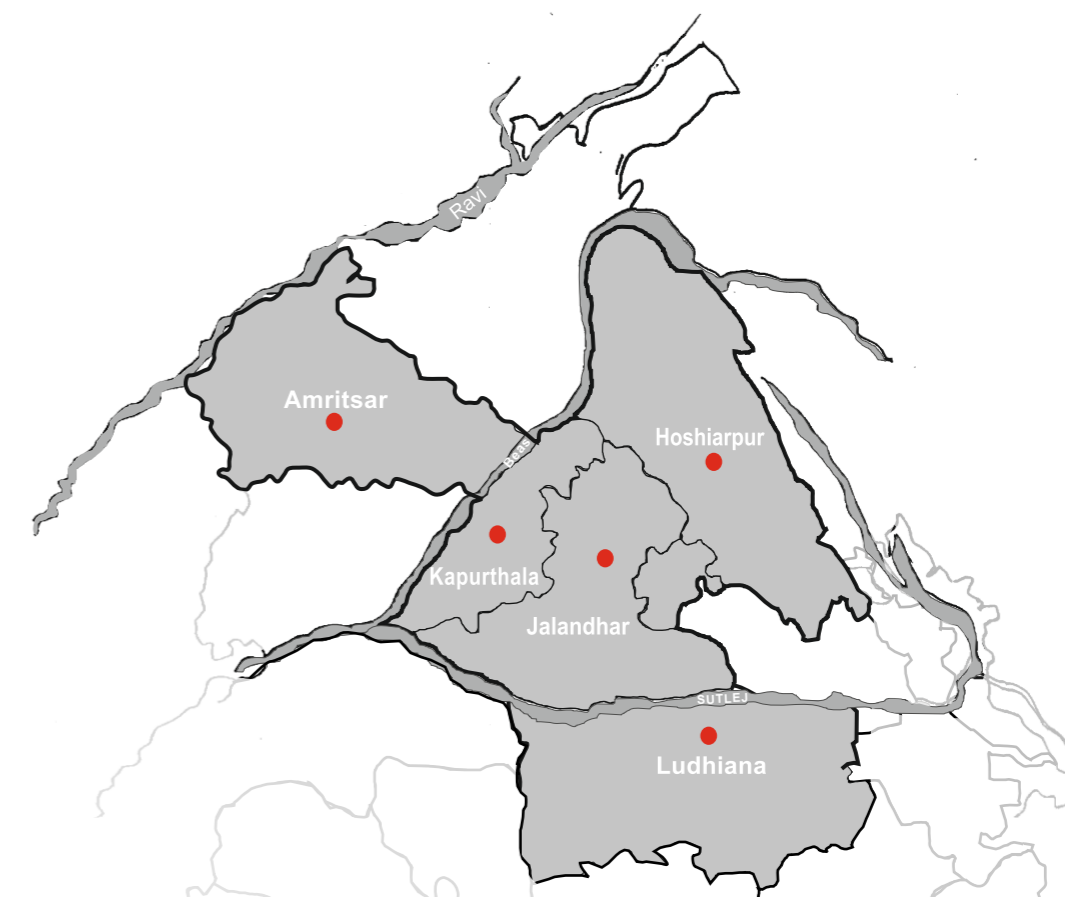


*13* years of  
Trust & Performance



# EXPANDING OUTREACH

## Capital Local Area Bank Limited

Registered & Head Office  
MIDAS Corporate Park  
3rd Floor, 37 G.T. Road  
Jalandhar 144001 (Punjab) India

Tel 0181 5051111 | 5052222  
Fax 0181 5053333

mail@capitalbank.co.in  
www.capitalbank.co.in

**Capital Local Area Bank** 

**ANNUAL REPORT 2012-13**



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## Board Committees

13 years of  
Trust & Performance

### Management Committee

Sarvjit Singh Samra  
Inder Krishan Sardana  
Dinesh Gupta  
Vijay Kumar Bhandari

### Credit Sanctioning Committee

Sarvjit Singh Samra  
Dinesh Gupta  
Vijay Kumar Bhandari

### Audit Committee

Madan Gopal Sharma  
Dinesh Gupta  
Sukhpal Singh Gill  
Bhagwant Singh Sangha

### Securities Allotment Committee

Sarvjit Singh Samra  
Dinesh Gupta  
Bhagatwant Singh Sangha

### Nomination Committee

Bhagwant Singh Sangha  
Sham Singh Bains  
Sukhpal Singh Gill

### Risk Management Committee

Sarvjit Singh Samra  
Dinesh Gupta  
Vijay Kumar Bhandari  
Sukhpal Singh Gill

### Remuneration Committee

Inder Krishan Sardana  
Dinesh Gupta  
Bhagwant Singh Sangha

### Customer Service Committee

Sarvjit Singh Samra  
Inder Krishan Sardana  
Ranbir Singh

### Securities Transfer Committee

Sarvjit Singh Samra  
Dinesh Gupta  
Sukhpal Singh Gill

## Board Members

13 years of  
Trust & Performance

### The Chairman

Inder Krishan Sardana

### Managing Director

Sarvjit Singh Samra

### Directors

Vijay Kumar Bhandari  
Dinesh Gupta  
Santokh Singh Chhokar  
Bhagwant Singh Sangha  
Madan Gopal Sharma  
Sham Singh Bains  
Ranbir Singh  
Sukhpal Singh Gill

### Executive Vice President & Company Secretary

Munish Jain

### AUDITORS

M/s O.P Garg & Co.  
Chartered Accountants  
Jammu

₹ in crores

## Business Analysis

	2012-13	2011-12	2010-11	2009-10	CAGR
Deposit	977.78	819.66	647.92	531.91	22.50%
Advances	605.91	518.02	419.58	347.16	20.40%
Total Business	1583.69	1337.68	1067.50	879.07	21.68%
Net Worth	71.29	61.81	54.05	46.37	15.41%

## Profitability Analysis

Gross Revenue	119.39	98.24	74.65	64.41	22.84%
Net Interest Income	39.80	35.18	29.32	18.84	28.31%
Net Revenues	48.35	43.86	37.45	29.27	18.20%
Profit Before Tax	18.32	16.00	15.85	11.07	18.29%
Net Profit	12.51	10.63	10.42	7.42	19.04%

## Ratio Analysis %

	2012-13	2011-12	2010-11	2009-10
CASA	39.56	41.46	43.74	44.41
Return On Equity	18.80	18.35	20.75	16.83
Return On Assets	1.17	1.20	1.47	1.17
Interest Spread	4.09	4.39	4.64	4.46
Net Interest Margin	3.72	3.97	4.13	2.95
EPS (₹)	7.97	6.77	6.64	4.73
Book Value Per Share (₹)	45.42	39.38	34.43	29.54
Capital Adequacy Ratio	15.58	15.73	15.55	16.28
Gross NPAs	0.45	0.34	0.21	0.05
Net NPAs	NIL	NIL	NIL	Nil

- Pioneer in bringing state-of-the-art banking facilities in rural areas at a low cost
- Promoting Financial Inclusion in area of operation since the inception by providing easy access to masses to banking services
- Extension of banking services to the unbanked villages through Suvidha Kendras (Brick & Mortar B.C. Outlets)
- ATM Cards accepted at more than 1,49,000 ATMs PAN INDIA
- Obtained Centralized Payment system membership to facilitate RTGS/NEFT facility to the clientage
- 7 day branch banking from day one with extended and uninterrupted banking hours
- Area of operation extended to two more districts of Ludhiana and Amritsar
- Business Compounded Annual Growth Rate of 21.68%
- Net Profit Compounded Annual Growth Rate of 19.04%
- ZERO Net NPA
- Credit Deposit Ratio of 62% as against 35% in the area



“The Reserve Bank of India in January 2013 has accorded the approval for expansion of area of operation of the Bank to two more Districts of Ludhiana and Amritsar in Punjab. This expansion will go a long way for the overall growth of the Bank”

Dear Shareholders,

Capital Local Area Bank Limited, the largest Local Area Bank in the country has been operating in the three contiguous Districts of Jalandhar, Kapurthala and Hoshiarpur in Punjab for the last 13 years with excellent performance in all spheres. The Reserve Bank of India in January 2013 has accorded the approval for expansion of area of operation of the Bank to two more Districts of Ludhiana and Amritsar in Punjab. This expansion will go a long way for the overall growth of the Bank.

The earlier area of operation of the Bank comprising of three districts has a population of only 45 lacs, which is being well served by the Bank's expanding network. In order to sustain the growth rate of the Bank and to extend contribution of the Bank towards economic development of the area, it was now imperative to extend the area of operation of the bank. The additional districts of Ludhiana and Amritsar have a population of about 60 lacs and a huge geographical area and are the main hubs of trading, agriculture and industrial activities of Punjab state. Hence the Bank now has a larger geographical area and population to cater to, having immense potential to grow further.

I would like to bring to your notice the following extract from Finance Minister, Mr. P. Chidambaram's speech delivered at the inaugural ceremony of BANCON 2012 on November 24, 2012 at Pune.

“While consolidation takes place among top banks, there would also be place for local area banks. In fact, I regret that the idea of the local area bank which was started in 1996 stopped after first three licences were given. I think there is place for a local area bank for serving people of the region, local area, drawing strength from those people and serving those people.”

The Reserve Bank of India in the Monetary Policy statement issued on May 3, 2013 has also mentioned about the “desirability and practicality of having small, localized banks as preferred vehicles for financial inclusion.”

The Bank has shown excellent performance during the financial year 2012-13 across board. The Bank has opened 5 new branches during the financial year ended March 31, 2013, thus increasing the total number of branches to 29.

The total deposits of the Bank increased from ₹ 819.66 crores as on March 31, 2012 to ₹ 977.78 crores as on March 31, 2013 registering a growth of 19.29%. Total advances have increased to ₹ 605.91 crores as on March 31, 2013 as against ₹ 518.02 crores as on March 31, 2012 registering a growth of 16.97%. The Credit Deposit Ratio of the Bank as on March 31, 2013 is 61.97%.

In order to provide banking services in the unbanked villages, the Bank has taken the initiative and set up 10 Suvidha Kendras (Brick & Mortar B.C. outlets) in the area of operation of the Bank. The Bank has mobilized total business of ₹ 71.91 crores by opening 13,059 numbers of accounts through these Suvidha Kendras as on March 31, 2013.

The Bank which is already a proud market leader in its operational centers and endeavors to hold this similar position in the extended area of operation as well. I am thankful from the core of my heart to the Promoters, Directors, Government Authorities and Reserve Bank of India for their guidance and support. I appreciate and thank the committed, loyal, honest and very hard working family of the Bank.

**Sarvjit Singh Samra**  
Managing Director

### Dear Shareholders,

The Directors of your Bank take immense pleasure in presenting the Thirteen Annual Report on the business and operations of the Bank along with the audited accounts for the year ended March 31, 2013. The Bank has delivered record performance in every sphere, depicting faith by the stakeholder and dedication by team members. The year 2012-13 has been a year of milestones. The Board at the outset is elated to share with you that as the result of consistent, trustworthy and ethics based performance of your Bank, the bank has been rewarded by Reserve Bank of India expansion in area of operation from the existing 3 districts of Jalandhar Kapurthala and Hoshiarpur to two more districts of Amritsar and Ludhiana. The Bank would now be able to serve a bigger community and will go a long way towards the growth and prosperity of the Institution.

Agriculture continues to be the bedrock of the Punjab economy and earned its reputation as the "Granary of India". By South Asian standards, the economy of the state has a diverse and rich resource base. Poverty has been reduced over the past 30 years, and a social safety net has been put into place. The dedicated, devoted and diligent youth with fresh knowledge and ideas is making a difference to the state by diversifying away from agriculture based occupation to urbanization and industrialization.

Capital Local Area Bank endeavor to foster the entrepreneurship of the youth to hasten the economic growth of the area through provision of credit at grass root level and employment generation. "We are what we repeatedly do. Excellence, therefore, is not an act but a habit." Aristotle.

Set up with the objective to augment credit for viable economic activities in the rural areas and bridging the credit gap, Capital Local Area Bank Limited, caters to the needs of rural India and have been delivering a wide range of financial services and providing world-class banking services to the local rural community at a low cost. In order to remove institutional

inhibition and create awakening among masses to avail banking facilities, the Bank endeavored for inclusive growth from the very inception and introduced very low cost deposit products and later no frill deposit accounts and has been instrumental in rural upliftment in the area of operation.

The Bank has been partnering growth with the rural population of Punjab and providing 7 day banking with uninterrupted extended banking hours from day one. The Bank is proud to have brought in high-tech, customized, thorough professional banking services with a personal touch to the rural populous which have now been well recognized resulting in the tremendous response the bank received by opening of new branches in the area of operation. The Bank has completed 13 years during the year 2012-13 and achieved a phenomenal growth in all its operations. Your Bank has been granted permission for opening five new branches by the Reserve Bank of India on March 21, 2013. With the opening of these five branches, the total branch network will increase to 34.

The Bank opened 5 new branches during the year 2012-13. Out of 29 branches as on March 31, 2013, 14 branches are rural, 12 are semi-urban and 3 are urban. Besides this, Bank has 10 Suvidha Kendras (Brick & Mortar BC outlets). Exponential growth has been recorded in rural business during the year-ended March 31, 2013. This financial year has been remarkable in every possible way. The Bank has partnered in the growth and development of its various stakeholders which has in turn made the Bank post record performance in every sphere.

