



14 years of
Trust & Performance

Capital Local Area Bank Limited

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Capital Local Area Bank 

Annual Report 2013-2014

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

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Management Committee

Sarjot Singh Samra
Inder Krishan Sardana
Dinesh Gupta

Audit Committee

Maden Gopal Sharma
Dinesh Gupta
Bhagwant Singh Sangha
Sukhpal Singh Gill

Nomination & Remuneration Committee

Maden Gopal Sharma
Bhagwant Singh Sangha
Sham Singh Bains
Dinesh Gupta

Securities Allotment Committee

Sarjot Singh Samra
Dinesh Gupta
Bhagwant Singh Sangha

Stake Holders Relationship Committee

Sarjot Singh Samra
Inder Krishan Sardana
Ranbir Singh

Credit Sanctioning Committee

Sarjot Singh Samra
Dinesh Gupta
Sham Singh Bains

Risk Management Committee

Sarjot Singh Samra
Dinesh Gupta
Sukhpal Singh Gill

Securities Transfer Committee

Sarjot Singh Samra
Dinesh Gupta
Bhagwant Singh Sangha

Special Committee (Fraud Monitoring)

Inder Krishan Sardana
Sarjot Singh Samra
Dinesh Gupta

Chairman

Inder Krishan Sardana

Managing Director

Sarjot Singh Samra

Directors

Dinesh Gupta
Santosh Singh Chhoker
Bhagwant Singh Sangha
Sham Singh Bains
Ranbir Singh
Maden Gopal Sharma
Sukhpal Singh Gill

Chief Operating Officer &

Company Secretary
Munish Jain

AUDITORS

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

₹ in Crores

Business Analysis	2013-14	2012-13	2011-12	2010-11	2009-10	CAGR
Deposits	1264.14	977.78	819.66	647.92	531.91	24.16%
Advances	757.61	605.91	518.92	419.56	347.16	21.54%
Total Business	2021.75	1583.69	1337.66	1067.50	879.07	23.19%
Net Worth	79.77	71.29	61.61	54.05	46.37	14.50%

Profitability Analysis	2013-14	2012-13	2011-12	2010-11	2009-10	
Gross Revenue	140.73	119.39	98.24	74.65	64.41	21.58%
Net Interest Income	46.24	39.80	35.18	29.32	18.84	25.96%
Operating Profit	18.70	17.25	18.30	17.28	11.63	12.81%
Net Profit	10.61	12.51	10.63	10.42	7.42	9.36%

Ratio Analysis %	2013-14	2012-13	2011-12	2010-11	2009-10
CASA	37.94	39.56	41.46	43.74	44.41
Return On Equity	14.05	18.80	18.35	20.75	16.83
Return On Assets	0.84	1.17	1.20	1.47	1.17
Interest Spread	4.02	4.09	4.39	4.64	4.46
Net Interest Margin	3.65	3.72	3.97	4.13	2.95
EPS(Rs.)	6.76	7.97	6.77	6.64	4.73
Book Value Per Share(Rs.)	60.83	45.42	39.38	34.43	29.54
Capital Adequacy Ratio	15.01	15.58	15.73	15.55	16.28
Gross NPAs	0.36	0.45	0.34	0.21	0.05
Net NPAs	0.09	NIL	NIL	NIL	NIL
Dividend	10.00	16.00	15.00	15.00	14.00

- Ranked amongst India's 100 Best companies to work for 2014 by 'Great Place to Work Institute' in India.
- 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 Suvicha Kendras (Brick & Mortar B.C. outlets)
- ATM Cards accepted at more than 1,60,000 ATMs PAN India
- 7 day branch banking from day one with extended and uninterrupted banking hours
- Business Compounded Annual Growth Rate of 23%
- One-Stop Financial Hub in rural and semi urban areas
- Contribution towards economic development and employment generation in the area
- Surpassed National Targets in Priority Sector, Agriculture and Weaker Section Advances
- Accredited with 'ICAI Award for Excellence in Financial Reporting' for two consecutive years



Dear Shareholders,

The Bank started the process of expanding its outreach to the new districts of Ludhiana and Amritsar by opening of Ludhiana branch on September 4, 2013, Amritsar branch on November 10, 2013 and a rural branch at Dekha, District Ludhiana on March 30, 2014. The Bank operationalised two more branches, one each at Jansher and Kartarpur in Jalandhar district, during financial year 2013-14.

The Bank has performed remarkably well during the year under review in every sphere. The total deposits of the Bank increased from Rs.977.78 crores as on March 31, 2013 to Rs.1264.14 crores as on March 31, 2014 registering a growth of 29.28%. Total advances have increased to Rs.757.61 crores as on March 31, 2014 as against Rs.605.91 crores as

on March 31, 2013, registering a growth of 25.03%. The total Business of the Bank has increased to Rs.2021.75 crores as on March 31, 2014 as against Rs.1583.69 crores as on March 31, 2013 registering a growth of 27.86%. The gross revenue of the Bank increased to Rs.140.73 crores as against Rs.119.39 crores as on March 31, 2013. The net interest income increased to Rs.46.24 crores as against Rs.39.80 crores as on March 31, 2013. Whereas there is a slight dip in the net profit from Rs.12.51 crores as on March 31, 2013 to Rs.10.61 crores as on March 31, 2014, which is mainly attributed to increase in MTM (Marked to Market) provision on investment portfolio of the Bank. Due to increase in interest rates, the entire Banking Industry has felt this pinch.

The Bank is maintaining a high credit deposit ratio of 60% as against 35% in the area. The Bank has more than 80% of its business in rural and semi urban areas with credit exposure of more than 34% in Agriculture. Exposure to Micro and Small Enterprises constitutes 14.58% of Net Bank Credit. The tremendous performance of the Bank is evident from the fact that most of its rural and semi-urban branches have become the largest credit branches in their respective areas in this short span.

In order to effectively promote financial inclusion with inclusive growth in rural areas, particularly in unbanked villages, the Bank has successfully implemented Business Correspondent model for extension of banking services and opened 11 Suvikha Kendras (Brick & Mortar S.C. outlets) in its area of operation. The total business done through these Suvikha Kendras as on March 31, 2014 was Rs.103.56 crores by opening 17,721 number of accounts. These Suvikha Kendras are offering facilities for opening 'Suvikha Bachat Accounts (No Frill Accounts), Normal Deposit accounts, Advances (including Micro Lending), Insurance and other third party products. The above Suvikha Kendras are equipped with updated technology for effecting transactions on real time basis and has been provided training support to deliver the above services efficiently.

The 'No Frill Accounts' of the Bank constitutes 22.58% of the total savings Bank Accounts as on March 31, 2014.

I would like to share with you that Capital Local Area Bank has been ranked amongst India's 100 Best Companies to work for 2014 in a study conducted by 'Great Place to Work Institute' in India covering more than 600 organisations. Great Place to Work is a global Institute with its Headquarters at San Francisco, USA and has presence in 50 countries across globe. This Institute has covered more than 25 years of research, recognising and building great work places worldwide. The Indian branch of this Institute started working about 11 years ago. Every year, they conduct a research of more than 500 - 600 organisations working in India. In the list of

2014 of 100 Best Companies to Work for in India, 24 organisations like CAPITAL LOCAL AREA BANK have made it for the first time and the rest 76 companies have already been there during the past years. CAPITAL LOCAL AREA BANK has been ranked 74th among the top 100 Best Companies to work for in the year 2014. Capital Local Area Bank is the only Punjab based company that has made to the 2014 list of India's 100 Best Companies to work for.

The Bank which is already a proud market leader in its operational centers and endeavours 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 sincerely offer my gratitude to the entire team of the Bank for its dedication, sincerity, team work, commitment, selfless initiative and hard work.

Sarvjit Singh Samra
Managing Director



Dear Shareholders,

The Directors of your Bank have great pleasure in presenting the 15th Annual Report on the business and operations of the Bank along with the audited accounts for the year ended March 31, 2014.

Economic Overview

The world economy witnessed a year of financial turbulence contemplating US tapering its purchase of large-scale asset programme. This event resulted in financial deterioration of all emerging economies including India. Rupee depreciated against dollar and touched all time high resulting in depletion of reserves. To defend the rising rupee exchange rate RBI raised short term rates to reduce liquidity. Mild recovery amidst concerns from various parts of the world was seen with peculiar challenges and opportunities. First half of the year witnessed high inflation, low industrial growth, low economic growth, low investment appetite, higher current account deficit, exchange rate volatility etc. However, in the second half, due to cohesive measures and focused action by the Government and Reserve Bank of India some of the concerns were addressed appropriately and India became favored investment destination. For the economy as a whole and for banks in particular, the financial year 2013-14 was definitely a challenging year. Despite the compulsions of an election year, the government's commitment to contain the fiscal deficit at 4.6 per cent is a positive development for the economy. Due to tight monetary policy followed by the RBI, inflation both Wholesale Inflation and Retail has come down from the peak of 7.5 per cent to 4.7 per cent and 8.4 per cent to 8.1 per cent respectively in February, 2014. However, economic growth and industrial growth rates are yet to revive. As for banks, mounting non-performing assets continue to remain as an area of concern. On the whole the financial year had some good as well as bad developments. The good thing is the future expectations of economic recovery gives glimpse of hope to the banking industry for business revival and improvement in asset quality.

