGM) of the Bank held on August 30, 2024.

Stakeholders' Relationship Committee

Mr. Dinesh Gupta, Chairperson

3. Stakeholders' Relationship Committee

The constitution and terms of reference of Stakeholders' Relationship Committee ('SRC') are in compliance with the provisions of Section 178 of the Act and Regulation 20 of SEBI Listing Regulations. During the year, the Stakeholders' Relationship Committee was re-constituted and the present constitution of Stakeholders' Relationship Committee is stated hereunder.

CORPORATE GOVERNANCE REPORT

Composition as on March 31, 2025

Name	Nature of Directorship	Chairperson / Member	Number and Dates of Meetings held during the FY 25
			Number of Meeting held - 1
Mr. Dinesh Gupta	Non – Executive Director		Date of the meetings: -
Mr. Navin Kumar Maini	Independent Director		January 13, 2025
Mr. Sham Singh Bains	Independent Director		
Mr. Nageswara Rao Yalamanchili*	Independent Director		
Mr. Kamaldeep Singh Sangha*	Independent Director		

Chairperson =  | Member = 

*During the year w.e.f February 27, 2025, Mr. Nageswara Rao Yalamanchili ceased to be member and Mr. Kamaldeep Singh Sangha was inducted as a new member in the Committee.

The Company Secretary acts as a Secretary to the Committee

Brief Terms of Reference and Responsibilities: -

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

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on	No. of Meetings	
			January 13, 2025	Held	Attended
Mr. Dinesh Gupta	Non – Executive Director			1	1
Mr. Navin Kumar Maini	Independent Director			1	1
Mr. Sham Singh Bains	Independent Director			1	1
Mr. Nageswara Rao Yalamanchili*	Independent Director			1	1

Chairperson =  | Member =  | Present =  Absent =  | Leave of Absence = LOA

* Mr. Nageswara Rao Yalamanchili ceased to be member of the Committee w.e.f February 27, 2025.

CORPORATE GOVERNANCE REPORT



Corporate Social Responsibility Committee

Mr. Sham Singh Bains, Chairperson

4. Corporate Social Responsibility Committee

The Bank has a Corporate Social Responsibility (CSR) Committee in compliance with the provisions of Section 135 of the Companies Act, 2013. During the year, the CSR Committee was reconstituted and present members of the Committee are stated hereunder.

Composition as on March 31, 2025			Number and Dates of Meetings held during the FY 25
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held - 2
Mr. Sham Singh Bains	Independent Director		Dates of the meetings: -
Mr. Sarvjit Singh Samra	Managing Director		May 06, 2024
Mr. Gurpreet Singh Chug*	Independent Director		December 03, 2024
Mr. Nageswara Rao Yalamanchili	Independent Director		
Mr. Sukhen Pal Babuta	Independent Director		
Ms. Rachna Dikshit*	Independent Director		

Chairperson = | Member = /

*During the year w.e.f February 27, 2025, Mr. Gurpreet Singh Chug ceased to be member and Ms. Rachna Dikshit inducted as a new member in the Committee.

The Company Secretary acts as a Secretary to the Committee

Brief Terms of Reference and Responsibilities: -

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

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on		No. of Meetings	
			May 06, 2024	December 03, 2024	Held	Attended
Mr. Sham Singh Bains	Independent Director				2	2
Mr. Sarvjit Singh Samra	Managing Director				2	2
Mr. Gurpreet Singh Chug*	Independent Director				2	2
Mr. Nageswara Rao Yalamanchili	Independent Director				2	2
Mr. Sukhen Pal Babuta	Independent Director		LOA	LOA	2	0

Chairperson = | Member = | Present = Absent = | Not Member = | Leave of Absence = LOA

* Mr. Gurpreet Singh Chug ceased to be member and Ms. Rachna Dikshit inducted as a new member in the Committee w.e.f. February 27, 2025.

CORPORATE GOVERNANCE REPORT



Management Committee

Mr. Sarvjit Singh Samra, Chairperson

5. Management Committee

Composition as on March 31, 2025			Number and Dates of Meetings held during the FY 25
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held - 5
Mr. Sarvjit Singh Samra	Managing Director		Dates of the meetings: -
Mr. Dinesh Gupta	Non – Executive Director		May 07, 2024
			July 25, 2024
Mr. Sham Singh Bains	Independent Director		October 22, 2024
			January 28, 2025
Mr. Nageswara Rao Yalamanchili	Independent Director		February 25, 2025
Ms. Rachna Dikshit	Independent Director		

Chairperson = | Member = /

The Company Secretary acts as a Secretary to the Committee

Brief Terms of Reference and Responsibilities: -

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

CORPORATE GOVERNANCE REPORT

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on					No. of Meetings	
			May 07, 2024	July 25, 2024	October 22, 2024	January 28, 2025	February 25, 2025	Held	Attended
Mr. Sarvjit Singh Samra	Managing Director							5	5
Mr. Dinesh Gupta	Non – Executive Director							5	5
Mr. Sham Singh Bains	Independent Director							5	5
Ms. Rachna Dikshit	Independent Director							5	5
Mr. Nageswara Rao Yalamanchili	Independent Director							5	5

Chairperson =  | Member =  | Present =  Absent =  | Not Member =  | Leave of Absence = LOA



Risk Management Committee

Ms. Rachna Dikshit, Chairperson

6. Risk Management Committee

The Bank has Risk Management Committee in terms of Regulation 27 and part E of schedule II of SEBI Listing Regulations:

Composition as on March 31, 2025			Number and Dates of Meetings held during the FY25
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held - 5
Ms. Rachna Dikshit	Independent Director		Dates of the meetings: -
			May 07, 2024
Mr. Dinesh Gupta	Non – Executive Director		July 25, 2024
Mr. Gurpreet Singh Chug	Independent Director		October 22, 2024
			February 06, 2025
Mr. Nageswara Rao Yalamanchili	Independent Director		February 25, 2025
Mr. Kamaldeep Singh Sangha	Independent Director		

Chairperson =  | Member = 

The Company Secretary acts as a Secretary to the Committee

CORPORATE GOVERNANCE REPORT

Brief Terms of Reference and Responsibilities: -

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

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on					No. of Meetings	
			May 07, 2024	July 25, 2024	October 22, 2024	February 06, 2025	February 25, 2025	Held	Attended
Ms. Rachna Dikshit	Independent Director							5	5
Mr. Dinesh Gupta	Non – Executive Director							5	5
Mr. Gurpreet Singh Chug	Independent Director							5	5
Mr. Nageswara Rao Yalamanchili	Independent Director							5	5
Mr. Kamaldeep Singh Sangha	Independent Director							5	5

Chairperson =  | Member =  | Present =  Absent =  | Not Member =  | Leave of Absence = LOA

CORPORATE GOVERNANCE REPORT



IT Strategy Committee

Mr. Nageswara Rao Yalamanchili, Chairperson

7. IT Strategy Committee

Composition as on March 31, 2025			Number and Dates of Meetings held during the FY25
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held - 4
Mr. Nageswara Rao Yalamanchili	Independent Director		Dates of the meetings: - June 29, 2024
Mr. Gurpreet Singh Chug	Independent Director		September 21, 2024
Mr. Sarvjit Singh Samra	Managing Director		December 23, 2024
Mr. Munish Jain	Executive Director		March 28, 2025
Mr. Harvinder Singh	Employee (CIO)		
Mr. Vimal Kumar Kamal	Employee (CISO)		

Chairperson =  | Member = 

The Company Secretary acts as a Secretary to the Committee.

Brief Terms of Reference and Responsibilities: -

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

Name of Director and Executives	Category of the Director	Position held in the Committee	Attendance at the Meeting held on				No. of Meetings	
			June 29, 2024	September 21, 2024	December 23, 2024	March 28, 2025	Held	Attended
Mr. Nageswara Rao Yalamanchili	Independent Director						4	4
Mr. Gurpreet Singh Chug	Independent Director						4	4
Mr. Sarvjit Singh Samra	Managing Director			LOA			4	3
Mr. Munish Jain	Executive Director						4	4
Mr. Harvinder Singh	Employee						4	4
Mr. Vimal Kumar Kamal	Employee						4	4

Chairperson =  | Member =  | Present =  Absent =  | Not Member =  | Leave of Absence = LOA

CORPORATE GOVERNANCE REPORT



Customer Service Committee

Mr. Sarvjit Singh Samra, Chairperson

8. Customer Service Committee

Composition as on March 31, 2025			Number and Dates of Meetings held during the FY25
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held - 4
Mr. Sarvjit Singh Samra	Managing Director		Dates of the meetings: - June 11, 2024
Mr. Sham Singh Bains	Independent Director		September 16, 2024
Ms. Rachna Dikshit	Independent Director		December 03, 2024
Mr. Nageswara Rao Yalamanchili	Independent Director		March 10, 2025

Chairperson =  | Member =  / 

The Company Secretary acts as a Secretary to the Committee

Brief Terms of Reference and Responsibilities: -

- Formulate and annual review of Deposit Policy, Customer Service related policies and Grievance Redressal related policies
- Review the implementation status of the RBI instructions issued during the period on Customer Service aspect
- Oversee the tri-ennial audit of customer related services aspect (including review of the report)
- Review customer complaints data
- Annual review of detailed analysis on customer complaints (including nature, time taken, compliance with TAT etc.)
- Review the process and status for settlement of deceased cases
- Review the product approval process, with the view on suitability and appropriateness for the customers
- Approve and review annual depositor/customer satisfaction surveys and their outcome
- Review the performance, suggestions and/or report submitted by Standing Committee on Customer Service, inter alia, the areas reviewed, procedures / practices identified and simplified / introduced etc.
- Review report submitted by Internal Ombudsman ('IO') and review the performance of IO
- Take note of the awards given by the Banking Ombudsman, and address issues of systemic deficiencies existing in banks, if any, brought out by the awards
- Review status on recommendations of various committees on customer services aspect including Report on Ghosh and Jilani committee, Goiporia Committee etc.
- Review the accessibility of branches/ATM to persons with disability and services provided to senior citizens with reference to the Bank charter
- Submit a detailed memorandum/report on customer service aspect to the Board of Directors, once every six months and initiate prompt corrective action wherever service quality / skill gaps have been noticed
- Review all the awards remaining unimplemented for more than three months with the reasons thereof, to enable to report the Board such delays in implementation without valid reasons and for initiating necessary remedial action;
- Examine issues having bearing on the quality of customer service rendered or any other matter related to Customer Service.
- Review the progress in reduction of Inoperative/Frozen Accounts and the special efforts made by the Bank in this regard.
- Quarterly Status Report to review the awareness initiatives taken by the Bank in respect to enhance customer awareness on extant regulations, Grievances redress Mechanism, Safe Banking Practices etc.
- Quarterly review the status and progress for Door Step Banking services provided to customer.

CORPORATE GOVERNANCE REPORT

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on				No. of Meetings	
			June 11, 2024	September 16, 2024	December 03, 2024	March 10, 2025	Held	Attended
Mr. Sarvjit Singh Samra	Managing Director						4	4
Mr. Sham Singh Bains	Independent Director						4	4
Ms. Rachna Dikshit	Independent Director						4	4
Mr. Nageswara Rao Yalamanchili	Independent Director						4	4

Chairperson =  | Member =  | Present =  Absent =  | Not Member =  | Leave of Absence = LOA



Securities Committee

Mr. Dinesh Gupta, Chairperson

9. Securities Committee

Composition as on March 31, 2025			Number and Dates of Meetings held during the FY25
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held - 5
Mr. Dinesh Gupta	Non – Executive Director		Dates of the meetings: -
Mr. Gurpreet Singh Chug	Independent Director		• June 29, 2024
Mr. Sham Singh Bains	Independent Director		• July 19, 2024
Mr. Nageswara Rao Yalamanchili	Independent Director		• September 11, 2024
			• November 22, 2024
			• March 28, 2025

Chairperson =  | Member = 

The Company Secretary acts as a Secretary to the Committee.

Brief Terms of Reference and Responsibilities: -

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

CORPORATE GOVERNANCE REPORT

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on					No. of Meetings	
			June 29, 2024	July 19, 2024	September 11, 2024	November 22, 2024	March 28, 2025	Held	Attended
Mr. Dinesh Gupta	Non – Executive Director							5	5
Mr. Gurpreet Singh Chug	Independent Director							5	5
Mr. Sham Singh Bains	Independent Director							5	5
Mr. Nageswara Rao Yalamanchili	Independent Director							5	5

Chairperson =  | Member =  | Present =  Absent =  | Not Member =  | Leave of Absence = LOA

10. Special Committee of the Board for monitoring and follow- up cases of Frauds

During the year, the Special committee on Fraud was re-constituted and renamed as Special Committee of the Board for monitoring and follow - up cases of frauds and the present constitution of the committee is stated as under:

Composition as on March 31, 2025

Name	Nature of Directorship	Chairperson / Member
Mr. Navin Kumar Maini	Independent Director	
Mr. Sarvjit Singh Samra	Managing Director	
Mr. Kamaldeep Singh Sangha	Independent Director	
Mr. Gurpreet Singh Chug	Independent Director	
Mr. Dinesh Gupta*	Non- Executive Director	

Chairperson =  | Member = 

*Mr. Dinesh Gupta ceased to be member of the committee w.e.f October 24, 2024

The Company Secretary acts as a Secretary to the Committee

Brief Terms of Reference and Responsibilities: -

To monitor and review all frauds of Rs. 1 Crore and above so as to :

- To Identify the systemic lacunae if any that facilitated perpetration of the fraud and put in place majors to plug the same.
- To Identify the reasons for delay in detection, if any, reporting to top management of the bank and RBI
- To Monitor progress CBI/Police investigation and recovery position.
- To consider to ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time.
- To review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls.
- To consider to put on place other measures as may be considered relevant to strengthen preventive measures against the frauds.

Further, since the meeting is to be held on need basis, no meeting for the Special Committee of the Board for monitoring and follow up cases of frauds was held during the year under review.

CORPORATE GOVERNANCE REPORT

11. Committee for Review of Wilful Defaulters

Composition as on March 31, 2025			Number and Dates of Meetings held during the FY25
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held - 1
Mr. Sarvjit Singh Samra	Managing Director		Date of the meeting: -
Mr. Dinesh Gupta	Non – Executive and Non - Independent Director		September 17, 2024
Mr. Gurpreet Singh Chug	Independent Director		

Chairperson =  | Member = 

The Company Secretary acts as a Secretary to the Committee

Brief Terms of Reference and Responsibilities: -

The Reserve Bank of India vide its Master Circular no. DBR.No.CID.BC.22/ 20.16.003/ 2015-16 dated July 1, 2015 "Master Circular on Wilful Defaulters" directed the Banks to put in place a system to disseminate credit information pertaining to wilful defaulters for cautioning banks and financial institutions so as to ensure that further bank finance is not made available to them.

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on	No. of Meetings	
			September 17, 2024	Held	Attended
Mr. Sarvjit Singh Samra	Managing Director			1	1
Mr. Dinesh Gupta	Non – Executive and Non - Independent Director			1	1
Mr. Gurpreet Singh Chug	Independent Director			1	1

Chairperson =  | Member =  | Present =  Absent =  | Not Member =  | Leave of Absence = LOA

12. Compromise and Settlement committee

Composition as on March 31, 2025			Number and Dates of Meetings held during the FY25
Name	Nature of Directorship	Chairperson / Member	Number of Meetings held - 1
Mr. Nageswara Rao Yalamanchili	Independent Director		Date of the meeting: -
Ms. Rachna Dikshit	Independent Director		March 25, 2025
Mr. Gurpreet Singh Chug	Independent Director		
Mr. Aseem Mahajan	Chief Financial Officer		
Mr. Rohit Kapoor	Deputy HOD Monitoring		
Mr. Varinder Shoor	Regional BH - 2		

Chairperson =  | Member =  / 

The Company Secretary acts as a Secretary to the Committee

CORPORATE GOVERNANCE REPORT

Brief Terms of Reference and Responsibilities: -

To review the Compromise and Settlement Cases.

Name of Director and Executives	Category of the Director	Position held in the Committee	Attendance at the Meeting held on	No. of Meetings	
			March 25, 2025	Held	Attended
Mr. Nageswara Rao Yalamanchili	Independent Director			1	1
Ms. Rachna Dikshit	Independent Director			1	1
Mr. Gurpreet Singh Chug	Independent Director			1	1
Mr. Aseem Mahajan	Chief Financial Officer			1	1
Mr. Rohit Kapoor	Deputy HOD Monitoring			1	1
Mr. Varinder Shoor	Regional BH - 2			1	1

Chairperson =  | Member =  | Present =  Absent =  | Not Member =  | Leave of Absence = LOA

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PERFORMANCE EVALUATION:

The Nomination and Remuneration Committee and the Board has approved the evaluation process for evaluating the performance of the Board and Committees as whole and individual director. A separate meeting of Independent Directors was held on January 13, 2025 which carried out the annual evaluation of the performance of Non-Executive Non-Independent Directors, Executive Directors, Chairperson, Board as a Whole and Board Committees. Further the Board of Directors in its meeting held on January 29, 2025 had also conducted the Annual evaluation of performance of Board as a whole, Board Committees, Chairperson, Managing Director, Executive Director, Non - Executive Independent Directors, Non-Executive Directors and expressed its satisfaction. The performance of the Board and Board's Committees were evaluated on various parameters such as structure, composition, quality, diversity, experience, competencies, performance of specific duties and obligations, quality of decision-making and overall Board effectiveness. Performance of individual directors was evaluated on parameters such as meeting attendance, participation and contribution, responsibility towards stakeholders and independent judgement. The Independent Directors were evaluated at additional parameters such as external expertise, devotion of sufficient time, strategic guidance to the Bank etc. The performance of Chairperson of the Bank, Managing Director and Executive Director was also evaluated at the additional parameters.

CORPORATE GOVERNANCE REPORT

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PARTICULARS OF SENIOR MANAGEMENT INCLUDING THE CHANGES THEREIN SINCE THE CLOSE OF THE PREVIOUS FINANCIAL YEAR:

During the year, Mr. Aseem Mahajan was appointed as Chief Financial Officer w.e.f. April 24, 2024 and pursuant to the said appointment, Mr. Munish Jain ceased to hold the position of Chief Financial Officer from the said date. Following are the SMPs of the Bank as on March 31, 2025:

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

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REMUNERATION TO DIRECTORS:

- a) **Executive Director:** The Executive Directors are eligible for remuneration, as approved by the shareholders of the Bank on the recommendation of the Nomination and Remuneration Committee (NRC) and the Board of Directors. The office of executive directors may be terminated by the Bank or by him by giving prior notice in writing as per the policy of the Bank. No severance fees are payable to the Executive Director.
- b) **Non-Executive/Independent Directors:** The Non- Executive/Independent Directors of the Bank receive remuneration by way of sitting fees for attending the meeting of the Board of Directors and/or Committees thereof, as approved by the Board. The profit-linked commission may be paid within the monetary limit approved by the shareholders of the Bank as a percentage of the net profits of the Bank computed as per the applicable provisions of the Companies Act, 2013, and rules framed thereunder. Independent Directors shall not be entitled for any share-based employee benefit.

Details of remuneration, sitting fees, etc. paid to Directors for the year ended March 31, 2025 is as under:

a. Remuneration to Non – Executive Directors

(Amount in ₹)

S. no	Name of Director	Salary	Sitting fees	Profit related Commission	Total Remuneration	%age to total remuneration
1	Mr. Sham Singh Bains	9,00,000	6,10,000	-	15,10,000	11.30
2	Mr. Balbir Singh	-	1,50,000	-	1,50,000	1.12
3	Mr. Dinesh Gupta	20,00,000	5,50,000	-	25,50,000	19.08
4	Mr. Gurpreet Singh Chug	9,00,000	6,20,000	-	15,20,000	11.37
5	Mr. Navin Kumar Maini	14,25,000	3,40,000	-	17,65,000	13.21
6	Mr. Srinath Srinivasan	-	3,00,000	-	3,00,000	2.24
7	Mr. Nageswara Rao Yalamanchili	9,00,000	5,80,000	-	14,80,000	11.07

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S. no	Name of Director	Salary	Sitting fees	Profit related Commission	Total Remuneration	%age to total remuneration
8	Ms. Rachna Dikshit	9,00,000	4,80,000	-	13,80,000	10.33
9	Mr. Kamaldeep Singh Sangha	9,00,000	5,10,000	-	14,10,000	10.55
10	Mr. Sukhen Pal Babuta	9,00,000	4,00,000	-	13,00,000	9.73
11	Mr. Mahesh Parasuraman	-	-	-	-	-
		88,25,000	45,40,000	-	1,33,65,000	100.00

Note: During the financial year none of the Non-Executive Directors have any pecuniary relationship or transaction with the Bank apart from receiving sitting fee and Compensation as applicable.

b. Remuneration to Executive Directors

Based on recommendations from the Nomination and Remuneration Committee, the Board of the Bank approves remuneration for Executive Directors. This approval is subject to shareholder and regulatory approvals, such as those from the RBI where applicable. The terms of appointment are governed by the employment agreements between the Bank and the Executive Directors.

The remuneration details of Executive Directors viz. Mr. Sarvjit Singh Samra, MD & CEO and Mr. Munish Jain, Whole-Time Director (designated as Executive Director) of the Bank is as per the terms of approval of RBI is given below:

Name	Fixed Pay for FY 25 (including perquisites)	Variable Pay of Previous Years paid during the FY 25
Mr. Sarvjit Singh Samra, Managing Director & CEO	₹1.31 crores	₹0.25 crore
Mr. Munish Jain, Executive Director (WTD)	₹1.31 crores	₹0.34 crore

- The Remuneration shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed. The values are calculated basis Income Tax rules, the same excludes gratuity, PF settlement, perquisite on ESOPs & superannuation benefits
- RBI vide its letter dated September 23, 2024 approved the Fixed pay for FY 2024-25 payable to Mr. Sarvjit Singh Samra and Mr. Munish Jain respectively.

