



Management Discussion and Analysis

Management Overview

FY 2025-26 was a year of strong performance for Ujjivan Small Finance Bank, marked by balanced growth across assets and liabilities along with improving asset quality and stable profitability. Total deposits stood at ₹45,668 Crores, registering growth of 21.4% YoY, supported by healthy CASA mobilisation. CASA deposits grew at a faster pace, leading to improvement in CASA ratio to 28.6%. Retail deposits and CASA together stood at ₹31,955 Crores, contributing nearly 70% of total deposits.

The gross loan book increased to ₹40,655 Crores, reflecting growth of 26.6% YoY. The Bank continued its strategic shift towards secured lending, with the secured portfolio rising to 49.4% of the overall loan book from 43.5% in the previous year. Growth was driven by Housing, MSME, Gold loans, Vehicle finance and Agri banking. Housing loans grew by 43.4%, MSME by 57.9%, while Gold loans, Vehicle finance and Agri banking grew by 292.3%, 101.7% and 126.7% respectively, supporting portfolio diversification and reducing concentration towards microfinance. On-lending FIG book grew by 7.7% for the year and contributed 7% in gross loan book share.

The year was marked with stresses in the Micro Banking segment. The Bank ensured early recognition and timely interventions resulting in recovery and resumption of growth across Micro Banking, while continuing with strong momentum in secured products. This resulted in the Bank achieving the highest disbursement in Q4 FY26 at ₹9,811 Crores, up 32.1% YoY. Asset quality remained stable during the year, with GNPA moderating to 2.3% and PCR improving to 81%. Bucket X Collection efficiency in the micro-banking segment improved through the year and ended at a strong average of 99.8% for Q4, while PAR trends moderated sequentially, reflecting improving borrower behaviour and disciplined collection efforts.

Overall, the Bank continued to strengthen its diversified and increasingly secured portfolio, supported by strong liability growth, stable margins, improving risk metrics and sustained operational execution.

View on Operating Environment

The management remains positive on the operating environment, supported by strong domestic fundamentals, a stable GDP growth outlook and supportive regulatory measures, including rate cuts and improved liquidity. These factors continue to drive steady credit demand, particularly in retail, MSME and housing segments.

At the same time, repayment behaviour in the microfinance segment has reached normalcy, while the secured products continue to reflect stable asset quality outcomes. This points to a gradual improvement in the credit cost.

However, looking ahead the Bank remains cautious in its approach to growth, given evolving liquidity conditions and competitive pressures in deposit mobilisation.

Key Priorities for Near-to-medium Term

Going forward, the Bank's strategy focuses on balanced growth, improved asset quality and a stronger franchise. A key priority is further diversification of the loan book, with a higher share of secured assets. This will help build an enduring banking institution offering wide Boquete of products and therefore demonstrate a diversified asset portfolio.

On the liabilities side, the Bank aims to strengthen its retail deposit base by ensuring granular retail deposits remain a dominant part of our mix. We endeavour to build upon our CASA ratio which will be supported by better customer engagement, cross-selling and a wider range of products. Simultaneously, the Bank remains focused on managing the cost of funds and maintaining healthy liquidity through prudent pricing.

Operationally, the Bank will continue to build on its distribution network and digital capabilities. Greater use of analytics is expected to support underwriting, improve productivity and enhance customer acquisition. The management also remains focused on maintaining strong collection efficiency, reducing credit costs and ensuring disciplined capital allocation to support sustainable growth.

External Environment and Operating Context

Macroeconomic Landscape

Indian Economy Overview¹

India has reinforced its position as one of the fastest-growing major economies globally. Real GDP is estimated to grow by approximately 7.7% in FY 2025-26, compared with 7.1% in the previous year, reflecting sustained momentum. Growth is supported by resilient rural demand, healthy agricultural output and a gradual improvement in industrial activity. Government initiatives, including the Production Linked Incentive (PLI) schemes, are supporting manufacturing, while the services sector remains a consistent contributor. Continued public investment in infrastructure is also aiding overall expansion.

Inflation remains under control, with the latest Consumer Price Index (CPI) at 3.48%² based on the revised 2024 base year. Stable inflation has helped protect purchasing power and support demand across urban and rural markets. This is further supported by measures such as income tax relief, efforts towards GST rationalisation and an accommodative monetary policy stance, which together are sustaining consumption.

India is also strengthening its integration with global value chains. Ongoing trade discussions with the United States and as well as the delivered trade agreement with European Union are expected to support exports, enable technology transfer and attract long-term investment. In response to geopolitical developments in the Middle East, India has taken steps to diversify crude oil sourcing and strengthen alternative supply channels, improving overall energy security.