The Global Economic environment has broadly strengthened and is likely to improve much faster with overall world economic growth

forecast at 3.5% for the year 2014. India is witnessing General Elections during the year 2014-15 and the outcome of elections could swing the medium term growth either way. Political stability is important for the sustainable growth of agriculture, manufacturing, infrastructure, services and skill development. Going forward, financial year 2014-15 is expected to show a modest recovery with leading indicators of services sector. GDP of India is expected to grow from 5-6% as per the estimates.

Punjab is a state known primarily for its agriculture, livestock, forestry, and less for industries, minerals, tourism. Punjab has witnessed fast track economic development and structural shift over the past half century. The demographics are changing and changing for the good. There is a growing middle class with regular monthly income besides agriculture income. Punjab, in particular the Doaba belt was looked upon as an agricultural economy where big industrial units were a rarity and banking industry did not play its role effectively besides being a deposit unit because of its huge NRI base. The hardworking and well educated youth is making a difference to the state by diversifying away from agriculture based occupation to urbanization and industrialization. Capital Local Area Bank endeavor to nurture the entrepreneurship of the youth to accelerate the economic growth of the area through provision of credit at grass root level and employment generation. 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, through 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 14 years during the year 2013-14 and achieved a phenomenal growth in all its operations. The Bank has delivered record performance in every aspect, by depicting faith by the stakeholder and dedication by team members. The Board is elated to share with you that as the result of consistent, trustworthy and ethics based performance of your Bank, the bank has been rewarded by Reserve Bank of India operational expansion to serve a bigger community. The Bank is going to strive even harder to better accomplish its goals of providing world class banking services at affordable prices in its area of operations.

Your Bank was granted permission for opening of five new branches by the Reserve Bank of India on April 10, 2013 and all the above five branches have been opened during the financial year 2013 -14. The Bank has total 34 branches and out of which 16 branches are rural, 13 are semi-urban and 3 are urban and 2 are metropolitan. Exponential growth has been recorded in rural business during the year-ended March 31, 2014. This financial year has been remarkable in every possible way. The Bank has surmounted the growth and development of its various stakeholders which has in turn made the Bank post record performance in every sphere. The year gone by is ending on a positive note of better investment climate with pick up in economic activity and your bank is going to make the most of the opportunities going forward.

Operating Performance

The Banking industry has gone through a relatively tough year. The year gone by has witnessed financial strain, contraction in economic activity, falling 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. Your bank has always held sound business

ethics and performed reasonably well with handsome growth during this tough time. The Bank has achieved another milestone with the total business surpassing Rs. 2000 crores during the year 2013-14. Despite the slowdown, the Bank has shown remarkable growth for the year-ended March 31, 2014 at a glance is as under:-

1. Deposits of the bank increased from Rs.977.78 crores as on March 31, 2013 to Rs.1284.14 crores as on March 31, 2014 registering a growth of 29.29%.
2. Advances of the bank increased to Rs.795.56 crores as on March 31, 2014 as against Rs.603.18 crores as on March 31, 2013 registering a growth of 25.26%.
3. Total business of the bank increased to Rs.2021.75 crore as against Rs.1563.69 crores resulting in a growth of 27.86%.
4. Gross income increased to Rs.140.73 crores as against Rs.119.39 crores in the previous year, registering a growth of 17.87%.
5. Net interest income of the Bank increased to Rs.46.24 crores during the financial year ended March 31, 2014 as against Rs.39.80 crores in the previous year depicting a growth of 16.18%.
6. Operating Profit increased to Rs.18.70 crores as on March 31, 2014 from Rs.17.25 crores as on March 31, 2013.
7. Net Profit decreased to Rs.10.81 crores as on March 31, 2014 from Rs.12.51 crores as on March 31, 2013.
8. Fixed assets of the bank have increased from Rs.27.62 crores as on March 31, 2013 to Rs.31.92 crores as on March 31, 2014.
9. Net Worth of the bank has increased to Rs.79.77 crores as on March 31, 2014 as against Rs.71.28 crore as on March 31, 2013.
10. Reserves & Surplus as on March 31, 2014 increased to Rs.64.08 crores from Rs.55.59 crores as on March 31, 2013.

The Bank has been continuously striving to provide world class financial services under single roof at affordable prices since day one.

Envisioned to establish long lasting relationship with the local communities, the Bank focuses towards personalized banking and endeavor to create an innovative and responsive approach in its area of operation. The strong Performance in these tough times is attributable to the business model, which has been set up and strengthened over the years with the faith and trust of local communities.

There has been an increase of 25.26% increase in Net Advances with Credit Deposit ratio of 59.93% as on March 31, 2014 which shows the commitment of Bank in achieving its objective for provision of credit and promoting inclusive growth. The Bank as envisioned is obligated for economic development of the area of its operation. The loan portfolio is well diversified coupled with customer delight, competitive pricing, faster credit delivery with an overall objective of bringing modern banking services at low cost in rural areas.

Extension in Area of Operation

The area of operation of the Bank was extended from 3 districts of Jalandhar, Hoshiarpur and Kapurthala to 5 districts with addition of big, largely populated commercially developed districts of Amritsar and Ludhiana. This extension has given an impetus for substantial growth. The Bank has opened 5 branches during the year 2013-14 with 3 branches in new districts and 2 in existing districts.

Dividend

The year gone by has been a challenging one for whole of the banking industry which had to go through a tough phase. The business of the bank was though satisfactory but was also affected by these turbulences. Due to higher marked to market provisioning, the profitability of the bank has affected slightly. In order to maintain healthy CAGR, the bank has to plough back good amount of its profits for sustaining good financial health. The Bank constantly endeavours to share the growth of the bank with the shareholders in the form of dividend distribution and higher capital appreciation by retaining adequate quantum of profits to meet future expansion plans. A sum of Rs.288.58 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 85.20% of the profit and have recommended a dividend of 10% for the year 2013-14.

Advance to Priority Sector and Weaker Section
The basic model of the bank has been built around catering to the financial needs of its clientele in the best possible way with continuous focus on facilitating Priority Sector Advances and to meet the banking needs of the weaker sections of the society. The Bank has always been striving for adequacy and genuineness of the facilities provided in the major thrust areas, namely Priority Sector and Weaker Sections. Being a Local Area Bank, the Bank has taken the responsibility in its true sense to be one step ahead in discharging banking and other related financial requirements of people in the rural sector.

Priority sector advances increased to Rs.392.59 crores as on March 31, 2014 as against Rs.312.31 crores as on March 31, 2013, registering a growth of 25.70%. The Priority Sector Advances stood at 51.99% of the Net Bank Credit as on March 31, 2014 above the 40% benchmark set by the Reserve Bank of India. The total credit to agriculture has increased to Rs.280.75 crores against Rs.197.04 crores in the previous year showing a growth of 32.33% which stood at 34.51% of the Net Bank Credit as on March 31, 2014. The

Advance Profile



bank has made majority of its Direct Agriculture Advances under its CAPITAL KISAN CREDIT CARD Scheme. The scheme is customer friendly and has given impetus to the flow of credit to agriculturists. This scheme has been largely instrumental in upliftment of credit availability in rural areas under the jurisdiction of 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 Rs.81.66 crores. The advances to weaker sections stood at 10.80% as on March 31, 2014 as against the regulatory benchmark of 10%. The Bank has initiated number of steps to increase lending to Priority Sector/Weaker Sections, including identifying potential centers for focused lending, imparting training to officers on rural lending, liberalised credit norms and softening interest rates.

Financial Inclusion through 'Suvidha Kendras'

Financial Inclusion has been included in day to day working of the bank. Several initiatives are taken for the same. The bank undertakes initiatives to provide banking services to the under banked people of its area of operations. Over the past few years, your Bank has been working on a number of initiatives to promote financial inclusion across identified sections of rural, under-banked and un-banked consumers. These initiatives target segments of the population that have limited or no access to the formal banking system for their basic banking and credit requirements. The Bank's financial inclusion initiatives have been integrated across its various businesses, as well as across product groups. 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 B.C. Outlets) in such unbanked villages at Poonia, Kangra, Kandola/Kalan, Daduwal, Seechawal, Bopa/Ra/Kalan, Lakhani/Kalan, Fatehpur, Chak

Hakim and Dhalawal 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. These centres are offering facilities for opening 'Suvidha (Bachat Accounts (No Frill Account), Deposit and Withdrawal of funds, Advances (Including Micro Lending), Insurance and third party products. The SuvidhaCentres are equipped with updated technology for effecting transactions on real time basis and has been provided training support to deliver the above services efficiently for deepening overall inclusion activities. The Bank has opened 17,721 deposit and loan accounts during a very short span through Suvidha Kendras. No Frill Accounts of the Bank as on March 31, 2014 stood at 48,685, which constitutes 22.58% of total Savings Bank Accounts. The Bank has achieved 100% financial inclusion in 129 villages.

