



UJJIVAN SMALL FINANCE BANK
Build a Better Life

Pillar III Disclosures for quarter
ended June 30, 2025

2025-2026

[Ujjivan Small Finance Bank (hereinafter called “the Bank”) is primarily subject to the BASEL II {New Capital Adequacy Framework (NCAF)} framework with some elements of Basel III regulations made applicable and has prepared this disclosure document in compliance with the directions of Reserve Bank of India (hereinafter referred to as “the Regulator” or “RBI”) vide its circular RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015. The document provides a review of key observations pertaining to the Bank’s capital adequacy, credit quality, key business highlights and a review of its key risks as at June 30, 2025.]

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1. List of key abbreviations

Abbreviation	Full form
ACR	Automated Cash Recycler
AFS	Available for Sale
ALCO	Asset Liability Committee
ANBC	Adjusted Net Bank Credit
ATM	Automated Teller Machine
AIF	Alternate Investment Fund
BC	Business Correspondent
BIA	Basic Indicator Approach
BRACO	Business Risk and Compliance Officer
BSE	Bombay Stock Exchange
BV	Book Value
CC	Cash Credit
CASA	Current Account Savings Account
CBDR	Common But Differentiated Responsibilities (CBDR) and respective capabilities
CERSAI	Central Registry of Securitisation Asset Reconstruction and Security Interest of India
CET1	Common Equity Tier 1 Capital
CFO	Chief Financial Officer
CFP	Contingency Funding Plan
CIC	Core Investment Company
CRAR	Capital to Risk-weighted Assets Ratio
CRMC	Credit Risk Management Committee
CRO	Chief Risk Officer
DPD	Days Past Due
DSA	Direct Selling Agent
DSCB	Domestic Scheduled Commercial Bank
ECL	Expected Credit Loss
ECLGS	Emergency Credit Line and Guarantee Scheme
ECRA	External Credit Rating Agency
ESG	Environment, Social and Governance
EMDE	Emerging Market & Developing Economies
EWS	Early Warning Signal
FIG	Financial Institutions Group
FOIR	Fixed Obligation to Income Ratio
FLOD	First line of Defence
FP	Floating provision
FPI	Foreign Portfolio Investor
GDP	Gross Domestic Product
GA	Gross Advances
GLB	Gross Loan Book

GLC	General Ledger Code
GNPA	Gross Non-Performing Asset
GVA	Gross Value Added
HFT	Held for Trading
HHI	Household Income
HTM	Held to Maturity
HQLA	High Quality Liquid Assets
HUF	Hindu Undivided Family
IBPC	Inter Bank Participation Certificate
ICAAP	Internal Capital Adequacy Assessment Process
ICAI	Institute of Chartered Accountants of India
ICE	Internal Combustion Engine
IFSC	Indian Financial System Code
IGAAP	Indian Generally Accepted Accounting Principles
IMPS	Immediate Payment Service
IPDI	Innovative Perpetual Debt Instrument
IPO	Initial Public Offer
IRAC	Income Recognition and Asset Classification
IRRBB	Interest Rate Risk in Banking Book
IWG	Internal Working Group
KRI	Key Risk Indicator
LAP-SENP-SEP	Loan Against Property- Self Employed Nonprofessional- Self Employed Professional
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LMS	Loan Management System
LR	Leverage Ratio
LWE	Left Wing Extremism
MB	Micro banking
MCA	Ministry of Corporate Affairs
MD	Modified Duration
MD & CEO	Managing Director and Chief Executive Officer
MDG	Modified Duration Gap
MSE	Micro and Small Enterprises
MVE	Market value of Equity
MV	Market Value
NBFC-ND-SI-CIC	Non-Banking Financial Company-Non-Deposit-taking-Systemically Important-Core Investment Company
NE	Northeastern
NEFT	National Electronic Funds Transfer
NGFS	Network for Greening the Financial System
NPA	Non-Performing Asset
NNPA	Net Non-Performing Asset