¹https://www.mospi.gov.in/uploads/latestreleasesfiles/1772189988424-Press%20Note%20on%20New%20Series%20of%20GDP%20Estimates%20with%20Base%20Year%202022-23_27022026.pdf

²<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2260251®=3&lang=1>

Outlook

Looking ahead, India is projected to remain the fastest-growing major economy. Real GDP growth for FY 2026-27 is expected to be 6.6%³ Expansion is likely to be supported by continued government capital expenditure and a recovery in private consumption. Real Private Final Consumption Expenditure is projected to grow by around 7.0% in FY 2025-26, indicating improving demand.

Ongoing structural reforms are expected to support long-term growth. These include GST rationalisation, progress on new and upgraded free trade agreements and continued efforts to improve the ease of doing business.

Inflation is expected to remain moderate under the revised base year. This may allow the Reserve Bank of India (RBI) to maintain a supportive monetary policy stance. In turn, this is likely to facilitate investment and sustain credit growth, even as global conditions remain uncertain due to tariff pressures and geopolitical disturbances.

Indian GDP Growth Trend

in (%)

FY 2024-25	7.1
FY 2025-26	7.7
FY 2026-27 (P)	6.6

P – Projected, Source: RBI

Industry Structure and Developments

Indian Banking Industry⁴

The Indian banking sector demonstrated steady growth during FY 2025-26, supported by a resilient macroeconomic environment. Credit growth remained robust at around 14.3% YoY, driven by retail, MSME and agriculture segments. MSME lending was the fastest-growing segment, with growth of about 17%. In contrast, deposit growth was lower at around 10%, leading to a structural divergence. This resulted in system CASA ratio moderating to around 35.9%, reflective of the funding pressures across the system. As a result, the credit-deposit ratio rose to nearly 84%, the highest level in the past decade, indicating tighter liquidity conditions.

Liquidity was supported by regulatory intervention. The Reserve Bank of India (RBI) reduced the repo rate by a total of

125 bps started February 2025 and infused liquidity through CRR cuts of about 100 bps, open market operations of around ₹2 Lakh Crores and forex swaps. However, transmission remained uneven. Lending rates declined faster due to benchmark-linked pricing, while deposit rates adjusted more slowly. This led to pressure on margins, with Net Interest Margins (NIMs) declining to around 3.0%.⁵

Banks remain well capitalised, with CRAR above 14%, providing adequate buffers for growth. Asset quality has improved, with GNPA ratios declining to about 1.9%, reflecting improved underwriting standards. However, credit costs have increased marginally to around 0.5%, particularly for private banks.

Digital adoption continues to rise across the sector. UPI transactions grew by about 32% YoY and digital sourcing is increasing for both loans and deposits.

Competitive Intensity in Indian Banking⁶

Segment	Market Positioning	Key Characteristics	Competitive Dynamics
Public Sector Banks (PSBs)	Dominant in deposits	Lower CD ratios, strong capital buffers, improving asset quality	Better positioned in rate-cut cycle, gaining traction in credit growth
Private Banks (New)	Strong in high-yield retail and digital	Higher NIMs but facing margin compression	Aggressive in retail/MSME lending; higher credit costs
Private Banks (Old)	Regional strength, stable franchises	Moderate growth and profitability metrics	Compete on niche segments and relationship banking
Small Finance Banks (SFBs)	Niche focus (microfinance, MSME)	Highest NIMs but elevated cost structures	Facing pressure from rising costs, margin compression and competition from larger banks

³https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=62863

⁴<https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/0BULT23042026FL5A726E38FAF84453B435F18A3709DD11.PDF>

⁵<https://web-assets.bcg.com/f2/42/3099132d4f64a777ffe93fc64969/banking-sector-roundup-9mfy26.pdf>

⁶<https://web-assets.bcg.com/f2/42/3099132d4f64a777ffe93fc64969/banking-sector-roundup-9mfy26.pdf>

**Overall competitive intensity in the sector is increasing due to:**

Strong competition for deposits amid slower deposit mobilisation



Shift towards secured retail and MSME lending



Rising digital adoption, lowering entry barriers and enhancing customer acquisition efficiency



Increasing convergence between banks and NBFCs in retail lending segments

Sector Outlook

The outlook for the Indian banking sector remains structurally positive, underpinned by sustained credit demand, improving asset quality and strong capitalisation. Credit growth is expected to remain healthy, supported by consumption, MSME expansion and a recovery in capital expenditure. However, near-term challenges remain, including tight liquidity, elevated CD ratios and pressure on margins due to slower deposit repricing.

Margin pressures are expected to ease in FY 2026-27 as interest rates stabilise and deposit costs adjust gradually. Asset quality is likely to remain stable, supported by a higher share of secured lending and low GNPA levels. Banks are also expected to focus on optimising asset mix and pricing to protect yields while increasing reliance on wholesale funding to address deposit gaps.

Overall, the sector is likely to see steady balance sheet growth. Digital adoption, strong capital position and continued regulatory support are expected to support long-term stability and growth.