### Operating Performance

The year gone by has witnessed financial strain, narrowing in economic activity, declining business confidence and slackening investment activity during the first half and then during the last quarter financial markets and sentiment improved due to the confidence building measures and money pumped in by the advanced countries. Despite the slowdown, the Bank has shown significant growth for the

year-ended March 31, 2013 at a glance is as under:-

1. Deposits of the bank increased from ₹ 819.66 crores as on March 31, 2012 to ₹ 977.78 crores as on March 31, 2013 registering a growth of 19.29%.
2. Advances of the bank increased to ₹ 605.91 crores as on March 31, 2013 as against ₹ 518.02 crores as on March 31, 2012 registering a growth of 16.97%.
3. Total business of the bank increased to ₹ 1583.69 crore as against ₹ 1337.68 crores resulting in a growth of 18.39%.
4. Gross income increased to ₹ 119.39 crore as against ₹ 98.24 crore in the previous year, registering a growth of 21.53%.
5. Net interest income of the Bank increased to ₹ 39.80 crores during the financial year ended March 31, 2013 as against ₹ 35.18 crores in the previous year depicting a growth of 13.13%.
6. Net Profit increased to ₹ 12.51 crores as on March 31, 2013 from ₹ 10.63 crores as on March 31, 2012 registering growth of 17.69%.
7. Fixed assets of the bank have increased from ₹ 17.47 crores as on March 31, 2012 to ₹ 27.62 crores as on March 31, 2013.
8. Net Worth of the bank has increased to ₹ 71.28 crores as on March 31, 2013 as against ₹ 61.81 crores as on March 31, 2012.
9. Reserves & Surplus as on March 31, 2013 increased to ₹ 55.59 crores from ₹ 46.11 crores as on March 31, 2012.
10. Zero Net NPA.

The Bank is putting in incessant hard work in order to present complete range of world class financial services under a single roof at reasonable prices to all stakeholders. In addition to this, the Bank has adopted a strategic thrust towards personalized banking and creating an innovative and responsive approach focusing attention on local communities. Operating Performance reflects the strong foundation and sustainable business model of the bank. The Bank has posted

record Net Profit of ₹ 12.51 crores for the year ended March 31, 2013 as against ₹ 10.63 crores for the year ended March 31, 2012. The aggregate deposits of the bank have increased from ₹ 819.66 crores as on March 31, 2012 to ₹ 977.78 crores as on March 31, 2013 registering a growth of 19.29%. The business of the Bank has increased to ₹ 1583.69 crores as on March 31, 2013 from ₹ 1337.68 crores, depicting a creditable increase of 18.39%. The bank has a well diversified and strong business portfolio to mitigate the unforeseen risks. Capital Bank is focusing on further product expansion and diversification by concentrating on present trends and future market behaviour and expectations. We believe in building enduring relationships with all the customers, vendors, stakeholders, human resources and all associates in overall operational aspects, so as to build unparalleled brand equity. The focus has been to strengthen the quality of banking services by inculcating higher standards of professionalism in the management at every level. The Bank is in a fast track growth trajectory and is working fluently to create a win-win situation for all the stakeholders. The Bank firmly believes that setting the goals and objectives clearly, being consistent with them and moving in rhythm with the environment around is the surest way of making our journey successful. The pace of change cannot be forced rather we have to conform to what is reasonable with respect to the capacities of the bank and its surrounding environment. The Bank has been focusing on mounting human capital as well as enhancing the technological systems and support. Most importantly, the Bank has been able to erect a high level of credibility and goodwill among the masses. The Credit growth has been exceptional during the period under review and business conditions remained optimistic. The Net Advances of the bank during the year ended March 31, 2013 increased to ₹ 603.18 crores as against ₹ 516.26 crores as on March 31, 2012 registering a growth of 16.84%. The focus of the Bank in providing credit for viable economic activities and to deploy funds in the areas of operation has accredited it with high credit deposit ratio that stood at 61.97% on March 31, 2013 as against a modest 35% of all the other banks operating in our area of

operation. This speaks of the commitment of the bank in achieving its objectives, thus making it a model banking institution for economic development of the area. Our prime motive is to partner in growth in the area of operation by consistently providing trustworthy services to our clients and prospective clients which will result in high business growth both in deposits and advances. The surging growth in advances is further complemented by ZERO NET NPA level which has been maintained by the Bank. The performance of the bank is characterized by strong brand equity, well diversified loan portfolio, customer delight, efficient and effective risk management with a mission of bringing modern banking services at low cost to the rural areas.

#### Extending Outreach to two more districts

The Bank is showing consistent performance in all gamuts since its incorporation. The Bank has been operating in three districts and earned huge credibility in its area of performance. The vast network in rural areas through branches and Suvidha Kendras coupled with strong Capital base and quality Asset Portfolio, the bank has been rewarded by Reserve Bank of India to extend its area of operation to two more districts of Amritsar and Ludhiana. These two historic and commercial districts to the existing area of operation is a feather in cap and will give high boost to the growth and profitability of the Bank. The Bank has been sanctioned 5 branches out of which 2 branches in Jalandhar district, 1 in Amritsar district and 2 in Ludhiana district are being opened during the current year.

#### Dividend

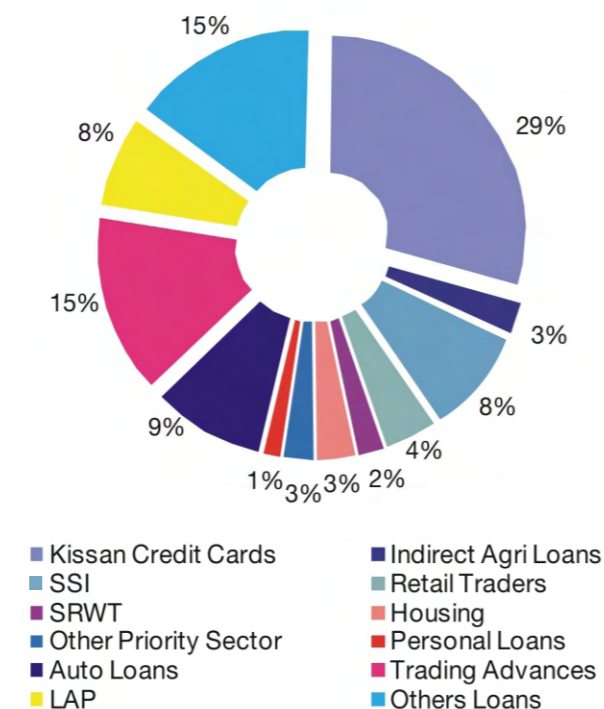
The overall business as well as profitability of the Bank has been quite satisfactory. Your Bank has had a dividend policy that balances the dual objectives of appropriately rewarding shareholders through dividends and retaining capital in order to maintain a healthy capital adequacy ratio to support future growth. It has had a consistent track record of moderate but steady increase in dividend declarations over its history. A sum of ₹ 320.31 lakhs out of the profits has been transferred to Statutory and other Reserves, besides making provisions against Standard Assets as per norms of the

Reserve Bank of India. Keeping in view the twin objectives to strengthen our Capital base and reward the shareholders, the Directors propose to plough back 79.93% of the profit and have recommended a higher dividend of 16% for the year 2012-13 as against 15% for the year 2011-12.

#### Advance to Priority Sector and Weaker Section

The Bank has always been striving for adequacy and authenticity of the facilities provided in the major thrust areas, namely Priority Sector and Weaker Sections by touching as many lives as possible. Being a Local Area Bank, the Bank has taken the responsibility in its true sense to be one step ahead in discharging banking and other related financial requirements of people in the rural sector. Priority sector advances increased to ₹ 312.32 crores as on March 31, 2013 as against ₹ 259.68 crores in the previous year, registering a growth of 20.27%. The Priority Sector Advances stood at 51.80% of the Adjusted Net Bank Credit as on March 31, 2013 above the 40% benchmark set by the Reserve Bank of India. Our total credit to agriculture has increased to ₹ 197.04 crores as against ₹ 161.42 crores in the previous year showing a growth of 22.06% which stood at 32.49% of the Net Bank Credit as on March 31, 2013.

#### Advance Profile



The bank has made majority of its Direct Agriculture Advances under its CAPITAL KISAN CREDIT CARD Scheme. It is a customer friendly scheme and has given momentum to the flow of credit to agriculturists. This scheme has been largely instrumental in upliftment of credit availability in rural areas under the jurisdiction of your bank. Advances to Weaker Sections, also continues to receive special priority. The advances made to Small and Marginal Farmers, Scheduled Castes, etc. stood at ₹ 62.49 crores. The advances to weaker sections stood at 10.31% as on March 31, 2013 as against the regulatory benchmark of 10%. The Bank has initiated number of steps to augment lending to Priority Sector/Weaker Sections, including identification of potential centers for focused lending, imparting training to officers on rural lending, liberalised credit norms and softening interest rates.

#### Financial Inclusion through Business Correspondents

Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost." The financial services include the entire gamut - savings, loans, insurance, credit, payments etc. By providing these services, the aim is to help them come out of poverty. In order to support the growth of the rural markets, it is imperative that we should be present in the heart of rural India. We have therefore expanded our reach and access through a strong network of rural branches and Business Correspondents.

#### Suvidha Centres- A model for Financial Inclusion

The Bank's financial inclusion initiatives have been integrated across its diverse businesses, as well as across product groups. The bank has very successfully initiated the process of inclusive growth through the Business Correspondents model christened as 'Suvidha Centres' for achieving 100% financial inclusion in its area of operation. 16 unbanked villages with population of more than 2000 people have been identified for providing extension of

banking services through Suvidha Kendras (Bricks & Mortar BC- Outlets) against target of opening 1 such centre by SLBC. The Bank has in the ongoing first phase operationalized 10 Suvidha Kendras (Bricks & Mortar BC Outlets) in such unbanked villages at Poonia, Kangna, Kandola Kalan, Daduwal, Seechewal, BopaRai Kalan, Lakhan Kalan, Fatehpur, Chak Hakim and Dhaliwal and work on more Suvidha Kendras (Bricks & Mortar BC- Outlets) is in progress. Each Suvidha Centre has a Nodal Officer from the base branch to supervise the overall functioning of the Suvidha Kendra (Bricks & Mortar BC- Outlets) and to guide and educate the staff and customers of Suvidha Kendra (Bricks & Mortar BC- Outlets) on various banking services.

#### Initiatives by Suvidha Centres

These centres are offering facilities for opening 'Suvidha Bachat Accounts (also known as No-frill savings accounts), Deposit and Withdrawal of funds, Advances (Including Micro Lending), Insurance and third party products. The Suvidha Centres are equipped with updated technology for effecting transactions on real time basis and has been provided training support to meticulously carry on the above services for promoting overall inclusion activities. The Bank has opened 13059 deposit and loan accounts during a very short span through Suvidha Kendras. No frill Accounts of the Bank as on March 31, 2013 constitute 31.90% of total Savings Bank Accounts. The Bank had adopted 129 Villages and 50 Municipal Wards covering population of 2,64,323 and 50,282 households in the area of operation and achieved 100% Financial Inclusion.

#### Rendering Micro Finance

Financial services could enable the poor to leverage their initiative, accelerating the process of building incomes, assets and economic security. Microfinance is the steering wheel driving the economy towards upliftment. Therefore, Capital Bank has recognized its significance and is keeping pace with the idea of rendering modern banking facilities to the masses, particularly to provide poor families with small loans and help them engage in productive activities and grow their very small

businesses. In view of the financial services available to the poor, they often have serious restrictions as far as factors like cost, risk and convenience are concerned; we have introduced a broader range of products and services including credit, savings, insurance, etc. Our goal is to endow the poor with an access to a formal financial institution and let them avail benefits that put them at par with others. The Bank has introduced various micro lending products like General Credit Cards, DRI advances and micro finance under JLG group Scheme through Business Correspondents. During the year 2011-12, the Bank has advanced micro loans to 1150 members amounting to ₹ 103.47 lacs for income generating activities. The Micro Finance of the bank constitutes 15.99% of Net Bank Credit. Micro and Small Enterprises Finance of the bank increased to ₹ 96.97 crores as on March 31, 2013 as against ₹ 83.30 crores as on March 31, 2012, registering a growth of 16.41%.

#### Investments

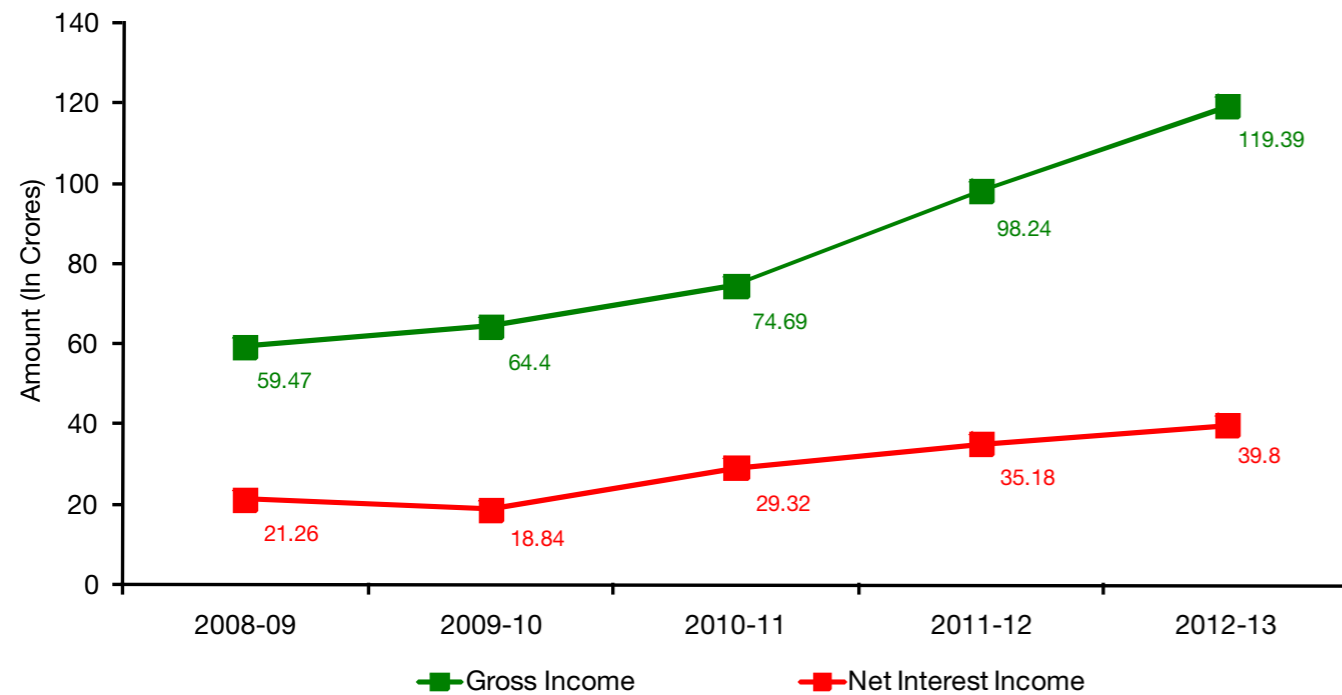
The Treasury Group, under the supervision and guidance of Investment Committee, is looking after the Assets and Liabilities, compliance of regulatory reserve requirements, market and liquidity risks. The core team strictly adheres to the established prudent norms for building suitable trading portfolio so that the best can

be derived from the available opportunities optimally. Investments in SLR and Non-SLR Securities are being carried out after taking safety and liquidity into consideration. Total investments of the Bank stood at ₹ 313.19 crores as on March 31, 2013 comprising ₹ 295.41 crores in sovereign Government Securities, ₹ 17.78 crores in debt based instruments with a maturity mix of securities consistent with the risk perception and Investment Policy guidelines of the bank. The Bank has classified investments into 3 categories as per RBI guidelines - 'Held to Maturity', 'Available for Sale' and 'Held for Trading'. Rural business continues to be the hallmark of Capital Bank.