CORPORATE GOVERNANCE REPORT

GENERAL BODY MEETINGS

a. Details of last three Annual General Meetings (AGM):

25 th Annual General Meeting ▶			
 August 30, 2024	 11:00 A.M.	 Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM")	 To approve the remuneration of Mr. Sarvjit Singh Samra (DIN: 00477444), Managing Director & Chief Executive Officer from April 01, 2024 to April 23, 2025 To approve the remuneration of Mr. Munish Jain (DIN: 10132430), Executive Director from April 01, 2024 to August 27, 2026 Ratification of CSFB Limited - Employee Stock Option Plan for Material Risk Takers
24 th Annual General Meeting ▶			
 August 11, 2023	 11:00 A.M.	 Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM")	 To approve the revised remuneration of Mr. Sarvjit Singh Samra (DIN: 00477444), Managing Director & CEO for the period commencing from April 24, 2022 till April 23, 2023 To approve the updated remuneration of Mr. Sarvjit Singh Samra (DIN: 00477444), Managing Director & CEO for financial year 2023-24 onwards
23 rd Annual General Meeting ▶			
 August 05, 2022	 11:00 A.M.	 Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM")	 To Re-Appoint Mr. Sham Singh Bains (DIN: 01537844) as a Non- Executive Independent director for a second term of three years
 Date	 Time (IST)	 Venue	 Special Resolution passed

CORPORATE GOVERNANCE REPORT

b. Postal Ballot

In accordance with MCA General Circulars Nos. 14/2020 dated April 8, 2020, 17/2020 dated April 13, 2020, 20/2020 dated May 05, 2020, 22/2020 dated June 15, 2020, 33/2020 dated September 28, 2020, 39/2020 dated December 31, 2020, 10/2021 dated June 23, 2021, 20/2021 dated December 08, 2021, 03/2022 dated May 05, 2022, 11/2022 dated December 28, 2022, 09/2023 dated September 25, 2023 and 9/2024 dated September 19, 2024 issued by the Ministry of Corporate Affairs hereinafter referred as ("MCA Circulars") and other applicable rules / regulations / guidelines / circulars / notifications [including any statutory modification(s), amendment(s) thereto or re-enactment(s) thereof for the time being in force], resolution was proposed to be passed by means of Postal Ballot, only by way of remote e-voting process ("e-voting"). The Bank had engaged the services of MUFG Intime India Pvt. Ltd. (formerly Link Intime India Private Limited) ("Registrar and Transfer Agent" or "RTA") as the agency to provide e-voting facility.

Mr. Brij Kishore Sharma of M/s B K Sharma and Associates, Company Secretaries, Jaipur (Membership No. F6206 & CP No. 12636) acted as Scrutiniser for conducting the Postal Ballot in a fair and transparent manner.

In accordance with the MCA Circulars, the Postal Ballot Notice dated December 05, 2024 was sent only by electronic mode to those members whose names appeared in the Register of Members / List of Beneficial Owners as on Friday, December 20, 2024 ("Cut-Off Date") received from the Depositories and whose e-mail addresses were registered with the Bank / Depositories. Instructions for voting by (i) individual shareholders holding shares of the Company in demat mode, (ii) Shareholders other than individuals holding shares of the Bank in demat mode, (iii) Shareholders holding shares of the Bank in physical mode, and (iv) Shareholders who have not registered their e-mail address, were explained in the Postal Ballot Notice.

Members exercised their vote(s) by e-voting during the period from 09:00 a.m. on Tuesday, December 24, 2024 till 05:00 p.m. on Wednesday, January 22, 2025.

The Scrutiniser submitted his report on January 22, 2025, after the completion of scrutiny and result of the e-voting was announced on the same day. The summary of voting result is given below:

1. To approve the re-appointment of Mr. Sarvjit Singh Samra (DIN: 00477444) as Managing Director and CEO of the Bank for a period of three years w.e.f. April 24, 2025

Particulars	% of total votes	Result
Votes in favour of the Resolution	99.97%	Passed with requisite majority
Votes against the Resolution	0.02%	

2. Re-Appointment of Mr. Navin Kumar Maini, Independent Director (DIN: 00419921) As Part-Time Chairman of the Bank W.E.F. April 24, 2025 till January 29, 2027

Particulars	% of total votes	Result
Votes in favour of the Resolution	99.98%	Passed with requisite majority
Votes against the Resolution	0.013%	

The aforesaid resolutions were passed with requisite majority on January 22, 2025. Voting result of postal ballot is available on the website of the Stock Exchanges and website of the Bank. There is no immediate proposal for passing any resolution through postal ballot. However, if required, the same shall be passed in compliance of provisions of the Companies Act, 2013, the Listing Regulations or any other applicable laws.

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MEANS OF COMMUNICATION

- I. Annual Report containing Financial Statements, Board's Report, Management Discussion & Analysis (MD&A) Report, Auditor's Report and other information are circulated to members and others who are entitled to it through permitted mode.
- II. Financial results are published in leading local and national newspapers i.e., Nawan Zamana and Business Standard.

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- III. All important information relating to the Bank and its performance, including the financial results, shareholding pattern, corporate governance report etc. are displayed on the Bank's website [www. capitalbank.co.in](http://www.capitalbank.co.in). The website also displays all official press releases issued by the Bank, if any. Apart from statutory financial results communication, the Bank also communicates financial performance information through various leading newspapers (including Economic Times, Mint, Hindustan Times) and emailers to all the stakeholders.
- IV. The Bank disseminate all price sensitive information into the public domain by way of intimating the same to stock exchanges, i.e. BSE Ltd. and National Stock Exchange of India Ltd. immediately. The same is also displayed on the Bank's website.
- V. SMS were sent to shareholders for details relating to e-voting for General Meetings/Postal Ballot during the year.
- VI. All periodical and other event-based compliance filings of the Bank are filed electronically on this web-based portal of NSE and BSE.
- VII. Bank's RTA viz. MUFG Intime India Pvt. Ltd. (formerly Link Intime India Private Limited) through its platform 'SWAYAM' facilitates investors to access information through a dashboard and avail various services in digital mode. The same can be accessed at <https://swayam.in.mpms.mufg.com>
- VIII. In case of any query, shareholders may write to the Company Secretary at cs@capitalbank.co.in.
- IX. The Bank has made quarterly/event based presentations to investors and analysts.

COMPLIANCES

There were no instances of non - compliance by the Bank on any matter related to capital markets. No penalty have been imposed on the Bank by the Registrar of Companies, Reserve Bank of India, Stock Exchanges or SEBI or any other statutory authority during the Financial Year 2024- 25.

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GENERAL SHAREHOLDER INFORMATION

The Bank is registered with the Registrar of Companies, Punjab & Chandigarh. The present Corporate Identity Number (CIN) of the Company by Ministry of Corporate Affairs is **L65110PB1999PLC022634**.

Annual General Meeting of the Bank:	26 th Annual General Meeting
Date, Time, Venue	Date and Time : Friday, August 01, 2025 at 11:00 A.M (IST) By Video-Conferencing/other Audio Visual Means ("VC/ OAVM"). The registered office of the Bank i.e., MIDAS Corporate Park, 3rd Floor, 37, G.T. Road, Jalandhar 144001 Punjab, shall be deemed to be the venue of the meeting
Financial Year	The Bank follows April to March as the financial year. The next financial year of the Bank would be from April 1, 2025 to March 31, 2026
Record Date for payment of Dividend	Friday, July 25, 2025
Dividend Payment Date	Dividend Payment Date Within 30 days from the date of declaration at 26 th AGM

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Names and addresses of Stock Exchange where Equity Shares of the Bank are listed	BSE Limited Listing Compliance Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001 Maharashtra National Stock Exchange of India Limited The Listing Department, Exchange Plaza, Bandra Kurla Complex, Mumbai - 400 051 Maharashtra						
	The Bank has paid listing fee in respect of financial year 2025 – 26 to BSE Limited and National Stock Exchange of India Limited						
Listing Fee to Stock Exchanges	The Bank has no outstanding GDR/ADR/warrants as on March 31, 2025						
ISIN	INE646H01017						
Outstanding global depository receipts or American depository receipts or warrants or any convertible instruments, conversion date and likely impact on equity	The Bank has no outstanding GDR/ADR/warrants as on March 31, 2025						
Listing of Debt securities of the Bank	The debt securities of the Bank issued in the form of Upper Tier-II Bonds, which are listed on the BSE Limited and detail of the same is as under:						
	NCD Series	Coupon Rate	ISIN Number	Rating by Brickwork Ratings India Private Limited on April 12, 2024	Rating by Brickwork Ratings India Private Limited on April 09, 2025	Rating by Care Ratings Limited on March 12, 2024	Rating by Care Ratings Limited on March 07, 2025
	Unsecured Redeemable Non-Convertible (Upper Tier II), Basel I Compliant Bonds 2014-15 (Series XI)	11.75%	INE646H08012	BWR A+ Outlook: (Stable) (Reaffirmation)	BWR A+ Outlook: (Stable) (Reaffirmation)	CARE A-; Stable (Single A Minus; Outlook : Stable)	CARE A-; Stable (Single A Minus; Outlook : Stable)
	Unsecured Redeemable Non-Convertible (Upper Tier II), Basel I Compliant Bonds 2015-16 (SERIES XIII)	11.75%	INE646H08020	BWR A+ Outlook: (Stable) (Reaffirmation)	BWR A+ Outlook: (Stable) (Reaffirmation)	CARE A-; Stable (Single A Minus; Outlook : Stable)	CARE A-; Stable (Single A Minus; Outlook : Stable)
Name and addresses of Debenture Trustee	Name : IDBI Trusteeship Services Limited Address : Universal Insurance Building, Ground Floor, Sir P.M. Road, Fort, Mumbai – 400001 E-mail : itsl@idbitrustee.co.in Tel No. +91-22-40807000						

CORPORATE GOVERNANCE REPORT

Registrar and Share Transfer Agent	MUGF Intime India Private Limited (formerly Link Intime India Private Limited) C- 101, 1st Floor, 247 Park Lal Bahadur Shastri Marg Vikhroli (West) Mumbai – 400083 Tel : 91 810 811 4949 Email ID : ashok.shetty@in.mpms.mufg.com																				
Dematerialisation of shares and Liquidity (as on March 31, 2025)	Total Dematerialisation: 85.74% Promoters' Dematerialisation: 100% The Bank has set up requisite facilities for dematerlisation of its equity shares with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited. The International Securities Identification Number (ISIN) for equity shares is INE646H01017																				
SEBI Complaints redressal systems (SCORES):	Investor complaints received by the Bank at SEBI Complaints Redress System (SCORES) are regularly monitored and resolved by the Bank. Investors can lodge complaints on the SCORES and also can see status of their complaints.																				
Distribution of shareholdings (as on March 31, 2025)	Details are provided in the chart below																				
Demat Suspense Account	<table><tr><th>Particulars</th><th>No of shareholder</th><th>No of Shares</th></tr><tr><td>(a) aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year;</td><td>0</td><td>0</td></tr><tr><td>(b) number of shareholders who approached listed entity for transfer of shares from suspense account during the year;</td><td>0</td><td>0</td></tr><tr><td>(c) number of shareholders to whom shares were transferred from suspense account during the year;</td><td>0</td><td>0</td></tr><tr><td>(d) aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year;</td><td>1</td><td>39,050</td></tr><tr><td>(e) that the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.</td><td>-</td><td>-</td></tr></table>			Particulars	No of shareholder	No of Shares	(a) aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year;	0	0	(b) number of shareholders who approached listed entity for transfer of shares from suspense account during the year;	0	0	(c) number of shareholders to whom shares were transferred from suspense account during the year;	0	0	(d) aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year;	1	39,050	(e) that the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.	-	-
Particulars	No of shareholder	No of Shares																			
(a) aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year;	0	0																			
(b) number of shareholders who approached listed entity for transfer of shares from suspense account during the year;	0	0																			
(c) number of shareholders to whom shares were transferred from suspense account during the year;	0	0																			
(d) aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year;	1	39,050																			
(e) that the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.	-	-																			
Details of credit ratings	The details of Credit Rating obtained by the Bank during the year is provided in the Board's Report, which forms a part of the Annual Report																				
Address for correspondence	Registered office of the Bank: The Company Secretary and Compliance Officer Capital Small Finance Bank Limited MIDAS Corporate Park, 3rd Floor, 37, G.T. Road, Jalandhar 144001 Punjab Tel : +91 181 5051111, 5052222 Email : cs@capitalbank.co.in																				
Shareholders' Helpdesk:	Shareholders may note that the share transmission, dividend payment and other investor related activities are attended to and processed at the office of Bank's Registrar & Transfer Agents (RTA). For any grievances/ complaints, shareholders may contact the RTA at the address mentioned above. The contact details for suggestions, requests, queries, complaints etc, are available at www.capitalbank.co.in. Shareholders holding shares in dematerialisation form should address all their correspondence to their respective Depository Participants (DP).																				

CORPORATE GOVERNANCE REPORT

Succession Plan:

The Bank recognises the importance of a sound succession plan for Directors and Senior Management executives to ensure stability, operational continuity, and sustainable long-term growth of the institution. The Nomination and Remuneration Committee works with the Board on the leadership succession plan to ensure orderly appointments to the Board and Senior Management positions. The Bank has put in place detailed succession management policy in this regard.

Details of Complaints received and resolved during the year

Particulars	No. of Complaints (Equity)	No. of Complaints (Debt)
Complaints pending as on 1 April 2024	0	0
Received during the year	17	0
Resolved during the year	17	0
Complaints outstanding as on 31 March 2025	0	0

Details of the Compliance Officer:

Name: Mr. Amit Sharma

Designation: Company Secretary and Compliance Officer

Address: MIDAS Corporate Park, 3rd Floor, 37, G.T. Road, Jalandhar - 144001 Punjab

Tel: +91 181 5051111 / 5052222

Email: cs@capitalbank.co.in

Investor's Grievance Redressal Mechanism: The Bank has framed investor's grievance redressal mechanism, which provides an avenue for investors to voice their concerns and offers transparency on how grievances will be managed, which aims to reduce conflict and strengthen relationships between investors. This mechanism is available at www.capitalbank.co.in.

Distribution of Shareholding as on March 31, 2025

Category (Shares)	No. of Shareholders	% Shareholding	Total Shares
1 – 5000	68,143	7.28%	32,94,767
5001 – 10000	1,063	1.75%	7,91,337
10001 – 20000	583	1.79%	8,10,094
20001 – 30000	200	1.09%	4,92,926
30001 – 40000	111	0.85%	3,83,629
40001 – 50000	88	0.89%	4,00,667
50001 – 100000	165	2.67%	12,09,402
100001 & Above	226	83.68%	3,78,64,115
Total	70,579	100%	4,52,46,937

CORPORATE GOVERNANCE REPORT

Shareholding Pattern as on March 31, 2025

Category	Total Shares	% Shareholding
Promoters / Promoter Group	84,91,325	18.77%
Mutual Funds	22,45,006	4.96%
Alternate Investment Funds	48,39,941	10.70%
Insurance Companies	59,68,749	13.19%
NBFC	10,237	0.02%
Financial Institutions	13,49,650	2.98%
Foreign Portfolio Investors category I	5,84,568	1.29%
Directors and their relatives	2,48,357	0.55%
Key Managerial Personnel	8,824	0.02%
Investor Education and Protection Fund	37,120	0.08%
Resident Individuals	1,12,72,116	24.92%
NRIs	73,04,018	16.14%
Bodies Corporate	7,06,727	1.56%
Trust	693	0.00%
Limited Liability Partnership	17,89,701	3.96%
HUF	3,89,905	0.86%
Clearing member	-	-
Total	4,52,46,937	100%

Market price data: High, Low during each month in the Financial Year 2024 – 2025:

Month	BSE			NSE		
	High (₹)	Low (₹)	Volume (IN lakhs)	High (₹)	Low (₹)	Volume (IN lakhs)
April – 24	373.15	338	480.30	374.70	337.00	10.91
May – 24	406.7	325	1,273.85	404.80	324.95	34.63
June – 24	360	312.8	408.54	360.00	311.40	14.73
July – 24	369	339.1	318.56	370.70	338.00	14.35
August – 24	341.05	291.4	392.94	340.70	289.55	15.90
September – 24	311.5	287.3	445.40	311.70	288.60	18.16
October – 24	305.9	278.4	166.69	305.60	279	7.18
November – 24	300.05	280	110.13	300.85	279.65	5.03
December – 24	295.95	270.8	218.41	295.90	270.10	11.97
January – 25	311.3	282.65	242.22	310.55	277.60	14.33
February – 25	317.9	267.25	399.71	317.70	266.10	16.02
March – 25	291.7	250	573.77	289.55	250.00	13.74

CORPORATE GOVERNANCE REPORT

Share transfer system:

The Bank's shares are traded under compulsory dematerialised mode. Shareholders who hold shares in physical form are advised to convert them into dematerialised mode to avoid the risk of losing shares, fraudulent transactions and to receive better investor servicing.

Further, pursuant to SEBI Master Circular No. SEBI/HO/MIRSD/POD-1/P/CIR/2023/70 dated May 17, 2023:

- Listed companies to issue securities in demat mode only while processing any investor service requests viz. issue of duplicate share certificates, Claim from Unclaimed Suspense Account exchange/endorsement/ sub-division/ splitting/ consolidation of securities, transmission/transposition of securities.
- Listed entities/RTAs shall now issue a Letter of Confirmation in lieu of the share certificate while processing any of the aforesaid investor service requests.
- All holders of physical securities in listed companies to furnish PAN, Nomination, Contact details, Bank A/c details and Specimen signature for their corresponding folio numbers.
- The Bank adheres to the aforesaid requirements under the said SEBI circular.

9

OTHER DISCLOSURES:

a) Related Party transactions:

There were no materially significant related party transactions having potential conflict with the interests of the Bank during the financial year 2024 - 25. All related party transactions entered into during the financial year were in the ordinary course of business and on arm's length basis and approved by the Audit Committee. The particulars of transactions between the Bank and its related parties, as defined under Section 2(76) of the Act and in Accounting Standard 18, are set out in the financial statements forming part of this Annual Report. The Board has put in place a policy on dealing with related party transactions and material related party transactions and the same is available in the Bank's website at <https://www.capitalbank.co.in/investors/secrterial-policies>

b) Vigil Mechanism/ Whistle Blower Policy:

In line with the provisions of SEBI Listing Regulations, the Act and the principles of good governance, the Bank has devised and implemented a vigil mechanism. The Bank has a Board approved Whistle Blower Policy which is available on Bank's website at <https://www.capitalbank.co.in/investors/secrterial-policies> and details of the vigil mechanism are furnished in the Board's Report. Further, during the year under review, no person has been denied access to the Audit Committee.

c) Compliance with Mandatory Requirements of the SEBI Listing Regulations and Adoption of Non-mandatory requirements of the SEBI Listing Regulations

➤ Compliance with Mandatory Requirements of SEBI Listing Regulations:

The Bank has complied with all applicable mandatory requirements of the Code of Corporate Governance as per the SEBI Listing Regulations.

➤ Adoption of Non- mandatory requirements of the SEBI Listing Regulations (Discretionary requirements as specified in Part E of Schedule II of SEBI Listing Regulations):

• The Board

The Bank has a non-executive part-time Chairperson in terms of the provisions of the Banking Regulation Act, 1949 and his office is separate from the office of the Managing Director & CEO and the appointment of both the Chairperson and the Managing Director & CEO, is approved by RBI pursuant to the provisions of the Banking Regulation Act, 1949.

Further, the Chairperson of the Bank is not related to the Managing Director & CEO of the Bank as per the definition of the term "relative" defined under the Act.

CORPORATE GOVERNANCE REPORT

Further, the Bank has a women director on the board of directors.

Shareholders right

Apart from the quarterly, half yearly and annual update on the financial performance, the Bank also provides detailed update in form of Investor presentation for information of the shareholders. Further, the same information is also published in widely circulated newspapers.

The Bank also publishes its financial results, investors' presentations, call transcripts and Press releases every quarter and also when there is any investor event, on its website at www.capitalbank.co.in which is accessible to the public at large.

Further, information pertaining to important developments of the Bank was brought to the knowledge of the public at large and to the shareholders through communications sent to the stock exchanges where the shares of the Bank are listed.

Modified opinion(s) in audit report:

The financial statements of the Bank for FY 25 are with unmodified audit opinion.

Reporting of Internal Auditor:

The Head of Internal Auditor of the Bank reports directly to the Audit Committee of the Board and had separate discussions with the Audit Committee without the presence of management team

Separate posts of Chairperson and the Managing Director or the Chief Executive Officer

The Bank has complied with the requirement of having separate persons to the post of Chairperson and Managing Director or Chief Executive Officer.

Independent Directors

As per the requirement of the Companies Act, 2013 and Regulation 25(3) of SEBI Listing

Regulations, a meeting of the Independent Directors of the Bank is required to be held at least once a year in absence of non-independent directors.

During the FY 25, meeting of Independent Directors of the Bank was held on January 13, 2025, chaired by Mr. Gurpreet Singh Chug, Independent Director. All the Independent Directors of the Bank attended the meeting held on January 13, 2025 and reviewed the performance of Non-Independent Directors, the Board of Directors as a whole, Board Committees, Chairperson of the Bank, and assessed the quality, quantity and timeliness of flow of information between the Bank's management & the Board. They have shown their satisfaction on the same.

Risk Management

The Bank has constituted Risk Management Committee as per the composition, roles and responsibilities specified in Regulation 21 of LODR.

- d) web link where policy for determining 'material' subsidiaries is disclosed: The Bank does not have any subsidiary. However, the bank has framed the Policy for determining material subsidiaries placed at <https://www.capitalbank.co.in/storage/secreterial-policies>.
- e) web link where policy on dealing with related party transactions: <https://www.capitalbank.co.in/investors/secreterial-policies>.
- f) disclosure of commodity price risks and commodity hedging activities: NA
- g) Details of utilisation of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A): During the period under review, the Bank has not raised any funds through Preferential Allotment or Qualified Institutions Placements as specified under Regulation 32(7A).
- h) There are no recommendations of the Committee that are not accepted by the Board of Directors of the Bank.

CORPORATE GOVERNANCE REPORT

- i) Total fees for all services paid by the listed entity to the auditors and all entities in the network firm/network entity of which the statutory auditor is a part : The total fee paid by the Bank for the services rendered by Auditors for FY 2024 – 2025 is given below: -

Particulars	Fee (₹ in crores)
Audit Fee	0.93
Certificate Fee & Fee for other services	0.07
Out of Pocket expenses	0.40

Notes:

- The Audit Fee includes ₹ 0.40 crores (₹ 0.45 crores during the previous year) paid to auditors other than the statutory auditors
 - Out of expenses includes expenses for statutory auditor and other auditors.
- j) Disclosures under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

Disclosures are furnished in the Board's Report.

Particulars	No. of Complaints
Number of Complaints carried forward from last year (FY'24)	Nil
Number of Complaints filed during the Financial Year (FY'25)	1
Number of Complaints disposed of during the Financial Year (FY'25)	1
Number of Complaints pending as on the end of the Financial Year (FY'25)	Nil

The Policy on Prevention of Sexual Harassment of Women at Workplace has been uploaded on Bank's website at: - <https://www.capitalbank.co.in/investors/secreterial-policies>.

- k) Disclosure by Bank and its subsidiaries of 'Loans and advances in the nature of loans to firms/companies in which directors are interested : The aforesaid disclosure is exempted for listed banks.
- l) Details of material subsidiaries of the listed entity; including the date and place of incorporation and the name and date of appointment of the statutory auditors of such subsidiaries: Not applicable, as the Bank does not have any subsidiary.

- m) Fair Practices Code : The Bank has adopted the Fair Practices Code pursuant to the RBI guidelines issued in this regard, which is placed on the Bank's website and displayed at all branches of the Bank.

- n) Internal Code of Conduct for Prevention of Insider Trading : The Board has adopted an Internal Code of Conduct for Prevention of Insider Trading in the securities of the Bank. The Code inter alia requires Designated Persons obtaining pre-clearance from the appropriate authority in the Bank for dealing in the securities of the Bank as per the criteria specified therein and prohibits the purchase or sale of securities of the Bank while in possession of Unpublished Price Sensitive Information in relation to the Bank besides during the period when the trading window is closed. The period of trading window closure is intimated to all concerned well in advance from time to time.