Company Overview

Ujjivan Small Finance Bank is a retail-focused institution serving the mass affluent market, with a strong presence in microfinance. This is supported by a growing secured lending portfolio and a granular retail deposit base. The Bank operates across micro-banking, affordable housing, MSME and emerging retail segments. It is gradually moving towards a more secured and balanced loan mix. Its strategy focuses on financial inclusion, enabling customers to transition from microfinance to secured products and strengthening the liability franchise through CASA-led growth.

In FY 2025-26, the Bank delivered strong business performance, driven by robust growth in both deposits and advances, alongside robust profitability and asset quality. The loan portfolio continued to diversify, with the share of secured assets increasing to 49.4% of the overall loan book. At the same time, the liability franchise remained predominantly retail-driven, with Retail TD and CASA contributing nearly 70% of total deposits, supporting stable and granular funding.

Distribution Footprint**776**

Branches

26States and
Union Territories**8,000+**

Electronic Collection Retail Points (ECRPs)

335

Districts Under Coverage

600+

ATMs



The Bank has a well-diversified presence across the South, North, East and West regions, helping to reduce concentration risk.

Key Business Segments

Segment	Description
Micro Banking (Group and Individual Loans)	Core legacy segment focused on financial inclusion through small-ticket lending
Affordable Housing and Micro Mortgages	Secured lending for self-occupied housing, both salaried and self-employed
MSME Lending	Loans to small businesses, including LAP, working capital and supply chain finance
Vehicle Finance	Primarily New two-wheeler financing for retail customers
Gold Loans	Secured short-term lending product against gold as collateral
Agri Lending	Loans to farmers and rural borrowers
FIG and Others	Institutional and other lending products

Segment mix indicates a calibrated shift from unsecured microfinance towards secured retail and MSME assets.

Customer Base and Positioning

Ujjivan Small Finance Bank serves the mass affluent market and financially underserved segments, with a strong foundation in microfinance. Our customer base is granular and retail focused. The Bank follows a lifecycle approach, starting with group loans and gradually transitioning customers to individual loans. While targeting and getting new customers for MSME and secured products.

The liability franchise is increasingly retail-oriented, with around 70% of deposits coming from retail customers. This supports funding stability and reduces reliance on bulk deposits. The Bank is gradually evolving from a microfinance-led institution to a more diversified retail Bank with a balanced asset mix, supported by cross-selling, digital engagement and branch expansion.

The Bank also focuses on acquiring new customers while deepening engagement with existing ones. This has supported steady growth in CASA balances as well as overall customer additions.

Financial Performance Overview

Profit and Loss Statement

Particulars (₹ Crore)	FY 2025-26	FY 2024-25	% Change
Interest Earned	6,931	6,354	9%
Other Income	1,108	846	31%
Total Income	8,039	7,201	12%
Interest Expended	3,061	2,718	13%
Personnel Expenses	1,798	1,533	17%
Operating Expenses	1,470	1,260	17%
Total Cost	6,329	5,511	15%
Pre Provision Operating Profit	1,710	1,689	1%
Credit Cost	799	748	7%
Other Provisions & Contingencies	0	0	NA
Tax	218	215	1%
Net Profit for the Period	693	726	(5%)