NPI	Non-Performing Investment
NSE	National Stock Exchange
NSFR	Net Stable Funding Ratio
Non-URC	Non-Unbanked Rural Centre
OD	Overdraft
ORMC	Operational Risk Management Committee
OSP	Outstanding Principal
PAT	Profit After Tax
PAR	Portfolio at Risk
PB	Payments Bank
PD	Probability of Default
PNCPS	Perpetual Non-Cumulative Preference Shares
PPOP	Pre – provision operating profit
PSL	Priority Sector Lending
QIP	Qualified Institutional Placement
QRT	Quick Response Team
RB	Rural Banking
RBI	Reserve Bank of India
RCA	Root Cause Analysis
RCSA	Risk Control and Self-Assessment
RMCB	Risk Management Committee of the Board
ROA	Return on Asset
ROE	Return on Equity
RSA	Risk Sensitive Assets
RSL	Risk Sensitive Liabilities
RWA	Risk Weighted Assets
SA	Standardized Approach
SDA	Standardized Duration Approach
SEBI	Securities and Exchange Board of India
SEL	Secured Enterprise Loan
SFB	Small Finance Bank
SLOD	Second Line of Defence
SLR	Statutory Liquidity Ratio
SMA	Special Mention Accounts
TVR	Tele verification report
UAT	User Acceptance Testing
UFSL	Ujjivan Financial Services Limited
UPI	Unified Payments Interface
URC	Unbanked Rural Centre
USD	United States Dollar
VaR	Value at Risk
WEO	World Economic Outlook
YTD	Year till Date

2. Key Performance highlights of the Bank

Ujjivan Small Finance Bank (hereinafter referred to as “the Bank”) is required to publish disclosures under the Pillar III framework as required in terms of RBI guidelines on New Capital Adequacy Framework issued vide RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015. This document provides a review of key observations pertaining to the Bank’s capital adequacy, credit quality, key business highlights and a review of its key risks as at June 30, 2025. All exposure related figures quoted in the document are ‘Rs. in lakh’, unless otherwise specifically stated.

A. Branch network and distribution reach

The branch position of the Bank as at June 30, 2025, was as follows:

Particulars	Count
Total Banking outlets, of which	752
Banking outlets ¹ (non-URC)	562
Banking outlets (URC) ² , of which	190
i Qualifying URC Branches (Branches situated in tier 3-6 locations in NE ³ states and LWE ⁴ districts)	43
ii Business Correspondents (BC)	4
Total ATMs	613
Of which, ACR (Automatic Cash Recycler)	62

The Bank had opened no new branches in Q1 FY2026. With 25.266% of Banking outlets in URC, the Bank is fully compliant with RBI guidelines in this regard. The physical reach continues to be supplemented by a strong and focused investment in digital platforms to aid in business development, on both asset and the liabilities side.

¹ A ‘Banking Outlet’ for a Small Finance Bank (SFB) is a fixed-point service delivery unit, manned by either bank’s staff or its Business Correspondent where services of acceptance of deposits, encashment of cheques/cash withdrawal or lending of money are provided for a minimum of 4 hours per day for at least 5 days a week. It carries uniform signage with name of the bank and authorisation from it, contact details of the controlling authorities and complaint escalation mechanism. The bank should have a regular off-site and on-site monitoring of the ‘Banking Outlet’ to ensure proper supervision, ‘uninterrupted service’ except temporary interruptions due to telecom connectivity, etc. and timely addressing of customer grievances. The working hours/days need to be displayed prominently.