- o) The disclosures of the compliance with corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and Schedule V of SEBI Listing Regulations on Corporate Governance is required and the Certificate on Corporate Governance as issued by Deepak Arora & Associates, practising Company Secretaries is enclosed as **Annexure C.1** at the end of this report

- p) The Bank has undertaken an audit for the financial year 2024-25 for all applicable compliances as per SEBI Listing Regulations and circulars / guidelines issued thereunder. The Annual Secretarial Compliance Report pursuant to Regulation 24A of SEBI Listing Regulations will be submitted to Stock Exchanges within 60 days of the end of the financial year.

- q) A declaration signed by Mr. Sarvjit Singh Samra, Managing Director and Chief Executive Officer stating that the members of board of directors and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management and the same is enclosed as **Annexure C.2** at the end of this report

- r) Pursuant to Sections 124 and 125 of the Act read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), dividend, if not claimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company, are liable to be transferred to IEPF. Further, all the shares in respect of which dividend has remained unclaimed for seven consecutive years or more from the date of transfer to unpaid dividend account shall also be transferred to IEPF Authority. The said requirement does not apply to shares in respect of which there is a specific order of Court, Tribunal or Statutory Authority, restraining

CORPORATE GOVERNANCE REPORT

ANNEXURE – C.1

any transfer of the shares. In the interest of the shareholders, the Bank sends periodical reminders to the shareholders to claim their dividends in order to avoid transfer of dividends/ shares to IEPF Authority. Notices in this regard are also published in the newspapers and the details of unclaimed dividends and shareholders whose shares are liable to be transferred to the IEPF Authority, are uploaded on the Bank's website. The details of unclaimed dividends and shares transferred to IEPF, is provided at the website of the Bank/IEPF Authority. The Members who have a claim on above dividends and shares may claim the same from IEPF Authority by submitting an online application in web Form No. IEPF-5 available on the website www.mca.gov.in and send a duly signed physical copy of the same to the Bank, along with requisite documents enumerated in the web Form No. IEPF-5. No claims shall lie against the Bank in respect of the dividend/shares so transferred to IEPF. The detail of outstanding dividends and the dates by which it can be claimed by the shareholders from the Bank's Registrar and Transfer Agent are available on the Bank's website and provided in the Board's Report.

s) Managing Director & CEO / CFO Certification

The Managing Director & CEO and the Chief Financial Officer have issued certificate pursuant to the provisions of Regulation 17(8) of the SEBI Listing Regulations, for the FY 25 and the same was placed before the Board of Directors at its meeting held on April 29, 2025 and the same is enclosed as **Annexure C.3** at the end of this report.

t) Pursuant to **Schedule III**, Para A, Clause 5A of SEBI Listing Regulations, there are no agreement impacting management or control of the Bank or imposing any restriction or create any liability upon the Bank.

u) The Bank has complied with the Corporate Governance requirements as per the Regulation 17 to 27 and website disclosure requirements as per Regulation 46(2) of the Listing Regulations. Pursuant to Regulation 17(3) of SEBI Listing Regulations, a quarterly confirmation report confirming compliance with applicable laws, duly signed by Chief Compliance Officer of the Bank, is placed before the Audit Committee of the Board and the Board on quarterly basis.

v) Directors E-KYC

The Ministry of Corporate Affairs has vide amendment to the Companies (Appointment and Qualification of Directors) Rules, 2014, mandated registration of KYC of all the directors through e-form DIR -3KYC. All directors have complied with the aforesaid requirement.

w) Transaction with Senior Management

The members of the senior management of the Bank have affirmed that they have not entered into any material, financial or commercial transaction wherein they have personal interest and which may potentially conflict with the interest of the Bank at large.

x) Plant Locations

Being a banking company registered under the Banking Regulations Act, 1949, the provisions relating to disclosure of details relating to plant locations are not applicable to the Bank.

The Bank operates through a network of 195 branches spread across states of Punjab, Delhi, Haryana, Rajasthan & Himachal Pradesh along with Union Territories of Chandigarh and Jammu & Kashmir.

CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members

CAPITAL SMALL FINANCE BANK LIMITED

MIDAS CORPORATE PARK, 3RD FLOOR, 37

G.T. ROAD, JALANDHAR – 144001, PUNJAB

We have examined the compliance of the conditions of Corporate Governance by **CAPITAL SMALL FINANCE BANK LIMITED ("the Company")** for the year ended on March 31, 2025, as stipulated under Regulations 17 to 27, clauses (b) to (i) of sub regulation (2) of Regulation 46 and Para-C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

The compliance of the conditions of Corporate Governance is the responsibility of the management of the Company. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in the SEBI Listing Regulations. Our examination was limited to the review of procedures and implementation thereof, as adopted by the Company for ensuring compliance with conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations for the year ended on March 31, 2025.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

PLACE: Jaipur

DATE: April 29, 2025

For DEEPAK ARORA & ASSOCIATES

Practicing Company Secretaries

ICSI Unique Code: P2001RJ080000

DEEPAK ARORA

Partner

FCS No. 5104 | COP No. 3641

Peer Review Certificate No: 6655/2025

UDIN: F005104G000231286

ANNEXURE – C.2

DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

I hereby confirm and declare that all the Directors of the Company and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company for the Financial Year 2024 – 2025.

For and on behalf of the Board of Directors

Sarvjit Singh Samra
Managing Director & CEO
DIN : 00477444

Place : Jalandhar
Date : April 29, 2025

ANNEXURE – C.3

CEO & CFO Certification

To,

The Board of Directors

Capital Small Finance Bank Limited

1. Pursuant to Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby certify that we have reviewed financial statements and the cash flow statement of the Bank for the year ended March 31, 2025. To the best of our knowledge and belief:
 - i. These statements do not contain any materially untrue statement or omit any material fact, nor do they contain statements that might be misleading; and
 - ii. These statements together present a true and fair view of the Bank's affairs and are in compliance with applicable accounting standards, laws and regulations.
 - iii. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year that are fraudulent, illegal or violative of the Bank's Code of Conduct.
2. We accept responsibility for establishing and maintaining adequate internal controls for financial reporting and have evaluated the effectiveness of internal control system of the Bank pertaining to financial reporting. We have disclosed to the Auditors and Audit Committee:
 - i. Any deficiency in the design or operation of internal controls, of which we are aware, and the steps taken or proposed to take to rectify the same;
 - ii. significant changes, if any, in internal control over financial reporting during the year;
 - iii. significant changes, if any, in accounting policies during the year and that the same have been appropriately disclosed in the notes to the financial statements; and
 - iv. instances of significant fraud of which we are aware, and the involvement therein, if any, of the management or an employee having significant role in the Bank's internal control system over financial reporting.

Sarvjit Singh Samra
Managing Director & CEO

Place: Jalandhar
Date: April 29, 2025

Aseem Mahajan
Chief Financial Officer



ANNEXURE – D

ANNUAL REPORT ON CSR ACTIVITIES

1. Brief outline on CSR Policy of the Company:

The Bank's CSR policy and programs are in accordance with Section 135 of Companies Act, 2013. The Bank takes multiple initiatives in the areas of education, eradicating hunger, environment sustainability, Rural Sports Development and health. The Bank's CSR policy can be found on the website of the Bank at www.capitalbank.co.in

The following are the key projects that have been undertaken by the Bank's CSR:

- Helping Hands for WFH (Water, Food and Health)
- Sarv Shiksha Abhiyan
- Committed to Environment Stewardship – Greenbelt
- Gear Up India – Rural Sports Development
- Healthcare / Donation under COVID 19

2. Composition of CSR Committee:

During the year under review, 2 meetings of CSR committee were held i.e on May 06, 2024 and December 03, 2024. The CSR Committee was re-constituted in Board meeting held on February 27, 2025, which is stated as under: -

S. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Mr. Sham Singh Bains	Chairperson/ Independent Director	2	2
2.	Mr. Sarvjit Singh Samra	Member/ Managing Director & CEO	2	2
3.	Mr. Gurpreet Singh Chug*	Member/ Independent Director	2	2
4.	Mr. Nageswara Rao Yalamanchili	Member/ Independent Director	2	2
5.	Mr. Sukhen Pal Babuta	Member/ Independent Director	2	0

*ceased to be the member of the Committee w.e.f. February 27, 2025

The revised composition of CSR Committee as on March 31, 2025 is stated as under: -

S. No.	Name of Director	Designation / Nature of Directorship
1.	Mr. Sham Singh Bains	Chairperson/ Independent Director
2.	Mr. Sarvjit Singh Samra	Member/ Managing Director & CEO
3.	Ms. Rachna Dikshit*	Member/ Independent Director
4.	Mr. Nageswara Rao Yalamanchili	Member/ Independent Director
5.	Mr. Sukhen Pal Babuta	Member/ Independent Director

* Inducted as Member of the Committee w.e.f. February 27, 2025

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are

ANNEXURE – D

disclosed on the website of the Company:

www.capitalbank.co.in/csr

4. Provide the executive summary along with web-link(s) of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8, if applicable:

Not Applicable

5. (a) Average net profit of the Company as per sub-section (5) of Section 135

₹ 1,18,91,06,522.11

(b) Two percent of average net profit of the Company as per sub-section (5) of Section 135:

₹ 2,37,82,130.44

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

Nil

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

Nil

(d) Total CSR obligation for the financial year (b+c+d):

₹ 2,37,82,130.44 (rounded Off to ₹ 2,37,82,131/-)

6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project):

₹ 30,15,875.27

(Note: This amount excludes ₹ 1,00,07,748.26 spent during the Financial Year from the unspent account of the previous Financial Years)

(b) Amount spent in Administrative Overheads:

₹ 7,17,662/-

(c) Amount spent on Impact Assessment, if applicable:

Not Applicable

(d) Total amount spent for the Financial Year [(a)+(b)+(c)]:

₹ 37,33,537.27

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

Total Amount Spent for the Financial Year. (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
37,33,537.27	2,00,48,593.73	April 28, 2025	NIL	NIL	NIL

ANNEXURE – D

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

NA

Sl. No.	Particular	Amount (in ₹)
(1)	(2)	(3)
(i)	Two percent of average net profit of the Company as per sub-section (5) of Section 135	2,37,82,131/-
(ii)	Total amount spent for the Financial Year	37,33,537.27
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

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

1	2	3	4	5	6	7	8
Sl. No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under subsection (6) of section 135(in ₹)	Balance Amount in Unspent CSR Account under subsection (6) of section 135 (in ₹)	Amount Spent in the Financial Year (in ₹)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to subsection (5) of section 135, if any	Amount remaining to be spent in succeeding Financial Years (in ₹)	Deficiency, if any
					Amount (in ₹)	Date of Transfer	
1	2021-22	67.96 lakhs*	33.23 lakhs#	34.66 lakhs	-	-	Nil
2	2022-23	105.74 lakhs**	81.44 lakhs	57.39 lakhs	-	-	24.05 lakhs
3	2023-24	171.96 lakhs	171.96 lakhs	8.02 lakhs	-	-	163.94 lakhs

*excluding interest of ₹ 0.26 lakhs and ₹ 1.17 lakhs thereon in FY 2022 – 23 & 2023 – 24 respectively.

*out of ₹ 67.96 lakhs transferred to unspent account for the FY'22, ₹ 6.98 lakhs was spent in FY'23 and ₹ 27.75 lakhs was spent in FY'24

**out of ₹ 105.74 lakhs transferred to unspent account for the FY'23, ₹ 24.30 lakhs was spent in FY'24

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

☒ Yes ☐ No

If Yes, enter the number of Capital assets created/ acquired

1

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

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pin code of the property or asset(s)	Date of creation	Amount of CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner		
					CSR Registration Number	Name	Registered Address
(1)	(2)	(3)	(4)	(5)	(6)		
1.	1 (one) Motor for watering the plants Location : Capital Foundation, 2nd Floor, 36 G.T. Road, Jalandhar, Punjab	NA	May 09 2024	₹ 4100	CSR00025876	Capital Foundation	2nd Floor, 36 G.T. Road, Jalandhar, Punjab.

ANNEXURE – D

Note:

One (1) other Asset i.e., mobile phone purchased for staff communication during the year was disposed of by transferring the expense to Staff Welfare account.

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

The Bank undertakes its Corporate Social Responsibility activities through Capital Foundation (a Society Registered under the Society Registration Act, 1860). During the Year under review, the Bank has disbursed the entire amount of its CSR obligation to the Capital Foundation. As per the report received from the Capital Foundation ₹ 2,00,48,593.73 has remained unspent as some of the Ongoing Projects has not been fully matured. Accordingly, as approved by the CSR Committee, the Capital Foundation has transferred the said unspent amount to Unspent Corporate Social Responsibility Account in accordance with the provisions of Section 135(6) of the Companies Act, 2013.

For and Behalf of Board of Directors

Sham Singh Bains
Chairman of CSR Committee & Independent Director
DIN: 01537844

Sarvjit Singh Samra
Managing Director & CEO
DIN: 00477444

Date : April 29, 2025
Place : Jalandhar



ANNEXURE – E

RELATED PARTIES

AOC – 2

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

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis - NIL

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

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

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

For and on behalf of the Board of Directors

Date : April 29, 2025
Place : Jalandhar

Gurpreet Singh Chug
Independent Director
DIN: 01003380

Sarvjit Singh Samra
Managing Director & CEO
DIN : 00477444

ANNEXURE – F

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2025

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

To,
The Members,
CAPITAL SMALL FINANCE BANK LIMITED
(CIN: L65110PB1999PLC022634)
MIDAS CORPORATE PARK,
3RD FLOOR, 37 G.T. ROAD,
JALANDHAR – 144001, PUNJAB

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by CAPITAL SMALL FINANCE BANK LIMITED (hereinafter called "the Company / Bank"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minutes book, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the financial year ended on March 31, 2025 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minutes book, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2025 according to the provisions of:

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

(Not applicable on the Company during the Audit Period)

- V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (Not applicable to the Company during the Audit Period);
 - d) The Securities and Exchange Board of India (Share Based Employee Benefits & Sweat Equity) Regulations, 2021;
 - e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; (Not applicable on the Company during the Audit Period);
 - f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; (Not applicable on the Company during the Audit Period);
 - g) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (Not applicable as the Company has not bought back/ proposed to buy-back any of its securities during the financial year under review);

ANNEXURE – F

- h) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- i) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
- j) The Securities and Exchange Board of India (Depositories and Participant) Regulations, 2018;
- k) Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993;

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

- i. The Reserve Bank of India Act, 1934 read with all applicable guidelines circulars, notifications etc.
- ii. The Banking Regulation Act, 1949;
- iii. Guidelines/Directions issued by Reserve Bank of India on Small Finance Bank.

We have also examined compliance with the applicable provisions/ Clauses of the following:

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

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

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Women Director. During the period under review, following changes were made in the composition of Board of directors which were carried out in compliance with the provisions of the Act.

1. RBI, through its letter dated January 27, 2025, has approved the re-appointment of Mr. Sarvjit Singh Samra (DIN: 00477444) as the Managing Director

and CEO (MD & CEO) of the Bank for a term of three years, effective April 24, 2025. This approval follows the approval of the Bank's Board of Directors at their meeting held on October 24, 2024, and the shareholder's approval obtained via Postal Ballot dated January 22, 2025.

2. RBI through its letter dated February 11, 2025, has approved the re-appointment Mr. Navin Kumar Maini (DIN: 00419921) as the Part Time Chairman (PTC) of the Bank with effect from April 24, 2025 till January 29, 2027. This approval follows the approval of the Bank's Board of Directors at their meeting held on October 24, 2024, and the shareholder's approval obtained via Postal Ballot dated January 22, 2025.
3. Mr. Srinath Srinivasan (DIN: 00107184) Nominee Director (Nominee of Oman India Joint Investment Fund II) of the Company, ceased to be member of the Board of Directors of the Bank from the close of business hours of February 27, 2025 due to his Personal Reason.

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

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

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

We further report that during the audit period following major events took place in Company, having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.:-

- a) The shareholders, at their meeting held on August 30, 2024, approved the re-appointment of M/s S C V & Co. LLP (Firm Registration No. 000235N/N500089), Chartered Accountants, as the Statutory Auditor of the Bank from the conclusion of the 25th Annual General Meeting, to hold office for a period of two (02) financial years commencing from FY 2024-25, subject to the Reserve Bank of India's approval on a yearly basis for FY 2025-26. Further, the Bank has received approval

ANNEXURE – F

from the Reserve Bank of India for the financial year 2024-25 through its letter dated July 22, 2024.

b) During the period under review, the Company has made following allotments: -

- 6417 (Six Thousand Four Hundred Seventeen) Equity Shares having face value of ₹ 10/- each aggregating to ₹ 64,170 (Indian Rupees Sixty Four Thousand One Hundred Seventy Only) under the CSFB Limited EMPLOYEE STOCK OPTION PLAN for Material Risk Takers MRT in a Securities Committee meeting dated July 19, 2024;
- 20,250 (Twenty Thousand Two Hundred Fifty) Equity Shares at ₹ 98/- each including face value of ₹ 10/- each and a premium of ₹ 88/- each aggregating to ₹ 19,84,500 (Indian Rupees Nineteen lakhs Eighty Four Thousand Five Hundred Only) under the CSFB Limited EMPLOYEE STOCK OPTION PLAN – 2018 ("CSFB ESOP 2018") in a Securities Committee meeting dated September 11, 2024;
- 1,77,750 (One Lacs Seventy Seven Thousand Seven Hundred Fifty) Equity Shares at ₹ 98/- each including face value of ₹ 10/- each and a premium of ₹ 88/- each aggregating to ₹ 1,74,19,500/- (Rupees One crore Seventy-Four lakhs Nineteen Thousand Five Hundred Only)

under the CSFB Limited EMPLOYEE STOCK OPTION PLAN – 2018 ("CSFB ESOP 2018") in a Securities Committee meeting dated November 22, 2024;

- Granting of 19,220 (Nineteen Thousand Two Hundred Twenty) equity shares of the face value of ₹ 10/- each to Mr. Munish Jain, Executive Director, being the Material Risk Taker in a Nomination and Remuneration Committee Meeting held on December 13, 2024.

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

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

PLACE: Jaipur

DATE: April 29, 2025

DEEPAK ARORA

Partner

FCS No. 5104 | COP No. 3641

Peer Review Certificate No: 6655/2025

UDIN: F005104G000231374

ANNEXURE – F

Annexure A

To,
The Members

CAPITAL SMALL FINANCE BANK LIMITED
(CIN: L65110PB1999PLC022634)
MIDAS CORPORATE PARK
3rd FLOOR, 37, G.T. ROAD, JALANDHAR - 144001, PUNJAB

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

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

- The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
- The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

PLACE: Jaipur
DATE: April 29, 2025

DEEPAK ARORA
Partner
FCS No. 5104 | COP No. 3641
Peer Review Certificate No: 6655/2025
UDIN: F005104G000231374

INDEPENDENT AUDITOR'S REPORT

To The Members of

CAPITAL SMALL FINANCE BANK LIMITED

Report on the Audit of Financial Statements

OPINION

We have audited the accompanying financial statements of CAPITAL SMALL FINANCE BANK LIMITED ("the Bank"), which comprise the Balance Sheet as at 31st March, 2025, the Profit and Loss Account, the Cash Flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (together referred to as "financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act ("Accounting Standards") as applicable to Bank, the relevant circulars, guidelines and directions issued by the Reserve Bank of India ("RBI") from time to time and other accounting principles generally accepted in India, of the state of affairs of the Bank as at 31st March, 2025, its profit and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit of the financial statements in accordance with the Standards on Auditing ("SAs") specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sl. No.	Key Audit Matter	Auditor's Response
1	Identification of Non-Performing Advances and Provisioning for Advances (Refer Schedule 9 to the financial statements) Advances constitute a significant portion of the Bank's assets, and the quality of these advances is measured in terms of ratio of Non-Performing Advances ("NPA") to the gross advances of the Bank. The Bank has gross advances amounting to 7,18,38,897 thousand (Previous Year 6,15,97,961 thousand) and the gross NPA ratio of Bank is 2.58 % (Previous Year 2.76%) as at 31st March, 2025. The Reserve Bank of India's (RBI) guidelines on income recognition, asset classification and provisioning ("IRAC norms") and other RBI Guidelines (herein after referred as "Relevant RBI guidelines") prescribes the norms for identification and classification of NPAs and the minimum provision required for such assets. The Bank is also required to apply its judgement to determine the identification and provisioning for NPAs by applying quantitative as well as qualitative factors.	Our audit approach included testing the design, operating effectiveness of internal controls and substantive audit procedures in respect of income recognition, asset classification and provisioning pertaining to advances. In particular, our procedures include: - We have evaluated and understood the Bank's internal control system in adhering to the relevant RBI guidelines. - We have analysed and understood key IT systems/applications used and tested the design and implementation as well as operational effectiveness of relevant controls in relation to income recognition, asset classification, viz. standard, sub-standard, doubtful and loss with reference to relevant RBI guidelines and provisioning pertaining to advances. - We test checked advances to examine the validity of the recorded amounts, underlying loan documentation and statement of accounts, impairment provision for NPAs, and compliance with IRAC norms and other RBI guidelines. - We performed test of details on the provisioning made against respective asset classes as at balance sheet date, and consistency of such provisioning with the Bank's accounting policies and applicable regulatory provisioning requirements.

INDEPENDENT AUDITOR'S REPORT

Sl. No.	Key Audit Matter	Auditor's Response
	In view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter.	- We have considered the system generated "SMA" reports and made inquiries of personnel in the Bank's credit and risk departments regarding indicators of stress or the occurrence of specific event(s) of default or other factors affecting the loan portfolio / particular loan product category, that may affect NPA identification and/ or provisioning. - Evaluated the governance process and controls over calculation of provision for Non-performing Advances and tested that the basis of provisioning is in accordance with the Board of Directors approved policy and IRAC norms. - We performed analytical procedures which considered both financial and non-financial parameters, in relation to identification of NPAs and provisioning there against. - We had performed the walkthrough of the NPA automation process in the current financial year and tested the core functionality for selected sample and tested the identification of NPA and computation of provisions.
2	Key Information technology (IT) systems used in financial reporting process: As a Scheduled Commercial Bank that operates on core banking solution (CBS) and other loan applications across its branches, the reliability and security of IT systems plays a key role in the business operations. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. The IT infrastructure is critical for smooth functioning of the Bank's business operations as well as for timely and accurate financial accounting and reporting. Due to the pervasive nature and complexity of the IT environment we have identified access controls, segregation of duties and change management of relevant Information technology applications, databases, and operating systems (IT) used in financial reporting process as a key audit matter.	We obtained an understanding of the Bank's IT related control environment. Furthermore, we conducted an assessment and identified key IT applications, databases and operating systems that are relevant for our audit. For the key IT systems used to prepare accounting and financial information, our areas of audit focus included access security (including controls over privileged access), program change controls, database management and network operations. Our procedures include: We tested the design, implementation, and operating effectiveness of the Bank's IT General controls over the key IT systems that are critical to financial reporting. This included evaluation of Bank's controls to evaluate segregation of duties and access rights being provisioned / modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being recertified during the period of audit. We also tested key automated and manual business cycle controls and logic for system generated reports relevant to the audit; including testing of compensating controls or performed alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the financial statements

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Bank's Board of Directors are responsible for the other information. The other information comprises the information in the Annual Report but does not include the financial statements and our auditors report thereon and the Basel II Disclosures under New Capital Adequacy Framework (Basel II Disclosures).