Balance Sheet

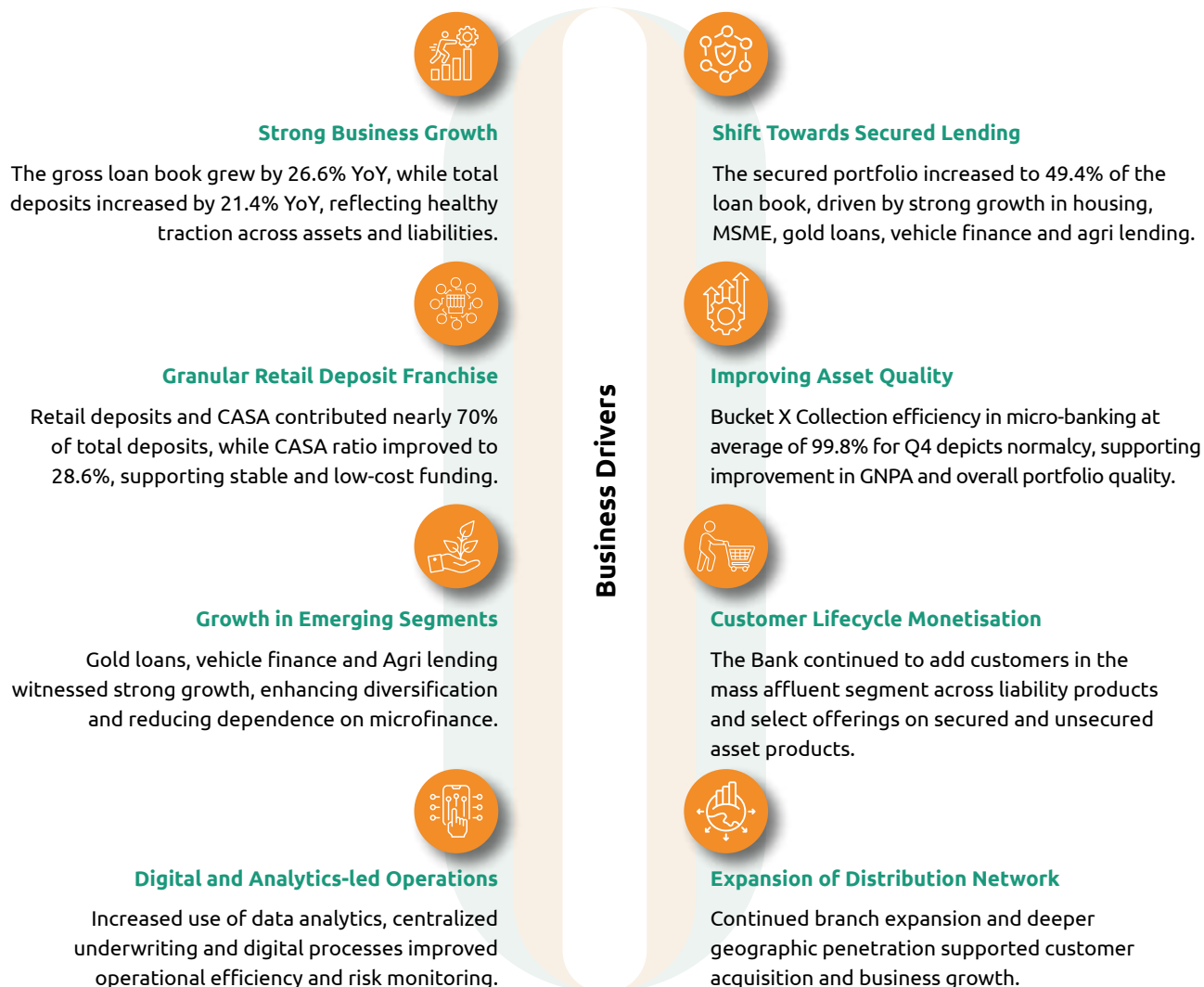
Particulars (₹ Crore)	FY 2025-26	FY 2024-25
CAPITAL AND LIABILITIES		
Net Worth	6,816	6,083
Capital	1,943	1,935
Employees Stock Options Outstanding	97	90
Reserves and Surplus	4,776	4,059
Deposits	45,668	37,630
Borrowings	3,736	2,845
Other Liabilities and Provisions	1,321	1,130
TOTAL	57,541	47,689
ASSETS		
Cash and Balances with Reserve Bank of India	3,110	3,133
Balance with Banks and Money at Call and Short Notice	334	36
Investments	12,724	11,730
Advances	39,761	31,390
Fixed Assets	493	457
Other Assets	1,119	942
TOTAL	57,541	47,689

Key Financial Ratios

Particulars	FY 2025-26	FY 2024-25	Change (bps)
Return on Assets (%)	1.4%	1.6%	(29) bps
Return on Equity (%)	10.9%	12.4%	(155) bps
Net Interest Margin (%)	8.1%	8.8%	(74) bps
Cost Income Ratio (%)	65.6%	62.3%	333 bps
Provision Coverage Ratio (%)	81.2%	77.9%	332 bps
Capital Adequacy Ratio (%)	21.1%	23.1%	(196) bps
CASA Ratio (%)	28.6%	25.5%	306 bps
GNPA (%)	2.3%	2.2%	9 bps
NNPA (%)	0.4%	0.5%	(6) bps



Key Business Drivers of Performance



Asset Portfolio and Segment Performance

The Bank's asset portfolio in FY 2025-26 demonstrated strong growth, with the gross loan book expanding to ₹40,655 Crores. Growth was broad-based across both unsecured and secured

segments. The portfolio is becoming more balanced, with the share of secured assets increasing to 49.4% of total advances. This was driven by growth in housing, MSME and other emerging segments.

Segment-wise Performance

Segment	FY26 Loan Book (₹ Crore)	FY25 Loan Book (₹ Crore)	YoY Growth (%)	Share of Loan Book (%)	Key Highlights
Micro Banking (GL + IL)	20,709	18,272	13.3%	50.9%	Core segment with strong collection efficiency and stable growth
Affordable Housing & Micro Mortgages	10,477	7,308	43.4%	25.8%	Key growth driver and strong secured portfolio
MSME	3,230	2,046	57.9%	7.9%	Strong growth in LAP & working capital
FIG (Financial Institutions Group)	3,000	2,785	7.7%	7.4%	Stable institutional portfolio
Vehicle Finance	944	468	101.7%	2.3%	Focus on New Two-Wheelers
Gold Loans	769	196	292.3%	1.9%	Short cycle collateral based lending
Agri Loans	731	323	126.7%	1.8%	Expanding rural lending
Others	795	724	9.8%	2.0%	Includes staff loans, OD-FD, etc.
Total Loan Book	40,655	32,122	26.6%	100%	Diversified and growing portfolio

Liability Franchise and Customer Growth

Total Deposits

(₹ in Crore)