Providing Micro Finance

The bank has been focusing of micro finance as its prime objective. Microfinance is supposed to be the steering wheel for providing right direction to the economic upliftment. Therefore, Capital Bank has recognized its importance and is keeping up with the objective of providing modern banking facilities to the masses, especially to provide poor families with small loans and help them engage in productive activities and grow their very small businesses. Considering the financial services available to the poor, they often have serious limitations in terms of cost, risk and convenience; we have introduced a broader range of products and services including credit, savings, insurance, etc. Our aim is to provide the poor an access to a formal financial institution and let them avail benefits that put them at par with others. The Bank has introduced more micro lending products including micro finance under JLG group Scheme through Business Correspondents. The Micro Finance of the bank constitutes 14.60% of Net Bank Credit. Micro and Small Enterprises Finance of the

bank increased to Rs.110.34 crores as on March 31, 2014 as against Rs.96.97 crores as on March 31, 2013, registering a growth of 13.76%.

Investments

The Treasury Group, under the supervision and guidance of Investment Committee, is looking after the Assets and Liabilities, compliance of regulatory reserve requirements, market and liquidity risks. The core team strictly adheres to the established prudent norms for building suitable trading portfolio to make best of the available opportunities. The objective of the Treasury Desk is to constantly watch global and local developments, take proactive steps to make most of all the opportunities across asset classes and manage all the uncertainties and adverse moves prudently. Investments in SLR and Non-SLR Securities are being carried out after taking safety and liquidity into consideration. Total investments of the Bank stood at Rs.374.64 crores as on March 31, 2014 comprising Rs.357.81 crores in sovereign Government Securities, Rs.36.83 crores in debt based instruments with a maturity mix of securities consistent with the risk perception and Investment Policy guidelines of the Bank.

Profitability

The Bank has been able to withstand tough economic conditions and maintain reasonable

profitability in the year gone by. The inflation remained high for most of the year and liquidity remained tight, as a result the Bank's profit for the year ended March 31, 2014 slightly decreased to Rs.10.61 crores as against Rs.12.51 crores as on March 31, 2013. 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 augment the profitability and growth with diversified portfolio and will cater to larger base of stake holders.

Great Customer Service

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

services measures is monitored during the visit of the executives to branches. During the period of April 1, 2013 to March 31, 2014 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	3
No. of complaints redressed during the year	3
No. of complaints pending at the end of the year	Nil

Our Strategy

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

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)(g) of the Companies Act, 1956

The provisions of Section 217(1)(g) 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 procured and implemented new 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 -Alerts. All the new & upcoming branches will be using the new CBS application.

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 Company occurred between the end of the financial year of the Company and date of this report.

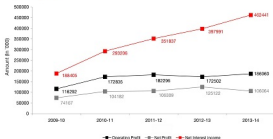
5. Transfer to reserves in terms of section 217(1)(b) of the Companies Act, 1956

For the financial year ended March 31, 2014, the Bank had transferred Rs.265.16 lacs to the Statutory Reserve Fund (maintained under section 17(1) of RBI Act, 1934). The Bank has transferred Rs.7.00 lacs to Special Reserve maintained under section 36(1)(VIII) of Income Tax Act, 1961.

Directors

In accordance to the Section 255 of The Companies Act, 1956, Mr. Sanjiv Singh Saxena,

Profitability Graph



Mr. Dinesh Gupta and Mr. Shageant Singh Sangha, directors will retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. The Board recommends their re-appointment. Pursuant to section 10(2A)(i) of the Banking Regulation Act, 1948, Mr. Vijay Bhandari completed his eight years term as Director of the Bank on April 15, 2014. Thus he has retired on April 15, 2014. The Board place on record the appreciation of the valuable guidance given by Mr. Bhandari to the Board and Board Committees.

Auditors & Auditors' Report

M/s. O.P. Gang & Co., Chartered Accountants and Statutory Auditors, have audited the books of accounts of the Bank for the year 2013-14 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. Gang & Co., Chartered Accountants were appointed as Statutory Auditors of the Bank by the Board of Directors and their approval was conveyed by the Reserve Bank of India vide letter Ref. DBS/ARS No.5221/08-42-005/2013-14 dated October 30, 2013 for the year 2013-14 for their second year. M/s. O.P. Gang & Co. will retire during the ensuing Annual General Meeting. The Board has recommended the appointment of M/s. O.P. Gang & Co. for the fiscal 2014-15 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, 2014-

- The applicable accounting standards have been followed along with proper explanation relating to material departures, if any.

- The accounting policies, framed in accordance with the guidelines of The Reserve Bank of India, were consistently applied.
- 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, 2014.
- 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.

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

Global Economic Conditions

Global growth, after decelerating for the last three years has improved in 2014, but risks to outlook remain with uncertainties arising from moves to unwind unconventional monetary policies and possibility of a renewed deflation in the euro area. Economic expansion in the US is gaining firmer footing and will aid recovery in global activity and trade. Recovery in large Emerging economies could stay moderate as supply side constraints, tight monetary policies and tightening of financial conditions with tapering by the US could act as a drag on growth acceleration.

The year gone by has been a very eventful one with broader theme of global recovery on track with minor displacements here and there and some major policy framework on the anvil both politically and economically. The expansion in global output is expected to be led by advanced economies, especially the US. Weakening growth and financial fragilities in China that have arisen from rapid credit in recent years pose a large risk to global trade and growth.

Indian Economy

The Indian Economy has overcome the twin deficit syndrome quite effectively with the collaborative efforts of government and the Reserve Bank of India. While the global environment remains challenging, policy action in India has rebuilt buffers to cushion it against possible spillovers. These buffers effectively bulwarked the Indian economy against the two recent occasions of spillovers to emerging market economies – the first, when the US Fed started the withdrawal of its large scale asset purchase programme and the second, which involved escalation of the Ukraine crisis. On both these occasions, Indian markets were less volatile than most of its emerging market peers. With the narrowing of the twin deficits – both current account and fiscal – as well as the replenishment of foreign exchange reserves, adjustment of the rupee exchange rate, and more importantly, setting in motion disinflationary impulses, the risks of near-term macro instability have diminished. However, this in itself constitutes only a necessary, but not a sufficient, condition for ensuring economic recovery. Much more efforts in terms

of removing structural impediments, building business confidence and creating fiscal space to support investments will be needed to secure growth.

Inflation

The year gone by has witnessed inflationary pressures. Although the inflation was higher in the first part and started to decline from December 2013. Both the build-up of inflation during April to November 2013 and the subsequent fall in inflation during December 2013 to February 2014 was driven by food prices. CPI inflation declined to 8.1 per cent in February 2014 (a 25-month low) from 11.2 per cent in November 2013, mainly due to declining vegetable prices during this three-month period. Inflation declined significantly on vegetable price correction but CPI-ex-food and fuel inflation exhibits persistence.

Growth

The downward spiral in growth caused mainly by structural factors that impeded investment activity had a profound effect on India's potential growth. The Indian economy had been stalling down from 9.8 per cent in Q4 of 2010. It troughed around 4.4 per cent for three quarters from Q3 of 2012-13 to Q1 of 2013-14, since then there are signs of growth bottoming out with marginal improvement recorded during Q2 and Q3 of 2013-14 to 4.6 and 4.7 per cent respectively. However, this improvement has been feeble and clear signs of recovery are yet to emerge, even as the economy seems to be gearing for a modest recovery during 2014-15.

Aggregate Demand

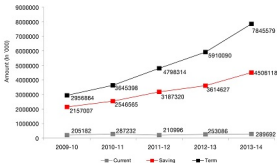
Aggregate demand is slowly picking up, but would require support through public investment to crowd-in private investment. Aggregate demand in the economy exhibited some improvements during Q2 of 2013-14 mainly on account of surge in net exports. However, private consumption expenditure, the mainstay of aggregate demand stayed low in the face of high inflation that has caused discretionary demand to fall. The investment cycle is yet to turnaround. However, corporate sales have improved during Q2, indicating that demand may have started improving. Overall, aggregate demand is expected to receive support from rural demand and exports. The

pick-up in demand in the coming year depends critically on the successful resolution of bottlenecks facing infrastructure and energy-intensive industrial projects. As such the quality of government spending has to improve to support growth.

Monetary Policy Action

The Reserve Bank in its Third Quarter Review of Monetary Policy on January 28, 2014, hiked the repo rate by 25 bps to 8 per cent on account of upside risks to inflation, to anchor inflation expectation and to contain second round effects. The move was intended to set the economy securely on the disinflationary path as recommended by the Urji Patel Committee. The factors impeding the pace of smooth monetary policy transmission to the credit market include rigidities in re pricing for fixed deposits, size of government borrowings, level of NPAs, high inflation and the significant presence of informal finance. In the presence of such structural rigidities in the credit market, the transmission of policy measures, particularly to the deposit and lending rates of banks, was relatively less pronounced as compared to money market rates.