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, Accounting Standards specified under section 133 of the Act and other accounting principles generally accepted in India and the circulars, guidelines and the directions issued by the Reserve Bank of India, from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has an adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatement in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- 1) The Balance sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act and the relevant rules issued thereunder.
- 2) As required by sub-section (3) of Section 30 of the Banking Regulation Act, 1949, we report that:
 - a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
 - b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - c. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, it does not require its branches to submit any financial returns. Accordingly, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein. We have visited 25 branches to examine the records maintained at the branches for the purpose of our audit.

- 3) As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
 - (b) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (c) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act read with relevant rules issued thereunder, to the extent they are not inconsistent with the accounting policies prescribed by the RBI;
 - (d) On the basis of the written representations received from the directors as on 31st March 2025 taken on record by the Board of Directors, none of the directors are disqualified as on 31st March, 2025 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (e) With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls with reference to financial statements, and;
 - (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, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule 12 and Note No. 32 of the Schedule 18 to the financial statements.
 - ii. The Bank did not have any long-term contracts including derivative contracts as at the year-end for which there were material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the

INDEPENDENT AUDITOR'S REPORT

Investor Education and Protection Fund by the Bank during the year ended 31st March 2025.

- iv. a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Bank from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.
- v. a) The final dividend paid by the Bank during the year in respect of the same

declared for the previous year is in accordance with Section 123 of the Companies Act 2013 to the extent it applies to payment of dividend.

As stated in note 1.1.5 of Schedule 18 to the financial statements, the board of Directors of the bank have proposed final dividend for the year which is subject to the approval of the members at the ensuing annual general meeting. The dividend proposed is in accordance with section 123 of the Act.

- vi. Based on our examination, which included test checks, the Bank has used accounting software systems for maintaining its books of account for the financial year ended 31st March 2025, which have a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all relevant transactions recorded in the software systems. Further, during the course of our audit we did not come across any instance of the audit trail feature being tampered with and the audit trail has been preserved by the Bank as per the statutory requirements for record retention.
- 4) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the entity being a banking company, section 197 of the Act related to the managerial remuneration is not applicable by virtue of Section 35B(2A) of the Banking Regulation Act, 1949.

FOR SCV & CO. LLP
Chartered Accountants
Firm Registration No. 000235N/N500089

SUNNY SINGH
Partner
Membership No. 516834
ICAI UDIN: 25516834BMMNCP9443

Place: Noida
Date: 29th April 2025

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

Annexure referred to in paragraph 3(e) under the heading “Report on other legal and regulatory requirements” of our report of even date.

Report on the Internal Financial Controls with reference to the Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of **Capital Small Finance Bank Limited** (“the Bank”) as of 31st March 2025 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

MANAGEMENT’S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Bank’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

AUDITORS’ RESPONSIBILITY

Our responsibility is to express an opinion on the Bank’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by Institute of Chartered Accountants of India and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING WITH REFERENCE TO FINANCIAL STATEMENTS

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

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING WITH REFERENCE TO THE FINANCIAL STATEMENTS

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

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

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

OPINION

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2025, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance

Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

FOR SCV & CO. LLP
Chartered Accountants
Firm Registration No. 000235N/N500089

SUNNY SINGH
Partner
Membership No. 516834
ICAI UDIN: 25516834BMMNCP9443

Place: Noida
Date: 29th April 2025

BALANCE SHEET

AS ON MARCH 31, 2025

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
CAPITAL & LIABILITIES			
Capital	1	4,52,469	4,50,425
Reserves and Surplus	2	1,29,48,885	1,15,23,752
Deposits	3	8,32,25,995	7,47,77,391
Borrowings	4	32,05,800	47,22,500
Other Liabilities and Provisions	5	12,41,977	14,78,705
Total		10,10,75,126	9,29,52,773
ASSETS			
Cash and Balances with Reserve Bank of India	6	64,98,422	56,89,812
Balances with Banks and Money at Call and Short Notice	7	34,98,750	75,21,764
Investments	8	1,81,94,534	1,70,57,065
Advances	9	7,09,03,911	6,07,46,920
Fixed Assets	10	8,77,485	8,37,294
Other Assets	11	11,02,024	10,99,918
Total		10,10,75,126	9,29,52,773
Contingent Liabilities	12	7,86,070	6,29,957
Bills for Collection		-	-
Significant Accounting Policies and Notes forming part of the Financial Statements	17 & 18		

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

As per our report of even date attached

For **SCV & Co. LLP**
Chartered Accountants
FRN: 000235N/N500089

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

Sunny Singh
Partner
Membership No. 516834

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

Munish Jain
Director
DIN: 10132430

Gurpreet Singh Chug
Director
DIN: 01003380

Date: April 29, 2025
Place: Noida

Aseem Mahajan
Chief Financial Officer

Date: April 29, 2025
Place: Jalandhar

Amit Sharma
Company Secretary
Membership No. FCS10888

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2025

(₹ in thousands)			
Particulars	Schedule	Year ended March 31, 2025	Year ended March 31, 2024
INCOME			
Interest Earned	13	90,84,958	79,43,255
Other Income	14	8,60,232	6,80,796
Total		99,45,190	86,24,051
EXPENDITURE			
Interest Expended	15	49,83,049	44,91,774
Operating Expenses	16	31,07,868	25,83,288
Provisions and Contingencies	18(25)	5,37,801	4,33,736
Total		86,28,718	75,08,798
PROFIT			
Net profit for the year		13,16,472	11,15,253
Profit brought forward		30,59,023	23,31,819
Total		43,75,495	34,47,072
APPROPRIATIONS			
Transfer to Statutory Reserves		3,29,118	2,78,813
Transfer to Special Reserve		39,398	42,109
Transfer to Revenue and Other Reserves (Investment Fluctuation Reserve)		15,200	14,375
Transfer to Revenue and Other Reserves (Investment Reserve Account)		-	4,143
Transfer (from)/to Revenue and Other Reserves (General Reserve)		(6,188)	6,188
Dividend paid during the year		54,059	42,421
Balance carried over to Balance sheet		39,43,908	30,59,023
Total		43,75,495	34,47,072
EARNINGS PER SHARE			
Basic (₹)	18(14)	29.18	30.65
Diluted (₹)		29.09	30.45
Face Value (₹)		10.00	10.00
Significant Accounting Policies and Notes forming part of the Financial Statements	17 & 18		

The schedules referred to above form an integral part of the Profit & Loss Account. The Profit & Loss Account has been prepared in conformity with Form B to the Third Schedule of the Banking Regulation Act, 1949.

As per our report of even date attached

For **SCV & Co. LLP**
Chartered Accountants
FRN: 000235N/N500089

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

Sunny Singh
Partner
Membership No. 516834

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

Munish Jain
Director
DIN: 10132430

Gurpreet Singh Chug
Director
DIN: 01003380

Date: April 29, 2025
Place: Noida

Aseem Mahajan
Chief Financial Officer

Date: April 29, 2025
Place: Jalandhar

Amit Sharma
Company Secretary
Membership No. FCS10888

CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 31, 2025

(₹ in thousands)			
Particulars	Schedule	Year ended March 31, 2025	Year ended March 31, 2024
CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before Taxes		17,51,298	14,82,137
Adjustments For:			
Depreciation Charge/Amortisation on Fixed Assets		1,69,895	1,69,029
Loan Loss Provision		1,02,975	66,852
Amortisation of Premium/(Discount) on Investments		33,192	29,128
Profit on Sale of Fixed Assets		(160)	(1,227)
Employee Stock Options Expense		48,951	41,854
Depreciation/(Reversal of Depreciation) on Investments		-	(7,367)
Operating profit before working capital changes		21,06,151	17,80,406
Movement in working capital			
Decrease/(Increase) in Term Deposits with other Banks		38,93,526	(26,71,681)
(Increase) in Investments (other than HTM Investments)		(6,95,575)	(7,18,738)
(Increase) In Advances		(1,02,40,937)	(65,25,294)
Increase In Deposits		84,48,604	91,71,179
(Increase)/Decrease In Other Assets		(27,889)	37,550
(Decrease)/Increase In Other Liabilities & Provision		(2,55,759)	4,95,516
Cash Flow from Operating Activities		32,28,121	15,68,938
Direct Taxes Paid (net of refunds)		(4,33,176)	(4,10,033)
NET CASH FLOW FROM OPERATING ACTIVITIES		27,94,945	11,58,905
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(2,11,922)	(1,84,539)
Proceeds from Sale of Fixed Assets		1,998	5,372
Investments in HTM securities (Net)		(3,54,608)	(14,74,278)
NET CASH FLOW USED IN INVESTING ACTIVITIES		(5,64,532)	(16,53,445)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of Share Capital including Share Premium		19,468	50,05,337
Share Issue expenses		-	(2,45,764)
Net Proceeds from the new issue of Unsecured Redeemable Non Convertible Bonds/(Redemption of Bonds)		(94,700)	2,28,600
Net (Decrease) in Borrowings/Refinance		(14,22,000)	(27,19,933)
Dividend Payment		(54,059)	(42,421)
NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES		(15,51,291)	22,25,819
Net Increase In Cash & Cash Equivalent		6,79,122	17,31,279
Cash & Cash Equivalents in the beginning of the year		66,50,660	49,19,381
Cash & Cash Equivalents at the end of the year		73,29,782	66,50,660

Notes:

- The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements specified under Section 133 of the Companies Act, 2013 read with Companies (Accounting Standards) Rules, 2021.
- Figures in bracket indicates cash outflow.

As per our report of even date attached

For **SCV & Co. LLP**
Chartered Accountants
FRN: 000235N/N500089

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

Sunny Singh
Partner
Membership No. 516834

Date: April 29, 2025
Place: Noida

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

Aseem Mahajan
Chief Financial Officer

Date: April 29, 2025
Place: Jalandhar

Munish Jain
Director
DIN: 10132430

Amit Sharma
Company Secretary
Membership No. FCS10888

Gurpreet Singh Chug
Director
DIN: 01003380

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
AS ON MARCH 31, 2025

SCHEDULE - 1 CAPITAL

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
Authorised Capital		5,00,000	5,00,000
5,00,00,000 equity shares of ₹ 10 each (Previous year 5,00,00,000 equity shares of ₹ 10 each)			
Issued, Subscribed and Fully Paid-up Capital			
4,52,46,937 equity shares issued of ₹ 10 each fully paid-up (Previous year 4,50,42,520 equity shares of ₹ 10 each)		4,52,469	4,50,425
Total		4,52,469	4,50,425

SCHEDULE 2 - RESERVES AND SURPLUS

Particulars		Schedule	As on March 31, 2025	As on March 31, 2024
(₹ in thousands)				
I	Statutory Reserves			
	Opening Balance		12,42,410	9,63,597
	Additions during the year		3,29,118	2,78,813
	Deductions during the year		-	-
	Total		15,71,528	12,42,410
II	Capital Reserve			
	Opening Balance		159	159
	Additions during the year		-	-
	Deductions during the year		-	-
	Total		159	159
III	Special Reserve			
	Opening Balance		1,13,066	70,957
	Additions during the year		39,398	42,109
	Deductions during the year		-	-
	Total		1,52,464	1,13,066
IV	Share Premium			
	Opening Balance		69,48,673	22,76,445
	Additions during the year		57,773	49,17,992
	Deductions during the year		-	(2,45,764)
	Total		70,06,446	69,48,673
V	Revenue and Other Reserves			
i)	Investment Fluctuation Reserve			
	Opening Balance		78,038	63,663
	Additions during the year		15,945	14,375
	Deductions during the year		(528)	-
	Total		93,455	78,038
ii)	Investment Reserve Account			
	Opening Balance		9,718	5,575
	Additions during the year		-	4,143
	Deductions during the year		(9,718)	-
	Total		-	9,718
iii)	Stock Option Reserve			
	Opening Balance		72,665	51,367
	Additions during the year		48,951	47,532
	Deductions during the year		(40,349)	(26,234)
	Total		81,267	72,665

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

AS ON MARCH 31, 2025

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
iv) General Reserve	18(3.2)		
Opening Balance		-	-
Additions during the year		26,804	6,188
Deductions during the year		-	(6,188)
Total		26,804	-
v) AFS Reserve			
Opening Balance		-	-
Additions during the year		76,338	-
Deductions during the year		(3,484)	-
Total		72,854	-
VI Balance in Profit & Loss Account		39,43,908	30,59,023
Grand Total		1,29,48,885	1,15,23,752

SCHEDULE 3 - DEPOSITS

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
A I Demand Deposits			
i) From Banks		129	805
ii) From Others		29,17,816	25,62,883
II Saving Bank Deposits		2,78,26,828	2,60,73,845
III Term Deposits			
i) From Banks		41,33,649	25,93,057
ii) From Others		4,83,47,573	4,35,46,801
Total (I+II+III)		8,32,25,995	7,47,77,391
B I Deposits of branches in India		8,32,25,995	7,47,77,391
II Deposits of branches outside India		-	-
Total (I+II)		8,32,25,995	7,47,77,391

SCHEDULE 4 - BORROWINGS

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
I Borrowings in India			
i) Reserve Bank of India		-	-
ii) Other Banks		-	-
iii) Other Institutions and Agencies		6,63,200	20,85,200
iv) Unsecured Redeemable Non-Convertible Bonds (Subordinated Debt-Tier II Capital)		21,52,600	22,47,300
v) Hybrid Debt Capital instrument issued as Debentures		3,90,000	3,90,000
II Borrowings outside India		-	-
Total (I+II)		32,05,800	47,22,500
Secured Borrowings included in I & II above		6,63,200	20,85,200

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

AS ON MARCH 31, 2025

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
I Bills Payable		4,88,849	7,97,969
II Inter-office adjustments (net)		-	-
III Interest accrued		53,666	63,616
IV Others (including provisions)		3,96,066	3,32,754
V Provision against standard assets		3,03,396	2,84,366
Total		12,41,977	14,78,705

SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
I Cash in hand (including Cash at ATM & Foreign Currency Notes)		7,84,278	10,33,866
II Balance with Reserve Bank of India			
a) In current accounts		33,34,144	34,05,946
b) In other accounts		23,80,000	12,50,000
Total (I+II)		64,98,422	56,89,812

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

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
I In India			
I) Balance with Banks			
a) In current accounts		8,31,360	9,60,848
b) In other deposit accounts		26,67,390	65,60,916
II) Money at call and short notice			
a) With Banks		-	-
b) With other Institutions		-	-
Total (I)		34,98,750	75,21,764
II Outside India			
a) In current accounts		-	-
b) In other deposit accounts		-	-
c) Money at call and short notice		-	-
Total (II)		-	-
Grand Total (I+II)		34,98,750	75,21,764

SCHEDULE 8 - INVESTMENTS

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
I Investments in India in			
i) Government Securities		1,81,52,469	1,70,41,661
ii) Other approved securities		-	-
iii) Shares		42,065	15,404
iv) Debentures and Bonds		-	-
v) Subsidiaries and/or joint ventures		-	-
vi) Others		-	-
Total (I)		1,81,94,534	1,70,57,065

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

AS ON MARCH 31, 2025

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
II Investments outside India in			
i) Government Securities (including Local Authorities)		-	-
ii) Subsidiaries and/or joint ventures abroad		-	-
iii) Other Investments		-	-
Total (II)		-	-
G. Total (I+II)		1,81,94,534	1,70,57,065
III Gross value of Investments		1,81,94,534	1,70,63,096
Provision for Depreciation	18(3.2)	-	(6,031)
Net Value of Investments		1,81,94,534	1,70,57,065

SCHEDULE 9 - ADVANCES

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
A			
i) Bills Purchased and Discounted		-	-
ii) Cash Credits, Overdrafts and Loans Repayable on Demand		2,70,92,047	2,61,65,299
iii) Term Loans		4,38,11,864	3,45,81,621
Total		7,09,03,911	6,07,46,920
B			
i) Secured by Tangible Assets		7,07,25,758	6,04,12,159
ii) Covered by Bank/Government Guarantees		1,06,978	2,69,930
iii) Unsecured		71,175	64,831
Total		7,09,03,911	6,07,46,920
C			
I) Advances in India			
i) Priority Sector		4,07,70,522	3,63,67,824
ii) Public Sector		-	-
iii) Banks		567	-
iv) Other		3,01,32,822	2,43,79,096
Total (I)		7,09,03,911	6,07,46,920
II) Advances outside India			
i) Due from Banks		-	-
ii) Due from Others		-	-
a) Bills Purchased & Discounted		-	-
b) Syndicated Loans		-	-
c) Others		-	-
Total (II)		-	-
Grand Total (I+II)		7,09,03,911	6,07,46,920

SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
I Premises			
At cost as on March 31, of the preceeding year		1,07,641	1,07,641
Additions during the year		14,552	-
Deductions during the year		-	-
Total		1,22,193	1,07,641
Depreciation			
As at March 31, of the preceeding year		3,461	2,090
Charge for the year		1385	1,371
Total		4,846	3,461
Net Block I		1,17,347	1,04,180

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

AS ON MARCH 31, 2025

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
II Other Fixed Assets (including furniture & fixtures)			
At cost as on March 31, of the preceeding year		20,98,820	19,22,877
Additions during the year		2,11,922	1,84,538
Deductions during the year		(19,412)	(8,595)
Total		22,91,330	20,98,820
Depreciation			
As at March 31, of the preceeding year		13,65,706	12,02,498
Charge for the year		1,68,510	1,67,658
Reversed on sale		(3,024)	(4,450)
Total		15,31,192	13,65,706
Net Block II		7,60,138	7,33,114
Total (I & II)		8,77,485	8,37,294

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
I			
Inter-office adjustments (net)		-	-
II			
Interest accrued		3,99,087	4,08,441
III			
Taxes paid in advance/TDS (net of provision for taxes)		34,485	48,152
IV			
Stationery & Stamps		3,926	6,316
V			
Non-banking assets acquired in satisfaction of claims		-	-
VI			
Others (includes deposits amounting to ₹ 4,20,445 (Thousands) as on March 31, 2025 placed on account of shortfall in priority sector target & 3,79,600(Thousands) as on March 31, 2024)		6,64,526	6,37,009
Total		11,02,024	10,99,918

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)			
Particulars	Schedule	As on March 31, 2025	As on March 31, 2024
I			
Claims against the Bank not acknowledged as debts		12,208	12,208
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		6,62,012	5,23,592
(b) Outside India		-	-
V			
Acceptances, endorsements and other obligations		15,386	15,013
VI			
Other items for which Bank is contingently liable		96,464	79,144
Total		7,86,070	6,29,957

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)			
Particulars	Schedule	Year ended March 31, 2025	Year ended March 31, 2024
I Interest/discount on advances/bills		71,87,004	62,43,474
II Income on investments		12,28,246	11,21,580
III Interest on balance with Reserve Bank of India and inter-bank funds		6,50,403	5,56,450
IV Others		19,305	21,751
Total		90,84,958	79,43,255

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)			
Particulars	Schedule	Year ended March 31, 2025	Year ended March 31, 2024
I Commission, exchange and brokerage		8,12,317	6,32,200
II Profit on sale of investments (Net)		13,246	771
III Profit on revaluation of investments (Net)		-	7,367
IV Profit/(Loss) on sale of Land,building & other assets (Net)		160	1,227
V Profit on Exchange Transactions (Net)		34,414	38,762
VI Income earned by way of dividends etc.		-	-
VII Miscellaneous income		95	469
Total		8,60,232	6,80,796

SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)			
Particulars	Schedule	Year ended March 31, 2025	Year ended March 31, 2024
I Interest on Deposits		46,26,153	39,94,337
II Interest on Reserve bank of India/Inter-Bank Borrowings		1,229	1,061
III Others		3,55,667	4,96,376
Total		49,83,049	44,91,774

SCHEDULE 16 - OPERATING EXPENSES

(₹ in thousands)			
Particulars	Schedule	Year ended March 31, 2025	Year ended March 31, 2024
I Payments to and provisions for employees		14,85,703	12,45,848
II Rent, Taxes and Lighting		3,41,334	2,91,451
III Printing and Stationery		35,643	27,221
IV Advertisement and Publicity		16,839	13,996
V Depreciation on Bank's property		1,69,895	1,69,029
VI Directors' Fees, Allowances & Expenses		14,360	12,489
VII Auditors' Fees and Expenses		14,031	12,297
VIII Law charges		1,026	879
IX Postage, Telegrams, Telephones etc.		53,806	46,174
X Repairs and Maintenance		98,256	98,015
XI Insurance		99,780	88,941
XII Other expenditure		7,77,195	5,76,948
Total		31,07,868	25,83,288

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Capital Small Finance Bank Limited ('the Bank') is publicly held banking company, domiciled in India. The Bank is governed by the Banking Regulation Act, 1949, banking guidelines issued by the RBI on Small Finance Bank 2016, and the Companies Act, 2013.

The Bank had originally obtained its license from Reserve Bank of India ('RBI') to operate as a Capital Local Area Bank. The name of the Bank has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide Reserve Bank of India ('the RBI' or 'RBI') notification dated February 16, 2017. Headquartered in Jalandhar, Punjab, Capital Small Finance Bank began operations as India's first small finance bank (SFB) in April 2016 after conversion from Capital Local Area Bank. The Bank is engaged in providing a wide range of banking and financial services including retail & commercial banking and treasury operations. The Bank operates in India and does not have any branch outside India.

2 BASIS OF PREPARATION

The accompanying financial statements have been prepared under the historical cost convention and on accrual basis except where otherwise stated, and in compliance with the generally accepted accounting principles in India ("Indian GAAP") and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the RBI from time to time (RBI guidelines), Accounting Standards ("AS") referred to in Section 133 of the Companies Act, 2013 (the Act) read with the Companies (Accounting Standards) Rules, 2021 to the extent applicable and practices prevailing within the banking industry in India. The financial statements are presented in Indian Rupees rounded off to the nearest thousands unless otherwise stated.

3 USE OF ESTIMATES

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

4 FIXED ASSETS AND DEPRECIATION/AMORTISATION

I. Fixed Assets

- 4.1 Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment if any. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on fixed assets after its purchase is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.
- 4.2 An item of fixed assets is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on de-recognition is recognised in the Profit and Loss account.
- 4.3 Gains or losses arising from disposal or retirement of tangible fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised on net basis, within "Other Income" as Profit/(Loss) on sale of fixed assets, as the case maybe, in the Profit and Loss account in the year/ period of disposal or retirement.
- 4.4 Profit on sale of immovable property net of taxes and transfer to statutory reserve, are transferred to capital reserve account in terms of the RBI guidelines.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

II. Depreciation and Amortisation

4.5 Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Leasehold improvements are depreciated over the duration of the primary lease period or useful life whichever is less. Software and system development expenditure is amortised over a period of 5 years.