FY 2020-21		13,136
FY 2021-22		18,292
FY 2022-23		25,538
FY 2023-24		31,462
FY 2024-25		37,630
FY 2025-26		45,668

Retail Deposits

(₹ in Crore)

FY 2020-21		6,242
FY 2021-22		9,921
FY 2022-23		16,862
FY 2023-24		22,085
FY 2024-25		26,676
FY 2025-26		31,955

CASA Breakup

(₹ in Crore)

FY 2020-21		442	2,257	2,699
FY 2021-22		504	4,488	4,993
FY 2022-23		585	6,159	6,744
FY 2023-24		768	7,566	8,335
FY 2024-25		1,118	8,494	9,612
FY 2025-26		1,422	11,639	13,062
		CA	SA	Total CASA

The Bank's liability franchise strengthened in FY 2025-26, with total deposits growing to ₹45,668 Crores, up 21.4% YoY. Growth was supported by a well-diversified and predominantly retail deposit base. CASA deposits increased by about 35.9%, leading to an improvement in the CASA ratio to around 28.6%, reflecting a stronger focus on granular funding.

The customer base continued to expand steadily, driven by new customer acquisition and deeper engagement with existing customers. The Bank also progressed on its strategy of moving customers across product segments.

Customer Segmentation

The Bank expanded its distribution footprint, with a pan-India presence across 26 states and Union Territories. This was supported by a growing branch network of 776 branches and deeper reach in semi-urban and rural markets. Physical expansion

was complemented by increased digital sourcing, improved customer journeys and a wider merchant and collection network, including over 8,000 retail collection points. These efforts improved both customer acquisition and service delivery.

The cost of funds declined during the year, supported by deposit repricing and a better CASA mix. This helped maintain margin stability and improve overall efficiency.

Asset Quality and Collections Performance

Asset quality improved during FY 2025-26, with GNPA declining to around 2.3% from about 2.4% in December 2025. NNPA remained low at approximately 0.4%. The Bank maintained a prudent provisioning approach, with PCR strengthening to around 81.3%, providing adequate buffers.

Across segments, the secured portfolio, particularly housing and MSME, continued to exhibit stable performance with lower delinquency levels. The micro-banking segment also improved, with reduced stress and better repayment behaviour. Emerging segments such as vehicle and gold loans remain stable, though they continue to be monitored.

Collection efficiency remained strong, with micro-banking Bucket X collection efficiency sustained for Q4 at around 99.7%–99.8%. Slippages declined and SMA levels improved, indicating normalisation in asset quality.

The microfinance sector environment has stabilised, supported by regulatory measures and improved underwriting. The Bank also continued balance sheet clean-up during the year, with write-offs of ₹542 Crores.

Operational Performance and Efficiency

The Bank continued to enhance operational efficiency in FY 2025-26, supported by better productivity, streamlined processes, increased use of technology, along with increased business per branch and improved employee efficiency. This was driven by better cross-selling, higher disbursements and a more diversified product mix.

The Bank's focus is on increasing automation and process improvements for all the identified tasks. Disbursement efficiency improved, with faster turnaround times, which was enabled by various measures to reduce manual effort and improve scalability as per the need of the product. Various initiatives such as, centralised credit processing, standardised workflows, data-driven underwriting, analytics-led decision-making and digital integration across sourcing also contributed to efficiency enhancement. These measures will ensure Bank is future ready for planned growth while adhering to strengthened risk monitoring and capacity creation for operating leverage.



Digital Banking, Technology and Data Enablement

The Bank continues to strengthen its digital capabilities across customer acquisition, servicing and risk management. Adoption of mobile and internet banking has increased, supported by integration with the UPI ecosystem and assisted channels such as WhatsApp-based engagement. Bank rolled out the new Ujjivan EZY application based on the Micro Services Architecture for the internet and mobile banking.

Digital onboarding has gained traction across both liabilities and assets, enabling seamless account opening and faster loan processing through end-to-end digital journeys. The Bank is also expanding its merchant ecosystem through QR-based payments, sandbox deployment and digital collection infrastructure, enhancing reach and transaction efficiency.

On the analytics front, greater use of data-driven underwriting, AI/ML-based risk assessment and customer segmentation is improving credit decisions and cross-selling. These initiatives are supported by ongoing investments in scalable IT systems, centralised platforms and process automation, leading to better efficiency, faster turnaround and readiness for future growth.

For a detailed understanding on this section, please refer to page number 22.

Cybersecurity and Information Security

The Bank maintains a robust cybersecurity and information security framework to protect its digital systems and customer data. This is supported by comprehensive risk management policies aligned with regulatory requirements.

Security operations are strengthened through continuous monitoring, threat detection and periodic vulnerability

assessments to identify and mitigate risks in a timely manner. The Bank also uses advanced fraud detection tools, including analytics-based monitoring and early warning systems, to reduce operational and financial risks. Data protection remains a key focus, supported by strong governance practices, secure data handling protocols and adherence to relevant regulatory standards. Additionally, investments in resilient IT infrastructure, disaster recovery and business continuity planning ensure high system availability and operational stability.