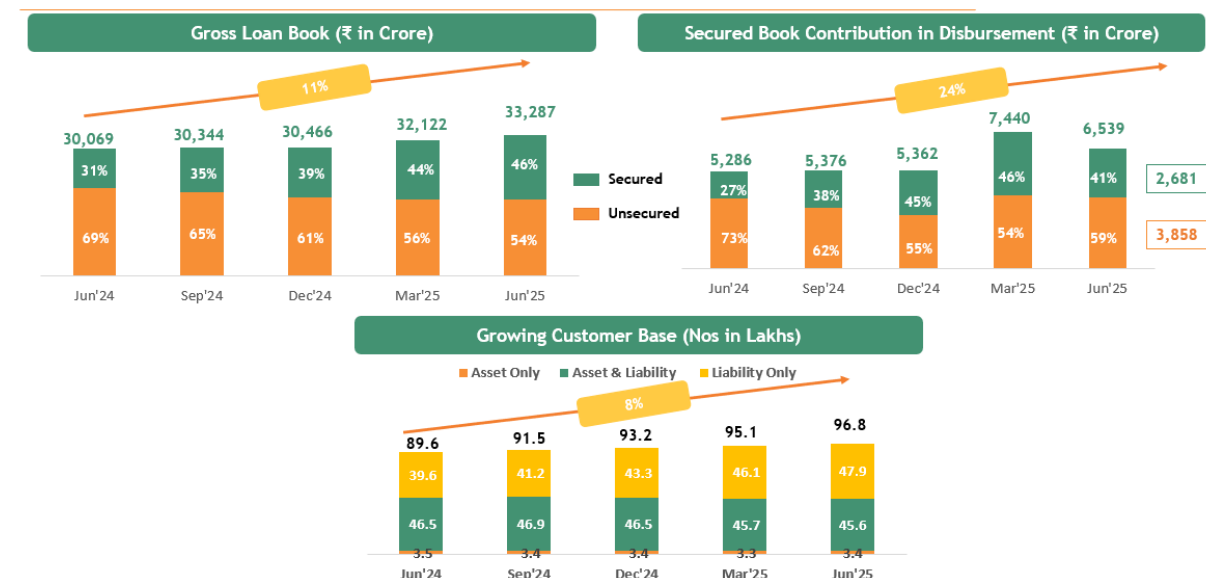
² An unbanked rural centre (URC) is defined as a rural (Tier 5 and 6) centre that does not have a CBS-enabled ‘Banking Outlet’ of a Scheduled Commercial Bank, a Payment Banks or an SFB or a Regional Rural Bank nor a branch of a Local Area Bank or licensed Co-operative Bank for carrying out customer-based banking transactions.

³ Northeastern states

⁴ Districts with active Left-Wing Extremism (LWE)

B. Financial highlights for Q1 FY 2025-26

Some of the key achievements for the period ended June 30, 2025, were as follows:



Customer base	<ul style="list-style-type: none"> Total customer outreach was 96.8 lakh customer through 752 branches as at June 30, 2025 (95.1 lakh as at March 31, 2025; 89.6 lakh as at June 30, 2024)
Loan Portfolio	<ul style="list-style-type: none"> Gross Loan Book (GLB) (without netting off IBPC/Securitization/Direct Assignment): Rs. 33,28,711 lakh as at June 30, 2025 (Rs. 32,12,206 lakh as at March 31, 2025, and Rs. 29,77,954 lakh as at March 31, 2024). Gross Advances (GA) (after netting off IBPC/Securitisation/Direct Assignment): Rs. 33,10,911⁵ lakh as at June 30, 2025, (Rs. 31,93,346⁶ lakh as at March 31, 2025, and Rs.27,41,915⁷ lakh as at March 31, 2024). Non-Microfinance book was 43.50% as at June 30,2025 (41.73% as at March 31, 2025, and 31.49% as at March 31, 2024).
Deposit Portfolio	<ul style="list-style-type: none"> Total Deposits (Retail plus Institutional): Rs.38,61,862 lakh as at June 30, 2025. (Rs.37,63,048 lakh as at March 31, 2025; Rs. 31,46,216 lakh as at March 31, 2024). CASA: 24.54% as at June 30, 2025 (25.6% as at March 31, 2025; 26.7% as at March 31, 2024).
Asset Quality	<ul style="list-style-type: none"> Gross Non-Performing Assets (GNPA): 2.52⁸% as of June 30, 2025 (2.18⁹% as of March 31, 2025, and 2.23¹⁰% as at March 31, 2024)

⁵ Outstanding balance in IBPC/Securitisation/ Direct Assignment as on June 30,2025 is Rs 17,800 lakh

⁶ Outstanding balance in IBPC/Securitisation/ Direct Assignment as on March 31,2025 is Rs 18,860 lakh

⁷ Outstanding balance in IBPC/Securitisation/ Direct Assignment as on March 31, 2024, was Rs. 2,36,039 lakh