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

4.7 The useful life of depreciation for key fixed assets is based on historic experience of the Bank, which is different from the useful life as prescribed in Schedule II of Companies Act, 2013 are as follows:

Asset	Estimated useful life as assessed by the Bank
Automated Teller Machines (ATMs)	10 years
Mobile Phones	3 years
Cash Sorting Machines	3 years

4.8 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	Estimated useful life as assessed by the Bank
Premises	60 years
Computers	3 years
Plant and Machinery	15 years
Office Equipment	5 years
Furniture & Fixture	10 years
Motor Car	8 years
Two-Wheeler	10 years
Cycle	10 years

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

4.10 Assets individually costing up to ₹ 5,000/- are depreciated fully in the year of acquisition.

5 IMPAIRMENT OF ASSETS

The carrying amount of assets is reviewed at the Balance Sheet date to determine if there are any indications of impairment based on internal/external factors. In case of impaired assets, the impairment loss i.e., the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the Profit and Loss account to the extent the carrying amount of assets exceeds its estimated recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over remaining useful life.

6 INVESTMENTS

During the year ended March 31, 2025, the Bank has changed its policy on Investments in accordance with RBI guidelines: Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions) 2023, dated September 12, 2023 effective w.e.f. April 01, 2024. The impact of the change in accounting policy has been disclosed in note no. 3.2 of Schedule 18. The accounting policy is as follows:

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

6.1 Categorisation of Investments

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

- Held to Maturity (HTM) – The securities that are acquired with the intention and objective of holding it to maturity and the contractual terms of the security give rise to cashflows that are solely payment of principal and Interest (SPPI criteria) on principal outstanding on specified dates.
- Available for Sale (AFS) – The securities that are acquired with the objective of both collecting contractual cash flows and selling securities and the contractual terms of the securities meet the SPPI criteria.

In case of equity instrument the bank may make an irrevocable election to classify an equity instrument that is not held with the objective of trading under AFS.

- Fair Value through Profit and Loss (FVTPL) – The securities that do not qualify for inclusion in HTM or AFS are classified under FVTPL.

Held for Trading (HFT) is treated as a separate investment sub-category within FVTPL.

6.2 Classification of Investments

Under each categorisation, investments in India are further classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries, Associates and Joint Ventures and (vi) Other Investments.

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

6.3 Recognition and measurement

6.3.1 Initial recognition and measurement

- All investments are measured at fair value on initial recognition.
- Where the securities are quoted or the fair value can be determined based on market observable inputs (such as yield curve, credit spread, etc.) any Day 1 gain/loss are recognised in the Profit and Loss Account, under Schedule 14: 'Other Income' within the subhead 'Profit on revaluation of investments' or 'Loss on revaluation of investments', as the case may be.
- Any Day 1 loss arising from Level 3 investments is recognised immediately.
- Any Day 1 gains arising from Level 3 investments are deferred. In the case of debt instruments, the Day 1 gain are amortised on a straight-line basis up to the maturity date (or earliest call date for perpetual instruments), while for unquoted equity instruments, the gain is set aside as a liability until the security is listed or derecognised.

6.3.2 Subsequent measurement

- HTM - Securities held in HTM are carried at cost. Any discount or premium on the securities under HTM are amortised over the remaining life of the instrument. Any profit or loss on the sale of investments in HTM category is recognised in the Profit and Loss Account. The profit on sale of an investments in HTM is appropriated below the line from the Profit and Loss Account to the 'Capital Reserve Account'. The amount so appropriated is net of taxes and the amount required to be transferred to Statutory Reserve.
- AFS - The securities held in AFS are fair valued at least on a quarterly basis. Any discount or premium on the acquisition of debt securities under AFS are amortised over the remaining life of the instrument. The net appreciation or depreciation are directly credited or debited to AFS-Reserve. Upon sale or maturity of a debt instrument in AFS category, the accumulated gain/loss for that security in the AFS-Reserve are transferred from the AFS-Reserve and recognised in the Profit and Loss Account. In the case of equity instruments designated under AFS at the time of initial recognition, any gain or loss on sale of such investments are not transferred from AFS-Reserve to the Profit and Loss Account. Instead, such gain or loss are transferred from AFS-Reserve to the Capital Reserve.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

- FVTPL - The securities held in FVTPL are fair valued and the net gain or loss arising on such valuation are directly credited or debited to the Profit and Loss Account. Securities that are classified under the HFT sub-category within FVTPL are fair valued on a daily basis. Any discount or premium on the acquisition of debt securities under FVTPL are amortised over the remaining life of the instrument.

6.4 Investment fluctuation reserve (IFR)

RBI advised bank to create IFR with effect from FY19. As per RBI guidelines transfer to IFR will be not less than lower of the following (i) net profit on sale of investments during the year or (ii) net profit for the year less mandatory appropriations, until the amount of IFR is at least 2% of the AFS and FVTPL (including HFT) portfolio, on a continuing basis.

6.5 Reclassifications between categories

Reclassification of investments between categories is carried out with approval of Board of Directors and prior approval of Department of Supervision (DoS), RBI. Any reclassification is applied prospectively from reclassification date. The Bank may reclassify investment only if such reclassification is necessitated by a significant change in managing group of investments.

6.6 Valuation of Investments

The fair value for the purpose of initial recognition and periodical valuation of investments is determined as per the valuation norms laid down in accordance with RBI guidelines.

6.6.1 Quoted Securities - The fair value for the quoted securities are the prices declared by the Financial Benchmarks India Private Ltd. (FBIL) in accordance with RBI circular FMRD.DIRD.7/14.03.025/2017-18 dated March 31, 2018, as amended from time to time. For securities whose prices are not published by FBIL, the fair value of the quoted security is based upon quoted price as available from the trades/quotes on recognised stock exchanges, reporting platforms or trading platforms authorised by RBI/SEBI or prices declared by the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

6.6.2 Unquoted SLR Securities

- Treasury Bills are valued at carrying cost.
- Unquoted Central/State Government securities are valued on the basis of the prices/YTM rates published by the FBIL.
- Other approved securities are valued applying the YTM method by marking them up by 25 basis points above the yields of the Central Government Securities of equivalent maturity put out by FBIL.

6.6.3 Unquoted Non-SLR Securities

- Equity shares for which current quotations are not available i.e., which are classified as illiquid or which are not listed on a recognised exchange, the fair value for the purposes of these directions is the break-up value (without considering 'revaluation reserves', if any) which is to be ascertained from the Company's latest audited balance sheet. In case the latest audited balance sheet is not available or is more than 18 months old, the shares are valued at ₹ 1 per company.
- Other unquoted Non-SLR securities - fair valuation is on the basis of the RBI Master Direction- Classification, Valuation and Operation of Investment Portfolio of Commercial Bank (Directions), 2023.

6.6.4 In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively.

6.6.5 Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions are accounted for as interest income.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

6.7 Fair Value Measurement

"Fair value" means the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The bank classifies its investment portfolio into three fair value hierarchies viz. Level 1, Level 2, and Level 3 to signify the context of inputs used for valuation of a financial instrument., described as follows:

"**Level 1 investments**" are fair valued based on quoted prices (unadjusted) in active markets for identical instruments that the bank can access at the measurement date.

"**Level 2 investments**" are fair valued based on are those inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

"**Level 3 investments**" are fair valued at unobservable inputs such as valuation of equity shares in an unlisted company where break-up value has to be ascertained from the Company's latest audited balance sheet.

6.8 Broken period Interest

Broken period interest on debt instruments is charged to Profit and Loss Account.

6.9 Provision for non-performing investments

The criteria for classification and recognition of non-performing investments are as per the guidelines used to classify an asset as Non-Performing Asset (NPA) as per the extant Prudential Norms on Income Recognition, Asset Classification and Provisioning (IRACP) pertaining to Advances.

7 ADVANCES

I. Classification

7.1 Advances are classified as performing assets and non-performing assets ('NPAs') in accordance with the RBI guideline on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. The advances are stated net of specific provisions made towards NPAs and unrealised interest on NPAs. Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

II. Provisioning

7.2 Specific provisions for non-performing advances and floating provisions are made in conformity with the RBI guidelines.

7.3 In addition, the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

7.4 Provisions on Standard Assets are made @ 0.40% of the outstanding advances. Further, as per the RBI guidelines, the standard asset provisioning on individual housing loans sanctioned on and after June 07, 2017, is made @ 0.25%. However, provision for banks direct advances to agriculture and SME sectors is made @ 0.25%, medium enterprises sector is made @ 0.4%, commercial real estate sector is made @ 1% and housing loans at teaser rates @ 2% in pursuance to the RBI circulars issued from time to time. Further the same is shown under the head 'Other Liabilities and Provisions'.

7.5 Amounts recovered during the year against bad debts written off in earlier years are credited to the Profit and Loss account.

7.6 Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.

7.7 In accordance with the RBI guidelines on the prudential framework for resolution of stressed assets and the resolution framework for COVID-19 related stress, the Bank in accordance with its Board approved policy, carried out one-time restructuring of eligible borrowers. The asset classification and necessary provisions thereon are done in accordance with the said RBI guidelines.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

7.8 The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance/securities, which would generally include, among others, alteration of repayment period/repayable amount/the amount of instalments/rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. Provision for restructuring is considered at borrower level.

III. Priority Sector Lending Certificates (PSLCs)

7.9 The Bank enters into transactions for the sale/purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The net fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the net expense paid on purchase of PSLC is recorded as 'Miscellaneous Expense'.

8 REVENUE RECOGNITION

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

- Interest income is recognised in the Profit and Loss Account on an accrual basis, except in the case of non-performing assets which is recognised when realised.
- Interest which remains overdue for 90 days on securities not covered by Government Guarantee is recognised on realisation basis as per RBI guidelines.
- Commission (other than on Deferred Payment Guarantees and Government Transactions), Exchange and Brokerage are recognised on realisation basis. However, Commission, Exchange and Brokerage on loan accounts is recognised as and when charged to the borrower account.
- Commission on Deferred Payment Guarantees and Government Transactions is recognised on straight-line basis over the period of contract.
- Dividend income is recognised on an accrual basis when the right to receive the dividend is established.
- Interest income on deposits with banks and other financial institutions are recognised on a time proportion accrual basis considering the amount outstanding and the rate applicable.
- Interest income on investments is recognised on accrual basis.
- Interest on Overdue Bills is recognised on Realisation Basis as per the RBI guidelines.

9 EMPLOYEE BENEFITS

Employee benefits include Provident Fund, Gratuity, Compensated Absences and Share-based payments.

9.1 Provident Fund: The Bank is covered under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and accordingly contribution towards provident fund for certain employees is made to the regulatory authorities, where the Bank has no further obligations. Such benefits are classified as Defined Contribution Schemes as the they fall due based on the amount of contribution required to be made on monthly basis, when the services are rendered by the employees. The contributions are charged to Profit and Loss Account.

9.2 Gratuity: The Bank pays gratuity, a defined benefit plan, to employees who retire or resign after a minimum prescribed period of continuous service. The benefits vest after five years of continuous service. Every employee is entitled to a benefit equivalent to 15 days' basic salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972.

The Gratuity expense for the period is recognised on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognises each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial losses/

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

gains are recognised in the Profit and Loss Account in the year in which they arise. Payment obligations under the Group Gratuity scheme are managed through a fund maintained by ICICI Prudential Life Insurance under separate Trust set up by the Bank.

9.3 Compensated absences: The compensated absences is a long-term employee benefit. Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.

9.4 Share-based payments: The measurement and disclosure of Employee Stock Options is in accordance with Guidance Note on Accounting for Share-based Payments issued by the Institute of Chartered Accountants of India. The cost of equity-settled transactions for stock options granted after the period ending March 31, 2021 is measured using the fair value method and for stock options granted prior to such period, is measured using the intrinsic value method.

The Bank uses Black-Scholes model to fair value the options on the grant date and the inputs used in the valuation model include assumptions such as the expected life of the share option, volatility and risk-free rate.

The deferred employee compensation cost is amortised on a straight-line basis over the vesting period of the option. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of equity instruments that are outstanding. The expense or credit recognised in the profit and loss account for the period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

10 LEASE

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

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

11 SEGMENT REPORTING

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

11.1 Business Segment

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

11.1.1 Treasury - The treasury segment primarily consists of net interest earnings from the Bank's investment portfolio, borrowing and gains or losses on investment operations and on account of trading in foreign exchange contracts.

11.1.2 Wholesale Banking - Wholesale Banking includes lending, deposit taking and other services offered to wholesale customers.

11.1.3 Retail Banking - Retail Banking includes lending, deposit taking and other services offered to retail customers.

11.1.4 Other Banking Operations - This segment includes income from para banking activities.

11.2 Geographical Segment

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

12 EARNINGS PER SHARE

12.1 The Bank reports basic and diluted earnings per equity share in accordance with the AS 20 (Earnings Per Share).

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

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

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

13 TAXES

Tax expenses comprise of current and deferred taxes.

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961.

Deferred tax expense is determined in accordance with the provisions as per AS 22 - Accounting for Taxes on Income. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised; where there is unabsorbed depreciation and/or carry forward of losses under tax laws, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realised against future taxable income. Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis. Current tax assets and liabilities and deferred tax assets and liabilities are calculated at the rates u/s section 115BAA of the Income Tax Act, 1961. Accordingly, as per Section 115JB, Minimum Alternate Tax (MAT) is not applicable.

14 PROVISIONS AND CONTINGENT LIABILITIES & CONTINGENT ASSETS

14.1 As per AS 29 (Provisions, Contingent Liabilities and Contingent Assets), a provision is recognised when there is a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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

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

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

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

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

15 CASH AND CASH EQUIVALENTS

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

16 TRANSACTION INVOLVING FOREIGN EXCHANGE

16.1 Accounting for transactions involving foreign exchange is done in accordance with Accounting Standard (AS) 11, "The Effects of Changes in Foreign Exchange Rates".

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

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

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

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

17 SHARE ISSUE EXPENSES

Share issue expenses are adjusted from Share Premium Reserve as permitted by Section 52 of the Companies Act, 2013.

18 CORPORATE SOCIAL RESPONSIBILITY

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, is recognised in the Profit and Loss Account.



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

SCHEDULE 18 - NOTES TO ACCOUNTS APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS**1 CAPITAL****1.1 Regulatory Capital**

The Capital to risk-weighted asset ratio ('Capital Adequacy Ratio') of the Bank has been computed in accordance with the Reserve Bank of India ('RBI') circular no DBR. NBD. No.26/16.13.218/2016-17, dated October 06, 2016 on "Operating Guidelines for Small Finance Banks".

The Bank has followed Basel II Standardised Approach for computing credit risk. In accordance with the RBI communication (reference no. DBR.NBD.No.4502/16.13.218/2017-18 dated November 8, 2017), market risk and operational risk are currently not applicable for computing Capital Adequacy Ratio for Small Finance Banks. Further, Capital Conservation Buffer and Counter-Cyclical Capital Buffer are not applicable to Small Finance Banks as per the extant RBI guidelines.

As on March 31, 2025, the Bank's Capital Adequacy Ratio stood at 25.39% (Previous year: 27.39%), well above the regulatory minimum requirement of 15% prescribed for Small Finance Banks by the RBI.

1.1.1 Composition of Regulatory Capital

(₹ in crores)			
S. No.	Particulars	Year ended March 31, 2025	Year ended March 31, 2024
1.	Common Equity Tier 1 Capital (CET 1)	1,296.90	1,168.47
2.	Additional Tier 1 Capital	-	-
3.	Tier 1 Capital (1+2)	1296.90	1,168.47
4.	Tier 2 Capital	219.65	235.04
5.	Total Capital (Tier 1 + Tier 2)	1,516.55	1,403.51
6.	Total Risk Weighted Assets (RWAs)	5,972.53	5,124.04
7.	CET 1 Ratio (CET 1 as a percentage of RWAs)	21.71%	22.80%
8.	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	21.71%	22.80%
9.	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	3.68%	4.59%
10.	Capital to Risk Weighted Assets Ratio (Total Capital as a percentage of RWAs)	25.39%	27.39%
11.	Leverage Ratio	12.56%	12.37%
12.	Percentage of the shareholding of	-	-
	(a) Government of India		
	(b) State Government		
	(c) Sponsor Bank		
13.	Amount of paid-up equity capital raised during the year	0.20	10.79
14.	Amount of non-equity Tier 1 capital raised during the year, of which		
	(a) Perpetual Non-Cumulative Preference Shares	-	-
	(b) Perpetual Debt Instruments	-	-
15.	Amount of Tier 2 capital raised during the year, of which		
	(a) Debt Capital Instruments	-	30.99
	(b) Perpetual Non-Cumulative Preference Shares	-	-
	(c) Perpetual Debt Instruments	-	-

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

1.1 Regulatory Capital (Contd.)**1.1.2 Tier I Capital Infusion**

During the year ended March 31, 2025, the Bank has allotted 2,04,417 equity shares to employees of the Bank in form of employee stock option as per the ESOP plan of the Bank.

During the year ended March 31, 2024, the Bank has issued and allotted:

- 1.1.2.1** 96,15,384 equity shares having face value of ₹ 10/- each at a premium of ₹ 458/- (i.e., at the total issue price of ₹ 468/-) per equity share aggregating to ₹ 450.00 crores, as public issue in Initial Public Offering (IPO) dated February 14, 2024;
- 1.1.2.2** 10,57,700 equity shares having face value of ₹ 10/- each at a premium of ₹ 458/- (i.e., at the total issue price of ₹ 468/-) per equity share aggregating to ₹ 49.50 crores on a private placement basis under preferential allotment; and
- 1.1.2.3** 1,16,982 equity shares to employees of the Bank in form of employee stock option as per the ESOP plans of the Bank.

1.1.3 Tier 2 Capital Issuance/Maturity**Issuance**

During the year ended March 31, 2025, the Bank has not raised any Tier II Capital.

During the year ended March 31, 2024, the Bank has raised Unsecured Redeemable Non-Convertible Lower Tier II Bond, detailed as below:

(₹ in crores)				
Series	Date of Allotment	Coupon (%)	Tenure	Amount
Series XXI	May 26, 2023	10%	10 Years	30.99

Maturity

During the year ended March 31, 2025, the following Unsecured Redeemable Non-Convertible Lower Tier II Bonds have matured:

(₹ in crores)			
Series	Date of Maturity	Coupon (%)	Amount
Series X	May 24, 2024	11%	9.47

During the year ended March 31, 2024, the following Unsecured Redeemable Non-Convertible Lower Tier II Bonds have matured:

(₹ in crores)			
Series	Date of Maturity	Coupon (%)	Amount
Series VIII	May 04, 2023	11%	5.03
Series IX	May 20, 2023	11%	3.10

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

1.1 Regulatory Capital (Contd.)

1.1.4 Maturity Profile of total bonds outstanding as on March 31, 2025:

Unsecured Redeemable Non-Convertible Lower Tier II Bonds

(₹ in crores)			
Series	ISIN	Amount	Maturity Date
10.50% Tier II Bonds Series XII	INE646H08178	12.00	February 17, 2026
9.75% Tier II Bonds Series XIV	INE646H08160	15.90	November 25, 2026
9.25% Tier II Bonds Series XV	INE646H08152	20.95	May 15, 2028
10% Tier II Bonds Series XVI	INE646H08103	18.00	February 28, 2029
10% Tier II Bonds Series XVII	INE646H08129	22.50	March 31, 2029
9.25% Tier II Bonds Series XVIII	INE646H08186	31.40	November 18, 2030
9.25% Tier II Bonds Series XIX	INE646H08194	31.35	June 29, 2031
9.25% Tier II Bonds Series XX	INE646H08202	32.17	May 12, 2032
10% Lower Tier II Bonds Series XXI	INE646H08210	30.99	May 26, 2033
TOTAL		215.26	

Unsecured Redeemable Non-Convertible Upper Tier II Bonds

(₹ in crores)			
Series	ISIN	Amount	Maturity Date
11.75% Upper Tier II Bonds Series XI	INE646H08012	14.00	March 31, 2030
11.75% Upper Tier II Bonds Series XIII	INE646H08020	25.00	March 30, 2031
TOTAL		39.00	

1.1.5 Proposed Dividend

For the year ended March 31, 2025, the Board of Directors, in the meeting held on April 29, 2025 recommended a dividend of ₹ 4.00 per equity share (₹ 1.20 per equity share for the year ended March 31, 2024) having face value of ₹ 10 each. The recommendation made is in accordance with the guidelines issued by the Reserve Bank of India on declaration of dividend by banks.

According to the AS 4 - 'Contingencies and events occurring after the balance sheet date' as notified by the Ministry of Corporate Affairs through Companies (Accounting Standards) Rules, 2021, the Bank has not accounted proposed dividend (including tax) as a liability. However, the proposed dividend has been considered as a deduction while computing capital funds for the purpose of Capital Adequacy Ratio calculation.

1.1.6 Drawdown from Reserves

There has been no draw down from reserves during the year ended March 31, 2025 and March 31, 2024 other than those disclosed under Schedule 2.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

2 ASSET LIABILITY MANAGEMENT

2.1 Maturity Pattern of certain items of Assets & Liabilities as on March 31, 2025 and as on March 31, 2024

Particulars	Year	Day 1	2 to 7 Days	8 to 14 days	15 to 30 Days	31 days to 2 Months	Over 2 months and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 Years	Total
Loans & Advances	March 2025	288.53	224.69	224.18	228.48	70.70	81.48	230.59	397.39	3,077.46	852.99	1,413.90	7,090.39
	March 2024	227.91	183.63	185.44	190.69	83.20	91.25	265.94	486.81	3,266.34	745.36	348.12	6,074.69
Investment	March 2025	371.48	14.32	10.81	63.29	37.54	46.22	49.84	73.30	702.19	144.18	306.28	1,819.45
	March 2024	389.32	17.46	12.05	57.18	32.07	37.20	48.58	68.81	635.35	123.87	283.82	1,705.71
Deposits	March 2025	232.85	66.43	49.60	354.40	245.38	256.17	478.06	556.87	3,839.50	719.92	1,523.42	8,322.60
	March 2024	212.48	61.55	56.22	307.10	266.84	210.29	366.43	439.41	3,508.38	632.91	1,416.13	7,477.74
Borrowing	March 2025	-	-	1.82	-	26.97	3.61	3.33	16.59	41.90	75.45	150.91	320.58
	March 2024	-	-	2.96	-	37.43	5.46	36.38	69.44	94.22	61.45	164.91	472.25
Foreign Currency Assets	March 2025	-	-	-	-	-	-	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	March 2025	-	-	-	-	-	-	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-	-	-	-	-	-	-

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

2.2 Liquidity Coverage Ratio (LCR)

Qualitative Disclosure

The Liquidity Coverage Ratio (LCR) is a key regulatory measure designed to ensure that banks maintain an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be readily converted into cash with little or no loss of value, to meet liquidity needs under a 30-day stress scenario.