Deposit Profile



Financial Markets

The Equity as well as debt markets witnessed extreme volatility during the year. The see saw movements in equity markets were paralleled by similar movements by Government Bonds market. The extreme depreciation of rupee and measures taken to withhold such sharp depreciation hardened the G Sec yields sharply in the First half and stocks went tumbling down as they were caught in vicious circle of rupee depreciation but during the second half, driven by expectations of a stable electoral outcome and a multitude of positives, including lower trade deficit numbers, lower inflation, an enthusiastic response to the telecom auction, incentives to certain sectors in the interim budget and a lower reported CAD, equity markets witnessed a decent rally. The yields of G sec stayed firm all through the year with some dip due to expectations of fall in inflation around December. But, the anti inflationary policy stance of RBI made sure that the yields stay firm throughout the year. The Government and the Reserve Bank acted proactively in the recent period to ensure better macroeconomic management and reduce financial volatilities. This has helped in

improving global investor sentiments and several investment houses turned overweight on India, even while being underweight on emerging markets for their portfolio allocation calls for 2014.

Macroeconomic Outlook

2014-15 is going to set the stage for economic recovery for the next five years, as it is an Election year. Sound, stable government with clear mindset will set the roadmap for growth with sound and steady Policy framework within which the businesses will flourish. The emergence of strong government will give a boost to the business and investment climate which in turn will set the stage for fast paced economic recovery and growth. The growth in 2014-15 is likely to be in the range of 5 to 6 per cent, with likelihood of it being in higher reaches of this forecast range if project clearances translate into investment. Despite moderation in December and some further softening expected in near term, inflation risks have to be watched carefully as we enter into the next year. This is due to upward revision in domestic energy prices, expected growth acceleration, structural bottlenecks affecting food inflation and adverse base effects. The fiscal consolidation, job creation, skill development, developing entrepreneurial acumen, stream lining government expenditure, healthy export promotion and incentivizing small and medium sector industries is of utmost importance for sustainable economic growth.

Future Growth Prospects - Corporate Governance

The bank puts utmost thrust on best corporate governance. Capital Bank continues to believe in observing the best corporate governance practices and benchmarking itself against each practice on an ongoing basis. The Board of Directors and the Management of this Bank believe that a strong system of corporate governance is critically important to usher in a value-based organization that is socially responsible and commercially vibrant. The Bank is committed to adhering to the highest standards of corporate governance through constantly benchmarking itself against global best practices. The essence of the Bank's corporate governance philosophy flows from the following:

- The Directors have distinguished themselves in different walks of life through experience and expertise.
- The Board is professional in character with a strong commitment to shareholder value, transparency, accountability, ethical standards and regulatory 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 Bank has created robust global banking facilities and services in rural areas like 7- City banking, extended and uninterrupted working hours, anywhere and anytime banking, ATMs, mobile and internet banking. We and general insurance services which led to a shift in the financial services at a global level.

We envisage attaining market leadership in our area and many of our branches have already become market leaders with respect to advances. We're operating in a lucrative market segment that has the potential to grow exponentially. Our initiatives in the area of technology, Human Capital, Product Development, Business Development and discharge of social responsibility will go a long way in achieving our mission. We believe that Corporate Governance becomes crucial for banks as they not only accept and deploy large amount of uncollateralized public funds in fiduciary capacity, but also leverage such funds through credit creation. In view of importance of the banking system for financial stability, sound corporate governance is not only relevant at the level of the individual bank, but is also a critical ingredient at the system level. We aim at setting newer heights of Corporate Governance to be followed by the rest. As a part of good Corporate Governance practice, the Board reviews the various reports/returns as per the calendar of reviews set by the Reserve Bank of India in addition to other reports on the working of our bank. The Board met 8 times during the period under review. Various committees of Board viz. Credit Sanctioning Committee, Audit Committee, Management Committee (Investment and customer service committees merged with Management Committee), Risk Management Committee, Remuneration Committee,

Securities Transfer Committee, Securities Allotment 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. We have 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 three directors namely, Mr. Sarjit Singh Samra, Mr. Dinesh Gupta and Mr. Sukhpal Singh Gill.

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

Board of Directors	8
Credit Sanctioning Committee	11
Audit Committee	6
Management Committee	4
Risk Management Committee	4
Customer Service Committee	4
Nomination Committee	1
Securities Transfer Committee	8
Remuneration Committee	-

Strategy for Financial Inclusion

Financial Inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The various financial services include credit, savings, insurance, payments and remittance facilities, etc. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include people with low incomes within its gambit. Through graduated credit, the attempt must be to lift the poor from one level to another so that they come out of poverty. Over the past few years, your Bank has been working on a number of initiatives to promote financial inclusion across identified sections of rural, under-banked and un-banked consumers. These initiatives target segments

of the population that have limited or no access to the formal banking system for their basic banking and credit requirements. The Bank's financial inclusion initiatives have been integrated across its various businesses, as well as across product groups. Capital Local Area Bank has been actively involved in providing micro-credit facility at grassroots levels recognizing its emerging potential as an approach for empowerment of women and poverty alleviation. We anticipate the living standards to significantly improve as a result of augmenting the income / business cycles of these individuals. This would create more jobs and therefore more stable families, supported by new incomes and employment. As basic needs are met, borrowers will be able to put in more effort into other income-generating projects – such as, irrigation projects – and therefore maximize the use of available resources. The Bank has opened 48,685 'No Frill' accounts under Financial Inclusion of those households, which did not have any access to banks or post offices. The 'No Frill' Accounts of the Bank constitutes 22.58% of total savings bank accounts. Several measures are being taken in our areas of operation to promote financial inclusion by inculcating banking habits. These accounts are regularly monitored to avoid them for being dormant.

Asset-Liability and Risk Management

Bank follows an integrated approach to managing risks and the processes are embedded in the fundamental business model.

The Risk Management Landscape in the Bank covers the stages of identifying, assessing, measuring, managing, controlling and reporting risk concerns across all the risk classes viz. Credit, Market and Operational Risks. The organization of Risk Management function in the Bank spans various levels of oversight from operatives to the Board, offering lines of defense and escalation. The Risk Management Policies adopted and reviewed periodically articulate, codify the strategy, structure, processes and systems to manage bank wide risks. Expanding business areas, deregulation and globalization of financial activities, emergence of new financial products and increased level of competition has necessitated the need for an effective and structured risk management practice in financial institutions. The Bank has adopted an integrated approach for the management of risk. Effective internal policies are developed in tune with the business requirements and best practices. Capital Bank has formulated 'Risk Management Policy' 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 7.84% as on March 31, 2014 in spite of the rise in deposit rates.

Corporate Social Responsibility

Your Bank views Corporate Social Responsibility as its commitment to operate ethically and contributing to economic development while improving the quality of life of its employees as well as that of the local communities and society at large. Pursuing a vision towards the socioeconomic empowerment of under privileged and marginalized sections of society, the Bank reiterates its commitment to support social initiatives with a special focus 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 Bank's core strength. While the knowledge of the customer enables the Bank to address delinquency risk, the knowledge of the territory enables it to prudently invest into relevant markets. Product knowledge enables it to address and control the credit quality across product verticals. The Bank has created a scalable business model based on creation of an organizational structure that readily addresses all the risks concerning Customers, Territory and Products. As a result, the Bank is able to mitigate its credit risk efficiently, in wake of its growing volumes.

Retail Banking

The Banks focus since inception has been on Retail Bank both for deposits and loans. The Bank caters to various customer segments with a wide range products and services. Your Bank is a "one stop shop" financial services provider of various deposit products, retail loans (auto loans, personal loans, commercial vehicle loans, mortgages, business banking,

loan against gold jewellery etc.), money exchange and several transactional services. Apart from its own products, your Bank distributes third party financial products such as life and general insurance and money transfer. The growth in your Bank's retail banking business was robust during the financial year ended March 31, 2014. The Bank has a separate vertical for micro credit for promoting microfinance to poor and loans for two wheelers, car, other transport and consumer durables. In order to provide its customers greater choices, flexibility and convenience, your Bank continued to make significant headway in its multichannel servicing strategy, offering its customers the use of ATMs, internet, phone and Mobile Banking in addition to its expanded branch network and Business Correspondent Brick and Mortar outlets to serve their banking need. The Bank is committed to investing in advanced technology in this area which will provide a cutting edge in the Bank's product and service offerings.

Customer service

The Bank believes that the customer satisfaction is at the core of its existence and customers must be served proactively beyond their expectations. The Bank has put in place a system for identifying problems faced by customers, coordinating speedy rectification of issues, actively looking for process improvement opportunities, scientifically tracking customer satisfaction and facilitating implementation of customer friendly automation. The Bank has installed "Centralised Complaint Management" so that customer queries and complaints are not inadvertently missed out and also to provide uniform quality service. All complaints are tracked rigorously for timely closure and delays if any are escalated to the senior management. Standing Committee on customer services meet on periodic intervals and addresses the issues concerning the customers. Branch level surveys are undertaken independently by the HQ through random selection of customers in every wake of service and areas requiring improvement are identified and corrective action is taken.

Human Capital

Capital Local Area Bank prides itself as a vibrant organization and recognizes its employees as its greatest assets – The Life-line. 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 open 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 Mediclaim, gratuity and insurance facilities are offered. Through well structured Orientation programmes and trainings, we are 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.