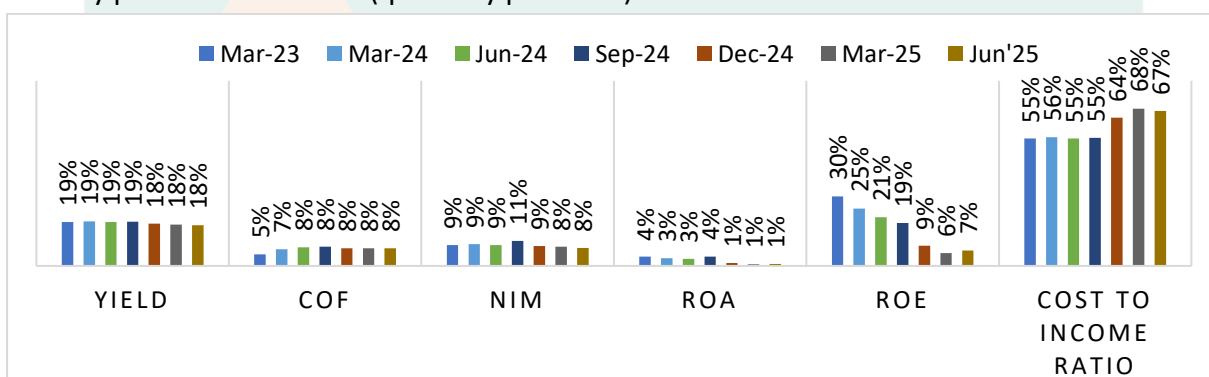
⁸ Computed as a percentage to Gross advances. GNPA% on GLB basis as at June 30, 2025 is 2.52%

⁹ Computed as a percentage to Gross advances. GNPA% on GLB basis as at March 31,2025 is 2.18%

¹⁰ Computed as a percentage to Gross advances. GNPA% on GLB basis as at March 31,2024 was 2.23%

	<ul style="list-style-type: none"> Net Non-Performing Assets (NNPA): 0.70% as at June 30, 2025¹¹, (0.49% as at March 31, 2025¹², and 0.28% as at March 31, 2024)
Capital Adequacy	<ul style="list-style-type: none"> CRAR ratio of the Bank as at June 30, 2025 was 22.77% (March 31, 2025 was 23.10%, and March 31, 2024 was 24.69%)
Employee strength	<ul style="list-style-type: none"> 25,247 as at June 30, 2025 (24,374 as at March 31, 2025; 22,566 as at March 31, 2024)
Provisions and Credit costs	<ul style="list-style-type: none"> Total provisions including Floating Provision as at June 30, 2025 was Rs.77,584 lakh (Rs.70,614 lakh as at March 31, 2025; Rs.67,637 lakh as at March 31, 2024) Total NPA provision (excluding floating provision) held was Rs 47,400 lakh as at June 2025 (Rs.41,346 lakh as at March 31, 2025; Rs.41,623 lakh as at March 31, 2024).

The key performance ratios (quarterly positions) of the Bank were as follows:



A persistent high-cost deposit environment, coupled with continuing industry level stress in the Bank's flagship business (Microfinance sector) resulted in a marginal reduction in profitability in Q1FY 2026. A summary of the key highlights of the Bank as of June 30, 2025 is given below:

- Pre-Provision Operating Profit for Q1 FY 2025-26 was Rs. 36,048 lakh; down by 29% Y-o-Y;
- Disbursements were at Rs.6,53,900 lakh in Q1 FY 2025-26; up by 24%/ (12%) on YoY/QoQ basis.
- Deposits stood at Rs. 38,61,862 lakh as of 30th June 2025; up by 19%/3% YoY/QoQ respectively. CASA was at Rs 9,38,084 lakh; up 13% YoY. CASA ratio was 24.3% as of June 2025. Retail TD (TDs less than Rs. 3 crores) increased 19%/8% YoY/QoQ.
- Other Key performance metrics: Continued traction on collections with ~96% efficiency in June 2025; NDA collection stood at ~99%. Portfolio At Risk (PAR) was at 4.81% as of June 2025. GNPA on GLB basis at 2.52% as of June 2025; NNPA continued to be negligible at 0.70% as at June 2025. A total of Rs.15,199 lakh was written off in Q1 FY26; Provision Coverage Ratio (PCR) as of June 2025 was 73%.