The LCR is expressed as the ratio of the Bank's stock of HQLA to its total net cash outflows over the next 30 calendar days under a stressed scenario. The minimum LCR requirement prescribed by the Reserve Bank of India (RBI) is 100%, effective from January 1, 2021, as per the RBI's guidelines on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools, and LCR Disclosure Standards applicable to banks in India.

For the quarter ended March 31, 2025, the Bank maintained an average HQLA of ₹ 2,265.24 crores, against average net cash outflows of ₹ 914.62 crores, resulting in an average LCR of 247.67%, significantly above the regulatory threshold.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2025

2.2 Liquidity Coverage Ratio (LCR) (Contd.)

The entire HQLA maintained by the Bank comprised Level 1 HQLA, primarily consisting of:

- Government securities held in excess of the minimum Statutory Liquidity Ratio (SLR), as permitted under the Marginal Standing Facility (MSF) and Facility to Avail Liquidity for LCR (FALLCR);
- Cash and balances maintained with the RBI in excess of the minimum Cash Reserve Ratio (CRR) requirements.

In calculating the LCR, the Bank has duly considered all expected cash inflows and outflows with quantifiable impact under a 30-day liquidity stress scenario, in line with regulatory guidelines. The Bank continues to maintain a strong liquidity position, supported by a robust portfolio of high-quality liquid assets and prudent liquidity risk management practices.

Quantitative Disclosure

The table below sets out the average LCR of the Bank for year ended March 2025 and all the four quarters of financial year 2024-25:

Liquidity Coverage Ratio (LCR)		Quarter Ended June 30, 2024		Quarter Ended Sept 30, 2024		Quarter Ended Dec 31, 2024		Quarter Ended March 31, 2025		(₹ in crores)
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	
High Quality Liquid Assets										
1	Total High Quality Liquid Assets (HQLA)		2,066.12		2,018.34		2,327.60		2,265.24	
Cash Outflows										
2	Retail deposits and deposits from small business customers, of which:									
	(i) Stable deposits	1,956.05	97.80	1,846.65	92.33	1,884.20	94.21	2,032.85	101.64	
	(ii) Less stable deposits	4,502.60	450.26	4,711.82	471.18	4,989.11	498.91	4,868.44	486.84	
3	Unsecured wholesale funding, of which:									
	(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-	
	(ii) Non-operational deposits (all counterparties)	740.76	425.59	683.96	365.77	707.54	369.56	733.81	379.69	
	(iii) Unsecured debt	-	-	-	-	-	-	-	-	
4	Secured wholesale funding	-	-	-	-	-	-	-	-	



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2025

Liquidity Coverage Ratio (LCR)		Quarter Ended June 30, 2024		Quarter Ended Sept 30, 2024		Quarter Ended Dec 31, 2024		Quarter Ended March 31, 2025		(₹ in crores)
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	
5	Additional requirements, of which									
	(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-	
	(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	
	(iii) Credit and liquidity facilities	664.96	50.83	647.20	49.80	689.90	56.57	725.00	58.48	
6	Other contractual funding obligations	76.30	76.30	66.92	66.92	71.19	71.19	177.54	177.54	
7	Other contingent funding obligations	64.75	2.10	65.88	2.15	67.80	2.21	72.88	2.38	
8	Total Cash Outflows		1,102.88		1,048.15		1,092.65		1,206.57	
Cash Inflows										
9	Secured lending (e.g. reverse repos)	104.45	-	53.26	-	309.79	-	167.34	-	
10	Inflows from fully performing exposures	87.82	59.43	66.14	48.13	74.54	54.02	83.06	60.28	
11	Other cash inflows	94.71	84.88	155.59	151.81	68.48	65.39	233.89	231.67	
12	Total Cash Inflows	286.98	144.31	274.99	199.94	452.81	119.41	484.29	291.95	
13	Total HQLA		2,066.12		2,018.34		2,327.61		2,265.24	
14	Total Net Cash Outflows		958.57		848.21		973.25		914.62	
15	Liquidity Coverage Ratio (%)		215.54%		237.95%		239.16%		247.67%	

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2025

2.2 Liquidity Coverage Ratio (LCR) (Contd.)

The table below sets out the average LCR of the Bank for year ended March 2024 and all the four quarters of financial year 2023-24:

Liquidity Coverage Ratio (LCR)	Quarter Ended June 30, 2023		Quarter Ended Sept 30, 2023		Quarter Ended Dec 31, 2023		Quarter Ended March 31, 2024	
	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		1,850.95		1,840.58		2,072.23		2,142.75
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	1,808.84	90.44	1,900.58	95.03	1,922.22	96.11	1,932.86	96.64
(ii) Less stable deposits	4,156.47	415.65	4,116.49	411.65	4,300.62	430.06	4,320.82	432.08
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	614.02	311.20	645.14	326.93	646.79	334.35	640.85	335.04
(iii) Unsecured debt	-	-	-	-	-	-	-	-
4 Secured wholesale funding	5.20	-	-	-	-	-	-	-
5 Additional requirements, of which								
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	185.67	14.74	565.74	37.61	668.23	42.2	662.43	50.84

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2025

2.2 Liquidity Coverage Ratio (LCR) (Contd.)

The table below sets out the average LCR of the Bank for year ended March 2024 and all the four quarters of financial year 2023-24:

Liquidity Coverage Ratio (LCR)	Quarter Ended June 30, 2023		Quarter Ended Sept 30, 2023		Quarter Ended Dec 31, 2023		Quarter Ended March 31, 2024	
	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
6 Other contractual funding obligations	50.09	50.09	62.98	62.98	44.68	44.68	63.36	63.36
7 Other contingent funding obligations	89.24	3.55	86.76	3.49	74.14	2.72	57.23	1.87
8 Total Cash Outflows		885.66		937.69		950.13		979.83
Cash Inflows								
9 Secured lending (e.g. reverse repos)	154.59	-	93.19	-	226.9	-	158.26	-
10 Inflows from fully performing exposures	90.66	56.78	96.30	61.77	99.97	64.83	109.00	70.76
11 Other cash inflows	88.25	61.88	138.72	128.13	41.37	30.89	107.70	97.11
12 Total Cash Inflows	333.50	118.66	328.21	189.89	368.24	95.72	374.96	167.87
13 Total HQLA		1,850.95		1,840.58		2,072.23		2,142.75
14 Total Net Cash Outflows		767.00		747.80		854.41		811.96
15 Liquidity Coverage Ratio (%)		241.32%		246.13%		242.53%		263.90%

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2025

3INVESTMENTS

3.1Composition of Investment Portfolio:
As on March 31, 2025

(₹ in crores)

Particulars	Investments in India						Investments outside India				Total Investments	
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total Investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others		Total Investments outside India
Held to Maturity												
Gross	1,352.18	-	-	-	-	-	1,352.18	-	-	-	-	1,352.18
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	1,352.18	-	-	-	-	-	1,352.18	-	-	-	-	1,352.18
Available for Sale												
Gross	463.07	-	4.21	-	-	-	467.28	-	-	-	-	467.28
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	463.07	-	4.21	-	-	-	467.28	-	-	-	-	467.28
Held for Trading												
Gross	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-	-
Total Investments	1,815.25	-	4.21	-	-	-	1,819.46	-	-	-	-	1,819.46
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	1,815.25	-	4.21	-	-	-	1,819.46	-	-	-	-	1,819.46



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2025

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3.1 Composition of Investment Portfolio: (Contd.)
As on March 31, 2024

Particulars	Investments in India						Investments outside India				Total Investments	
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total Investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others		Total Investments outside India
Held to Maturity												
Gross	1,316.12	-	-	-	-	-	1,316.12	-	-	-	-	1,316.12
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	1,316.12	-	-	-	-	-	1,316.12	-	-	-	-	1,316.12
Available for Sale												
Gross	388.65	-	1.54	-	-	-	390.19	-	-	-	-	390.19
Less: Provision for depreciation and NPI	0.60	-	-	-	-	-	0.60	-	-	-	-	0.60
Net	388.05	-	1.54	-	-	-	389.59	-	-	-	-	389.59
Held for Trading												
Gross	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-	-
Total Investments	1,704.77	-	1.54	-	-	-	1,706.31	-	-	-	-	1,706.31
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	0.60	-	-	-	-	-	0.60	-	-	-	-	0.60
Net	1,704.17	-	1.54	-	-	-	1,705.71	-	-	-	-	1,705.71

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

3.2 Change in Accounting Policy on Investments

The classification, measurement, and valuation of the Bank's investment portfolio have been carried out in accordance with the Reserve Bank of India (RBI) Master Direction – Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023, dated September 12, 2023 as amended from time to time, which became effective from April 01, 2024 ("the RBI Investment Master Directions").

Pursuant to the transition to the revised framework, the Bank has recognised a net transition valuation gain of ₹ 1.73 crores (net of applicable taxes) and ₹ 1.26 crores (net of applicable taxes), which has been appropriated to the General Reserve and AFS Reserve respectively, thereby resulting in a net positive impact on the Bank's net worth as on the date of transition i.e., April 01, 2024. Additionally, in compliance with the RBI Investment Master Directions, the Bank has transferred the balance in the Investment Reserve Account to Investment Fluctuation Reserve by ₹ 0.02 crores and the remaining balance of ₹ 0.95 crores to the General Reserve.

Quantitative Impact on valuation due to Transition

SLR Portfolio

(₹ in crores)		
Category	Pre-Transition Book Value as on March 31, 2024	Post Transition Book Value as on April 01, 2024
AFS	388.65	388.05
HTM	1,316.12	1,318.43
Total	1,704.77	1,706.48

Non- SLR Portfolio

(₹ in crores)		
Category	Pre-Transition Book Value as on March 31, 2024	Post Transition Book Value as on April 01, 2024
AFS	1.54	3.23

Subsequent changes in fair value of performing investments under AFS and Fair Value Through Profit and Loss ('FVTPL') (including Held for Trading ('HFT')) categories as on March 31, 2025 have been recognised through AFS Reserve and Profit and Loss account respectively.

During the year ended March 31, 2025, the Bank has recognised:

- Net gain of ₹ 6.02 crores (net of applicable taxes) on account fair value of instruments in the AFS-Reserve;
- Net gain of ₹ 0.19 crores in the Profit & Loss account on account of fair value of instrument in FVTPL category; and
- A debit of ₹ 0.40 crores in the Profit & Loss Account on account of discount/premium amortisation.

Accordingly, the amounts for previous years are not comparable.

3.3 Sale and Transfer of Investments

During the year ended March 31, 2025, there is no sale/transfer of securities to/from HTM categories, which requires the disclosure as per the RBI guidelines.

During the year ended March 31, 2024, there is no sale/transfer of securities to/from HTM categories exceeding 5% of the book value of the investments held in HTM category at the beginning of the year, which requires the disclosure as per the RBI guidelines. However, the Bank after approval of the Board of Directors, at the beginning of the accounting year, has transferred government securities within the categories as stated below:

(₹ in crores)			
Category		Book Value of Securities transferred	Market Value of Securities transferred
From	To		
Held to Maturity	Available for sale	37.98	39.28
Total		37.98	39.28

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

3.4 Movement of Provisions for Depreciation and Investment Fluctuation Reserve

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
i. Movement of provisions held towards depreciation on investments		
a) Opening balance	0.60	1.34
b) Add: Provisions made during the year	-	4.32
c) Less: Write off/write back of excess provisions during the year	(0.60)*	(5.06)
d) Closing balance		0.60
ii. Movement of Investment Fluctuation Reserve		
a) Opening balance	7.80	6.37
b) Add: Amount transferred during the year	1.60	1.43
c) Less: Drawdown	(0.05)	-
d) Closing balance	9.35	7.80
iii. Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/Current category	2.00%	2.00%

*Provision for depreciation has been transferred to General Reserve, without routing through Profit and Loss Account, in line with the Reserve Bank of India (RBI) Master Direction – Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023, dated September 12, 2023 as amended from time to time.

3.5 Non-SLR Investment Portfolio

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

As on March 31, 2025

(₹ in crores)						
S. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1.	2.	3.	4.	5.	6.	7.
i.	PSUs	-	-	-	-	-
ii.	FIs	-	-	-	-	-
iii.	Banks	-	-	-	-	-
iv.	Private Corporates	4.21	4.21			4.21
v.	Subsidiaries/Joint Ventures	-	-	-	-	-
vi.	Others	-	-	-	-	-
vii.	Provision held towards depreciation	-	-	-	-	-
	Total	4.21	4.21			4.21

As on March 31, 2024

(₹ in crores)						
S. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1.	2.	3.	4.	5.	6.	7.
i.	PSUs	-	-	-	-	-
ii.	FIs	-	-	-	-	-
iii.	Banks	-	-	-	-	-

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

3.5 Non-SLR Investment Portfolio (Contd.)

(₹ in crores)

S. 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.
iv.	Private Corporates	1.54	1.54	-	-	1.54
v.	Subsidiaries/Joint Ventures	-	-	-	-	-
vi.	Others	-	-	-	-	-
vii.	Provision held towards depreciation	-	-	-	-	-
	Total	1.54	1.54	-	-	1.54

3.5.2 Non-performing Non-SLR investments

The Bank does not have any non-performing Non-SLR investment during the year ended March 31, 2025 and March 31, 2024.

3.6 Repo/Reverse Repo**During the year ended March 31, 2025**

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

(₹ in crores)

Particulars	Minimum Outstanding during the Year		Maximum Outstanding during the Year		Daily Average outstanding during the Year		Outstanding as on March 31, 2025	
	FV	MV	FV	MV	FV	MV	FV	MV
Securities sold under repo:								
1. Government Securities	15.00	15.00	79.99	80.00	1.93	1.93	-	-
2. Corporate Debt Securities	-	-	-	-	-	-	-	-
3. Any other securities	-	-	-	-	-	-	-	-
Securities purchased under reverse repo:								
1. Government Securities	29.99	30.00	649.88	650.00	110.66	110.70	-	-
2. Corporate Debt Securities	-	-	-	-	-	-	-	-
3. Any other securities	-	-	-	-	-	-	-	-

FV denotes Face Value and MV denotes market value

During the year ended March 31, 2024

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

(₹ in crores)

Particulars	Minimum Outstanding during the Year		Maximum Outstanding during the Year		Daily Average outstanding during the Year		Outstanding as on March 31, 2024	
	FV	MV	FV	MV	FV	MV	FV	MV
Securities sold under repo:								
1. Government Securities	14.99	15.00	54.97	55.00	1.56	1.56	-	-
2. Corporate Debt Securities	-	-	-	-	-	-	-	-
3. Any other securities	-	-	-	-	-	-	-	-

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

3.6 Repo/Reverse Repo (Contd.)

(₹ in crores)

Particulars	Minimum Outstanding during the Year		Maximum Outstanding during the Year		Daily Average outstanding during the Year		Outstanding as on March 31, 2024	
	FV	MV	FV	MV	FV	MV	FV	MV
Securities purchased under reverse repo:								
1. Government Securities	14.99	15.00	599.89	600.00	154.77	154.82	-	-
2. Corporate Debt Securities	-	-	-	-	-	-	-	-
3. Any other securities	-	-	-	-	-	-	-	-

FV denotes Face Value and MV denotes market value

Notes:

- Minimum outstanding has been computed by considering only the days with actual borrowing/lending (i.e., zero outstanding days have been ignored).
- Daily average outstanding has been computed over the full financial year, including days with nil outstanding.

3.7 Government Security Lending (GSL) transactions (in market value terms)

The Bank has not dealt into any GSL transaction during the year ended March 31, 2025 and March 31, 2024.

3.8 Details of derivative portfolio

The Bank has Nil derivative portfolio during the year ended March 31, 2025 and March 31, 2024.

4 ASSET QUALITY**4.1 Classification of advances and provisions held****As on March 31, 2025**

(₹ in crores)

Particulars	Standard	Non-performing			Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	
Gross Standard Advances and NPAs					
Opening balance	5,989.62	47.32	122.75	0.11	170.18
Add: Additions during the year					84.43
Less: Reductions during the year*					69.27
Closing balance	6,998.55	46.06	139.06	0.22	185.34
*Reductions in Gross NPAs due to:					
i) Upgradation					45.04
ii) Recoveries (excluding recoveries from upgraded accounts)					23.72
iii) Technical/Prudential Write Offs					-
iv) Write Offs other than those under (iii) above					0.51

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

4.1 Classification of advances and provisions held (Contd.)

(₹ in crores)

Particulars	Standard	Non-performing				Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-performing Advances	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	28.44	10.26	74.73	0.11	85.10	113.54
Add: Fresh provisions made during the year					26.30	
Less: Excess provision reversed/Write-off loans					17.90	
Closing balance of provisions held	30.34*	8.78	84.50	0.22	93.50	123.84
Net NPAs						
Opening balance		37.06	48.02	-	85.08	
Add: Fresh additions during the year					58.13	
Less: Reductions during the year					51.37	
Closing balance		37.28	54.56	-	91.84	
Floating Provisions						
Opening Balance					-	
Add: Additional provisions made during the year					-	
Less: Amount drawn down during the year					-	
Closing balance of floating provisions					-	
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/Prudential written-offs accounts					-	
Add: Technical/Prudential write-offs during the year					-	
Less: Recoveries made from previously technical/prudential written-off accounts during the year					-	
Closing balance					-	

*During the year ended March 31, 2025, the general provision against standard assets includes provision of ₹ 6.47 crores created in accordance with RBI Circular "Micro, Small and Medium Enterprises (MSME) sector –Restructuring of Advances" and "Resolution Framework for COVID-19-related Stress" issued on August 06, 2020 and May 05, 2021.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

4.1 Classification of advances and provisions held (Contd.)

As on March 31, 2024

(₹ in crores)

Particulars	Standard	Non-performing				Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-performing Advances	
Gross Standard Advances and NPAs						
Opening balance	5,354.65	48.30	104.32	-	152.62	5,507.27
Add: Additions during the year					128.43	
Less: Reductions during the year*					110.87	
Closing balance	5,989.62	47.32	122.75	0.11	170.18	6,159.80
*Reductions in Gross NPAs due to:						
i) Upgradation					87.99	
ii) Recoveries (excluding recoveries from upgraded accounts)					22.55	
iii) Technical/Prudential Write Offs					-	
iv) Write Offs other than those under (iii) above					0.33	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	28.28	10.34	68.24	-	78.58	106.86
Add: Fresh provisions made during the year					29.03	
Less: Excess provision reversed/Write-off loans					22.51	
Closing balance of provisions held	28.44*	10.26	74.73	0.11	85.10	113.54
Net NPAs						
Opening balance		37.96	36.09	-	74.05	
Add: Fresh additions during the year					99.40	
Less: Reductions during the year					88.36	
Closing balance		37.06	48.02	-	85.08	
Floating Provisions						
Opening Balance					-	
Add: Additional provisions made during the year					-	
Less: Amount drawn down during the year					-	
Closing balance of floating provisions					-	
Technical write-offs and the recoveries made thereon						

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

4.1 Classification of advances and provisions held (Contd.)

(₹ in crores)

Particulars	Standard	Non-performing				Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-performing Advances	
Opening balance of Technical/ Prudential written-offs accounts						-
Add: Technical/Prudential write-offs during the year						-
Less: Recoveries made from previously technical/prudential written-off accounts during the year						-
Closing balance						-

*During the year ended March 31, 2024, the general provision against standard assets includes provision of ₹ 8.22 crores created in accordance with RBI Circular “Micro, Small and Medium Enterprises (MSME) sector –Restructuring of Advances” and “Resolution Framework for COVID-19-related Stress” issued on August 06, 2020 and May 05, 2021

4.2 Sector-wise Advances and Gross NPAs

(₹ in crores)

Sr. No.	Sector	Year ended March 31, 2025			Year ended March 31, 2024		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A) Priority Sector							
1	Agriculture & allied activities	2,334.60	89.44	3.83%	2,293.12	72.67	3.17%
2	Advances to industries sector eligible as priority sector lending of which:	279.78	9.03	3.23%	181.32	2.01	1.11%
	- advances to Textile Industry	33.12	7.09	21.41%	18.74	1.55	8.25%
	- advances to Iron/Steel and Metal Industry	31.11	0.08	0.26%	24.93	-	-
3	Services of which:	1,127.82	26.88	2.38%	673.31	23.76	3.53%
	- advances to Traders	700.43	11.50	1.64%	414.57	12.71	3.07%
	- advances to Transporters	124.04	8.22	6.63%	52.45	6.95	13.25%
4	Personal Loans	-	-	-	-	-	-
5	Others	394.28	5.47	1.39%	534.44	5.34	1.00%
	Sub-total (A)	4,136.48	130.82	3.16%	3,682.19	103.78	2.82%
B) Non - Priority Sector							
1	Agriculture & allied activities	-	-	-	-	-	-
2	Industry	-	-	-	-	-	-
3	Services of which:	58.37	11.13	19.07%	197.76	15.99	8.08%
	- advances to Traders	45.20	11.13	24.62%	182.11	15.98	8.78%
	- advances to Transporters	12.46	-	-	9.77	0.01	0.06%
4	Personal Loans	5.02	1.29	25.70%	5.53	1.32	23.81%
5	Others of which:	2,984.02	42.10	1.41%	2,274.32	49.09	2.16%
	- advances to NBFCs	893.84	5.80	0.65%	561.35	5.80	1.03%
	Sub-Total (B)	3,047.41	54.52	1.79%	2,477.61	66.40	2.68%
	TOTAL (A+B)	7,183.89	185.34	2.58%	6,159.80	170.18	2.76%

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

4.3 Ratios

Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Gross NPA to Gross Advances	2.58%	2.76%
Net NPA to Net Advances	1.30%	1.40%
Provision Coverage Ratio	50.45%	50.01%

4.4 Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas asset/NPA as on March 31, 2025 and March 31, 2024. No overseas operations were undertaken during the year ended March 31, 2025 and March 31, 2024, hence revenue from overseas operations is Nil.

4.5 Restructuring of Accounts

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

The Bank has not restructured any account under the framework during the year ended March 31, 2025 and March 31, 2024.