Capital Local Area Bank has made it to the list of India's Best Companies to work for 2014 – Top 100. This study was conducted in 2013 by 'Great Place to Work Institute' in India in partnership with The Economic Times, the largest business newspaper of India, covering more than 500 organisations. The Economic Times is going to publish the list in June 2014 and followed by the awards ceremony. Great

Place to Work is a Global Institute with its Headquarters at San Francisco, USA and has presence in 50 countries across globe. In 1981, a New York editor asked two business journalists Mr. Robert and Mr. Milton to write a book called – 'The 100 best Companies to work for in America'. In this way, they started a journey, which has covered more than 25 years of research, recognizing and building great work places worldwide. The Indian branch of this Institute started working about 11 years ago. Every year, they conduct a research of more than 500 organizations working in India. They recognize only 100 top companies as India's best companies to work for each year. The CEO of the institute while conveying the above result has mentioned that they were impressed with the several practices being followed at Capital Local Area Bank. The employees trust the institution for which they are working and take pride in what they do and enjoy the company of people they work with. To be a part of India's Best 100 Companies to work for is a matter of great honour and pride for our organization. Kindly accept our heartfelt congratulations on this great achievement.

Internal Control and Audit

The bank is committed and believes in absolute functional autonomy and well being of internal control and audit so that the functioning of the bank is proper and all the regulatory and internal standards are met with. To be in line with the changing economic environment, Capital Bank has resorted towards enhancing its risk management systems. Utmost importance is given to proper maintenance and safety of public money, while providing all the banking services and fulfilling prudent risk-mitigation and risk management principles. We believe in maintaining highest standards of internal control and taking 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 2014 that are

expected to further assist in proactively identifying risks in changing business dynamics and assist in improving overall control environment. All the branches are subject to regular half-yearly inspections with short quarterly inspections and various other audits, viz: concurrent audit to 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

Indian banking industry, today is in the midst of an IT revolution. A combination of regulatory and competitive reasons has led to increasing importance of total banking automation in the Indian Banking industry. Information Technology has basically been used under two different avenues in Banking. One is Communication and Connectivity and other is Business Process Reengineering. Information technology enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets. In view of this, technology has changed the contours of three major functions performed by banks, i.e., access to liquidity, transformation of assets and monitoring of risks. Further, information technology and the communication networking systems have a crucial bearing on the efficiency of money, capital and foreign exchange markets. The Bank continues to leverage information technology as a strategic tool in business operations for customer delight by offering efficient and improved service as well as improving internal

productivity, efficiency and controls. The Bank is equipped with a full fledged Information Technology Department having four verticals of expertise: Software, System & Support, Network and Help desk with good strength of man power to strengthen develop, maintain and support IT infrastructure to the following:-

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

New Developments in Technology Field

- Implemented STP (Straight Through Processing) with NEFT.
- Implemented EJ Pulling on ATMs.
- Implemented SMS Notification for Low Cash in ATMs.
- Completed migration of RTGS to NGRTGS.
- Went live with new website.
- Completed DVR upgradation.
- Implemented NEFT Bulk upload.
- Went live with CBS-DR Sta.

- Implemented AML application.
- AML software to identify suspicious transactions and show alerts in respect of transactions in accounts which are not corresponding to risk categorization of the customers.

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

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

Brief Technical Functionality – CBS

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

For and on behalf of the Board of Directors

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
- Savidha Bachat Account (No Thrill 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
- Risan 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 latest possible way. For this purpose we have a tie-up with Western Union Financial Services Inc., Money Gram Inc. & Xpress Money. Western Union, Money Gram & Xpress Money are global leaders in money transfer and message services, with a history of pioneering service dating back to more than 100 years. Consumers can quickly and easily transfer money through Western Union and Money Gram agents located in over 200 countries worldwide.

Forex Services

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

Insurance

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

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

To The Shareholders,

1. We have audited the accompanying financial statements of Capital Local Area Bank as on 31st March, 2014, which comprise the Balance Sheet as at March 31, 2014, 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 34 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 judgment, 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 account 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 2014;

(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 the best of our

knowledge and belief, was 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 dealt with by this report, are in agreement with the books of account and the 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.

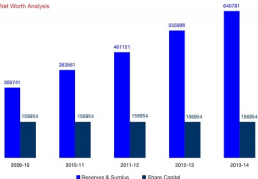
(iv) On the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2014 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.

For O.P. Garg & Co.
Chartered Accountants

(CA Sali Gupta)
Partner

Membership No. : 037922
FRN : 001184N

JALANDHAR
April 26, 2014

Net Worth Analysis



Ranked amongst India's 100 best companies to work for 2014



Balance Sheet As On March 31, 2014

PARTICULARS	SCHEDULE	₹ In'000	
		As on 31/03/2014	As on 31/03/2013
CAPITAL & LIABILITIES			
Capital	1	156954	156954
Reserve and Surplus	2	640781	550998
Deposits	3	12641389	9777803
Borrowings	4	468188	439189
Other Liabilities and Provisions	5	159004	468190
		14066316	11398037
ASSETS			
Cash and Balances with Reserve Bank of India	6	494363	412978
Balances with banks and Money at call and short notice	7	1765246	1390971
Investments	8	3746444	3131631
Advances	9	7555601	6031803
Fixed Assets	10	318025	276169
Other Assets	11	185407	154485
Total		14066316	11398037
Contingent Liabilities	12	170783	129790
Bills for Collection		-	-
Significant Accounting Policies	17		
Notes to Accounts	18		

Munish Jain
CHIEF OPERATING OFFICER
& COMPANY SECRETARY
As per our separate report appended

Sarjit Singh Samra
MANAGING DIRECTOR

B. S. Sangha
Dinesh Gupta
Ranbir Singh
Inder Krishan Sandona
Sham Singh Bains
Madan Gopal Sharma
DIRECTORS

For O.P.Gang & Co.
Chartered Accountants
Sati Gupta
(Partner)
Membership No. : 087902
PIN 501184N

Date : April 26, 2014
Place : Jaipur

Profit And Loss A/c For The Period Ended March 31, 2014

PARTICULARS	SCHEDULE	₹ In'000	
		As on 31/03/2014	As on 31/03/2013
INCOME			
Interest Earned	13	1304491	1108385
Other Income	14	102805	85486
Total		1407296	1193871
EXPENDITURE			
Interest Expended	15	842050	710394
Operating Expenses	16	378286	310975
Provisions and Contingencies		80995	47380
Total		1301232	1068749
PROFIT/LOSS			
Net profit for the year		106064	125122
Profit brought forward		319208	255498
Total		425272	380620
APPROPRIATIONS			
Transfer to Statutory Reserves		26516	31281
Transfer to Special Reserve		700	750
Transfer to Deferred Tax Liability(Special Reserve)		1,513	-
Transfer to/from Investment Reserve Account		-	-
Transfer to Capital Reserve		159	-
Transfer to Proposed Dividend		15995	25113
Tax on Proposed Dividend		2683	4268
Balance carried over to Balance Sheet		378021	319208
Total		425272	380620

EARNING PER SHARE

Basic (Rupees)	6.76	7.97
Diluted (Rupees)	6.76	7.97
(Face value) (Rupees)	10.00	10.00

Munish Jain
CHIEF OPERATING OFFICER
& COMPANY SECRETARY
As per our separate report appended

Sarjit Singh Samra
MANAGING DIRECTOR

B. S. Sangha
Dinesh Gupta
Ranbir Singh
Inder Krishan Sandona
Sham Singh Bains
Madan Gopal Sharma
DIRECTORS

For O.P.Gang & Co.
Chartered Accountants
Sati Gupta
(Partner)
Membership No. : 087902
PIN 501184N

Date : April 28, 2014
Place : Jaipur

Cash Flow Statement For The Year Ended March 31, 2014

(₹ In'000)

PARTICULARS	SCHEDULE As on 31/03/2014	As on 31/03/2013
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit Before Taxes	161473	163164
Adjustment For:		
Depreciation Charge on Fixed Assets for The Year	37649	29109
Loan Loss Provision	(849)	12711
Loss on Revaluation of Investment	50	0
Loss on Sale of Fixed Assets	(217)	700
Depreciation on Investment	26332	(23373)
	224442	202311
Adjustment For:		
(Increase)/Decrease in Term Deposits With Other Banks	(301362)	(335579)
(Increase)/Decrease in Investments	(941190)	(247137)
(Increase)/Decrease in Advances	(1517039)	(881939)
Increase/(Decrease) in Borrowings	(52301)	(37931)
Increase/(Decrease) in Deposits	286358	1561173
(Increase)/Decrease in Other Assets	(34083)	(22941)
Increase/(Decrease) in Other Liabilities & Provision	(304089)	47850
	237963	306807
Refund/(Payment) of Direct Taxes	(53761)	(54919)
NET CASH FLOW FROM OPERATING ACTIVITIES	184202	251188
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(81500)	(133914)
Proceeds from Sale of Fixed Assets	107	2654
NET CASH FLOW FROM INVESTING ACTIVITIES	(80493)	(131260)
CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds from the new issue of Unsecured Redeemable Non Convertible Bonds	78995	58436
Dividend Payment (Including C D T)	(29381)	(27362)
NET CASH FLOW FROM FINANCING ACTIVITIES	50614	30074
Net Increase / (Decrease) in Cash & Cash Equivalent	154328	152002
Cash & Cash Equivalents in the Beginning	450270	303268
Cash & Cash Equivalents At the end	609598	455270