¹¹ Computed as a percentage to Net advances. NNPA% as a ratio to Net GLB was 0.70%

¹² Computed as a percentage to Net advances. NNPA% as a ratio to Net GLB was 0.49%

- Cost to Income ratio of the Bank has been high over the last 3 quarters due to the following reasons:
 - Investments in new products for e.g., gold loans – now we have expanded to ~280 branches as of FY26Q1 end vs gradual build-up of 200 branches in FY25Q4 end, micro mortgages, vehicle finance, and retail liabilities had a team build-up in the same period.
 - Investment in the off-roll manpower to manage collections in the micro banking – Off role employee count increased from 2,008 as of Mar’25 to 2,414 as of Jun’25.
 - Investments in tech towards setting up of systems for AD-1, Insurance distribution, Mutual Fund Distribution, new Mobile Banking application.

Also, the changing book mix towards secured book has led to decrease in the book yield while the cost of funds has remained elevated due to competitive landscape leading to reduced NII.

C. Macro-Economic Outlook

India’s economy entered FY2025–26 on a strong note, with GDP growth in the first quarter (April–June 2025) estimated at around 6.7%, surpassing the Reserve Bank of India’s projection of 6.5%. This robust performance was underpinned by healthy government capital expenditure, strong services exports, and a revival in private consumption. The easing of inflation, which fell to 2.1% in June 2025—its lowest level in more than six years—boosted household purchasing power and supported urban demand, while a favourable monsoon season gave momentum to rural consumption. However, growth in industrial sectors such as mining, electricity, and construction inputs remained patchy, pointing to uneven recovery across segments of the economy.

Looking at the broader outlook for FY2025–26, most agencies expect GDP growth¹³ in the 6.2%–6.7% range, with a consensus forecast of around 6.4–6.5%. The primary engines of growth are expected to be strong domestic consumption, which continues to account for more than 60% of GDP; a revival in private investments after signs of a capex upturn at the end of FY2024–25; and sustained strength in services exports, driven by India’s digitally skilled workforce and expanding global capability centres.

Adding to the positive sentiment, India recently witnessed an upgrade in its sovereign credit rating outlook from BBB- to BBB, reflecting resilience in macro fundamentals, fiscal consolidation progress and improved external reserves. This upgrade is expected to lower borrowing costs, boost investor confidence and attract more capital into the economy.

On the external front, risks have risen following recent U.S. tariff increase to 50% on several goods- such as textiles, gems and jewellery, auto components and others. These might impact ~US \$25 billion worth of Indian exports, particularly in labour-intensive sectors, weighing on competitiveness and profitability.

Overall, India’s macroeconomic environment remains stable, supported by robust domestic demand and policy measures. Key risks to the outlook include exchange rate volatility, elevated

¹³ ICRA Macro Update June 2025 and India’s Economic Outlook by Deloitte

crude oil prices and trade related headwinds, which could affect external stability and growth momentum.

D. Transition to Universal Banking regime:

In FY 2024-25, the Bank officially filed its application with RBI to transition to a Universal Bank. Based on the Board approval dated January 23, 2025, the Bank had submitted the formal application to the Reserve Bank of India ("RBI") for obtaining the Universal Banking License as per the RBI Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector dated August 01, 2016 read with RBI circular on Voluntary transition of Small Finance Banks to Universal Banks dated April 26, 2024.

3. Table DF- 1: Scope of Application

3.1 Qualitative Disclosures

Parent Organization/Holding Company: NIL

The disclosures in this document pertain to the Bank as a stand-alone and independent entity. The Bank neither has any subsidiary nor has any interest in any insurance entity.