For a detailed understanding on this section, please refer to page number 58.

Customer Experience and Service Quality

The Bank continues to enhance customer experience through a multi-channel engagement framework, enabling seamless access across digital, assisted and branch-led platforms. Customers are provided with convenient and integrated banking services through mobile and internet banking, supported by multiple payment options and value-added services. Assisted channels such as SMS, missed call banking and 24x7 phone and video banking ensure accessibility and timely resolution of customer queries across geographies.

Digital engagement has been further strengthened through the "Hello Ujjivan" application, offering vernacular and voice-enabled features along with chatbot support, while digital onboarding capabilities such as video KYC enable faster account opening and improved turnaround times. The Bank has also expanded its payments and merchant ecosystem through UPI, QR-based solutions, AePS and conversational banking channels like WhatsApp, enhancing convenience and reach across customer segments.

Customer Engagement Channels

Channel	Platform / Mode	Key Features
Retail Digital Banking	Mobile & Internet Banking	Multilingual access, fund transfers (NEFT, RTGS, IMPS), bill payments, GST services
SMS & Missed Call Banking	Feature Phone Services	Balance enquiry, mini statement, last transactions, service requests
Business Internet Banking	Corporate Banking Platform	Bulk uploads, multi-fund transfers, GST & direct tax payments, PFMS integration
Phone & Video Banking	Assisted Digital Channel	24x7 support, multilingual services, query resolution, complaint handling
Hello Ujjivan App	Mobile Application	Voice-enabled, vernacular interface, chatbot support, digital loan services for the Financial Inclusion customers
Digital Onboarding	Video KYC & Branch-assisted	Account opening (SA, CA, FD), seamless onboarding journeys
Payments Ecosystem	UPI, AePS, QR, Gateways	Merchant payments, UPI autopay, digital inclusion services
Conversational Banking	WhatsApp & Chatbot	Instant support, service requests, customer engagement

For a detailed understanding on this section, please refer to page number 66.

Material Developments in Human Resources

The Bank continues to strengthen its human capital in line with business growth and an expanding distribution network. The focus remains on building a skilled, customer-centric and productivity-driven workforce. Employee strength has increased, particularly in frontline roles such as sales, credit underwriting and collections, to support effective execution across geographies.

The Bank emphasises capability building through structured training programmes, leadership development and role-specific upskilling. These initiatives aim to enhance productivity and service delivery. Attrition, especially in customer-facing and micro-banking roles, remains an area of focus. It is being

addressed through targeted retention strategies, including performance-linked incentives, clear career progression and enhanced employee engagement.

The Bank is also working to improve workplace culture and organisational alignment to improve retention in key roles.

It also prioritises employee wellbeing through initiatives focused on health and safety, financial wellbeing and work-life balance. These efforts are supported by structured policies and engagement programmes, helping create a positive and inclusive work environment.

For a detailed understanding on this section, please refer to page number 72.

Risks and Concerns

Risk	Description	Mitigation Strategy
 Asset Quality Risk (Microfinance Exposure)	The unsecured microfinance portfolio is sensitive to borrower cash-flow disruptions, localised events and broader economic stress, which may affect collection efficiency and asset quality.	The Bank manages the risk through calibrated underwriting, portfolio and geographic limits, early-warning indicators, close monitoring of collection trends and borrower conduct, and focused remedial actions.
 Concentration Risk (Unsecured Portfolio)	Concentration in unsecured and economically sensitive borrower segments may increase the portfolio's vulnerability to segment-specific or regional stress.	The Bank is progressively diversifying its portfolio across secured retail, MSME, vehicle finance, gold loans and agriculture-linked products, supported by Board-approved exposure limits and regular portfolio monitoring.
 Credit Risk (Emerging Segments)	Newer segments such as Vehicle finance, Gold loans, Agri Banking and MSMEs (Working Capital and Supply Chain Finance) may see higher initial delinquencies	Growth is undertaken in a phased manner and governed through segment-specific credit policies, risk-based pricing, exposure limits, Loan-to-Value limits where applicable, portfolio triggers and regular performance reviews.
 Liquidity and Funding Risk	Tight liquidity and slower deposit growth may impact funding availability and costs	The Bank maintains a diversified funding profile, focuses on stable retail deposits and CASA, monitors liquidity gaps and regulatory liquidity ratios, and maintains contingency funding arrangements.
 Interest Rate / Margin Risk	Slow Mismatches in the timing and magnitude of repricing of assets and liabilities may affect net interest income and the economic value of the Bank's balance sheet.	The risk is managed through Asset Liability Committee oversight, monitoring of repricing gaps and duration, scenario analysis, and calibrated pricing and balance-sheet management actions.
 Operational Risk	Risks from rapid expansion, process inefficiencies or execution challenges	The Bank manages operational risk through RCSA, KRI monitoring, operational-loss-event analysis, standardised processes, system controls, fraud-risk controls, business continuity arrangements, and independent assurance, with oversight by the relevant management and Board-level committees.
 Regulatory and Compliance Risk	Changes in laws, regulations or supervisory expectations, or delays in their implementation, may affect products, processes and compliance obligations.	A structured regulatory change-management process, impact assessments, compliance reviews, policy updates, employee training and governance oversight support timely implementation and adherence..
 Customer segment Concentration	Borrowers exposed to income volatility and portfolios concentrated in particular geographies may be disproportionately affected by economic, social, climatic or localised disruptions.	The Bank manages the risk through portfolio granularity, geographic and exposure limits, affordability assessments, responsible lending practices, customer-level monitoring and early-warning mechanisms.
 Technology and Cybersecurity Risk	Increasing reliance on digital platforms, technology infrastructure and third-party service providers exposes the Bank to cyber threats, data-security incidents, system outages and technology obsolescence.	The Bank maintains information-security and cybersecurity frameworks, access and change-management controls, security monitoring, vulnerability assessments, incident-response processes, resilience testing and oversight of material technology service providers.