Munish Jain
CHIEF OPERATING OFFICER
& COMPANY SECRETARY

As per our separate report appended

For G.P.Garg & Co.
Chartered Accountants

Sell Gupta
(Partner)
Membership No. 1667902
FVN 0811565

Sanjit Singh Samra
MANAGING DIRECTOR

B.S. Sangha
Dinesh Gupta
Ranbir Singh
Indar Krishan Sardana
Sham Singh Bains
Madan Gopal Sharma
DIRECTORS

Date : April 26, 2014
Place: Jaalandhar

Schedules

Schedules Forming Part Of The Balance Sheet As On March 31, 2014

(₹ In'000)

SCHEDULE	As on 31/03/2014	As on 31/03/2013
SCHEDULE - 1 CAPITAL		
Authorised Capital		
25000000 equity shares of Rs. 10 each	250000	250000
Issued, Subscribed and Paid-up Capital		
15895428 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
Total	156954	156954
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserves		
Opening Balance	177670	146289
Additions during the year	26516	31261
II. Capital Reserves		
Opening Balance	-	-
Additions during the year	159	-
III. Special Reserves		
Opening Balance	4450	3700
Additions during the year	700	750
IV. Investment Reserves Account		
Opening Balance	-	-
Additions during the year	11842	-
Deductions during the year	11842	-
V. Security Premium Account		
Opening Balance	54570	55034
Additions during the Year	-	-
Deductions during the year	1365	964
VI. Balance in Profit & Loss Account	378021	319208
Total	640781	555998

(₹ in '000)

As on 31/03/2014 As on 31/03/2013

SCHEDULE 3 - DEPOSITS

A	L. Demand Deposits		
	From banks	54	-
	From others	289038	253086
B	Saving Bank Deposits	4506118	3614627
III	Term deposits		
	From banks	-	-
	From others	7845579	5910090
	Total	12641389	9777803
B	L. Deposits of branches in India	12641389	9777803
II	Deposits of branches outside India	-	-
	Total	12641389	9777803

SCHEDULE 4 - BORROWINGS

I	Borrowings in India	-	-
	- Reserve Bank of India	-	-
	- Other Banks	69588	121889
	- Unsecured Redeemable Non-Convertible Bonds (Subordinated Debt - Tier II Capital)	398600	317300
II	Borrowings outside India	-	-
	Total	468188	439189

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

I	Bills Payable	61278	40493
II	Inter-office adjustments (net)	545	1378
III	Interest accrued	14760	338598
IV	Others (including provisions)	64058	58343
V	Proposed Dividend (includes tax on dividend)	18363	29381
	Total	159004	498193

SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA

I	Cash in hand	232710	251869
II	Balance with Reserve Bank of India		
	a) in current accounts	261663	161109
	b) in other deposits accounts	-	-
	Total	494373	412978

(₹ in '000)

As on 31/03/2014 As on 31/03/2013

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

I	In India		
i	Balance with banks		
	a) in current accounts	115205	42292
	b) in other deposit accounts	1650041	1348679
ii	Money at call and short notice	-	-
	a) With Banks	-	-
	b) With other institutions	-	-
	Total (i)	1765246	1390971
II	Outside India		
	a) in current accounts	-	-
	b) in other deposits accounts	-	-
	c) Money at call and short notice	-	-
	Total (ii)	-	-
	G. Total (i+ii)	1765246	1390971

SCHEDULE 8 - INVESTMENTS

I	Investments in India in		
i	Government securities	3378123	2953859
ii	Other approved securities	-	-
iii	Shares	-	-
iv	Debentures and Bonds	39155	40000
v	Subsidiaries and/or joint ventures	-	-
vi	Others (Certificate of deposits, money mkt. based mutual funds)	329166	137772
	Total (i)	3746444	3131631
II	Investments outside India in		
i	Government securities	-	-
ii	Subsidiaries and/or joint ventures abroad	-	-
iii	Other Investments	-	-
	Total (ii)	-	-
	G. Total (i+ii)	3746444	3131631

(₹ in '000)

As on 31/03/2014 As on 31/03/2013

SCHEDULE 9 - ADVANCES

A. I. Bills purchased and discounted	257	6241
II. Cash credits, overdrafts and loans repayable on demand	4872010	3880438
III. Term loans	2683334	2145124
Total	7556601	6031803
B. I. Secured by tangible assets	7460673	5968650
II. Covered by bank / government guarantees	-	-
III. Unsecured	84726	73153
Total	7556601	6031803
C. I. Advances in India		
i) Priority Sector	3825931	3123158
ii) Public Sector	-	-
iii) Banks	-	-
iv) Other	3629670	2908644
Total (i)	7556601	6031803
II. Advances outside India		
i) Due from Banks	-	-
ii) Due from Others	-	-
a) Bills Purchased & Discounted	-	-
b) Syndicated Loans	-	-
c) Others	-	-
Total (ii)	-	-
G. Total (A-C)	7556601	6031803

SCHEDULE 10 - FIXED ASSETS

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

(₹ in '000)

As on 31/03/2014 As on 31/03/2013

II. Other Fixed Assets (including furniture & fixtures)

Gross Block at cost on 31st March of the preceding Year	368972	298906
Add : Additions during the year	61585	72658
Less : Deductions during the year	2732	5892
Total	448825	366672
Depreciation		
As at 31st March of the preceding year	151058	124188
Charge for the year	33649	29108
Less : Reversed on sale	1872	2238
Total	166836	151058
Net Block II	281989	214913
Grand Total (I & II)	319825	276189

SCHEDULE 11 - OTHER ASSETS

i) Inter-office adjustments (net)	-	-
ii) Interest accrued	144718	122923
iii) Stationary & Stamps	5822	4901
iv) Others	34867	26661
Total	185407	154485

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	158696	119621
(b) Outside India	-	-
v) Acceptances, endorsements and other obligations	11087	10169
vi) Other items for which bank is contingently liable.	-	-
Total	170783	129790

SCHEDULE 13 - INTEREST EARNED

I. Interest/discount on advances/bills	864421	719181
II. Income on investments	290117	243794
III. Interest on balance with Reserve Bank of India and inter-bank funds	149667	145420
IV. Others	286	-
Total	1304481	1108385

SCHEDULE 14 - OTHER INCOME

	[₹ in '000]	
	As on 31/03/2014	As on 31/03/2013
I. Commission, exchange and brokerage	69799	54260
II. Profit/loss on sale of investments(net)	13821	14041
III. Profit/loss on revaluation of investments(net)	600	-
IV. Profit/loss on sale of land, building & other assets(net)	217	(700)
V. Profit/loss on exchange transactions(net)	18948	17818
VI. Income earned by way of dividends etc.	-	-
VII. Miscellaneous income	170	67
Total	102605	85486

SCHEDULE 15 - INTEREST EXPENDED

I. Interest on deposits	797326	475923
II. Interest on inter-bank borrowings	2330	2518
III. Others	42394	31953
Total	842050	710934

SCHEDULE 16 - OPERATING EXPENSES

I. Payments to and provisions for employees	182184	145685
II. Rent, taxes and lighting	55990	43603
III. Printing and stationery	8721	6644
IV. Advertisement and publicity	6037	5600
V. Depreciation on bank property	37649	29109
VI. Directors fees, allowances & expenses	700	648
VII. Auditors fees and expenses	731	656
VIII. Law charges	-	15
IX. Postage, telegrams, telephones etc.	7609	6114
X. Repairs and maintenance	11144	10223
XI. Insurance	14072	12173
XII. Other expenditure	53444	50395
Total	378286	310975

Appended To And Forming Part Of The Financial Statements For The Year Ended March 31, 2014

SCHEDULE 17

OVERVIEW

Capital Local Area Bank Limited (‘The Bank’) a banking company incorporated under The Companies Act, 1966, 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, whichever 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.

3. ADVANCES

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

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

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

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

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

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

3. FIXED ASSETS

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

B. Depreciation is charged over the estimated useful life of the fixed asset on a Straight line basis. The rates of depreciation for certain key fixed assets 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 per annum
Software and System	
Development Expenditure	20.00%
Computers	33.33%
Mobile Phones	33.33%
Cash Sorting Machines	33.33%

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

Asset	Depreciation rate per annum
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 is provided for up to the date of sale.

D. Depreciation on Assets purchased or acquired during the year is provided for from the date they are being 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

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

B. The Bank contributes for Gratuity, a defined benefit retirement plan covering all employees which is determined as per Actuarial valuation done on yearly basis, charged to profit and loss account, and contributions are deposited to a fund maintained by ICICI Prudential Life

Insurance under separate Trust set up by the Bank.