#### Increasing Profitability

In spite of the fact that the inflation remained high for most of the year and liquidity remained tight, the Bank's profit for the year ended March 31, 2013 increased to ₹ 12.51 crore as against ₹ 10.63 crore as on March 31, 2012. The Bank has shown an overall satisfactory performance. The Bank has been able to show an upward trend despite the challenging market conditions and is poised to climb the ladder of success in coming times. The opening of new branches will boost the profitability and growth with diversified portfolio and will cater to larger base of stake holders.

#### Profitability Graph



#### Great Customer Service

The enormous opportunities are in store with commensurate responsibility for living up to our vision for delivering world class financial services at the door steps of less catered rural masses as well as escalating urban clientele. Extending the highest quality in service to its customers attracts top priority in our scheme of things. A Customer Service Committee monitors the accomplishment of customer service, measures periodically and looks into the customer grievances, suggestions and tries to resolve them proficiently. The bank has made all the efforts to grant utmost customer satisfaction and quick services. The implementation of customer services measures is monitored during the visit of the executives to branches, customer meetings in branches and independent customer surveys. During the period of April 1, 2012 to March 31, 2013 four meetings of customer service committee were held.

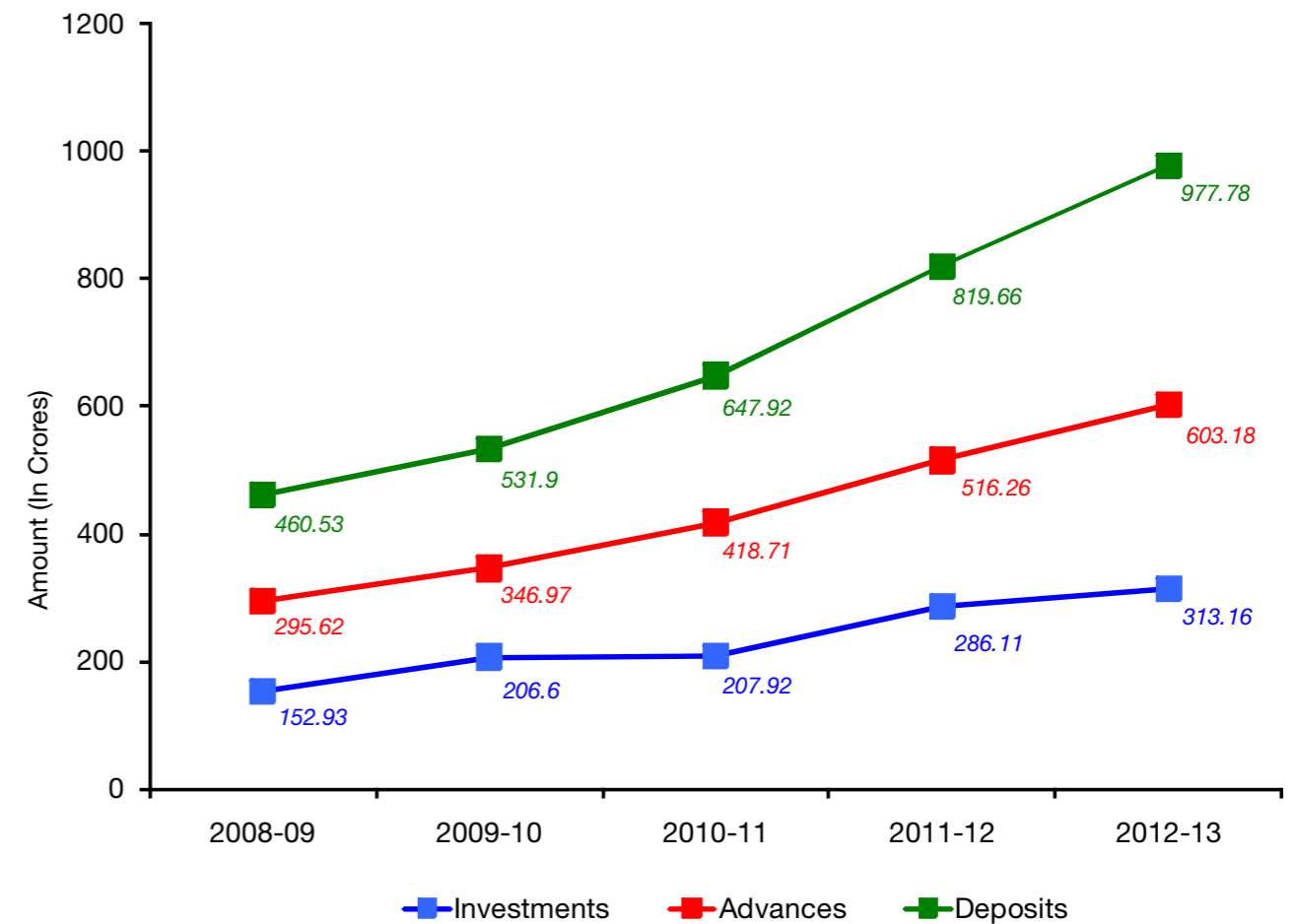
#### Complaint Database

No. of complaints pending at the beginning of the year	Nil
No. of complaints received during the year	2
No. of complaints redressed during the year	2
No. of complaints pending at the end of the year	Nil
No. of Customer meeting held by the branches	301
No. of Customer Surveys for assessing customer service	76

#### Our Strategy

The Bank from its very inception has been implementing best of its strategies for serving the plethora of entrepreneurs, individuals as well as businesses with the vision to be the most innovative and one of its kind in India. The Bank has possibly brought the world-class financial services at the doorsteps of unprivileged rural masses of India. Technology

#### Business Profile





savvy, state-of-the-art branch network, one-stop financial-hub, acceptance of ATM and debit cards at other bank's ATMs, Real Time Gross Settlement (RTGS) coupled with personal touch has been one of our strongest strategic tools to grow and optimize returns in the competitive environment. The Bank further aspires to expand its profitability by adding new fund based and non-fund based products and reducing transaction costs by increasing transaction volume through delivery channels. The strategy of the bank is cemented by competitive skills, valuable business principles, commitments and economic wisdom.

#### Statutory Disclosures

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

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

##### 2. Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975

None of the employees is in receipt of remuneration in excess of ₹ 60.00 lakhs per annum or ₹ 5.00 lakhs per month during the part of the year and hence reporting of information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 is not called for.

##### 3. Disclosure under Section 217(1) (e) of the Companies Act, 1956

The provisions of Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption, foreign exchange earnings outgo does not apply to the bank. We have, however, used information technology extensively in our business operations. The Bank has recently updated new Core Banking system from Polaris Financial Technology Ltd., Chennai in all

branches which enables bank clientele to avail any branch banking and anytime banking through different delivery channels like ATMs, I-banking, Mobile banking, RTGS, and Alerts.

##### 4. Disclosures Under Section 217(1)(d) of The Companies Act, 1956

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

##### 5. Transfer to reserves in terms of section 217 (1)(b) of the Companies Act, 1956

For the financial year ended March 31, 2013, the Bank had transferred ₹312.81 lacs to the Statutory Reserve Fund (maintained under section 17(1) of RBI Act, 1934). The Bank has transferred ₹7.50 lacs to Special Reserve maintained under section 36 (1) (VIII) of Income Tax Act, 1961.

#### Directors

Mr. Inder Krishan Sardana was re-appointed as a Part Time Chairman by the Bank for a period of 3 years w.e.f. April 3, 2013 and the approval was accorded by Reserve Bank of India vide letter dated April 1, 2013. Mr. Sarvjit Singh Samra was re-appointed as Managing Director by the Bank w.e.f July 21, 2012 for a period of 3 years as approved by Reserve Bank of India vide letter dated July 19, 2012. In accordance to the Section 255 of The Companies Act, 1956, Mr. Vijay Kumar Bhandari, Mr. Sukhpal Singh Gill, Mr. Madan Gopal Sharma and Mr. Santokh Singh Chhokar, directors will retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. The Board recommends their re-appointment.

#### Auditors & Auditors' Report

M/s. O.P. Garg & Co., Chartered Accountants were appointed as Statutory Auditors of the Bank on casual vacancy caused by M/s. Dass Khanna & Co. Chartered Accountants during the year and the said approval was accorded by Reserve Bank of India vide letter dated March 1, 2013. The Statutory Auditors have

audited the books of accounts of the Bank for the year 2012-13 as per the accounting standards followed in India. Their Report and Notes to the accounts is self explanatory and, therefore, does not call for any further comment. M/s. O.P. Garg & Co. will retire during the ensuing Annual General Meeting. The Board has recommended the appointment of M/s. O.P. Garg & Co. for the fiscal 2014 subject to the approval of Reserve Bank of India. The Bank has received a certificate u/s. 224(1) of the Companies Act, 1956 to the effect that the re-appointment if made at the Annual General Meeting, will be within the prescribed limits under section 224(1-B) of the Companies Act, 1956.

#### Directors' Responsibilities Statement

The Directors confirm that in the preparation of the annual accounts for the year-ended March 31, 2013:-

1. The applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
2. The accounting policies, framed in accordance with the guidelines of The Reserve Bank of India, were consistently applied.
3. Reasonable and prudent judgement and estimates were made so as to give a true and fair view of the state of affairs of the bank at the end of the Financial Year and of the profit of the bank for the year-ended March 31, 2013.
4. Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provision of applicable laws governing banks in India.
5. The accounts have been prepared on an ongoing concern basis.

#### Acknowledgment

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

For and on behalf of the Board of Directors

Place: Jalandhar  
Date : April 24, 2013

**Sarvjit Singh Samra**  
Managing Director

**Inder Krishan Sardana**  
Chairman

**Global Economic Conditions**

Global economic activity remains subdued amidst signs of diverging graphs across the globe. In US slow recovery is seen driven by improvements in the housing sector and employment conditions. Japan's economy stopped contracting in Q4 of 2012. There has been improvement in consumer confidence on account of monetary and fiscal stimulus along with a pick-up in external demand on the back of a weakening yen. In the euro area, recessionary conditions, characterized by deterioration in industrial production, weak exports and low domestic demand continued to shrink the economic activity. High unemployment, fiscal drag and hesitant progress on financial sector repair have eroded consumer confidence. Among BRICS countries, growth accelerated in Brazil and South Africa, while it persisted below trend in China, Russia and India.

**Indian Economy**

The Indian economy remained sluggish in 2012-13, with slowdown turning visible across most sectors. During 2013-14, economic activity is expected to show only a modest improvement over last year, with a pick-up likely in the second half of the year.

Economic activity was moderated by both global and domestic events which also has a great impact on India. India's gross domestic product (GDP) grew by 5 % during the first nine months of fiscal 2013 as compared to 6.6 % during the corresponding period of fiscal 2012. The Central Statistical Organization, in its advance estimates, has projected GDP to grow by 5.0% during fiscal 2013 compared to growth of 6.2% in fiscal 2012.. Despite these short term challenges, the Bank continued to maintain its focus on the long-term prospects of the Indian economy and build capabilities for future growth. We consider that the core essentials of the Indian economy with a diligent youth will sustain strong development over the medium to long term, and our strategy revolves around cautiously managing short term challenges while being prepared to meet the needs of a vivacious economy.

Even now, of the large countries of the world, only China and Indonesia are growing faster than India in 2012-13. And in 2013-14, if India grows at the rate projected by many forecasters, only China will grow faster than India. Between 2004 and 2008, and again in 2009-10 and 2010-11, the growth rate was over 8 percent and, in fact, crossed 9 percent in four of those six years. The average for the 11th Plan period, entirely under the UPA Government, was 8 percent, the highest ever in any Plan period. Achieving high growth, therefore, is not a novelty or beyond our capacity. India has done it before and can do it again.

**Demand**

Aggregate demand remained sluggish during 2012-13 with inflation impacting real consumption and cyclical and structural factors affecting investment. Given the intensity of the slowdown, a public investment stimulus balanced with offsetting reductions in current expenditures, along with concerted action to remove supply-side bottlenecks, are needed to shape the revival of the economy.