4.5.2 Restructuring under “Resolution Framework – 1.0: Resolution Framework for COVID-19-related Stress” and “Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses” is as under:

During the year ended March 31, 2025:

(₹ in crores)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as on September 30, 2024 (A) ¹	Of (A), aggregate debt that slipped into NPA during the half-year ended March 31, 2025	Of (A) amount written off during the half-year ended March 31, 2025	Of (A) amount paid by the borrowers during the half-year ended March 31, 2025 ²	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as on March 31, 2025
Personal Loans	12.92	0.22	-	0.89	11.81
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	0.89	-	-	0.12	0.77
Total	13.81	0.22	-	1.01	12.58

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

¹includes requests received till September 30, 2021 implemented subsequently

²Net of increase in exposure during the period

During the year ended March 31, 2024:

(₹ in crores)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as on September 30, 2023 (A) ¹	Of (A), aggregate debt that slipped into NPA during the half-year ended March 31, 2024	Of (A) amount written off during the half-year ended March 31, 2024	Of (A) amount paid by the borrowers during the half-year ended March 31, 2024 ²	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as on March 31, 2024
Personal Loans	15.82	1.46	-	0.95	13.41
Corporate persons*	-	-	-	-	-

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

4.5 Restructuring of Accounts (Contd.)

(₹ in crores)					
Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as on September 30, 2023 (A) ¹	Of (A), aggregate debt that slipped into NPA during the half-year ended March 31, 2024	Of (A) amount written off during the half-year ended March 31, 2024	Of (A) amount paid by the borrowers during the half-year ended March 31, 2024 ²	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as on March 31, 2024
Of which MSMEs	-	-	-	-	-
Others	1.68	0.27	-	0.19	1.22
Total	17.50	1.73	-	1.14	14.63

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

¹includes requests received till September 30, 2021 implemented subsequently²Net of increase in exposure during the period**4.5.3 Particulars of Accounts Restructured (other than under Covid -19 and MSME restructuring schemes)**

Particulars		Agriculture and allied activities		Corporate (excluding MSME)		Micro, Small and Medium Enterprises (MSME)		Retail (excluding agriculture and MSME)		Total	
		March 2025	March 2024	March 2025	March 2024	March 2025	March 2024	March 2025	March 2024	March 2025	March 2024
Standard	Number of borrowers	-	-	-	-	-	-	-	-	-	-
	Gross Amount	-	-	-	-	-	-	-	-	-	-
	Provisions held	-	-	-	-	-	-	-	-	-	-
Sub-Standard	Number of borrowers	-	-	-	-	-	-	-	-	-	-
	Gross Amount	-	-	-	-	-	-	-	-	-	-
	Provisions held	-	-	-	-	-	-	-	-	-	-
Doubtful	Number of borrowers	-	-	-	-	-	-	-	-	-	-
	Gross Amount	-	-	-	-	-	-	-	-	-	-
	Provisions held	-	-	-	-	-	-	-	-	-	-
Total	Number of borrowers	-	-	-	-	-	-	-	-	-	-
	Gross Amount	-	-	-	-	-	-	-	-	-	-
	Provisions held	-	-	-	-	-	-	-	-	-	-

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

The Bank has not transferred/acquired any stressed loan or loan not in default during the year ended March 31, 2025 and March 31, 2024.

4.7 Disclosure under Rule 11 (e) of the Companies (Audit and Auditors) Rules, 2014

The Bank, as part of its normal banking business, grants loans and advances, makes investments, provides guarantees, to and accepts deposits and borrowings from its customers and borrowing from entities. These transactions are part of Bank's normal banking business, which is conducted ensuring adherence to all regulatory requirements and bank's internal policies as applicable.

Other than the transactions described above, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Bank to or in any other persons or entities, including foreign entities (Intermediaries) with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Bank (Ultimate Beneficiaries).

The Bank has not received any fund from any parties (Funding Party) with the understanding that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Funding Party (Ultimate Beneficiaries) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

4.8 Fraud Accounts

Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Number of frauds reported	1	2
Amount involved in fraud (₹ in crores)	0.11	0.94
Amount of provision made for such frauds (₹ in crores)	0.11	0.94
Amount of Unamortised provision debited from other/general reserves as at the end of the year (₹ in crores)	-	0.62

The unamortised provision of ₹ 0.62 crores outstanding as on March 31, 2024 has been transferred to Profit and Loss Account during the year ended March 31, 2025 in line with the Reserve Bank of India guidelines on Provisioning pertaining to Fraud Accounts dated April 18, 2016.

4.9 Sale of Financial Asset under Securitisation/Asset Reconstruction

The Bank has not sold any financial asset to Securitisation/Reconstruction Company for Asset Reconstruction during the year ended March 31, 2025 and March 31, 2024.

4.10 Sale/Purchase of Non-performing financial assets

The Bank has not purchased/sold any non-performing financial assets from/to other banks during the year ended March 31, 2025 and March 31, 2024.

4.11 Letter of comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2025 and year ended March 31, 2024.

4.12 Credit Default Swaps

The Bank has not entered into any Credit Default Swaps (CDS) during the year ended March 31, 2025 and year ended March 31, 2024.

4.13 Divergence in the asset classification and provisioning for NPAs

For the reference year ended March 31, 2024, the Inspection & Risk Assessment was conducted by the RBI under Section 35 of Banking Regulation Act 1949. There was no divergence observed in the asset classification and provisioning for non-performing assets (NPAs) pursuant to the Inspection and Risk Assessment conducted by the RBI.

4.14 Change in Accounting Policy on appropriation of recoveries in non-performing accounts

With effect from May 15, 2024, the Bank has changed its policy in respect of the order of priority, for appropriation of recoveries in non-performing accounts. The impact of the such change on the financial results is not material.

5 EXPOSURES**5.1 Exposure to Real Estate Sector**

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
1. Direct exposure		
i. Residential Mortgages –		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	-	-
a. Individual Housing Loans eligible for inclusion in Priority Sector advances	396.42	536.79
b. Others	1,135.02	785.64

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

5.1 Exposure to Real Estate Sector (Contd.)

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
ii. Commercial Real Estate –		
Lending secured by mortgages on commercial real estate (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	439.24	335.18
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures –	-	-
a. Residential	-	-
b. Commercial Real Estate	-	-
2. Indirect Exposure		
Fund based and non fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	122.17	108.83
Total Exposure to Real Estate Sector	2,092.85	1766.44

5.2 Exposure to Capital Market

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
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;	4.21	1.54
ii. advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures and units of equity oriented mutual funds;	-	-
iii. advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
iv. advances for any other purpose to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	-	-
v. secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
vi. loans sanctioned to corporates against the security of shares/ bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii. bridge loans to companies against expected equity flows/issues;	-	-

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

5.2 Exposure to Capital Market (Contd.)

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
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	4.21	1.54

Pursuant to the Reserve Bank of India (RBI) Master Direction – Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023, dated September 12, 2023 as amended from time to time, the Bank has recognised the exposure for the securities mentioned in i. above at fair market value. The values for the previous period are not comparable.

5.3 Risk Category Wise Country Exposure

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

5.4 Unsecured Advances against Intangible Assets

The Bank has not extended any advance against intangible securities such as charge over the rights, licenses, authority etc. during the year ended March 31, 2025 and March 31, 2024.

5.5 Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2025 and March 31, 2024 is Nil.

5.6 Intra group exposure

The Bank has no intra group exposure during the year ended March 31, 2025 and March 31, 2024.

5.7 Unhedged Foreign currency exposure

The Bank does not have any unhedged foreign currency exposure as on March 31, 2025 and on March 31, 2024.

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

The Bank has not exceeded the prudential exposure limits for Single Borrower Limit (SBL) and Group Borrower Limit (GBL) during the year ended March 31, 2025 and March 31, 2024.

6 CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURES AND NPAS**6.1 Concentration of Deposits**

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Total Deposits of twenty largest depositors	654.11	531.43
Percentage of Deposits of twenty largest depositors to total Deposits of the Bank	7.86%	7.11%

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

6.2 Concentration of Advances

(₹ in crores)

Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Total Advances to twenty largest borrowers	605.91	387.10
Percentage of Advances to twenty largest borrowers to total Advances of the Bank	7.69%	5.84%

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

6.3 Concentration of Exposures

(₹ in crores)

Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Total Exposure to twenty largest borrowers/customers	605.91	387.10
Percentage of Exposures to twenty largest borrowers/customers to total Exposure of the Bank on Borrowers/customers	7.69%	5.84%

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

6.4 Concentration of NPAs

(₹ in crores)

Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Total Exposure to the top twenty NPA accounts	43.55	48.07
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs	23.50%	28.24%

7 DERIVATIVES

The Bank has not undertaken any derivative business during the year ended March 31, 2025 and March 31, 2024.

8 SECURITISATION TRANSACTIONS

The Bank has not done any securitisation transactions during the year ended March 31, 2025 and year ended March 31, 2024.

9 OFF BALANCE SHEET SPVS SPONSORED

The Bank does not hold any sponsored off-balance sheet SPVs during the year ended March 31, 2025 and March 31, 2024.

10 TRANSFER TO DEPOSITOR EDUCATION AND AWARENESS FUND (DEAF)

The Bank has transferred ₹ 1.94 crores during the year ended March 31, 2025 and ₹ 1.64 crores for the year ended March 31, 2024 to the Depositor Education and Awareness Fund (DEAF) as per the details below:

(₹ in crores)

Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Opening balance of amount transferred to DEAF	7.68	6.34
Add: Amounts transferred to DEAF during the year	1.94	1.64
Less: Amounts reimbursed by DEAF towards claims	0.18	0.30
Closing balance of amounts transferred to DEAF	9.44	7.68

The balances of the amount transferred to DEA fund are included under Schedule 12- Contingent Liabilities-Other items for which the Bank is contingently liable.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

11 SEGMENT REPORTING

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

(₹ in crores)

Business Segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
Particulars	Year ended March 31, 2025	Year ended March 31, 2024	Year ended March 31, 2025	Year ended March 31, 2024	Year ended March 31, 2025	Year ended March 31, 2024	Year ended March 31, 2025	Year ended March 31, 2024	Year ended March 31, 2025	Year ended March 31, 2024
Revenue	189.19	168.62	91.00	67.14	674.82	595.70	39.51	30.95	994.52	862.41
Result	12.10	3.55	9.13	6.34	236.71	204.12	37.13	28.65	295.07	242.66
Unallocated Expenses									119.94	94.45
Operating Profit (PBT)									175.13	148.21
Income Taxes									43.48	36.69
Extraordinary profit/ Loss	-	-	-	-	-	-	-	-	-	-
Net Profit									131.65	111.53
Other Information:										
Segment Assets	2,364.06	2,527.66	1,014.36	725.72	6,668.88	5,981.65	6.63	4.41	10,053.93	9,239.45
Unallocated Assets									53.58	55.83
Total Assets									10,107.51	9,295.28
Segment Liabilities	-	-	645.28	541.60	7,830.02	7,258.39	0.07	0.32	8,475.37	7,800.31
Unallocated Liabilities									292.00	297.55
Total Liabilities									8,767.37	8,097.86
Capital and Other Reserves									1,340.14	1,197.42
Total Liabilities including Capital and Other Reserves									10,107.51	9,295.28

Notes:

- The Bank is operating in domestic segment, so there is only one geographic segment.
- Inter Segment transactions are based on transfer pricing as determined by the management consent.
- The RBI vide its circular dated April 07, 2022 on establishment of Digital Banking Units (DBUs), has prescribed reporting of Digital Banking Segment as a sub-segment of Retail Banking Segment. The Bank has not setup any DBU so far and hence DBU has not been disclosed as a separate segment

12 RELATED PARTY DISCLOSURE**12.1 Related parties as per Accounting Standard 18****Key Management Personnel:**

- Mr. Sarvjit Singh Samra – Managing Director
- Mr. Munish Jain – Executive Director
- Mr. Aseem Mahajan- Chief Financial Officer (w.e.f. April 24, 2024)
- Mr. Amit Sharma – Company Secretary

Relatives of Key Management Personnel:

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

12.1 Related parties as per Accounting Standard 18 (Contd.)

- b. **Mr. Munish Jain:** Mr. Kimti Lal Jain, Mr. Vishal Jain, Mrs. Usha Jain, Mrs. Ruchi Jain, Mrs. Ritu Jain, Mr. Aagam Jain, Mr. Gaurish Jain and Munish Jain HUF.
- c. **Mr. Aseem Mahajan:** Mr. Chander Kant Mahajan, Mrs. Sumita Mahajan, Mrs. Isha Sehgal, Mrs. Ritika Mahajan, Mr. Ayaan Mahajan and Mr. Izaan Mahajan.
- d. **Mr. Amit Sharma:** Mr. Mangal Chand Sharma, Mrs. Bimla Sharma, Mrs. Gitika Sharma, Mr. Kunal Sharma, Miss Amayra Sharma, Mrs. Poonam Sharma, Mrs. Seema Sharma, Mr. Ajay Sharma and Mrs. Sheetal Sharma.

Associates/Joint Ventures/Others:

- a. Capital Foundation Trust

The significant transactions (wherever it exceeds 10% of all related party transactions in that category) between the Bank and related parties for year ended March 31, 2025 are given below:

- Interest paid includes (a) ₹ 0.11 crores paid to Mr. Amarjit Singh Samra (b) ₹ 0.11 crores paid to Mr. Munish Jain (c) ₹ 0.11 crores paid to Mrs. Ruchi Jain; (d) 0.08 crores paid to Mrs. Amarpreet Kaur Hayer;
- Interest received includes (a) ₹ 0.02 crores received from Mr. Amit Sharma (b) ₹ 0.02 crores received from Mr. Aseem Mahajan;
- Leasing includes (a) ₹ 0.51 crores paid to Mr. Amarjit Singh Samra (b) ₹ 0.51 crores paid to Mrs. Surinder Kaur Samra (c) ₹ 0.51 crores paid to Mr. Sarvjit Singh Samra (d) ₹ 0.51 crores paid to Mr. Amardeep Singh Samra (e) ₹ 0.26 crores paid to Mrs. Navneet Kaur Samra;
- Salary paid includes (a) ₹ 1.65 crores paid to Mr. Munish Jain (b) ₹ 1.55 crores paid to Mr. Sarvjit Singh Samra; and
- CSR Expense/Contribution includes ₹ 2.38 crores paid to Capital Foundation Trust.

The significant transactions (wherever it exceeds 10% of all related party transactions in that category) between the Bank and related parties for year ended March 31, 2024 are given below:

- Interest paid includes (a) ₹ 0.10 crores paid to Mr. Amarjit Singh Samra (b) ₹ 0.16 crores paid to Mr. Munish Jain (c) ₹ 0.08 crores paid to Mrs. Ruchi Jain;
- Interest received includes (a) ₹ 0.02 crores received from Mr. Amit Sharma;
- Leasing includes (a) ₹ 0.51 crores paid to Mr. Amarjit Singh Samra (b) ₹ 0.51 crores paid to Mrs. Surinder Kaur Samra (c) ₹ 0.51 crores paid to Mr. Sarvjit Singh Samra (d) ₹ 0.51 crores paid to Mr. Amardeep Singh Samra (e) ₹ 0.25 crores paid to Mrs. Navneet Kaur Samra;
- Salary paid includes (a) ₹ 1.75 crores paid to Mr. Munish Jain (b) ₹ 1.45 crores paid to Mr. Sarvjit Singh Samra; and
- CSR Expense/Contribution includes ₹ 1.77 crores paid to Capital Foundation Trust.

12.2 The balances payable to/receivable from the related parties of the Bank are given below:

(₹ in crores)

Items/Related Party		Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	March 2025	-	-	-	0.50	2.18	2.68
	March 2024	-	-	-	0.89	1.81	2.70
Deposits	March 2025	-	-	3.88	0.84	5.54	10.26
	March 2024	-	-	2.88	0.71	5.06	8.65
Placement of Deposits	March 2025	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

12.2 The balances payable to/receivable from the related parties of the Bank are given below: (Contd.)

(₹ in crores)

Items/Related Party		Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Advances	March 2025	-	-	-	0.64	0.01	0.65
	March 2024	-	-	-	0.38	-	0.38
Investments	March 2025	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-
Non funded commitments	March 2025	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-
Leasing/HP arrangements availed	March 2025	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-
Leasing/HP arrangements provided	March 2025	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-

12.3 The maximum balances payable to/receivable from the related parties of the Bank are given below:

(₹ in crores)

Items/Related Party		Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	March 2025	-	-	-	0.89	2.32	3.21
	March 2024	-	-	-	0.89	1.81	2.70
Deposits	March 2025	-	-	4.89	2.70	12.26	19.85
	March 2024	-	-	3.39	2.63	11.10	17.12
Placement of Deposits	March 2025	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-
Advances	March 2025	-	-	-	0.68	0.04	0.72
	March 2024	-	-	-	0.66	-	0.66
Investments	March 2025	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-
Non-funded commitments	March 2025	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-
Leasing/HP arrangements availed	March 2025	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-
Leasing/HP arrangements provided	March 2025	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-

12.4 The details of transactions of the Bank with its related parties during the year ended March 31, 2025 are given below:

(₹ in crores)

Items/Related Party		Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Purchase of fixed assets	March 2025	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-
Sale of fixed assets	March 2025	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

12.4 The details of transactions of the Bank with its related parties during the year ended March 31, 2025 are given below: (Contd.)

(₹ in crores)							
Items/Related Party		Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Interest paid	March 2025	-	-	-	0.11	0.57	0.68
	March 2024	-	-	0.03	0.17	0.50	0.70
Interest received	March 2025	-	-	-	0.04	0	0.04
	March 2024	-	-	-	0.02	-	0.02
Receiving of Services - Leasing	March 2025	-	-	-	0.51	1.80	2.31
	March 2024	-	-	-	0.51	1.77	2.28
Receiving of Services - Salary	March 2025	-	-	-	3.69	0.33	4.02
	March 2024	-	-	-	3.34	0.27	3.61
Management Contracts	March 2025	-	-	-	-	-	-
	March 2024	-	-	-	-	-	-
CSR Expense/ Contribution	March 2025	-	-	2.38	-	-	2.38
	March 2024	-	-	1.77	-	-	1.77

Notes:

- Salary paid shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed. The values are calculated basis Income Tax rules, the same excludes gratuity, PF settlement, perquisite on ESOPs & superannuation benefits.
- The remuneration includes deferred incentives of past years paid during the current year
- For a person being a KMP for the year or part thereof, the consideration paid during the complete financial year has been disclosed.

13 LEASES

Operating Leases

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

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Not later than one year	22.33	21.20
Later than One year and not later than five years	68.61	77.61
Later than five years	42.85	56.18
Total Minimum Lease Rental Commitments	133.79	154.99

Total lease rental expenditure under cancellable and non-cancellable operating leases debited to Profit & Loss Account during the year ended March 31, 2025 is ₹ 22.83 crores and during the year ended March 31, 2024 was ₹ 19.86 crores.

Finance Lease

The Bank has not taken any asset under finance lease during the year ended March 31, 2025 and March 31, 2024.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

14 EARNINGS PER SHARE

Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Net profit after tax available for equity shares (₹ in crores)	131.65	111.53
Weighted average number of equity shares	4,51,21,536	3,63,87,519
Weighted average number of equity shares for diluted earnings	4,52,59,058	3,66,27,325
Basic Earnings per share (₹)	29.18	30.65
Diluted Earnings per share (₹)	29.09	30.45
Face Value per share (₹)	10.00	10.00

15 DISCLOSURE OF COMPLAINTS

15.1 Customer Complaints pertaining to Retail Payment Channels

(Including RTGS/NEFT, Automated Teller Machine (ATM)/Point of Sale (POS) Transactions/Ecommerce Transactions, BBPS, IMPS, etc.)

S. No.	Particulars	Year ended March 31, 2025	Year ended March 31, 2024
	Complaints received by bank from its customers		
1	Number of complaints pending at beginning of the year	17	13
2	Number of complaints received during the year*	2,672	2,853
3	Number of complaints disposed during the year	2,673	2,849
3.1	Of which, number of complaints rejected by the bank	1,232	1,202
4	Number of complaints pending at the end of the year	16	17
	Maintainable complaints received by the Bank from the OBOs		
5	Number of maintainable complaints received by the Bank from OBOs	7	6
5.1	Of 5, number of complaints resolved in favor of the bank by OBOs	3	3
5.2	Of 5, number of complaints resolved through conciliation/mediation/ advisories issued by Bos	4	3
5.3	Of 5, number of complaints resolved after passing of Awards by BOs against the bank	-	-
6	Number of awards unimplemented within the stipulated time (other than those appealed)	-	-

*Out of the above complaints, 2,284 complaints (2,537 previous year) are related to acquiring banks.

15.2 Customer Complaints other than above

S. no.	Particulars	Year ended March 31, 2025	Year ended March 31, 2024
	Complaints received by bank from its customers		
1	Number of complaints pending at beginning of the year	5	2
2	Number of complaints received during the year	235	188
3	Number of complaints disposed during the year	236	185
3.1	Of which, number of complaints rejected by the bank	81	90
4	Number of complaints pending at the end of the year	4	5
	Maintainable complaints received by the Bank from the OBOs		
5	Number of maintainable complaints received by the Bank from OBOs	18	19
5.1	Of 5, number of complaints resolved in favor of the bank by BOs	6	10
5.2	Of 5, number of complaints resolved through conciliation/mediation/ advisories issued by Bos	12	8
5.3	Of 5, number of complaints resolved after passing of Awards by BOs against the bank	-	-
6	Number of awards unimplemented within the stipulated time (other than those appealed)	-	-

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

15.3 Top 5 grounds of Complaints received by the Bank

During the year ended March 31, 2025

Grounds of complaints (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Ground - 1 Internet/Mobile/ Electronic Banking	16	2,451*	(1.61%)	16	-
Ground - 2 ATM/Debit Cards	1	280*	(25.93%)	-	-
Ground - 3 Account Opening/ Difficulty in operation of accounts	1	48	2.13%	-	-
Ground - 4 Loans and Advances	-	26	30.00%	-	-
Ground - 5 Levy of charges without prior notice/Excessive charges/ Foreclosure Charges	-	23	91.67%	-	-
Others (Complaints not covered in above top 5 grounds)	4	79	(15.05%)	4	-
Total	22	2,907	(4.41%)	20	-

*2,284 complaints are related to acquiring banks

During the year ended March 31, 2024

Grounds of complaints (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Ground - 1 Internet/Mobile/ Electronic Banking	8	2491*	182.11%	16	-
Ground - 2 ATM/Debit Cards	7	378*	(10.21%)	1	-
Ground - 3 Account Opening/ Difficulty in operation of accounts	-	47	9.30%	1	-
Ground - 4 Loans and Advances	-	20	(59.18%)	-	-
Ground - 5 Levy of charges without prior notice/Excessive charges/ Foreclosure Charges	-	12	(47.83%)	-	-
Others (Complaints not covered in above top 5 grounds)	-	93	9.41%	4	-
Total	15	3041	102.19%	22	-

*2,537 complaints are related to acquiring banks

15.4 Awards Passed by the Banking Ombudsman

Particulars	Year ended March 31, 2025	Year ended March 31, 2024
No of Unimplemented Awards at the beginning of the year	-	-
No. of Awards passed by the Banking Ombudsmen during the year	-	-
No. of Awards implemented during the year	-	-
No. of Unimplemented Awards at the end of the year	-	-

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

16 DISCLOSURE OF PENALTIES IMPOSED BY THE RBI

There has been no penalty imposed by the Reserve Bank of India on the Bank except that of ₹ 0.02 crores and ₹ 0.001 crores during the year ended March 31, 2025 (₹ 0.02 crores and 'Nil' during the year ended March 31, 2024) for non-replenishment of ATMs in terms of RBI circular no. RBI/2021-22/84 DCM (RMMT) No. S153/11.01.01/2021-22 on Monitoring of Availability of Cash in ATMs dated August 10, 2021 and for not extending the facility of exchange of soiled notes to non-customers by the branch in terms of RBI circular no. DCM (CC) G-1/03.44.01/2024-25 on Master Direction – Scheme of Penalties for bank branches and Currency Chests for deficiency in rendering customer service to the members of public dated April 01, 2024 respectively.

17 REMUNERATION

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

i) Nomination and Remuneration Committee

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

The Committee has four members including three members from Risk Management Committee of the Board. The majority of the members of the committee are independent non-executive Directors.