3.1.1 List of group entities considered for consolidation: NA

3.1.2 List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation: NA

3.2 Quantitative Disclosures

3.2.1 List of group entities considered for consolidation

Name of the entity / country of incorporation	Principal activity of the entity	Total balance sheet equity	Total balance sheet assets
NIL	NIL	NIL	NIL

3.2.2 Aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation

Name of the subsidiaries/ country of incorporation	Principal activity of the entity	Total balance sheet equity	% of the Bank's holding in the total equity	Capital deficiencies
NIL	NIL	NIL	NIL	NIL

3.2.3 Aggregate amounts (e.g. current book value) of the Bank's total interests in insurance entities, which are risk-weighted

Name of the insurance entities/ country of incorporation	Principal activity of the entity	Total balance sheet equity	% of the Bank's holding in the total equity / proportion of voting power	Quantitative impact of regulatory capital using risk weighting methods versus using the full deduction method

NIL	NIL	NIL	NIL	NIL
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3.2.4 Any restrictions or impediments on transfer of funds or regulatory capital within the banking group: NA

4. Table DF-2: Capital Adequacy

4.1 Qualitative Disclosures

Since inception, the Bank is well capitalized and aided by the internal capital generated through the profits earned from operations helping the Bank to maintain minimum capital requirements set by the Regulator.

As per RBI Operating Guidelines for Small Finance Banks (SFBs), the Bank is required to follow BASEL II standardised approach for Credit Risk (external rating-based risk weight for rated exposure and regulatory retail approach for small retail loans). While SFBs are required to comply with Basel II norms for Capital Adequacy calculation purposes, the structure and nature of capital instruments such as Common Equity, Additional Tier 1 instruments are required to be compliant with the Basel III guidelines. In essence therefore, in the case of SFBs, the Regulator has adopted a hybrid model.

Though SFBs are not required to have a separate capital charge for Market Risk and Operational Risk for the time being in terms of an RBI communication dated November 8, 2017 (DBR. NBD. No. 4502/16.13.218/2017-18), as a good governance practice, and as directed by its Board, and in anticipation of an eventual transition to a Universal Commercial Bank, the Bank separately computes capital charge for all the Pillar 1 risks viz. Credit, Market and Operational Risk using Standardized Approach (SA), Standardized Duration Approach (SDA) and the New Standardized Approach (NSA) respectively. Besides this, the Bank also computes and maintains LCR at above 100%, NSFR at above 100% and Leverage Ratio above 4.5%.

During the year, the Bank has also procured and rolled out an external application to automate CRAR generation on a continuous basis. The Bank has commenced a parallel run to analyse variances in outputs between manual and system generated reports. The full transition to system generated CRAR is targeted by September 2025.

Since the preparation of financials under IFRS9 is deferred by RBI, all disclosures by the Bank are as per GAAP principles. Hence, the comparison of capital adequacy under both regimes will be made part of disclosures once the same is made applicable to banks. There are indications that the Regulator may consider adopting a dynamic loan loss provisioning under IFRS9/Ind-AS framework. To this effect, a Discussion Paper was released by the Regulator on January 16, 2023 and formal guidelines in the matter are awaited. From the readiness standpoint, the Bank has put in place the necessary processes to compute Expected Credit Loss (ECL) and Ind-AS compliant financial statements. While this was a mandatory exercise when the Bank had a holding company which was registered as an NBFC-ND-SI-CIC, following the reverse merger with the holding company during the financial year, the Bank continues to prepare proforma IND AS statements and ECL also is a key parameter in the composition of the

Bank's risk-based pricing.

The Bank has a comprehensive Internal Capital Adequacy Assessment Process ('ICAAP'). The ICAAP covers the capital management policy of the Bank, sets the process for assessment of the adequacy of capital to support current and future activities / risks and a report on the capital projections. The Bank has a structured ICAAP framework for the identification and evaluation of the material risks that it faces, which may have a bearing on its business and financial position.

The Bank has implemented a Board approved Stress Testing policy and framework which forms an integral part of the Bank's ICAAP. Stress Testing involves the use of various techniques to assess the Bank's potential vulnerability to extreme but plausible stressed business conditions. The changes in the levels of credit risk, market risk, liquidity risk, IRRBB, operational risk and reputational risk are assessed under assumed "stress" scenarios and sensitivity factors. Typically, these relate, inter alia, to the impact on the Bank's profitability and capital adequacy. The stress test findings are reported to the Risk Management Committee of the Board (RMCB), for their review and guidance. The Bank periodically assesses and refines its stress tests to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of business environment conditions. The stress tests are used in conjunction with the Bank's business plans for the purpose of capital planning in the ICAAP.