Internal Control Systems and Its Adequacy

The Bank maintains a robust internal control framework designed to ensure operational efficiency, accuracy in financial reporting and compliance with regulatory requirements. The framework is supported by well-defined policies, standard operating procedures and a strong governance structure with clear segregation of duties and independent oversight. Key control mechanisms include risk-based internal audits, regular control testing and continuous monitoring through tools such as Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRIs) and Internal Financial Control (IFC) testing.

The internal control environment is further strengthened through centralized processes, technology-enabled monitoring systems and periodic reviews by various Board-level committees. Continuous improvements in control frameworks, supported by automation and data-driven monitoring, ensure timely identification and mitigation of risks. Overall, the internal control systems are considered adequate and effective in safeguarding assets, ensuring reliability of operations and supporting sustainable business growth.

Legal

The Legal Department continued to act as a strategic enabler, providing comprehensive support across due diligence, documentation, contract management, litigation, debt recovery, intellectual property, labour and employment matters and regulatory advisories. It supports all business and functional verticals including Operations, Collections, Information Technology, Human Resources, Administration and Infrastructure, Procurement.

During FY 2025-26, the department further strengthened its digital transformation initiatives by enhancing legal process automation and workflow efficiency. The litigation management platform, Legistify continued to facilitate real-time monitoring of cases, automated updates, court order monitoring and proactive risk management. The platform currently tracks approximately 19,190 matters, including cases filed by and against the Bank, enabling timely intervention and effective litigation management.

The department continued to undertake contract lifecycle management through a digital platform, Spodraft thereby enabling automated workflows, digital approvals, end-to-end digitisation of contract review and repository management. Since its rollout, approximately 4,300 contracts were processed digitally, including 2,100 contracts in FY 2025-26.

Debt recovery remained a key focus area during the year. Through coordinated legal recovery initiatives and structured programmes, including SARFAESI actions, Lok Adalat, arbitration, conciliation, demand notices, Sampurna Samvada programme (a Bank led initiative for settlement), the Bank achieved recoveries aggregating ₹391 Crores, surpassing the recovery target set for the year.

During the year, the department strengthened the Bank's collateral management framework by developing state wise collateral policies for Rural Banking. In addition, 18 additional property types were evaluated and approved for inclusion within the existing Affordable Housing collateral framework.

The enhanced policy framework supports business expansion across diverse markets and reinforces Bank's risk management and credit governance practices.

The department continued its efforts towards process simplification and standardisation of loan documentation. During the year, the department developed and standardised documentation for mid and large corporate funding facilities, while standardizing loan documentation for FastTrack Business Loan and simplifying loan documentation for gold loans, vehicle loans and other retail asset products in line with regulatory requirements and business needs.

The department assisted in the implementation of revised salary structure for all employees to align with the 'wages' definition under the Code on Wages, 2019. The team also advised on re-assessment of practices and formula used for calculating leave encashment as per the Occupational Safety, Health and Working Conditions Code, 2020.

The department played a critical role in Bank's governance and people practices. The team provided legal support in disciplinary proceedings, employee relation matters and Prevention of Sexual Harassment (POSH), ensuring timely resolution of matters in accordance with applicable laws and internal policies. Through this advisory and oversight, the department contributed to fostering a safe, inclusive and respectful workplace.

The department enhanced the Bank's preparedness for compliance with Digital Data Personal Data Protection Act 2023 (DPDPA) through trainings, policy reviews and strengthened contractual safeguards with third party service providers. Standardised Data Processing Agreements were drafted to reinforce data protection obligations, data breach reporting and mitigation measures and governance standards across outsourcing arrangements.

Going forward, the department remains focused on building a tech enabled agile legal team, to support all AI, Fintech, Open Banking, Privacy and emerging technology related projects of the Bank and continue supporting business growth through proactive legal risk management.