C. Liability towards Leave Encashment on Retirement or on Termination of service of an employee is valued and provided for on the basis of Actuarial valuation done on 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 the 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, is classified as operating lease. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

10. EARNING PER SHARE

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

11. INCOME TAX

Income Tax Expense (Current & Deferred) is 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.

12. IMPAIRMENT OF ASSETS

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

13. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss 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.

14. Cash and Cash Equivalents

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

Appended To And Forming Part Of The Financial Statements For The Year Ended March 31, 2014

SCHEDULE 18

1. Capital

1.1

Items	Current Year	Previous Year
(i) CRAR (%)	15.01	15.58
(ii) CRAR - Tier I capital (%)	9.79	10.55
(iii) CRAR - Tier II Capital (%)	5.22	5.03
(iv) Amount of subordinated debt raised as Tier-II capital (Lower Tier II capital)	₹ 813 Lacs	₹ 604 Lacs

1.2 Subordinated Debt

The bank has raised subordinated debt qualifying for Tier II Capital amounting to ₹ 81300 (000) during the year given here under:

Particulars	Date of issue	Coupon (%)	Tenure	Amount
Lower Tier II	4-5-2013	11%	10 years	50300
Lower Tier II	20-05-2013	11%	10 years	31000

(₹ in '000)

1.3 The Bank has drawn ₹ 1305 (000) from securities premium account towards the expenditure incurred on issue of subordinated debt of ₹ 81300 (000).

1.4 The Bank has appropriated an amount of ₹ 159 (000) to capital reserve, being the amount of profit earned (net of applicable taxes and statutory reserve requirement) on redemption of government security in 'Yield to Maturity category', in pursuance to the existing accounting policy of the bank.

1.5 The Bank has appropriated an amount of ₹ 11842 (000) to Investment Reserve Account (IRA), being the amount of provision for depreciation reversed during the year 2013-13 (net of applicable taxes and statutory reserve requirement). Further, the Bank has transferred from IRA to the PML appropriation account an amount of ₹ 11842 (000), against the amount of provision created on account of depreciation in AFS and HPT category during the year 2013-14 (Net of tax benefit and net of consequent reduction in the transfer to statutory reserve), to the extent of IRA held.

2. Investments

(₹ in '000)

Items

Items	Current Year	Previous Year
(I) Value of Investments		
(i) Gross Value of Investments		
(a) In India	3773069	3131924
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	26525	293
(b) Outside India	Nil	Nil

ਮੇਰਾ ਬੈਂਕ

MY BANK



Mr. Harbir Singh is one of the proud customers of the bank for last 9 years.

ਸਾਡਾ ਬੈਂਕ

OUR BANK

Capital Local Area Bank 



Customers from different branches pose for a picture after a customers' meet.

(ii) Net Value of Investments		
(a) In India	374644	3131631
(b) Outside India	Nil	Nil
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	293	23666
(ii) Add: Provisions made during the year	28422	1376
(iii) Less: Write-off/write-back of excess provisions during the year	2060	24751
(iv) Closing balance	26625	293

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

2.2. Non-SLR Investment Portfolio

(i) Issuer composition of Non-SLR investments

		[€ in '000]				
No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade Securities	Extent of Unlisted Securities	Extent of Unlisted Securities
1	2	3	4	5	6	7
(i)	PSUs	30000	Nil	Nil	Nil	Nil
(ii)	Fls	10000	Nil	Nil	Nil	Nil
(iii)	Banks	319166	Nil	Nil	Nil	Nil
(iv)	Private Corporates Subsidiaries/	Nil	Nil	Nil	Nil	Nil
(v)	Joint Ventures	Nil	Nil	Nil	Nil	Nil
(vi)	Citizens	10000	Nil	Nil	Nil	Nil
(vii)	Provision held towards depreciation	845	Nil	Nil	Nil	Nil
(viii)	Total	366321	Nil	Nil	Nil	Nil

(ii) Non performing Non-SLR investments

	[€ in '000]
Particulars	Amount
Opening balance	Nil
Additions during the year since 1st April	Nil
Reductions during the above period	Nil
Closing balance	Nil
Total provisions held	Nil

2.3 The Bank in pursuance to RBI guidelines, has transferred government securities with book value of ₹ 611430 ('000) from AFS category (Available for sale) to HTM category (Held to Maturity) and Government securities with book value of ₹ 60426 ('000) from HTM category (Held to Maturity) to AFS category (Available for sale). The said transfers have been made at the acquisition cost or market value or book value, whichever is lower resulting in depreciation of ₹ 50 ('000) which have been charged to profit and loss account.

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

3. Asset Quality

3.1 Non-Performing Asset

	[€ in '000]	
Items	Current Year	Previous Year
(i) Net NPAs to Net Advances (%)	0.09%	Nil
(ii) Movement of NPAs (Gross)		
(a) Opening balance	27272	17632
(b) Additions during the year	19647	31383
(c) Reductions during the year	19689	21753
(d) Closing balance	27430	27272
(iii) Movement of NPAs (Net)		
(a) Opening balance	Nil	Nil
(b) Additions during the year	6919	17638
(c) Reductions during the year	-	17638
(d) Closing balance	6919	Nil
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	27272	17632
(b) Provisions made during the year	5980	13765
(c) Write-off/write-back of excess provisions	12741	4125
(d) Closing balance	20511	27272

3.2 Particulars of Amount Structured

Type of Restructuring		[€ in '000]				
		Asset Classification	Under CDR Mechanism	Under SBI Debt Restructuring Mechanism	Others	Total
Restructured Accounts as on April 1, 2015	No. of Borrowers	Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Sub Standard	Nil	Nil	Nil	Nil
	Provision thereon	Doubtful	Nil	Nil	Nil	Nil
Fresh restructuring during the year	No. of Borrowers	Total	Nil	Nil	Nil	Nil
	Amount Outstanding	Standard	Nil	Nil	Nil	Nil
	Provision thereon	Sub Standard	Nil	Nil	Nil	Nil
Upgrades to restructured standard category during the year	No. of Borrowers	Doubtful	Nil	Nil	Nil	Nil
	Amount Outstanding	Total	Nil	Nil	Nil	Nil
	Provision thereon	Standard	Nil	Nil	Nil	Nil
Restructured standard advances which ceases to attract higher provisioning and/or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the year	No. of Borrowers	Sub Standard	Nil	Nil	Nil	Nil
	Amount Outstanding	Doubtful	Nil	Nil	Nil	Nil
	Provision thereon	Total	Nil	Nil	Nil	Nil

Downgradations of restructured accounts during the year	No. of Borrowers Amount Outstanding Provision thereon	Standard	NI	NI	NI	NI
		Sub Standard	NI	NI	NI	NI
		Doubtful	NI	NI	NI	NI
		Total	NI	NI	NI	NI

Write-offs of restructured accounts during the year	No. of Borrowers Amount Outstanding Provision thereon	Standard	NI	NI	NI	NI
		Sub Standard	NI	NI	NI	NI
		Doubtful	NI	NI	NI	NI
		Total	NI	NI	NI	NI

Restructured Accounts as on March 31, 2014	No. of Borrowers Amount Outstanding Provision thereon	Standard	NI	NI	NI	NI
		Sub Standard	NI	NI	NI	NI
		Doubtful	NI	NI	NI	NI
		Total	NI	NI	NI	NI

3.3 The bank has not sold any financial asset during the year to Securitization / 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	5914	3071

The cumulative provision towards standard assets held by the bank as at the year end amounting to ₹ 27321 (900) (previous year ₹ 21407 (000)) is included under Other Liabilities and Provisions in Schedule 5 to the Balance Sheet.

4. Business Ratio

Ratio	Current Year	Previous Year
(i) Interest Income as a percentage to Working Funds \$	10.13%	10.23%
(ii) Non-interest income as a percentage to Working Funds	0.80%	0.79%
(iii) Operating Profit as a percentage to Working Funds \$	1.45%	1.59%
(iv) Return on Assets ¹	0.82%	1.15%
(v) Business (Deposits plus advances) # per employee* (₹ in '000)	38805	35271
(vi) Profit per employee (Operating Profit) ¹ (₹ in '000)	359	384

\$ 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.