**Global Price Situation**

Inflation has remained moderate in the Advanced Economies in the absence of demand pressures, and inflation expectations remain modest. The Emerging and Developing Economies on the other hand, present a mixed picture. While inflation has picked up in Brazil, Russia and Turkey, it has eased in China, Korea, Thailand and Chile. While in India, inflation seems to have peaked and started moving way down during the last quarter of the year but underneath threats of pickup in inflation going forward cannot be overruled.

**Domestic Price Situation**

Headline, and especially the non-food manufactured product inflation pressures, softened during 2012-13, even as consumer price inflation firmed up. The average headline WPI inflation during 2012-13 at 7.4 per cent was significantly lower than the 9.0 per cent recorded in the preceding year. By March 2013, WPI inflation at 6.0 per cent turned out to be lower than the Reserve Bank's indicative

projection of 6.8 per cent, mainly due to a sharp deceleration of inflation of non-food manufactured products in the second half of the year. However, consumer price inflation stays in the double digits, reflecting substantially food inflation pressures.

Headline inflation in 2013-14 is likely to exhibit a downward bias on account of expected lower global commodity prices.

Accordingly, imported inflation is likely to be lower provided the exchange rate remains broadly stable. But face an upward bias from significant pass-through from suppressed inflation.

Keeping in view the domestic demand-supply balance, the outlook for global commodity prices and the forecast of a normal monsoon, WPI inflation is expected to be range-bound around 5.5 per cent during 2013-14.

**Monetary and Liquidity Conditions**  
**Reserve Bank calibrated monetary policy easing to evolving growth-inflation dynamic and macroeconomic imbalances**

The Reserve Bank eased monetary policy in response to some softening of inflation and significant moderation in growth. However, monetary policy response to addressing growth concerns was constrained by inflation persistence and the twin deficit risks that prevailed for the most part of the year. It was guided by the imperative to optimally use the limited monetary space while balancing the concerns of persisting inflation and historically high Current Account Deficit (CAD). In this vein, the Reserve Bank cumulatively reduced the repo rate by 100 bps in 2012-13. Furthermore, amidst increasing structural and frictional liquidity deficits, it injected `1.5 trillion of primary liquidity through outright open market operations (OMOs).

The impact of monetary policy in boosting GDP growth is contingent upon resolution of supply bottlenecks, governance issues impeding investments and the government's efforts towards fiscal consolidation. Domestic energy price adjustments, inadequate supply response and sustained wage pressures on inflation are

expected to drag down growth for some more time. These factors, coupled with subdued domestic business confidence, are likely to keep recovery in 2013-14 modest. The challenge is to counter the growth slowdown by reviving investment while managing the tradeoff between objectives of reviving demand and restraining the CAD. Therefore, monetary policy would need to be calibrated recognising the very limited policy space available to ease further.

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A sustained moderation in food inflation would entail greater emphasis on removing supply bottlenecks and raising agricultural productivity. The near-term path of food inflation, however, is also contingent upon the performance of the monsoon. The global environment remains uncertain, and despite the recent moderation, possible upswings in fuel prices or depreciation of the exchange rate pose further upside risks. Risks also stem from the possible wage-price spiral and high inflation expectations. In view of these factors, the monetary policy has to continue its close vigil on the inflation front while continuing to facilitate growth recovery.

**External Sector**

External imbalances came to the fore during 2012-13 as the CAD-GDP ratio reached an all time high of 6.7 per cent in Q3 mainly on account of the growing trade deficit. Although non-oil non-gold imports have decelerated in recent months, the sticky oil and gold imports resulted in the widening of trade deficit.

However, CAD in Q3 was adequately financed by capital inflows, without any reserve depletion. Current account in 2013-14 is likely

to benefit from moderation in global commodity prices of oil, gold and other metals. CAD is also expected to have narrowed on the back of a turnaround in export growth and stabilisation of import growth. Despite these factors, the CAD is likely to remain above sustainable level. The sustainability of the CAD continues to face risk from event shocks that may cause a sudden stop or reversals of capital inflows. As such, there is need to initiate policy actions to bring structural improvements in the current account through productivity enhancements. Going forward, the government's recent initiatives to curtail the fiscal deficit, if pursued along the indicated path, are likely to reduce pressure on the CAD and lower twin deficit risks. In the current account through productivity enhancements. Going forward, the government's recent initiatives to curtail the fiscal deficit, if pursued along the indicated path, are likely to reduce pressure on the CAD and lower twin deficit risks.

#### Indian Financial Markets

Policy actions, both domestic and global, augured well for the Indian financial Markets in Q4. Strong FII inflows, especially in Q2 of 2012-13 augured well for the Indian equity market and the rupee, although the market movements were also conditioned by domestic slowdown and governance concerns. Nonetheless, limited policy space and political uncertainties continued to weigh down the markets. The easing trend in G-sec yields reflect the upbeat sentiment on further lowering of interest rates. Primary equity market, however, remain subdued. Its recovery depends on improvement in macroeconomic fundamentals, continued fiscal consolidation and revival of global growth. Sustained commitment to reforms and policy action to reduce external sector risks, and improvement in the global economy are crucial to boosting market sentiments and support capital raising.

#### Investment

The foremost challenge for returning the economy to a high growth trajectory is to revive investment. A competitive interest rate is necessary for this, but not sufficient. Sufficiency conditions include bridging the

supply constraints, staying the course on fiscal consolidation, both in terms of quantity and quality, and improving governance.

#### Fiscal Situation

The Union Budget for 2013-14 has made a firm commitment to fiscal consolidation. According to the revised budget estimates for 2012-13, the gross fiscal deficit (GFD)-GDP ratio, at 5.2 per cent, was contained around its budgeted level, mainly by scaling down plan and capital expenditures. The GFD-GDP ratio is programmed to decline to 4.8 per cent in 2013-14 and further down to 3.0 per cent by 2016-17, in line with the revised road map for fiscal consolidation. Fiscal consolidation is must for returning to high growth trajectory and regaining investor confidence both domestic and international.

#### Financial Markets

Policy actions, both domestic and global, augured well for the Indian financial markets in 2012-13. With aggressive monetary-easing measures by central banks worldwide and some policy initiatives in distressed euro area economies, capital flows surged into emerging economies. The Indian rupee and equity markets greatly benefitted from the improved investor optimism. Despite the domestic macroeconomic stress, expectations of a turnaround in the economy drove the rally in the Indian markets. Improved investor confidence was also visible from the pick-up in the IPO market after a subdued year.

#### Future Prospects

Going forward, despite the moderation in non-food manufactured products inflation, headline inflation is expected to be range-bound around current levels over 2013-14 in view of sectorial demand-supply imbalances. In addition, elevated food prices, including pressures stemming from MSP increases, and the wedge between wholesale and retail inflation have adverse implications for inflation expectations.

#### Corporate Governance

The Bank firmly believes in adoption and adherence to the best recognized corporate governance practices and continuously benchmarking itself against each such practice. The

Bank understands and respects its fiduciary role and responsibility towards its shareholders and strives hard to meet their expectations. The Bank is of the view that best board practices, transparent disclosures and shareholder empowerment are necessary for creating shareholder value. The essence of the Bank's corporate governance philosophy flows from the following:

- The Directors have distinguished themselves in different walks of life through experience and expertise.
- The Board is professional in character with a strong commitment to shareholder value, transparency, accountability, ethical standards and regulatory compliances.
- The Board's approach to and outlook on every aspect of governance is propelled by a keenness to further realization of the Bank's Vision and Mission.

Capital Local Area Bank has created robust world class banking facilities and services in rural areas like 7- day banking, extended and uninterrupted working hours, anywhere and anytime banking, ATMs, mobile and internet banking, life and general insurance services which led to a shift in the financial services at a global level. The Bank envisages attaining market leadership in our area and many of the branches have already become market leaders with respect to advances. As per the aim, the area of operation of the Bank has been extended to two more districts of Amritsar and Ludhiana with huge exploitable potential in new areas. We're operating in a lucrative market segment that has the potential to grow exponentially. The initiatives of the Bank in the area of technology, Human Capital, Product Development, Business Development and discharge of social responsibility will go a long way in achieving the mission. The Bank believes that Corporate Governance becomes crucial for banks as they not only accept and deploy large amount of uncollateralized public funds in fiduciary capacity, but also leverage such funds through credit creation. In view of importance of the banking system for financial stability, sound corporate governance is not

only relevant at the level of the individual bank, but is also a critical ingredient at the system level. The Bank aims at setting newer heights of Corporate Governance to be followed by the rest. As a part of good Corporate Governance practice, the Board reviews the various reports/returns as per the calendar of reviews set by the Reserve Bank of India in addition to other reports on the working of our bank. The Board met 7 times during the period under review. Various committees of Board viz. Credit Sanctioning Committee, Audit Committee, Management Committee (Investment merged with Management Committee), Risk Management Committee, Customer Service Committee, Remuneration Committee, Securities Transfer Committee and Nomination Committee have been formed for increasing the efficiency. The basic objective of corporate governance is the enhancement of shareholder value, keeping in view the interests of all stakeholders. The Bank has always believed in providing banking services with due compliance of regulatory requirements and adhering to the highest standards of Corporate governance. The Audit Committee of the Bank comprises of four independent Directors with Mr. Madan Gopal Sharma as its Chairman, Mr. Dinesh Gupta, Mr. Bhagwant Singh Sangha and Mr. Sukhpal Singh Gill as its members. The major role of Audit Committee lies in the following:

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

### The Risk Management Committee

Comprises 4 Directors namely, Mr. Sarvjit Singh Samra, Mr. Dinesh Gupta, Mr. Vijay Kumar Bhandari and Mr. Sukhpal Singh Gill.

The meetings of Board and various committees of the Board held in the year as follows:

Board of Directors	7
Credit Sanctioning Committee	12
Audit Committee	6
Management Committee	4
Risk Management Committee	4
Customer Service Committee	4
Nomination Committee	2
Securities Transfer Committee	6
Remuneration Committee	1

### Asset-Liability and Risk Management

Risk is an fundamental part of the banking business and we intend to deliver superior shareholder value by achieving an suitable trade-off between risk and returns. Key risks include credit, market, liquidity, operational, legal, compliance and reputation risks. Our risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring through its fundamental business model. The Risk Management Landscape in the Bank inculcates the stages of identifying, assessing, measuring, managing, controlling and reporting risk concerns across all the risk classes.

### Credit Risk

Credit risk is the risk that a borrower is unable to meet its financial obligations to the lender. All credit risk related aspects are governed by a credit and recovery policy which outlines the type of products that can be offered, customer categories, targeted customer profile and the credit approval process and limits. The credit and recovery policy is approved by our Board of Directors.

### Market Risk

Market risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates and other asset prices.

Our exposure to market risk is a function of our trading and asset-liability management activities and our role as a financial intermediary in customer-related transactions. The Bank is exposed to exchange rate risk, interest rate risk, equity price risk, basis risk and credit spread risk. Besides, the Bank is also exposed to liquidity or funding risk. These risks are controlled through limits such as duration of equity, earnings at risk, value-at-risk, stop loss, net overnight open position and liquidity gap limits. The limits are stipulated in our various policies approved by the Board of Directors.

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk includes legal risk but excludes strategic and reputational risks.

The organization of Risk Management function in the Bank spans various levels of oversight from operatives to the Board, offering lines of defense and escalation. The Risk Management Policies adopted and reviewed periodically articulate, codify the strategy, structure, processes and systems to manage bank wide risks. Expanding business arenas, deregulation and globalization of financial activities, emergence of new financial products and increased level of competition has necessitated the need for an effective and structured risk management practice in financial institutions. Effective internal policies are developed in tune with the business requirements and best practices. Capital Bank has formulated 'Risk Management Policy' for identifying and measuring various operational, credit and market risks. Operational risks are managed through comprehensive systems of internal control, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning. We constantly strive to enhance the risk management capabilities in accordance with the emerging regulatory guidelines and the broad risk management principles. The bank reviews the risk management system and the progress made in implementing the RBI guidelines on risk management, on a quarterly basis.

The Asset Liability Management Committee (ALCO), consisting of the Bank's senior management and the Managing Director, is responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the bank (on the assets and liabilities sides) in line with the bank's budget and decided risk management objectives. The committee actively manages and controls the structure of assets and liabilities and interest rate sensitivities with a view of optimizing profits besides maintaining capital adequacy and sufficient liquidity. Structured Liquidity and Interest Rate Sensitivity of the bank is being prepared on monthly basis in line with the RBI guidelines. The average cost of deposit has been kept low at 7.07% as on March 31, 2013 in spite of the rise in deposit rates.

### Corporate Social Responsibility

Your Bank views Corporate Social responsibility as its commitment to function ethically and contributing to economic development while improving the quality of life of its employees as well as that of the local communities and society at large. Pursuing a vision towards the socio-economic empowerment of under privileged and marginalized sections of society, the Bank reiterates its commitment to sustain social initiatives with focusing particularly on education and livelihood support. The major initiatives that your Bank has taken in this direction over the last few years cover the following areas :

- Education
- Livelihood training and support
- Environmental sustainability
- Employee welfare, health and well being
- Employee engagement

### Strengthening the Knowledge Proposition

A knowledge-led culture has been the company's core strength. While the knowledge of the customer enables the company to address delinquency risk, the knowledge of the territory enables it to prudently invest into relevant markets. Product knowledge enables it to address and control the credit quality across product verticals. The company has created a scalable business model based on creation of

an organizational structure that readily addresses all the risks concerning Customers, Territory and Products. As a result, the company is able to mitigate its credit risk efficiently, in wake of its growing volumes.