Compliance

The Bank continues to operate in line with RBI guidelines applicable to Small Finance Banks, including maintaining at least 60% of Adjusted Net Bank Credit towards priority sectors and ensuring over 50% of loan portfolio comprises small-ticket loans of up to ₹25 Lakhs. The Bank also maintains a presence in unbanked rural areas, with ensuring 25% of total banking outlets are operating from unbanked rural areas.

Bank adheres to RBI's exposure norms, limiting lending to a single obligor at 10% and to a group obligor at 15% of capital funds. A strong compliance and corporate governance framework is embedded across the organisation, supported by a zero-tolerance approach to regulatory breaches.

The compliance function undertakes periodic risk assessments across business and support functions, supported by continuous monitoring and testing mechanisms. The Bank follows robust Know Your Customer (KYC) and Anti-Money

Laundering (AML) practices, backed by transaction monitoring systems and internal review frameworks.

Additionally, the Bank ensures timely regulatory reporting and compliance with Risk-Based Supervision requirements, while adhering to all applicable listing and disclosure norms.

Internal Audit

The Internal Audit Department (IAD) continues to provide independent assurance to the Board and senior management on the effectiveness of internal controls, risk management and governance processes. The function operates under a structured reporting framework, reporting to the Audit Committee of the Board and administratively to the MD & CEO.

The department is adequately staffed with qualified professionals and is organised across multiple audit verticals, including Central Functions, Information Security, Credit, Branch Audit and Analytics. A risk-based audit approach is followed, with an annual audit plan covering all key business areas. Regular updates are presented to the Audit Committee on audit findings, along with management action plans. The framework ensures continuous monitoring, timely closure of observations and maintenance of strong internal control systems.

Vigilance

The Bank continues to strengthen its fraud risk management and vigilance framework to safeguard operations and maintain integrity across business functions. The vigilance function plays

a key role in investigating incidents, facilitating recoveries and fostering preventive controls across business functions.

During the year, as in the previous years, the Bank observed Vigilance Awareness Week to reinforce the importance of fraud prevention and the protection of customer interests. As part of the initiative, employees who demonstrated exemplary efforts in detecting and preventing fraudulent activities across various business segments were recognised through the "Vigilance Warriors Awards". The Bank also organised awareness campaigns and focused training programmes to promote ethical conduct and strengthen vigilance practices throughout the Bank. In addition, advisories were issued to address process gaps identified and recommend for appropriate corrective measures.

During the year, enhanced emphasis was placed on fraud prevention through the adoption of advanced technological solutions. Accordingly, the Bank upgraded its Enterprise Fraud Risk Management System to the latest version of Clari5 Neo with Artificial Intelligence (AI) & Machine Learning (ML) capabilities to strengthen the detection and prevention of cyber frauds. Further, a redesigned glass frosting model was introduced at ATM locations that enhances visibility while preserving customer privacy, thereby reducing the risk of ATM tampering incidents.

The Bank continues to focus on strengthening oversight through regular branch & centre inspections, as well as product-specific monitoring initiatives such as gold loan inspections and mystery shopping exercises, to ensure adherence to policies and risk controls.

The following table summarises the fraud cases reported during the financial year under review:

Particulars	As on March 31, 2026	As on March 31, 2025
Number of frauds reported including digital payment related frauds	169	1,081
Amount involved in fraud including digital payment related frauds (₹ in Crore)	3.77	9.16
Amount of provision made for such frauds* (₹ in Crore)	2.15	3.22
Amount of Unamortised provision debited from 'other reserves' as at the end of the year	-	-

* Note: The provision amount is net of recovery and write off's as at the end of the year. A total of 766 payment related disputed transactions amounting to ₹3.79 Crores were reported as fraud during the FY 2024-25 under regulatory fiction which the Regulator has removed since July 15th 2024.

Outlook for FY 2026-27

Going into FY 2026-27, the Bank will continue to focus on calibrated and sustainable growth, with emphasis on further diversification of the loan portfolio towards secured retail assets. Growth is expected to be driven by housing, MSME and other emerging segments, while maintaining disciplined underwriting and risk management practices.

The Bank will continue strengthening its liability franchise through higher CASA mobilisation, granular retail deposits and cost optimisation initiatives to support stable funding and margin resilience. Focus will also remain on improving profitability through better asset quality, controlled credit costs and improved operating efficiency.

On the digital and operational front, the Bank aims to enhance analytics-led underwriting, strengthen digital customer

journeys and improve productivity through technology-enabled processes. It will also continue expanding its distribution network and deepening customer engagement across geographies.

Cautionary Statement

This report contains forward-looking statements that are subject to various risks and uncertainties, including those relating to the Bank's growth initiatives, acquisition strategy, dependence on specific business segments and availability of skilled personnel. Actual results may differ materially from those projected or implied in these statements. Readers should consider this report together with the accompanying financial statements and related notes for a complete understanding.