¹ 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, 2014

(₹ 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											
(₹)	109480	1408	1989	3365	107675	217755	560293	4901116	427545	3401	7553601
(₹)	60107	1222	1258	2821	142828	178298	383550	3372548	275895	8432	5182575
Investment											
(₹)	137598	14546	4228	67873	72363	208940	233089	134508	55667	1540229	2748444
(₹)	103631	9178	8778	12799	147968	144819	388271	884861	246320	309883	2881131
Deposits											
(₹)	494021	23228	18278	50790	263728	274117	603989	4363217	58113	6320216	12813289
(₹)	248126	27075	26729	62096	229467	202490	496176	3307119	15968	3481330	8198603
Borrowing											
(₹)	-	38940	-	-	-	-	159620	-	-	398803	488788
(₹)	-	-	-	-	-	-	-	-	-	250983	476720
Foreign Currency Assets											
(₹)	139924	-	-	-	-	-	-	-	-	-	139924

6. Exposures

6.1 Exposure to Real Estate Sector

(₹ in '000)

Category	Current Year	Previous Year
a) Direct exposure		
(i) Residential Mortgages –		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
(ii) Individual Housing Loans eligible for inclusion in Priority Sector advances	208858	183454
(iii) Others	483299	343530
(iv) Commercial Real Estate –		
Lending secured by mortgages on commercial real estate (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) links;	558032	226181
(v) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a. Residential	NI	NI
b. Commercial Real Estate	NI	NI
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	NI	NI
Total Exposure to Real Estate Sector	1050189	753165

6.2 Exposure to Capital Market

Items	₹ In '000	
	Current Year	Previous Year
(i) Direct investments in equity shares, convertible bonds convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures and units of equity oriented mutual funds;	-	-
(iii) Advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	-	-
(iv) Advances for any other purpose to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances.	-	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi) Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) Bridge loans to companies against expected equity flows/issues;	-	-
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix) Financing to stockbrokers for margin trading;	-	-
(x) All exposures to venture capital funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	-	-

6.3 Risk Category Wise Country Exposure

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

6.4 Details of Single Borrower Limit (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) during the year ended March 31, 2014 as per directives of RBI.

6.5 Unsecured Advances

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

7. Concentration of Deposits, Advances, Exposures and NPAs

a) Concentration of Deposits

Particulars	₹ in '000	
	Current Year	Previous Year
Total Deposits of twenty largest depositors	327069	327091
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	2.67%	3.35%

b) Concentration of Advances*

Particulars	₹ in '000	
	Current Year	Previous Year
Total Advances to twenty largest borrowers	653002	627059
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	12.58%	13.65%

c) Concentration of Exposures*

Particulars	₹ in '000	
	Current Year	Previous Year
Total Exposure to twenty largest borrowers/customers	653002	627059
Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the Bank on Borrowers' customers	12.58%	13.65%

*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	12950	21050

e) Sector-wise NPAs

Percentage of NPAs to Total Advances in that sector

S.No.	Sector	Current Year	Previous Year
1	Agriculture & allied activities	0.20%	0.72%
2	Industry(Micro & small, Medium and large)	0.55%	0.13%
3	Services	-	-
4	Personal Loans	0.33%	0.25%

f) Movement of NPAs

(₹ in '000)

Particulars	Current Year	Previous Year
Gross NPAs as on 1st April 2013	27272	17632
Additions(fresh NPAs) during the year	19847	31383
Sub Total (A)	47119	49015
Less:-		
(i) Upgradations	6435	12815
(ii) Recoveries(excluding recoveries made from upgraded accounts)	13254	8938
(iii) Write-offs		
Sub Total (B)	19689	21753
Gross NPAs as on 31st March 2014(A-B)	27430	27272

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

(₹ in '000)

Particulars	Current Year	Previous Year
Fees/remuneration received:		
(a) Life Insurance	8463	3331
(b) General Insurance	4199	3744

9. Provisions and Contingencies

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

(₹ in '000)

Particulars	Current Year	Previous Year
Provisions towards taxes	55409	58042
Provisions towards standard Assets	5914	3071
Provision towards Non performing Advances	(8799)	9640
Depreciation on Investments	26332	(23373)
Total	80856	47580

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:

(₹ in '000)

Particulars	Current Year	Previous Year
Defined benefit obligation liability at March 31,2014		
Opening Obligations	10064	7712
Service Cost	1635	1581
Interest Cost	865	617
Actuarial gain/(Loss)	(1299)	773
Liabilities extinguished on settlement		
Benefits Paid	(336)	(819)
Obligations at March 31,2014	10902	10064
Plan Assets at March 31,2014,at fair value		
Opening Plan Assets, at fair value	10104	7760
Expected return on plan assets	859	658
Actuarial gain/(Loss)	(133)	67
Assets distributed on settlement	-	-
Contributions	408	2197

Benefits Paid	(536)	(616)
Plan Assets at March 31, 2014 at fair value		
Fair Value of Plan Assets at the end of the year	10951	10994
Present Value of the defined benefit obligation at the end of the year	10932	10994
Asset/(Liability) at March 31, 2014	49	0
Cost for the period		
Service Cost	1635	1581
Interest Cost	805	817
Expected Return on Plan Assets	(659)	(669)
Actuarial (gain)/Loss	(1133)	708
Net Cost	448	2245
Investment details of Plan Assets		
Plan assets are invested in insurer managed funds.		
Assumptions		
Interest Rate	8.50%	8.00%
Salary escalation rate	6.00%	6.50%
Estimated rate of return on plan assets	8.50%	8.50%

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

11. Miscellaneous

(a) Amount of Provisions made for Income tax during the year

Particulars	₹ In '000	
	Current Year	Previous Year
Income Tax	54984	56572
Wealth Tax	127	93
Deferred Tax	598	1377

(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	30386	257825	150861	164114	763914	387668	186633	174293	1437296	11603871
Result	(16496)	49325	37193	37917	200424	188229	67968	66411	279547	317474
Unallocated Expenses									118374	134313
Operating Profit									161473	183164
Income Taxes									55489	58642
Extraordinary profit/Loss	-	-	-	-	-	-	-	-	-	-
Net Profit									106984	125122
Other Information :										
Segment Assets	3847724	3285901	1493422	1481989	6848141	5135783	1701106	1487593	13883395	11251193
Unallocated Assets									179821	148844
Total Assets									14066516	11398037
Segment Liabilities	39960	0	95647	62206	13086151	10257151	133	130	13221688	8732165
Unallocated Liabilities									48683	265898
Total Liabilities									13288561	10665163

Note:

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

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

Operating Leases

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

Particulars	₹ In '000	
	Current year	Previous Year
Not later than one year	8997	9296
Later than one year and not later than five years	22735	26727
Later than five years	15819	20531
Total Minimum lease rental commitments	47551	56554

Total lease rental expenditure under cancellable and non cancellable operating leases debited to Profit & Loss Account in the current year is ₹ 28935 ('000) (Previous Year: ₹ 25999 ('000)).

Finance Lease

The Bank has not taken any asset under finance lease.

15. Earning Per Share

	Current Year	Previous Year
Net profit after tax available for equity shares (₹ in '000)	156084	125122
Weighted average number of equity shares	15695428	15695428
Weighted average number of equity shares For Diluted earning	15695428	15695428
Basic Earning per share (in ₹)	6.76	7.97
Diluted Earning per share (in ₹)	6.76	7.97
Face Value per share (in ₹)	10	10

16. Deferred Tax Asset

Other Assets includes an amount equal to ₹ 173 ('000) (Previous Year 2284 ('000)) of deferred tax Assets as detailed below:

	(₹ In '000)	
	Current Year	Previous Year
Deferred Tax Liabilities	17590	13607
Depreciation on Fixed Assets	15840	13607
Special Reserve under section 36(i) (iii)	1751	-
Deferred Tax Assets	17763	15891
Loan Loss Provisions	9086	7276
Investment Provisions	4670	4721
Others	3807	3894
Deferred Tax Liabilities/(Assets) (Net)	(173)	(2284)

17. Provision Coverage Ratio

Particulars	Current Year	Previous Year
Ratio of Provisioning to Gross Non Performing Assets	74.79%	100%

18. Disclosure of Complaints

Customer Complaints

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	5	2
(c) No. of Complaints redressed during the year	5	2
(d) No. of Complaints pending at the end of the year	Nil	Nil

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	1305	964
Profit & Loss Appropriation Account		
(Being the amount of DTL created on opening balance of Special Reserve in pursuance to RBI circular no. DBOO/SP/BC No.77/21.D4.018/2013-14 dated December 20, 2013)	1515	-

20. Movement in Floating provisions

The Bank has not created or utilized any floating provisions during the year ended March 31, 2014 and March 31, 2013. The floating provisions was nil as at March 31, 2014 and March 31, 2013.

21. Securitization transactions

The Bank has not done any securitization transactions during the year ended March 31, 2014 and March 31, 2013

22. Letter of comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2014 and March 31, 2013

23. Dues to Micro, Small and Medium Enterprises

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

24. Unamortized Pension and Gratuity Liabilities

Particulars	Current Year	Previous Year
Unamortized 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 including 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. Bhagwot Singh Sangha
Mr. Omesh 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.

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.

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.

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.

(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.

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

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

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

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

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

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

NIL

NIL

N.A.

NIL

NIL

NIL

26. Credit Default Swaps

The Bank has not entered into any Credit Default swaps (CDS) during the year ended March 31, 2014 and March 31, 2013.

27. Comparative Figures

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

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Trust & Performance

14 years of
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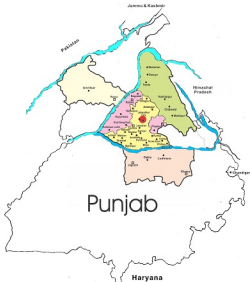
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Area Of Operation

14 years of
Trust & Performance



Area of Operation

■ Jalandhar District

■ Hoshiarpur District

■ Kapurthala District

■ Amritsar District

■ Ludhiana District

● Head Office

● Existing Branches

□ Proposed Branches 2014-15