### Customer Service

The Bank believes that the customer satisfaction is at the foundation of its existence and customers must be served proactively beyond their expectations. The Bank has an enthusiastic Service Quality (SQ) team that is supervised by the MD along with Senior Management. The SQ team inter alia is responsible for – identifying problems faced by customers, coordinating speedy rectification of issues, actively looking for process improvement opportunities, scientifically tracking customer satisfaction and facilitating implementation of customer friendly automation. The Bank has installed "Centralised Complaint Management" so that customer queries and complaints are not inadvertently missed out and also to provide uniform quality service. All complaints are tracked rigorously for timely closure and delays if any are escalated to the senior management.

### Human Capital

Capital Local Area Bank prides itself as a vibrant organization and recognizes its employees as its greatest assets – The Life-line. Our employees are our core resource and the Bank has continuously evolved policies to strengthen its employee value proposition. It envisions attaining the pinnacle of success, into its areas of operations by providing escalation prospects to its human capital. The bank works with the concept of overall progress of its employees for a mutual opulent career. Transparent and strategic HRD policy of recruiting local work force has been successful in attracting and retaining the best talent of the region. Comprising of people drawn from different specialization and divergent backgrounds, the employees merge into a highly homogeneous working group. The bank recognizes that the real source of sustainable competitive advantage for an organization is the power of its high quality human resource. In addition to lucrative remuneration structure, employee benefits like staff Medclaim, gratuity and insurance facilities are offered. Through

well structured Orientation programmes and trainings, the Bank is making a concerted effort towards building learning and development solutions that continuously enhance employee value, in line with the growth plans of the bank. Building a high performance culture is another prerogative. The bank envisages a credible and transparent performance management process that helps in aligning individual goals with corporate objectives. The performance management is supported by rewards and recognitions. CEO Club – a reward of appreciation for the top performers and a token of inspiration for others. To maintain a perfect work - life balance, the bank has introduced various employee engagement activities like sports meet, festival celebrations and establishment day celebrations.

Focusing on corporate social responsibility, Capital Local Area Bank has established itself as the preferred employer and continues to cultivate a self motivated team, enriched with a spirit of belonging.

#### Internal Control and Audit

To be in line with the changing economic environment, Capital Bank has resorted towards enhancing its risk management systems. Utmost importance is given to proper maintenance and safety of public money, while providing all the banking services and fulfilling prudent risk-mitigation and risk management principles. We believe in maintaining highest standards of internal control and taking proactive steps and rigorous monitoring of the bank's overall operations. A well developed committed Internal Audit Team and Compliance department is working at an independent level for evaluating the adequacy of all internal controls and ensuring adherence to internal procedures as well as regulatory and legal requirements. The Internal Audit and Compliance department has direct reporting to the Managing Director. The Team has initiated a few new improvements in FY 2013 that are expected to further assist in proactively identifying risks in changing business dynamics and assist in improving overall control environment. All the branches are subject to regular inspections with short inspections and

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

#### Information Technology

The information technology (IT) and information technology enabled services (ITeS) industry has been one of the key driving forces fuelling India's economic growth. The success of Indian firms and professionals in the information technology (IT) arena during the last decade has been spectacular. Entrepreneurs, bureaucrats, and politicians are now advancing views about how India can ride the IT bandwagon and leapfrog into a knowledge-based economy. Isolated instances of villagers sending and receiving email messages or surfing the Internet are being promoted as examples of how India can achieve this transformation, while vanquishing socio-economic challenges such as illiteracy, poverty, and the digital divide along the way. Likewise, even while a miniscule fraction of the population has access to computers and the Internet, e-governance is being projected as the way of the future.

In view of this, technology has changed the contours of three major functions performed by banks, i.e., access to liquidity, transformation of assets and monitoring of risks. Further, Information technology and the communication networking systems have a crucial bearing on the efficiency of money, capital and foreign exchange markets. The Bank continues to leverage information technology as a strategic

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

1. System/hardware support and trouble shooting.
2. LAN/WAN maintenance and troubleshooting.
3. Payment & Settlement Systems applications ie RTGS, NEFT, NDS-OM, CROMS, CBLO, ECS & ACH.
4. Video Surveillance, Security & Access Control Systems.
5. Secure Systems towards any potential threat. Develop and implement automation.
6. Perform and maintain backups for any disaster recovery.
7. Process Planning & Implementation under Business Continuity Plan and disaster recovery.
8. Project planning and implementation on new management goals.
9. Functional and level 1 support to end users on
  - i) Intellect CBS, Foreign exchange transactions, Payroll, Mail Server, Resume fox Under HRM, Tally for HO accounting, Western Union Money Transfer, Web-Magnox Intranet site, CRIS Reporting & e-attendance.

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

The Bank is using Intellect Core Banking system from Polaris Financial Technology Ltd., Chennai which enables bank clientele to avail any branch banking and anytime banking through different delivery channels like ATMs, I-banking, Mobile banking and e-Alerts. All existing as well recently opened branches are on new CBS application.

#### Brief Technical Functionality – CBS

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

For and on behalf of the Board of Directors

Place: Jalandhar  
Date : April 24, 2013

Sarvjit Singh Samra  
Managing Director

Inder Krishan Sardana  
Chairman

### To The Shareholders,

1. We have audited the attached balance sheet of Capital Local Area Bank limited as on 31st March, 2013, which comprise the Balance Sheet as at March 31, 2013, and Statement of Profit and Loss and the cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of all the 29 branches of the bank audited by us.

### Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with the requirement of the Reserve Bank of India, the provisions of section 29 of the Banking Regulation Act, 1949 read with section 211 of the Companies Act, 1956 and recognized accounting policies and practices including the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

3. Our responsibility is to express an opinion of these financial statements based on our audit. We conducted our audit in accordance with the Standards of Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

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

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (I) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March 2012;
- (II) in the case of the Profit and Loss account of the profit for the year ended on that date; and
- (III) in the case of the Cash flow Statement, of cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Matters

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

8. We report that:-

- a. We have obtained all the information and explanation which, to be best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory
- b. The transactions of the bank which have come to our notice have been within the powers of the bank.
- c. The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement comply with the Accounting Standard referred to in section (3C) of section 211 of the Companies Act, 1956.

### 10. We further report that:-

- (I) The Balance Sheet, Profit and Loss Account and Cash Flow Statement are in agreement with the books of accounts and returns.
- (II) In our opinion, proper books of accounts as required by law have been kept by the bank so far as appears from our examination of those books.
- (III) As per information and explanation given to us the Central Government has, till date, not prescribed any cess payable under section 441A of the Companies Act, 1956.

(IV) On the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2013 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.

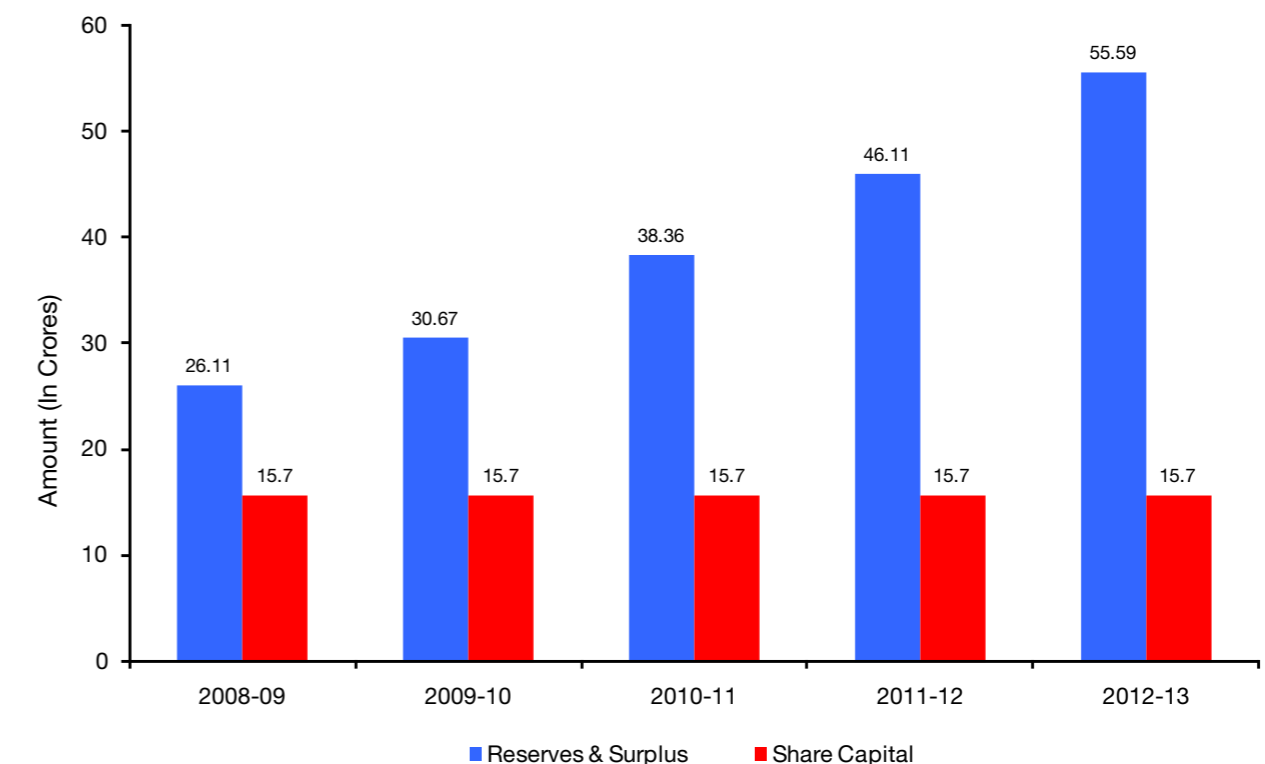
For O.P. Garg & Co.  
Chartered Accountants

(CA Salil Gupta)  
Partner

Membership No. : 097922  
FRN : 001194N

JALANDHAR  
April 24, 2013

### Net Worth Analysis



### Deposits

#### Savings

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

- Normal Savings Account
- Capital Savings Account
- Capital Saver Savings Account
- Capital Super Savings Account
- Suidha Bachat Account (No frill A/c)

#### Current

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

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

#### Term Deposit

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

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

#### Loans

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

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

#### Money Transfer

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

#### Forex Services

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

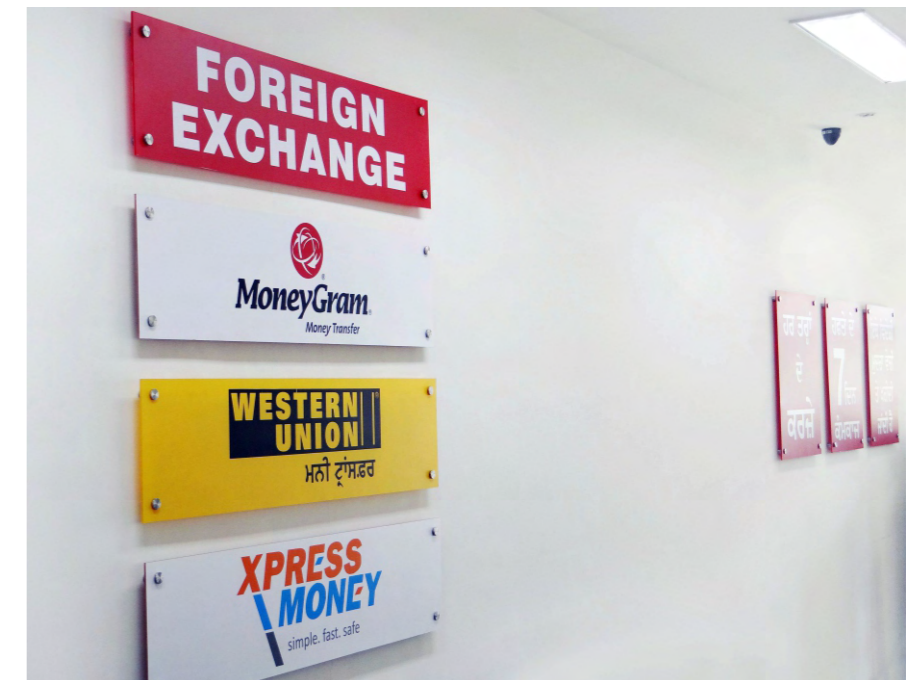
#### Insurance

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

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



Acceptance Of ATM Cards  
PAN INDIA



## Balance Sheet As On March 31, 2013

(₹ In'000)

PARTICULARS	SCHEDULE	As on 31/03/2013	As on 31/03/2012
<b>CAPITAL &amp; LIABILITIES</b>			
Capital	1	156954	156954
Reserve and Surplus	2	555898	461121
Deposits	3	9777803	8196630
Borrowings	4	439189	416720
Other Liabilities and provisions	5	468193	418324
<b>Total</b>		<b>11398037</b>	<b>9649749</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	412978	267992
Balances With banks and Money at call and short notice	7	1390971	1048376
Investments	8	3131631	2861121
Advances	9	6031803	5162575
Fixed assets	10	276169	174718
Other Assets	11	154485	134967
<b>Total</b>		<b>11398037</b>	<b>9649749</b>
Contingent Liabilities	12	129790	122933
Bills for Collection		-	-
Significant Accounting Policies	17		
Notes to Accounts	18		

Munish Jain  
EXECUTIVE VICE PRESIDENT  
& COMPANY SECRETARY

As per our separate report appended

For O.P.Garg & Co.  
Chartered Accountants  
Salil Gupta  
(Partner)  
Membership No. : 097922  
FRN 001194N

Sarvjit Singh Samra  
MANAGING DIRECTOR

Date : 24th April, 2013  
Place : Jalandhar

B.S. Sangha  
Dinesh Gupta  
I.K. Sardana  
M.G. Sharma  
Ranbir Singh  
Vijay Kumar Bhandari  
Sham Singh Bains  
Sukhbal Singh Gill  
DIRECTORS