4.2 Quantitative Disclosures

4.2.1 Capital Requirements for Credit Risk

Portfolios subject to Standardised Approach

The detailed break up of Credit RWA is as follows:

Rs. in lakh

Asset Description	RWA
Cash and Balances with Reserve Bank of India	0
Balances with Banks and Money at Call and Short Notice	9,934
Investments	1,452
Advances	25,25,849
Fixed Assets	29,198
Other Assets	78,161
Off Balance Sheet	24,531
Total Credit RWA	26,69,125
Capital Requirement @ 15%	4,00,369
Capital position of the Bank	6,07,673

4.2.2 Capital Requirements for Market Risk

The computation of the Market risk RWA is performed in compliance to Basel III capital regulations dated April 1, 2025. As at Jun 30, 2025, the HTM & AFS book comprised Government Securities and Treasury Bills for which no market risk capital charge is applicable

since HTM and, AFS book are classified as Banking Book as per said revised guidelines. HFT book consisted of Government Securities, Commercial Paper, Treasury Bills, Certificates of Deposit, Non-Convertible Debentures, unlisted equity, Mutual fund and PTC investments. The Bank calculates the risk charge on market risk based on standardized approach as prescribed by RBI. The portfolio contains equity risk and interest rate risk only. The interest rate general risk is computed on the basis of duration-based approach. The Market Risk capital charge has been computed for HFT portfolio both for specific charge and general market risk charge:

Rs. in lakh	
Capital Requirement for Market Risk	Amount
Interest Rate Risk	4,873
Equity Position Risk	4,684
Foreign Exchange Risk	-
Total	9,557
Total Market Risk RWA	1,19,462

4.2.3 Capital Requirements for Operational Risk

The Regulator has issued Master Directions on Minimum Capital Requirements for Operational Risk under the New Standardized Approach (NSA) which will be applicable with effect from April 1, 2023 for Universal Banks. While the Regulator is yet to take a decision on its applicability for SFBs, the Bank has already commenced computation of Operational RWA under this new approach for internal reporting purposes.

Disclosure on the BI		Rs. in lakh
1	Business indicator component (BIC)	22,481
2	Internal loss multiplier (ILM)	0.62
3	Minimum required operational risk capital (ORC)	22,481
4	Operational risk RWA	2,81,012

4.2.4 Common Equity Tier1, Tier1 and Total Capital Ratios

The break-up of Basel II capital funds as at June 30,2025 is as follows: (Rs in Lakh)

	Description	Amount
	Core Equity Tier 1 Capital - Instruments and Reserves	
	Directly issued qualifying common share capital plus related stock surplus (share premium)	1,93,535
	Retained earnings	4,15,108
A	CET1 capital before regulatory adjustments	6,08,642
	Core Equity Tier 1 Capital - Regulatory Adjustments	
	Deferred tax assets arising from temporary differences	22,570
	Intangibles (Prepaid Expenses & Computer Software)	18,606
	Credit Enhancements	2,021
	Regulatory Adjustments applied to CET1 Capital due to insufficient funds in Tier 2 to cover deductions	32
B	Total regulatory adjustments to CET1 Capital	43,229

C	CET1 capital (A-B)	5,65,413
	Additional Tier 1 Capital - Instruments and Reserves	
	Preference Shares	-
E	AT1 capital before regulatory adjustments	-
	Additional Tier 1 Capital - Regulatory Adjustments	
F	Total regulatory adjustments to AT1 Capital	-
G	AT1 Capital	-
H	Tier 1 Capital (C + G)	5,65,413
	Tier 2 Capital - Instruments and Provisions	
	Sub - debt eligible as Tier 2 capital	12,000
	General Provisions on Std. Assets admissible as Tier 2	19,760
	Investment Fluctuation Reserve	10,500
	Investment Reserve Account	-
I	Tier 2 Capital before regulatory adjustments	42,260
	Tier 2 Capital - Regulatory Adjustments	
J	Total Regulatory Adjustments to Tier 2 Capital	-
K	Tier 2 Capital (I - J)	42,260
L	Total Regulatory Capital (H + K)	6,07,673

(Rs. In Lakh)