As on March 31, 2025 the Committee consists of the following Members:

- Mr. Kamaldeep Singh Sangha, Chairman
- Mr. Dinesh Gupta, Member
- Mr. Gurpreet Singh Chug, Member
- Mr. Sham Singh Bains, Member

ii) Philosophy and Key Objectives

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

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

iii) Fixed Pay

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

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

iv) Variable Pay

The variable pay is the reward element of the remuneration, focused to create a performance culture in the Bank, is payable as a reward to individuals or teams for achieving strong results in terms of pre-determined goals. The variable remuneration of an employee(s) can be short term or long term depending upon the category of the employee(s): (1) Short Term Variable Remuneration is paid on not greater than yearly frequency on the basis of performance based scorecard or individual employee rating; or/and (2) Long Term Variable Remuneration is paid on more than annual frequency on the basis of longevity and long-term performance of the employee in the form of ESOPs only (including Cash Linked Stock Appreciation Rights).

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

v) Guaranteed Bonus

The Bank does not allow any guaranteed bonus except bonus payable under the Payment of Bonus Act. Further, the Joining/Signing bonus is permissible in the context of hiring of executive in the form of ESOPs only and be limited to the first Period. Further, the Bank will not grant severance pay other than accrued benefits (gratuity, retiral benefits, etc.) except in case where it is mandatory by any statute.

vi) Hedging

The Bank does not provide any facility or funds or permit employees to insure or hedge their compensation structure to offset the risk alignment effects embedded in their compensation arrangement.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

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

S. No.	Particulars	Year ended March 31, 2025	Year ended March 31, 2024
A	Number of meetings held by the Remuneration Committee during the period and remuneration paid to its members.	Number of Meetings: 6 The NRC members were paid total sitting fees of ₹ 0.02 crores for 6 meetings.	Number of Meetings: 5 The NRC members were paid total sitting fees of ₹ 0.02 crores for 5 meetings.
B.1	Number of employees having received a variable remuneration award during the period.	3	2
B.2	Number and total amount of sign-on awards made during the period.	-	-
B.3	Details of guaranteed bonus, if any, paid as joining/sign on bonus	-	-
B.4	Details of severance pay, in addition to accrued benefits, if any.	-	-
C.1	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Total amount of deferred remuneration as on March 31, 2025 (cumulative including the previous year remuneration) is • Cash incentive ₹ 1.18 crores; and • No. of Employee Stock Options 19,220. Further, Options equivalent to ₹ 0.57 crores are due.	Total amount of deferred remuneration as on March 31, 2024 (cumulative including the previous year remuneration) is • Cash incentive ₹ 0.67 crores; and • No. of Employee Stock Options 6,417. Further, Options equivalent to ₹ 0.48 crores are due.
C.2	Total amount of deferred remuneration paid out in the period.	• Cash incentive ₹ 0.13 crores; and • No. of Employee Stock Options vested 6,417	• Cash incentive ₹ 0.22 crores; and • No. of Employee Stock Options vested 12,850
D	Breakdown of amount of remuneration awards for the period to show fixed and variable, deferred and non-deferred.	• Fixed pay ₹ 3.19 crores • Variable pay (cash) ₹ 1.20 crores for FY25 out of which ₹ 0.63 crores is deferred. • Variable pay (ESOPs to MRT) equivalent to ₹ 0.57 crores out of which 100% options are deferred. The variable remuneration payable to MD & CEO and WTD shall be paid subject to approval from the RBI	• Fixed pay ₹ 2.70 crores • Variable pay (cash) ₹ 0.97 crores for FY24 out of which ₹ 0.54 crores is deferred. • Variable pay (ESOPs to MRT) equivalent to ₹ 0.48 crores out of which 100% options are deferred. The variable remuneration payable to MD & CEO and WTD shall be paid subject to approval from the RBI.
E.1	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Total amount of deferred remuneration as on March 31, 2025 (cumulative including the previous year remuneration) is • Cash incentive ₹ 1.18 crores; and • No. of Employee Stock Options 19,220. Further, Options equivalent to ₹ 0.57 crores are due.	Total amount of deferred remuneration as on March 31, 2024 (cumulative including the previous year remuneration) is • Cash incentive ₹ 0.67 crores; and • No. of Employee Stock Options 6,417. Further, Options equivalent to ₹ 0.48 crores are due.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

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

S. No.	Particulars	Year ended March 31, 2025	Year ended March 31, 2024
E.2	Total amount of reductions during the period due to ex-post explicit adjustments.	-	-
E.3	Total amount of reductions during the period due to ex-post implicit adjustments.	-	-
F	Number of MRTs identified	3	2
G.1	Number of cases where malus has been exercised.	-	2
G.2	Number of cases where claw back has been exercised.	-	-
G.3	Number of cases where both malus and claw back have been exercised.	-	-
H	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	The mean pay of the Bank as a whole (excluding sub-staff) is ₹ 0.06 crores. The deviation in the pay for Mr. Sarvjit Singh Samra, MD & CEO and Mr. Munish Jain, WTD from the mean pay is 26 times and 28 times respectively.	The mean pay of the Bank as a whole (excluding sub-staff) is ₹ 0.06 crores. The deviation in the pay for Mr. Sarvjit Singh Samra, MD & CEO and Mr. Munish Jain, WTD from the mean pay is 23 times and 28 times respectively.

18 DISCLOSURE ON REMUNERATION TO NON-EXECUTIVE DIRECTORS

During the year ended March 31, 2025, remuneration by way of sitting fees paid to Non-Executive Directors for attending meetings of the Board and its committees amounted to ₹ 0.45 crores (₹ 0.43 crores during the year ended March 31, 2024).

In addition, the Bank paid remuneration amounting to ₹ 0.88 crores during the year ended March 31, 2025 (₹ 0.71 crores during the year ended March 31, 2024) to the Non-Executive Directors.

19 ACCOUNTING FOR EMPLOYEE SHARE-BASED PAYMENTS

19.1 The Bank has following ESOP plans

Capital Small Finance Bank Limited – Employees Stock Option Plan 2018 (“CSFB ESOP 2018”) was approved by the shareholders of the Bank, in the Annual General Meeting held on August 18, 2018 amended further on October 22, 2021, for granting equity stock options to its employees and directors (other than independent directors).

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

Capital Small Finance Bank Limited – Employees Stock Option Plan 2023 (“CSFB ESOP 2023”) was approved by the shareholders of the Bank, in Extraordinary General Meeting of the Bank held on May 12, 2023, for granting equity stock options to its employees and directors (other than independent directors).

19.2 The stock options will be equity settled.

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

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

19.5 The details of the scheme are as under:

Scheme	Grant	Date of Grant	Vesting	Exercise Period	Exercise Price per option	Method of Settlement
CSFB ESOP 2018	Tranche 1	April 30, 2019	Graded Vesting: April 30, 2020 - 25% April 30, 2021 - 30% April 30, 2022 - 45%	Twelve months from the date of vesting	₹ 98	Equity
CSFB ESOP for MRTs	Tranche 1	April 30, 2021	Graded Vesting: April 30, 2022 - 33.33% April 30, 2023 - 33.33% April 30, 2024 - 33.33%	Twelve months from the date of vesting	₹ 10	Equity
CSFB ESOP 2018	Tranche 2	July 15, 2021	Sep 30, 2023 - 100%	Twelve months from the date of vesting	₹ 98	Equity
CSFB ESOP 2018	Tranche 3	Sep 01, 2021	Aug 31, 2024 - 100%	Twelve months from the date of vesting	₹ 98	Equity
CSFB ESOP for MRTs	Tranche 2	April 30, 2022	Graded Vesting: April 30, 2023 - 33.33% April 30, 2024 - 33.33% April 30, 2025 - 33.33%	Twelve months from the date of vesting	₹ 10	Equity
CSFB ESOP 2018	Tranche 4	June 15, 2022	Aug 31, 2024 - 100%	Twelve months from the date of vesting	₹ 98	Equity
CSFB ESOP for MRTs	Tranche 3	April 30, 2023	Graded Vesting: April 30, 2024 - 33.33% April 30, 2025 - 33.33% April 30, 2026 - 33.33%	Twelve months from the date of vesting	₹ 10	Equity
CSFB ESOP 2023	Tranche 1	September 15, 2023	Graded Vesting: September 30, 2025 - 40% September 30, 2026 - 60%	Twelve months from the date of vesting	₹ 171	Equity
CSFB ESOP for MRTs	Tranche 4	December 13, 2024	Graded Vesting: December 13, 2025 - 33.33% April 30, 2026 - 33.33% April 30, 2027 - 33.33%	Twelve months from the date of vesting	₹ 10	Equity

19.6 Activity in the options outstanding-

Under the CSFB ESOP 2018 plan-

Particulars	March 31, 2025 (Number of Options)	March 31, 2024 (Number of Options)
Options outstanding, beginning of the year	2,55,000	3,97,893
Granted during the year	-	-
Exercised during the year	1,98,000	1,04,132
Forfeited/Lapsed during the year	16,250	38,761
Options outstanding, end of the year	40,750	2,55,000
Options exercisable	40,750	23,000

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

19.6 Activity in the options outstanding- (Contd.)

Under CSFB ESOP for MRTs-

Particulars	March 31, 2025 (Number of Options)	March 31, 2024 (Number of Options)
Options outstanding, beginning of the year	6,417	32,133
Granted during the year	19,220	13,874
Exercised during the year	6,417	12,850
Forfeited/Lapsed during the year	-	26,740
Options outstanding, end of the year	19,220	6,417
Options exercisable	-	-

Under CSFB ESOP 2023 -

Particulars	March 31, 2025 (Number of Options)	March 31, 2024 (Number of Options)
Options outstanding, beginning of period	6,70,000	-
Granted during the period	-	6,82,000
Exercised during the period	-	-
Forfeited/Lapsed during the period	45,000	12,000
Options outstanding, end of period	6,25,000	6,70,000
Options exercisable	-	-

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

Particulars	CSFB ESOP 2018 (Tranche 1)	CSFB ESOP 2018 (Tranche 2)	CSFB ESOP 2018 (Tranche 3)	CSFB ESOP 2018 (Tranche 4)
Date of grant	April 30, 2019	July 15, 2021	Sept 01, 2021	June 15, 2022
Fair value of option (₹)	132.17	181.18	185.29	222.93
Risk-free interest rate (%)	6.65%-6.99%	5.06%	5.14%	6.89%
Expected life (years)	1.50-3.50 years	2.71 years	3.50 years	2.71 years
Expected volatility (%)	31.53%-33.01%	44.03%	41.80%	43.67%
Expected dividend rate (%)	0%	0%	0%	0%

Particulars	CSFB ESOP for MRTs (Tranche 1)	CSFB ESOP for MRTs (Tranche 2)	CSFB ESOP for MRTs (Tranche 3)	CSFB ESOP for MRTs (Tranche 4)
Date of grant	April 30, 2021	April 30, 2022	April 30, 2023	December 13, 2024
Fair value of option (₹)	255.04	294.14	361.29	268
Risk-free interest rate (%)	4.13%-5.15%	4.96%-6.20%	6.79%-6.86%	6.48%-6.54%
Expected life (years)	1.50-3.50 years	1.50-3.50 years	1.50-3.50 years	1.50-2.88 years
Expected volatility (%)	42.07%-50.86%	44.64%-50.72%	37.20%-46.14%	27.92%-52.79%
Expected dividend rate (%)	0%	0%	0%	0%

Particulars	CSFB ESOP 2023 for (Tranche 1)
Date of grant	September 15, 2023
Fair Value of option (₹)	239.99
Risk-free interest rate (%)	7.04%-7.07%
Expected life (years)	2.54-3.54 years
Expected volatility (%)	38.49%-44.98%
Expected dividend rate (%)	0%

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

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

Had the Bank used the fair value method to determine compensation for the grant made before March 31, 2021, there would have been nil incremental cost during the year ended March 31, 2025 and March 31, 2024.

20 STAFF RETIREMENT BENEFITS

20.1 Reconciliation of opening and closing balance of the present value of the defined benefit obligation for the **gratuity benefit** of the Bank is as below:

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Defined benefit obligation liability		
Opening Obligations	9.14	8.49
Service Cost	1.41	1.12
Interest Cost	0.66	0.63
Actuarial (Gain)/Loss	0.78	(0.01)
Liabilities extinguished on settlement		-
Benefits Paid	(0.61)	(1.09)
Obligations at last date of the year	11.38	9.14
Plan Assets at fair value		
Opening Plan Assets, at fair value	9.19	8.59
Expected return on plan assets	0.66	0.63
Actuarial Gain/(Loss)	0.05	0.56
Assets distributed on settlement		
Contributions	1.86	0.50
Benefits Paid	(0.61)	(1.09)
Plan Assets at fair value at last date of the year		
Fair Value of Plan Assets at the end of the year	11.15	9.19
Present Value of the defined benefit obligation at the end of the year	11.38	9.14
Asset/(Liability) at last date of the year	(0.23)	0.05
Experience adjustments on Plan Liabilities	(0.60)	0.27
Experience adjustments on Plan Assets	0.05	0.56
Cost for the year		
Service Cost	1.41	1.12
Interest Cost	0.66	0.63
Expected Return on Plan Assets	(0.66)	(0.63)
Actuarial (Gain)/Loss	(0.73)	(0.57)
Net Cost	0.68	0.55
Investment details of Plan Assets		
Plan assets are invested in insurer managed funds		
Assumptions		
Discount Rate	7.04%	7.17%
Salary escalation rate	5.00%	5.00%
Estimated rate of return on plan assets	7.00%	7.17%

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

20.1 Reconciliation of opening and closing balance of the present value of the defined benefit obligation for the **gratuity benefit** of the Bank is as below: (Contd.)

Experience adjustment:

(₹ in crores)

Particulars	Year Ended				
	March 31, 2025	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021
Plan Assets	11.15	9.19	8.59	7.45	6.48
Defined benefit obligation	11.38	9.14	8.49	7.35	6.45
Surplus/(Deficit)	(0.23)	0.05	0.10	0.10	0.03
Experience adjustment gain/(loss) on plan assets	(0.60)	0.56	(0.03)	(0.13)	0.30
Experience adjustment gain/(loss) on plan liabilities	0.05	0.27	0.06	(0.19)	(0.18)

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

(₹ in crores)

Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Earned Leaves	7.14	5.63
Sick Leaves	1.78	1.42
Total Actuarial Liability	8.92	7.05
Assumptions		
Discount Rate	7.04%	7.17%
Salary Escalation Rate	5.00%	5.00%

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

20.3 Liability towards Unamortised Pension

The Bank does not have any unamortised liability against pension during the year ended March 31, 2025 and year ended March 31, 2024.

20.4 The Code on Social Security, 2020

The Code on Social Security 2020 ('the Code') relating to employee benefits during employment and post-employment benefits has received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Bank will assess the impact of the Code and will give appropriate impact in the financial statements in the period in which, the Code becomes effective.

21 BUSINESS RATIOS

S. No.	Particulars	Year ended March 31, 2025	Year ended March 31, 2024
i.	Interest Income as a percentage to Working Funds*	9.31%	9.08%
ii.	Non-interest income as a percentage to Working Funds*	0.88%	0.78%
iii.	Cost of Deposits	5.87%	5.61%
iv.	Net Interest Margin**	4.20%	3.94%
v.	Operating Profit** as a percentage to Working Funds*	1.90%	1.77%

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

21. Business Ratios (Contd.)

S. No.	Particulars	Year ended March 31, 2025	Year ended March 31, 2024
vi.	Return on Assets [@]	1.35%	1.27%
vii.	Business (Deposits plus advances)*per employee [^] (₹ in crores)	7.69	7.24
viii.	Profit per employee (Operating Profit) [^] (₹ in crores)	0.09	0.08

Notes:

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

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

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

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

[^]Productivity ratios are based on average number of employees.

^{##}Net Interest Margin has been computed based on the Net Interest income (Interest Income – Interest Expense) and average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the year.

22 BANCASSURANCE BUSINESS

(₹ in crores)

Fee/remuneration received	Year ended March 31, 2025	Year ended March 31, 2024
1. Life insurance	26.83	19.06
2. General Insurance	9.00	7.70

23 MARKETING AND DISTRIBUTION

(₹ in crores)

Fee/remuneration received	Year ended March 31, 2025	Year ended March 31, 2024
Marketing and Distribution	-	-

24 DETAILS OF PRIORITY SECTOR LENDING CERTIFICATES (PSLC)

(₹ in crores)

Type of PSLC	Year ended March 31, 2025		Year ended March 31, 2024	
	PSLC bought during the year	PSLC sold during the year	PSLC bought during the year	PSLC sold during the year
Agriculture	-	200.00	-	500.00
Small and Marginal Farmers	700.00	-	785.00	-
Micro enterprises	-	-	-	-
General	-	-	-	-
Total	700.00	200.00	785.00	500.00

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

25 PROVISIONS AND CONTINGENCIES

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

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Provisions towards Taxes [#]	43.48	36.69
Provisions towards Standard Assets	1.97	1.18
Provision towards Non-performing Advances	8.33	5.50
Total	53.78	43.37

[#]Details of Provisions towards Taxes

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Income Tax	44.68	36.22
Deferred Tax	(1.20)	0.47

26 DEFERRED TAX ASSET/LIABILITY

Other Assets include deferred tax asset of an amount equal to ₹ 5.67 crores for the year ended March 31, 2025 and ₹ 7.50 crores for the year ended March 31, 2024 as detailed below:

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Deferred Tax Assets	12.54	10.35
Loan Loss Provisions	7.64	7.16
Others	4.90	3.19
Deferred Tax Liabilities	(6.87)	(2.85)
Special Reserve under section 36(i)(viii)	(3.84)	(2.85)
Gain on Transition/Fair value adjustment on Investment	(3.03)	-
Deferred Tax (Liabilities)/Assets (Net)	5.67	7.50

27 STATUS OF IND AS IMPLEMENTATION

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2025

28 PAYMENT OF DICGC INSURANCE PREMIUM

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Payment of DICGC Insurance Premium	8.91	8.05
Arrears in payment of DICGC premium	-	-

29 USE OF FUNDS RAISED FROM GREEN DEPOSITS

The Bank has not raised any funds from green deposits during the year ended March 31, 2025 and March 31, 2024.

30 DISCLOSURE UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

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.

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
a) Principal amount due to suppliers under MSMED Act, 2006	-	-
b) Interest accrued, due to suppliers under MSMED Act on the above amount, and unpaid	-	-
c) Payment made to suppliers (other than interest) beyond the appointed day during the year	-	-
d) Interest paid to suppliers under MSMED Act (Section 16)	-	-
e) Interest due and payable towards suppliers under MSMED Act for payments already made	-	-
f) Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (including interest mentioned in (e) above)	-	-

31 CORPORATE SOCIAL RESPONSIBILITY

Gross amount required to be spent by the Bank and as approved by the Board of Directors, during the year ended March 31, 2025 is ₹ 2.38 crores (previous year ₹ 1.77 crores)

The amount recognised as an expense in the Profit and Loss Account on CSR related activities and contributed to Capital Foundation during the year ended March 31, 2025 is ₹ 2.38 crores (previous year ₹ 1.77 crores) which comprises of following:

(₹ in crores)		
Particulars	Year ended March 31, 2025	Year ended March 31, 2024
Construction/acquisition of any asset	-	-
On purposes other than (i) above	2.38	1.77

Out of the above amount of ₹ 2.38 crores transferred to Capital Foundation, the unspent amount of ₹ 2.00 crores has been transferred to a separate bank account on behalf of the Bank, to be utilised towards on-going projects/programme(s) in line with the provisions of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.

CSR projects during the year ended March 31, 2025 were in the areas of:

i Helping Hands for WFH (Water, Food and Health); ii Sarv Shiksha Abhiyan; iii Inclusions & Empowerment; iv Committed to Environment Stewardship; v Gear Up India (Aka Rural Sports Development); vi Tomorrow Ready Relief Project; vii Healthcare/Donation under COVID - 19

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2025

32 DESCRIPTION OF CONTINGENT LIABILITIES

Particulars	Description
Claims against the bank not acknowledged as debts	Includes amount created for taxation matter in respect of which appeal is pending. The Bank expects the outcome of the appeal to be favourable, based on decisions on similar issues in the previous years by the appellate authorities.
Guarantees given on behalf of constituents in India	As a part of its commercial banking activities, the Bank issues bank guarantees on behalf of its customers.
Acceptances, endorsements and other obligations	Includes Letters of credit issued on behalf of the customers that enhances the credit standing of the Bank's customers.
Liability on account of outstanding forward exchange and derivative contracts	The Bank does not have Liability on account of outstanding forward exchange and derivative contracts.
Other items for which Bank is contingently liable	Includes capital commitments and amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

33 INVESTOR EDUCATION AND PROTECTION FUND

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

34 DETAILS OF OTHER HEADS EXCEEDING 1%

34.1 Other Expenditure includes below expense that exceed 1% of the total income of the Bank:

Particulars	(₹ in crores)	
	Year ended March 31, 2025	Year ended March 31, 2024
Other Expenditure		
Security and Facility Staff Expense	25.70	17.74
Priority Sector Lending Certificate Expenses	12.72	11.65
50% Input Tax Credit under GST lapsed as per section 17(4) of CGST Act 2017	10.16	7.10*

*The value has been disclosed for comparative purpose. However, it does not exceed 1% of the total income of the Bank.

34.2 Miscellaneous Income does not include any income that exceed 1% of the total income of the Bank for the year ended March 31, 2025 and March 31, 2024.

34.3 Other Liabilities and Provisions – Others (including Provisions) and Other Assets - Others does not include any item that exceeds 1% of the total assets of the Bank as on March 31, 2025 and as on March 31, 2024.

35 PAYMENT TO THE AUDITORS

Particulars	(₹ in crores)	
	Year ended March 31, 2025	Year ended March 31, 2024
Audit Fees	0.93	0.96
Certificate Fees & fee for other services	0.07	0.09
Out of Pocket Expenses	0.40	0.18

Notes:

- The audit fees includes ₹ 0.40 crores (₹ 0.45 crores during the previous year) paid to auditors other than the statutory auditor.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2025

35 Payment to Auditors (Contd.)

- The audit fees paid during the year ended March 31, 2024 includes ₹ 0.24 crores and certificate fees & fee for other services includes ₹ 0.02 crores paid to previous statutory auditor.
- Out of pocket expenses includes expense for statutory auditor and other auditors.

36 COMPARATIVE FIGURES

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

As per our report of even date attached

For **SCV & Co. LLP**
Chartered Accountants
FRN: 000235N/N500089

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

Sunny Singh
Partner
Membership No. 516834

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

Munish Jain
Director
DIN : 10132430

Gurpreet Singh Chug
Director
DIN: 01003380

Date: April 29, 2025
Place: Noida

Aseem Mahajan
Chief Financial Officer

Amit Sharma
Company Secretary
Membership No. FCS10888

Date: April 29, 2025
Place: Jalandhar

NOTES

NOTES



Value
Research



Capital Small Finance Bank 

Registered Office:

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