## Profit And Loss A/c For The Year Ended March 31, 2013

(₹ In'000)

PARTICULARS	SCHEDULE	As on 31/03/2013	As on 31/03/2012
<b>INCOME</b>			
Interest Earned	13	1108385	895701
Other Income	14	85486	86740
<b>Total</b>		<b>1193871</b>	<b>982441</b>
<b>EXPENDITURE</b>			
Interest Expended	15	710394	543864
Operating Expenses	16	310975	255581
Provisions and Contingencies		47380	76687
<b>Total</b>		<b>1068749</b>	<b>876132</b>
<b>PROFIT/LOSS</b>			
Net profit for the year		125122	106309
Profit brought forward		255498	203978
<b>Total</b>		<b>380620</b>	<b>310287</b>
<b>APPROPRIATIONS</b>			
Transfer to Statutory Reserves		31281	26577
Transfer to Special Reserve		750	850
Transfer to Proposed Dividend		25113	23543
Tax on Proposed Dividend		4268	3819
Balance carried over to Balance sheet		319208	255498
<b>Total</b>		<b>380620</b>	<b>310287</b>
<b>EARNING PER SHARE</b>			
Basic (Rupees)		7.97	6.77
Diluted (Rupees)		7.97	6.77
(Face value) (Rupees)		10.00	10.00

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Sukhbal Singh Gill  
DIRECTORS



Cash Flow Statement For The Year Ended March 31, 2013

(₹ In'000)

PARTICULARS	SCHEDULE	As on 31/03/2013	As on 31/03/2012
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Net Profit before Taxes		183164	160008
<b>Adjustment For:</b>			
Depreciation Charge on Fixed Assets for The Year		29109	23707
Loan Loss Provision		12711	12380
Loss on Sale of Fixed Assets		700	322
Depreciation on Investment		(23373)	10608
		202311	207025
<b>Adjustment For:</b>			
(Increase)/Decrease in Term Deposits with other Banks		(335579)	(293351)
(Increase)/Decrease In Investments		(247137)	(792556)
(Increase)/Decrease In Advances		(881939)	(987849)
Increase/(Decrease) In Borrowings		(37931)	159820
Increase/(Decrease) In Deposits		1581173	1717435
(Increase)/Decrease In Other Assets		(22941)	(46155)
Increase/(Decrease) In Other Liabilities & Provision		47850	117817
		305807	82186
Refund/(Payment) of Direct Taxes		(54619)	(59778)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>251188</b>	<b>22408</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets		(133914)	(48263)
Proceeds from Sale of Fixed Assets		2654	2496
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(131260)</b>	<b>(45767)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net Proceeds from the new issue of			
Unsecured Redeemable Non Convertible Bonds		59436	85913
Dividend Payment ( Including C D T)		(27362)	(27362)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>32074</b>	<b>58551</b>
Net Increase / (Decrease) In Cash & Cash Equivalent		152002	35192
Cash & Cash Equivalents In the Beginning		303268	268076
Cash & Cash Equivalents At the end		455270	303268

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As per our separate report appended

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DIRECTORS

Schedules

Schedules Forming Part Of The Balance Sheet As On March 31, 2013

(₹ In'000)

	As on 31/03/2013	As on 31/03/2012
<b>SCHEDULE 1 - CAPITAL</b>		
Authorised Capital	250000	250000
25000000 equity shares of Rs. 10 each		
Issued, Subscribed and Paid-up Capital		
15695428 equity shares issued of Rs. 10 each fully paid-up (Of the above shares 1200000 shares are allotted as fully paid-up equity shares by way of bonus shares)	156954	156954
<b>Total</b>	<b>156954</b>	<b>156954</b>
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		
I. Statutory Reserves		
Opening Balance	146389	119812
Additions during the Year	31281	26577
II. Capital Reserves		
Opening Balance		
Additions during the Year		
III. Special Reserves		
Opening Balance	3700	2850
Additions during the Year	750	850
IV. Investment Fluctuation Reserves		
Opening	-	-
Additions during the Year	-	-
V. Security Premium Account		
Opening Balance	55534	56921
Additions during the Year	-	-
Deductions during the Year	964	1387
VI. Balance in Profit & Loss Account	319208	255498
<b>Total</b>	<b>555898</b>	<b>461121</b>

(₹ In'000)

As on 31/03/2013 As on 31/03/2012

**SCHEDULE 3 - DEPOSITS**

A I. Demand Deposits		
From banks	-	28
From others	253086	214354
II. Saving Bank Deposits	3614627	3187320
III. Term deposits		
From banks	-	-
From others	5910090	4794928
<b>Total</b>	<b>9777803</b>	<b>8196630</b>
B I. Deposits of branches in India	9777803	8196630
II. Deposits of branches outside India	-	-
<b>Total</b>	<b>9777803</b>	<b>8196630</b>

**SCHEDULE 4 - BORROWINGS**

I. Borrowings in India-	-	-
-Reserve Bank of India-	-	-
-Other Banks	121889	159820
-Unsecured Redeemable Non-Convertible Bonds (Subordinated debt - Tier II Capital)	317300	256900
II. Borrowings outside India	-	-
<b>Total</b>	<b>439189</b>	<b>416720</b>

**SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS**

I. Bills Payable	40493	57373
II. Inter-office adjustments (net)	1378	7355
III. Interest accrued	338598	278766
IV. Others (including provisions)	58343	47468
V. Proposed Dividend(includes tax on Dividend)	29381	27362
<b>Total</b>	<b>468193</b>	<b>418324</b>

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

I. Cash in hand	251869	267992
II. Balance with Reserve Bank of India		
a) In current accounts	161109	-
b) In other deposits accounts	-	-
<b>Total</b>	<b>412978</b>	<b>267992</b>

(₹ In'000)

As on 31/03/2013 As on 31/03/2012

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

I. In India		
i) Balance with banks		
a) In current accounts	42292	35276
b) In other deposit accounts	1348679	1013100
ii) Money at call and short notice	-	-
a) With Banks	-	-
b) With other Institutions-	-	-
<b>Total (I)</b>	<b>1390971</b>	<b>1048376</b>
II. Outside India		
a) In current accounts	-	-
b) In other deposits accounts	-	-
c) Money at call and short notice	-	-
<b>Total (II)</b>	<b>-</b>	<b>-</b>
<b>G. Total(I+II)</b>	<b>1390971</b>	<b>1048376</b>

**SCHEDULE 8 - INVESTMENTS**

I. Investments in India in		
i) Government securities	2953859	2499065
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and Bonds	40000	19690
v) Subsidiaries and/or joint ventures	-	-
vi) Others(Certificate of deposits,money mkt based mutual Funds )	137772	342366
<b>Total (I)</b>	<b>3131631</b>	<b>2861121</b>
II. Investments outside India in		
i) Government securities	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Other Investments	-	-
<b>Total (II)</b>	<b>-</b>	<b>-</b>
<b>G. Total(I+II)</b>	<b>3131631</b>	<b>2861121</b>

(₹ In'000)

**SCHEDULE 9 - ADVANCES**

	As on 31/03/2013	As on 31/03/2012
A I. Bills purchased and discounted	6241	10505
II. Cash credits, overdrafts and loans repayable on demand	3880438	3323159
III. Term Loans	2145124	1828911
<b>Total</b>	<b>6031803</b>	<b>5162575</b>
B I. Secured by Tangible Assets	5958650	5103791
II. Covered by Bank / Government Guarantees	-	-
III. Unsecured	73153	58784
<b>Total</b>	<b>6031803</b>	<b>5162575</b>
C I. Advances in India		
i) Priority Sector	3123159	2596832
ii) Public Sector	-	-
iii) Banks	-	-
iv) Other	2908644	2565743
<b>Total (I)</b>	<b>6031803</b>	<b>5162575</b>
II. Advances outside India		
i) Due from Banks	-	-
ii) Due from Others	-	-
a) Bills Purchased & Discounted	-	-
b) Syndicated Loans	-	-
c) Others	-	-
<b>Total (II)</b>	<b>-</b>	<b>-</b>
<b>G.Total (I+II)</b>	<b>6031803</b>	<b>5162575</b>

**SCHEDULE 10 - FIXED ASSETS**

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

(₹ In'000)

**II. Other Fixed Assets (including furniture & fixtures)**

	As on 31/03/2013	As on 31/03/2012
Gross Block at cost on 31st March of the preceding Year	298906	255395
Add : Additions during the year	72658	48263
Less : Deductions during the year	5592	4752
<b>Total</b>	<b>365972</b>	<b>298906</b>
Depreciation		
As at 31st March of the preceding year	124188	102415
Charge for the year	29109	23707
Less : Reversed on sale	2238	1934
<b>Total</b>	<b>151059</b>	<b>124188</b>
Net Block II	214913	174718
<b>Grand Total ( I &amp; II )</b>	<b>276169</b>	<b>174718</b>

**SCHEDULE 11 - OTHER ASSETS**

I. Inter-office adjustments (net)	-	-
II. Interest accrued	122923	106637
III. Stationary & Stamps	4901	3919
IV. Others	26661	24411
<b>Total</b>	<b>154485</b>	<b>134967</b>

**SCHEDULE 12 - CONTINGENT LIABILITIES**

I. Claims against the Bank not acknowledged as debts	-	-
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding forward exchange contracts	-	-
IV. Guarantees given on behalf of constituents	-	-
(a) In India	119621	113478
(b) Outside India	-	-
V. Acceptances, endorsements and other obligations	10169	9455
VI. Other items for which bank is contingently liable.	-	-
<b>Total</b>	<b>129790</b>	<b>122933</b>

**SCHEDULE 13 - INTEREST EARNED**

I. Interest/discount on advances/bills	719181	599408
II. Income on investments	243784	179514
III. Interest on balance with Reserve Bank of India and inter-bank funds	145420	115068
IV. Others	-	1711
<b>Total</b>	<b>1108385</b>	<b>895701</b>

(₹ In'000)

**SCHEDULE 14 - OTHER INCOME**

	As on 31/03/2013	As on 31/03/2012
I. Commission,exchange and brokerage	54260	47464
II. Profit/Loss on sale of investments(Net)	14041	15429
III. Profit/Loss on revaluation of investments(Net)	-	-
IV. Profit/Loss on sale of Land,building & other assets(Net)	(700)	(322)
V. Profit/Loss on Exchange Transactions(Net)	17818	24027
VI. Income earned by way of dividends etc.	-	-
VII. Miscellaneous income	67	142
<b>Total</b>	<b>85486</b>	<b>86740</b>

**SCHEDULE 15 - INTEREST EXPENDED**

I. Interest on deposits	675923	514548
II. Interest on inter-bank borrowings	2518	3015
III. Others	31953	26301
<b>Total</b>	<b>710394</b>	<b>543864</b>

**SCHEDULE 16 - OPERATING EXPENSES**

I. Payments to and provisions for employees	145695	105701
II. Rent,taxes and lighting	43603	33657
III. Printing and stationery	6644	5737
IV. Advertisement and publicity	5600	6912
V. Depreciation on bank property	29109	23707
VI. Directors fees,allowances & expenses	648	585
VII. Auditors fees and expenses	656	556
VIII. Law charges	15	9
IX. Postage, telegrams, telephones etc.	6114	5782
X. Repairs and maintenance	10323	9451
XI. Insurance	12173	11050
XII Other expenditure	50395	52434
<b>Total</b>	<b>310975</b>	<b>255581</b>

Appended To And Forming Part Of The Financial Statements For The Year Ended March 31, 2013

**SCHEDULE 17**

**Overview**

Capital Local Area Bank Limited ('The Bank') a banking company incorporated under The Companies Act, 1956, is engaged in providing a wide range of banking and financial services including retail & commercial banking and treasury operations. The Bank is governed by the Banking regulation Act, 1949.

**Basis of Preparation**

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

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

**SIGNIFICANT ACCOUNTING POLICIES**

**1. Investments**

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

**A. Basis Of Classification**

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

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

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

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

**B. Valuation**

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

**Held for Trading**

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

**Held to Maturity**

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

**Available for Sale**

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

**C. Broken Period Interest**

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

**D. Transfer Of Security Between Categories**

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

### E. Profit On Sale Of Investment

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

### 2. Advances

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

A. All advances have been classified under four categories i.e.

(a) Standard Assets, (b) Sub-standard Assets, (c) Doubtful Assets and (d) Loss assets.

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

C. Provision on Standard Assets is made @ 0.40% of the outstanding advances.

However provision for banks direct advances to agriculture and SME sectors is made @ 0.25%, commercial real estate sector is made @ 1% and housing loans at teaser rates @ 2% in pursuance to RBI circulars issued from time to time. Further the same is shown under the head 'Other Liabilities'.

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

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

F. Provisions have been made on gross basis. Tax effects will be accounted for in the year of write off.

### 3. Fixed Assets

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

B. Depreciation is charged over the estimated useful life of the fixed asset on a Straight line basis. The rates of depreciation for certain key fixed assets used in arriving at the charge for the year are :

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

- The rates of depreciation for certain key fixed assets, which are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956 are given below:

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

- All other Assets are depreciated as per the rates specified in schedule XIV of the companies Act 1956 as per details given below:

Asset	Depreciation Rate
Office Machinery	4.75%
Furniture & Fixture	6.33%
Motor Vehicle	9.50%
Cycle	7.07%

C. Depreciation on Assets sold or disposed off during the year has been provided for up to the date of sale.

D. Depreciation on Assets purchased or acquired during the year has been provided for from their date of put to use.

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

### 4. Transactions Involving Foreign Exchange

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

### 5. Revenue Recognition

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

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

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

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

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

### 6. Net Profits

The Net Profits have been arrived at after

A. Provisions of Income Tax and Wealth Tax in accordance with the Statutory requirements.

B. Provisions on Advances

C. Adjustments to the value of Investments

D. Other usual and necessary provisions.

### 7. Retirement Benefits

Defined Contribution towards Provident Fund is accounted for as per Statutory requirements.

A. The Bank provides for Gratuity, a defined benefit retirement plan covering all employees. Liability towards gratuity is paid to a Fund maintained by ICICI Prudential Life Insurance through a separate Trust set up by the Bank. Difference between the Fund balance and the Accrued Liability is determined on the basis of

Actuarial valuation done on yearly basis, is charged to profit & loss account.

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

### 8. Segment Reporting

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

#### A. Treasury

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

#### B. Retail Banking

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

#### C. Corporate/Wholesale Banking

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

#### D. Other Banking Business

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

### 9. Leases

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

#### 10. Earning Per Share

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

These are reviewed at each balance sheet date and adjusted to reflect the current estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss can not be reasonably estimated, a disclosure is made in the financial statements. In case of remote possibility neither provision nor disclosure is made in the financial statements The Bank does not account for contingent assets, if any.

#### 11. Income Tax

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

#### 14. Cash And Cash Equivalents

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

#### 12. Impairment Of Assets

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

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

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

### SCHEDULE 18

#### 1. Capital

##### 1.1

Items	Current Year	Previous Year
(i) CRAR (%)	15.58%	15.73%
(ii) CRAR - Tier I capital (%)	10.55%	10.86%
(iii) CRAR - Tier II Capital (%)	5.03%	4.87%
(iv) Amount of subordinated debt raised as Tier-II capital (Lower Tier II capital)	₹ 604 Lacs	₹ 873 Lacs

##### 1.2 Subordinated Debt

The bank has raised subordinated debt qualifying for Tier II Capital amounting to ₹ 60400 thousands during the year. The details of these bonds are as under:

Particulars	Date of Issue	Coupon (%)	Tenure	Amount
Lower Tier II	25-08-2012	11%	10 years	60400

1.3 The Bank has reduced ₹ 964 thousands from Securities Premium Account being the expenditure incurred on issue of subordinated debt of thousands.

#### 2. Investments

##### Items

Items	Current Year	Previous Year
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	3131924	2884787
(b) Outside India,	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	293	23666
(b) Outside India,	Nil	Nil
(iii) Net Value of Investments		
(a) In India	3131631	2861121
(b) Outside India.	Nil	Nil
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	23666	13057
(ii) Add: Provisions made during the year	1378	12080
(iii) Less: Write-off/ write-back of excess provisions during the year	24751	1471
(iv) Closing balance	293	23666

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

A Role Model For Financial Inclusion



Kandolan Kalan - BC Outlet



Fatehpur - BC Outlet



Dhaliwal - BC Outlet

## 2.2 Non-SLR Investment Portfolio

### (i) Issuer composition of Non SLR investments

(₹ In'000)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade Securities	Extent of Unrated Securities	Extent of Unlisted Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	30000	Nil	Nil	Nil	Nil
(ii)	FIs	10000	Nil	Nil	Nil	Nil
(iii)	Banks	137772	Nil	Nil	Nil	Nil
(iv)	Private Corporates	Nil	Nil	Nil	Nil	Nil
(v)	Subsidiaries/ Joint Ventures	Nil	Nil	Nil	Nil	Nil
(vi)	Others	Nil	Nil	Nil	Nil	Nil
(vii)	Provision held towards depreciation	Nil	Nil	Nil	Nil	Nil
	<b>Total</b>	<b>177772</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

### (ii) Non performing Non-SLR investments

(₹ In'000)

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

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

## 3. Asset Quality

### 3.1 Non-Performing Asset

Items	Current Year	Previous Year
(i) Net NPAs to Net Advances (%)	Nil	Nil
(ii) Movement of NPAs (Gross)		
(a) Opening balance	17632	8644
(b) Additions during the year	31393	19427
(c) Reductions during the year	21753	10439
(d) Closing balance	27272	17632
(iii) Movement of NPAs (Net)		
(a) Opening balance	Nil	Nil
(b) Additions during the year	17628	3804
(c) Reductions during the year	17628	3804
(d) Closing balance	Nil	Nil
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	17632	8644
(b) Provisions made during the year	13765	15623
(c) Write-off/ write-back of excess provisions	4125	6635
(d) Closing balance	27272	17632

## 3.2 Particulars of Amount Structured

(₹ In'000)

Type Of Restructuring		Asset Classification	Under CDR Mechanism	Under SME Debt restructuring Mechanism	Others	Total
Restructured Accounts as on April 1, 2012	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
Fresh restructuring during the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
Upgradations to restructured standard category during the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
Restructured standard advances which ceases to attract higher provisioning and/or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
Downgradations of restructured accounts during the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
Write-offs of restructured accounts during the year	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
Restructured Accounts as on March 31, 2013	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
		<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

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

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

### 3.5 Provisions on Standard Asset

(₹ In'000)

Particulars	Current Year	Previous Year
Provisions towards Standard Assets	3071	3393

The cumulative provision towards standard assets held by the bank as at the year end amounting to ₹ 21407 thousands (previous year ₹ 18336 thousands) is included under Other Liabilities and Provisions in Schedule 5 to the Balance Sheet.



#### 4. Business Ratio

Items	Current Year	Previous Year
(i) Interest Income as a percentage to Working Funds \$	10.23%	10.14%
(ii) Non-interest income as a percentage to Working Funds	0.79%	0.98%
(iii) Operating Profit as a percentage to Working Funds \$	1.59%	2.07%
(iv) Return on Assets@	1.15%	1.20%
(v) Business (Deposits plus advances) # per employee^ ( ₹ In '000)	35271	33526
(vi) Profit per employee (Operating Profit)^ ( ₹ In '000)	384	459

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

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

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

^ Productivity ratios are based on average number of employees.

#### 5. Asset Liability Management

##### Maturity Pattern of Certain items of Assets & Liabilities as on March 31,2013

(₹ In'000)

		Next day	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans and Advances	(CY)	965929	12203	10581	28656	195862	277567	461951	3700027	278187	100840	6031803
	(PY)	661077	12227	10589	39024	142828	179299	383856	3373548	275695	84432	5162575
Investment	(CY)	109022	2896	2207	8094	42628	97254	262183	919815	393430	1294102	3131631
	(PY)	103531	5178	8778	12799	147608	144615	386271	865861	246500	939980	2861121
Deposits	(CY)	400259	12035	9174	33642	177184	211702	401837	3620644	18985	4892341	9777803
	(PY)	356126	21075	35729	52095	229467	202490	495175	3307115	15968	3481390	8196630
Borrowing	(CY)	-	-	-	-	-	-	121889	-	-	317300	439189
	(PY)	-	-	-	-	-	-	159820	-	-	256900	416720
Foreign Currency Assets	(CY)	52702	-	-	-	-	-	-	-	-	-	52702
	(PY)	135904	-	-	-	-	-	-	-	-	-	135904

#### 6. Exposures

##### 6.1 Exposure to Real Estate Sector

(₹ In'000)

Category	Current Year	Previous Year
(I) Direct exposure		
(i) Residential Mortgages –		
Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	183454	157456
(a) Individual Housing Loans eligible for inclusion in Priority Sector advances	343530	305094
(b) Others		
(ii) Commercial Real Estate –		
Lendings secured by mortgages on commercial real estates (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;	226181	172216
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
(a) Residential,	Nil	Nil
(b) Commercial Real Estate.	Nil	Nil
(II) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil
<b>Total Exposure to Real Estate Sector</b>	<b>753165</b>	<b>634766</b>

##### 6.2 Exposure to Capital Market

Items	Current Year	Previous Year
(i) Direct investments in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures and units of equity oriented mutual funds;	-	-
(iii) Advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	-	-
(iv) Advances for any other purpose to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	-	-

(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi)	Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	Bridge loans to companies against expected equity flows/issues;	-	-
(viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix)	Financing to stockbrokers for margin trading;	-	-
(x)	All exposures to venture capital funds (both registered and unregistered)	-	-
<b>Total Exposure to Capital Market</b>		-	-

### 6.3 Risk Category Wise Country Exposure

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

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

The bank has not exceeded the prudential exposure limits for Single Borrower Limit (SGL) and Group Borrower Limit (GBL) prescribed by the directives of RBI during the year ended March 31, 2013

### 6.5 Unsecured Advances

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

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

### (a) Concentration of Deposits

Particulars	Current Year	Previous Year
Total Deposits of twenty largest depositors	327091	339193
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	3.35%	4.14%

### (b) Concentration of Advances\*

Particulars	₹ In '000	
	Current Year	Previous Year
Total Advances to twenty largest borrowers	827059	760636
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	13.65%	14.68%

### (c) Concentration of Exposures\*

Particulars	₹ In '000	
	Current Year	Previous Year
Total Exposure to twenty largest borrowers/customers	827059	760636
Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the Bank on Borrowers/ customers	13.65%	14.68%

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

### (d) Concentration of NPAs

Particulars	₹ In '000	
	Current Year	Previous Year
Total Exposure to top four NPA accounts	21050	14722

### (e) Sector-wise NPAs

S.No.	Sector	Percentage of NPAs to Total Advances in that sector	
		Current Year	Previous Year
1	Agriculture & allied activities	0.72%	0.57%
2	Industry(Micro & small, Medium and large)	0.13%	-
3	Services	-	-
4	Personal Loans	0.25%	0.33%

### (f) Movement of NPAs

Particulars	₹ In '000	
	Current Year	Previous Year
Gross NPAs as on 1st April 2012	17632	8644
Additions(fresh NPAs) during the year	31393	19427
Sub Total (A)	49025	28071
Less:-		
(i) Upgradations	12815	10402
(ii) Recoveries(excluding recoveries made from upgraded accounts)	8938	37

(iii) Write-offs

Sub Total (B)	21753	10439
Gross NPAs as on 31st March 2013(A-B)	27272	17632

(g) Overseas Assets, NPAs and Revenue

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

(h) Off Balance Sheet SPVs sponsored

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

8. Bancassurance Business

Particulars	Current Year		Previous Year	
	Current Year	Previous Year	Current Year	Previous Year
Fee/remuneration received:				
(a) Life insurance	3331	1443		
(b) General Insurance	3744	3076		

(₹ In '000)

9. Provisions and Contingencies

The following table sets forth, the break-up of the provisions and contingencies included in profit and loss account

Particulars	Current Year		Previous Year	
	Current Year	Previous Year	Current Year	Previous Year
Provisions towards taxes	58042	53699		
Provisions towards standard Assets	3071	3393		
Provision towards Non performing Advances	9640	8987		
Depreciation on Investments	(23373)	10608		
Total	47380	76687		

(₹ In '000)

10. Staff Retirement Benefits

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

Particulars	Current Year		Previous Year	
	Current Year	Previous Year	Current Year	Previous Year
<b>Defined benefit obligation liability at March 31,2013</b>				
Opening Obligations	7712	5871		
Service Cost	1581	1273		
Interest Cost	617	499		
Actuarial (gain)/Loss	773	217		
Liabilities extinguished on settlement				
Benefits Paid	(619)	(148)		
<b>Obligations at March 31,2013</b>	10064	7712		
<b>Plan Assets at March 31,2013,at fair value</b>				
Opening Plan Assets, at fair value	7760	5899		
Expected return on plan assets	659	558		
Actuarial gain/(Loss)	67	(35)		
Assets distributed on settlement	-	-		
Contributions	2197	1486		
Benefits Paid	(619)	(148)		
<b>Plan Assets at March 31,2013,at fair value</b>		7760		
Fair Value of Plan Assets at the end of the year	10064	7760		
Present Value of the defined benefit obligation at the end of the year	10064	7712		
<b>Asset/(Liability) at March 31,2013</b>	0	48		
<b>Cost for the period</b>				
Service Cost	1581	1273		
Interest Cost	617	499		
Expected Return on Plan Assets	(659)	(558)		
Actuarial (gain)/Loss	706	253		
<b>Net Cost</b>	2245	1467		
<b>Investment details of Plan Assets</b>				
Plan assets are invested in insurer managed funds.				
<b>Assumptions</b>				
Interest Rate	8.00%	8.50%		
Salary escalation rate	6.50%	7.00%		
Estimated rate of return on plan assets	8.50%	9.75%		

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

### 11. Miscellaneous

(a) Amount of Provisions made for Income tax during the year (₹ In '000)

Particulars	Current Year	Previous Year
Income Tax	56572	53692
Wealth Tax	93	127
Deferred Tax	1377	(120)

The bank has paid ₹ 3910 thousands as disputed income tax demand. The same has been shown under the Head "Other Assets-Others" on the basis of legal opinion obtained.

(b) Disclosure of Penalties Imposed by RBI  
Reserve Bank of India has not imposed any penalty on the bank during the year.

### 12. Segment Reporting

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

#### PART A - BUSINESS SEGMENTS

Business Segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	257825	194943	164114	150396	597669	488405	174263	148697	1193871	982441
Result	40920	6569	37917	39396	188226	170773	50411	51034	317474	267772
Unallocated Expenses									134310	107764
Operating Profit									183164	160008
Income Taxes									58042	53699
Extraordinary profit/Loss	-	-	-	-	-	-	-	-	-	-
Net Profit									125122	106309
Other Information :										
Segment Assets	3205901	2927353	1451959	1385181	5135783	4065781	1457550	1192762	11251193	9571077
Unallocated Assets									146844	78672
Total Assets									11398037	9649749
Segment Liabilities	0	0	62206	64085	10257151	8667820	130	260	10319487	8732165
Unallocated Liabilities									365698	299509
Total Liabilities									10685185	9031674

#### Note:

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

### 13. Related Party Disclosure

In the matter of Related Party disclosure in compliance with AS-18, Mr. Sarvjit Singh Samra, Managing Director is the Key management personnel (KMP) of the bank. Since there is only one KMP the disclosure for the related party transaction has not been made.

### 14. Leases

(a) 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 similar agreements. Following is a summary of future minimum lease rental commitments for such non cancellable operating leases.

Particulars	Current year	Previous Year
Not later than one year	9296	6846
Later than One year and not later than five years	26727	21441
Later than five years	20531	8866
Total Minimum lease rental commitments	56554	37153

Total lease rental expenditure under cancellable and non cancellable operating leases debited to Profit & Loss Account in the current year is ₹ 25999 thousands (Previous Year: ₹ 21677 thousands).

(b) Finance Lease

The Bank has taken no assets under finance leases.

### 15. Earning Per Share

	Current Year	Previous Year
Net profit after tax available for equity shares (₹ '000)	125122	106309
Weighted average number of equity shares	15695428	15695428
Weighted average number of equity shares For Diluted earning	15695428	15695428
Basic Earning per share (In ₹)	7.97	6.77
Diluted Earning per share (In ₹)	7.97	6.77
Face Value per share (In ₹)	10.00	10.00

### 16. Deferred Tax Asset

Other Assets includes an amount equal to ₹ 2284 thousands (Previous Year ₹ 4453 thousands) of deferred tax Assets as detailed below:

	Current Year	Previous Year
Deferred Tax Liabilities	13607	9542
Depreciation on Fixed Assets	13607	9542
Deferred Tax Assets	15891	13995
Loan Loss Provisions	7276	5949
Investment Provisions	4721	5348
Others	3894	2698
Deferred Tax Liabilities/(Assets) (Net)	(2284)	(4453)

#### 17. Provision Coverage Ratio

Particulars	Current Year	Previous Year
Ratio of Provisioning to Gross Non Performing Assets	100%	100%

#### 18. Disclosure of Complaints

(I) Customer Complaints

(₹ In '000)

Particulars	Current Year	Previous Year
(a) No. of Complaints pending at the beginning of the year	Nil	Nil
(b) No. of Complaints received during the year	2	2
(c) No. of Complaints redressed during the year	2	2
(d) No. of Complaints pending at the end of the year	Nil	Nil

(II) Awards Passed by the Banking Ombudsman

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

#### 19. Draw Down from Reserves

(₹ In '000)

Particulars	Current Year	Previous Year
Security Premium Account	964	1387

#### 20. Movement in Floating Provisions

The Bank has not created or utilized any floating provisions during the year ended March 31, 2013 and March 31, 2012. The floating provisions as at March 31, 2013 was ₹ Nil (Previous Year: ₹ Nil)

#### 21. Securitization Transactions

The Bank has not done any securitization transactions during the year ended March 31, 2013 and March 31, 2012

#### 22. Letter of Comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2013 and March 31, 2012

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

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. On the basis of information and records available with the management and confirmation sought by the management from suppliers on their registration with the specified authority under MSMED, there have been no reported cases of delay in payments to Micro, small and medium enterprises or of interest payments due to delay in such payments.

#### 24. Unamortised Pension and Gratuity Liabilities

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

#### 25. Remuneration

(a) Qualitative Information

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

The Remuneration Committee of the Board has been reconstituted on February 27, 2012 in compliance of RBI circular DBOD.No.BC.72/29.67.001/2011-12 dated January 13, 2012. The committee has three members which includes one member from Risk Management Committee of the Board. Majority of the members of the RC are independent non-executive directors.

Members  
Mr. Inder Krishan Sardana  
Mr. Bhagwant Singh Sangha  
Mr. Dinesh Gupta

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

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

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

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

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

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

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

(b) Quantitative Information

Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members. Number of Meetings : 1  
No remuneration is being paid to members except the sitting fees.

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

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

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

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

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

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

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

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

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

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

26. Credit Default Swaps

The Bank has not entered into any Credit Default swaps(CDS) during the year ended March 31, 2013 and March 31, 2012

27. Comparative Figures

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



Adampur



Chabbewal



Jandiala



**RURAL**

**BHOGPUR**  
G.T. Road, Bhogpur-144201  
Distt. Jalandhar  
Tel: 0181-5060280, 5060281  
Fax: 0181-5060284

**BEGOWAL**  
Main Road, Begowal-144621  
Tehsil Bholath, Distt. Kapurthala  
Tel: 01822-502370, 502371  
Fax: 01822-502377

**BILGA**  
Near Patti Nelawal Chowk  
V. & P.O. Bilga-144036  
Tehsil Phillaur, Distt. Jalandhar  
Tel: 01826-245062, 245063  
Fax: 01826-245064

**CHABBEWAL**  
Hoshiarpur Road  
Adda Chabbewal-146102  
Distt. Hoshiarpur  
Tel: 01882-270249, 270250

**JANDIALA**  
Near Bus Stand,  
V. & P.O. Jandiala-144031  
Tehsil Phillaur, Distt. Jalandhar  
Tele Fax: 01826-274004

**KALA SANGHIAN**  
Jalandhar Road  
V. & P.O. Kala Sanghian-144623  
Distt. Kapurthala  
Tel: 01822-258084, 258086  
Fax: 01822-258089

**LOHIAN**  
Main Road, Lohian-144629  
Tehsil Shahkot, Distt. Jalandhar  
Tel: 01821-501584, 501585  
Fax: 01821-501834

**MALSIAN**  
Shahkot Road, Malsian-144701  
Distt. Jalandhar  
Tel: 01821-502744, 502745  
Fax: 01821-502746

**MAHILPUR**  
Main Road, Near Bus Stand  
Mahilpur-146105, Distt. Hoshiarpur  
Tel: 01884-500836, 500837  
Fax: 01884-502080

**MEHATPUR**  
Main Road, Mehatpur-144041  
Distt. Jalandhar  
Tele Fax: 01821-250004, 251204

**RURKI**  
V. & P.O. Rurki-141305  
Tehsil Phillaur, Distt. Jalandhar  
Tele Fax: 01826-276363, 271664

**RURKA KALAN**  
Near Bus Stand, Goraya Road  
V. & P.O. Rurka Kalan-144031  
Distt. Jalandhar  
Tel: 01826-276111  
Fax: 01826-276333

**SAMRAI**  
Main Road, Near Bus Stand  
V. & P.O. Samrai-144032  
Distt. Jalandhar  
Tel: 01826-275880  
Fax: 01826-274962

**SHANKAR**  
Near Bus Stand, Shankar-144042  
Distt. Jalandhar  
Tele Fax: 01821-246489, 246490

**SEMI URBAN**  
**ADAMPUR**  
Main Road, Adampur-144103 Distt.  
Jalandhar  
Tel: 0181-5090666, 5090777  
Fax: 0181-5090888

**DASUYA**  
G.T. Road Dasuya-144205  
Distt. Hoshiarpur  
Tel: 01883-500111, 500333  
Fax: 01883-500444

**GORAYA**  
G.T. Road, Goraya-144409  
Distt. Jalandhar  
Tel: 01826-501893, 501894  
Fax: 01826-501834

**KAPURTHALA**  
Jalandhar Road, Near Bus Stand  
Kapurthala-144601  
Tel: 01822-502829, 502830  
Fax: 01822-502834

**MUKERIAN**  
Pathankot Road, Near Bus Stand  
Mukerian-144211  
Distt. Hoshiarpur  
Tel: 01883-502700, 502800  
Fax: 01883-502727

**NAKODAR**  
Nurmahal Road, Nakodar-144040  
Distt. Jalandhar  
Tel: 01821-502101, 502102  
Fax: 01821-502104

**NURMAHAL**  
Main Road, Nurmahal-144039  
Distt. Jalandhar  
Tele Fax: 01826-503307  
Fax: 01826-503315

**PHAGWARA**  
14-A, Model Town, Phagwara-144401  
Distt. Kapurthala  
Tel: 01824-500602, 500603  
Fax: 01824-500614

**PHILLAUR**  
Prithvi Tower, Near Bus Stand  
G.T. Road, Phillaur-144410  
Distt. Jalandhar.  
Tel: 01826-500444, 500777  
Fax: 01826-500444

**SHAHKOT**  
Main Road, Shahkot-144702  
Distt. Jalandhar  
Tel: 01821-503457, 503458  
Fax: 01821-503461

**SULTANPUR LODHI**  
Near Shahid Udam Singh Chowk  
Kapurthala Road,  
Sultanpur-144626  
Distt. Kapurthala  
Tel: 01828-502000  
Fax: 01828-503165

**TANDA**  
Royal Chambers, Near Jaja Chowk  
Sri Hargobindpur Road, Tanda-  
144203  
Distt. Hoshiarpur  
Tel: 01886-227280, 227290  
Fax: 01883-227380

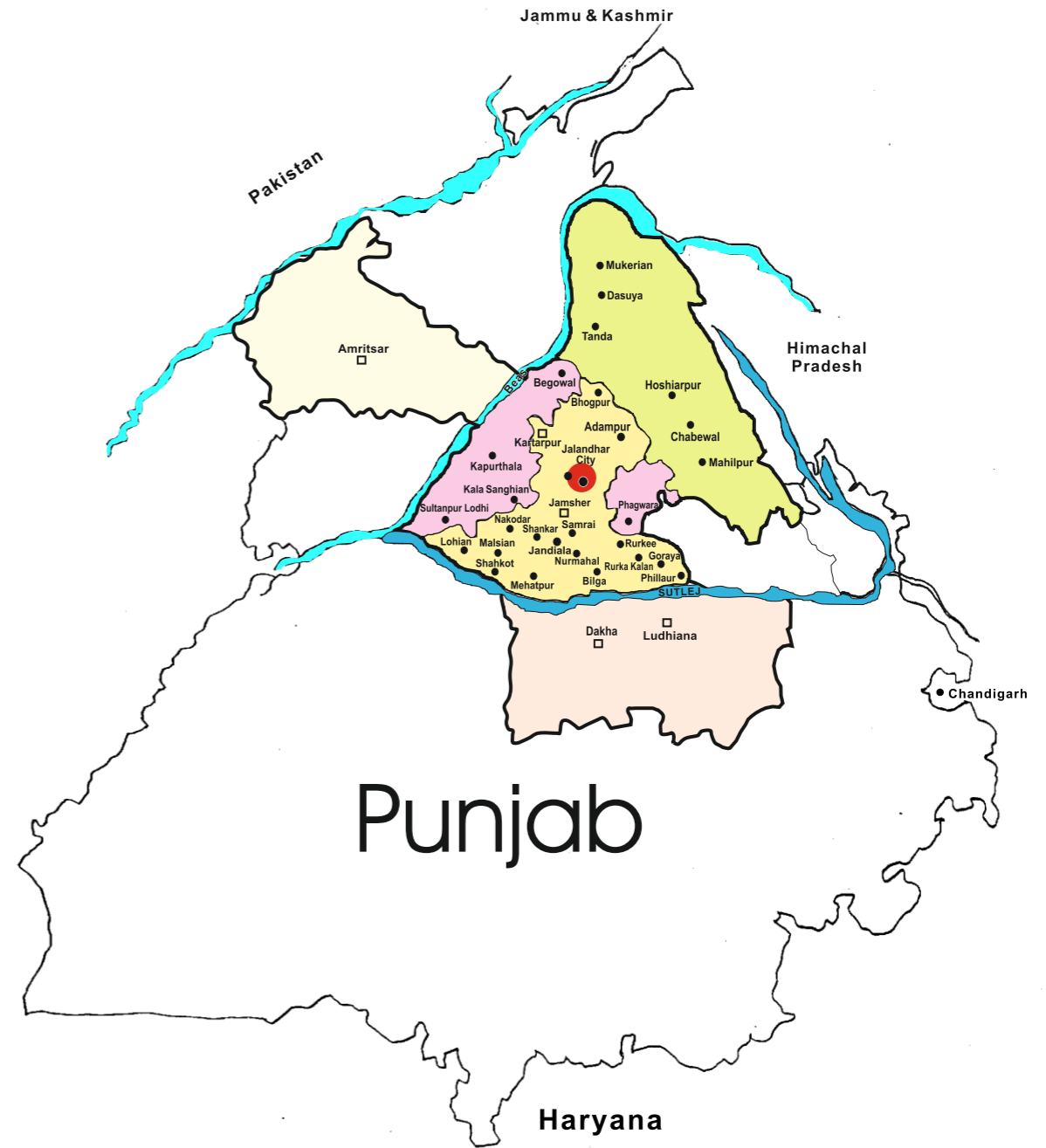
**URBAN**  
**JALANDHAR – I**  
Gobind Niwas, 36 G.T. Road  
Jalandhar-144001  
Tel: 0181-5054444  
Fax: 0181-5050602

**JALANDHAR – II**  
143, Vijay Nagar  
Mahavir Marg  
Jalandhar-144001  
Tel: 0181-5026666  
Fax: 0181-5020888

**HOSHIARPUR**  
204-L, Model Town  
Hoshiarpur-146001  
Tel: 01882-520314, 520316  
Fax: 01882-520324

**SUVIDHA KENDRAS (BRICK & MORTAR BC OUTLETS)**

- Boparai Kalan  
Tel: 01821-246253, 245253
- Chak Hakim  
Tel: 01824-220604, 220605
- Dhaliwal  
Tel: 01821-247123, 247124
- Daduwal  
Tel: 01826-277087, 277077
- Fatehpur  
Tel: 01826-247071, 247070
- Kangna  
Tel: 01821-271194, 271184
- Kandolan Kalan  
Tel: 01826-242473, 242474
- Lakhn Kalan  
Tel: 01822-279046, 279041
- Poonia  
Tel: 01821-275124, 275123
- Sechewal  
Tel: 01821-270009, 271009



**Area Of Operation**

- Jalandhar District
- Hoshiarpur District
- Kapurthala District
- Amritsar District
- Ludhiana District
- Upcoming Branches
- Head Office
- Existing Branches