Particulars	RBI thresholds	Amount/Ratio
Tier I Capital	--	5,65,413
Tier II Capital	--	42,260
Total Capital	--	6,07,673
Credit RWA	--	26,69,125
CET Ratio	Minimum 6%	21.18% (Complied)
Tier I Ratio	Minimum 7.5%	21.18% (Complied)
Tier II Ratio	Maximum cap at 7.5% of CRWA	1.58% (Complied)
CRAR- as per SFB guidelines	Minimum 15%	22.77% (Complied)
Total RWA	--	30,69,599
CRAR (all Pillar I risks)	Minimum 13%, post conversion to Universal Bank for first 3 years of operation	19.80%

It is evident from the above CRAR calculation that even after inclusion of other two Pillar 1 risks i.e., Market and Operational risk, the CRAR of the Bank is 19.80%, which continues to be above the prescribed regulatory requirement of 15% (only for credit risk)/13%, for first 3 years of operations, post conversion to Universal Bank. This reflects the Bank's preparedness towards the alignment with Universal Bank regulatory requirements (though Regulator is yet to notify the same) and can conclude that Bank is well capitalized against any unforeseen capital requirements in the future and to support business growth.

5. Table DF-3: Credit Risk: General Disclosures for all Banks

5.1 Qualitative disclosures

Credit risk arises as a result of failure or unwillingness on part of customer or counterparties to fulfil their contractual obligations. The Bank is exposed to credit risk in its lending operations. Credit risk is the risk of loss that may occur from the failure of any counterparty to abide by the terms and conditions of any financial contract with the Bank, principally the failure to make required payments as per the terms and conditions of the contracts.

The Bank has implemented an extensive credit risk management architecture. The Board of Directors of the Bank endorses the credit risk strategy and approves the credit risk policies. This is done taking into consideration the Bank's risk appetite, derived from perceived risks in the business and balanced by the targeted profitability level for the risks taken up. The Board oversees the credit risk management functions of the Bank. The Risk Management Committee of the Board (RMCB) is entrusted with the development of policies, procedures and systems for managing credit risk and towards implementing a robust credit risk strategy of the Bank. The RMCB reviews the credit risk profile and keeps an eye on both internal and external contexts, their impact on the Bank's portfolio and devises management strategies accordingly. The RMCB regularly reviews the Bank's portfolio composition and the status of impaired assets.

The Bank's Risk Management department drives credit risk management centrally. It is primarily responsible for implementing the risk strategy approved by the Board, developing procedures and systems for managing risk, carrying out an independent assessment of various risks, providing guidance in individual credit exposures for accepting deviations and monitoring portfolio composition and quality. With regard to the Institutional Lending business, the Bank's Risk Management functions are centralised. In respect to the Bank's retail assets business, while the various functions relating to policy, portfolio management and analytics are centralised, the underwriting function is distributed across various geographies within the country. The Risk Management function in the Bank is clearly demarcated and independent from the operations and business units of the Bank. The Risk Management department is not assigned with any business targets.

The Credit Risk Management Committee (CRMC) is responsible for overseeing implementation of the credit risk management framework across the Bank and providing recommendations to the RMCB. CRMC ensures monitoring of credit risks on Bank wide basis and in ensuring compliance with the Board approved risk parameters/prudential limits and monitor risk concentrations. It also reviews the status of portfolio management, loan review mechanism, risk monitoring and evaluation, regulatory/legal compliance, adequacy of provision, risk concentrations, industry reviews, and suggests corrective measures and activity reviews for credit risk management. It reviews and approves the use of credit scorecards for business and risk management purposes, tests its performance and effectiveness and places recommendations before the RMCB.

The Bank's Credit Policy, Credit Risk Management Policy, Credit Manuals, Product Programs,

NPA Management Policy, Collateral Management Policy and Interest Rate Policy, form the core set of internal guidelines for management of credit risk in various activities and products. These articulate the credit risk strategy of the Bank and thereby the approach for credit origination, approval and maintenance. These policies define the Bank's overall credit granting criteria, including the general terms and conditions. The policies / programs typically address areas such as target markets / customer segmentation, qualitative and quantitative assessment parameters, portfolio mix, prudential exposure ceilings, concentration limits, price and non-price terms, structure of limits, approval authorities, exception reporting system, prudential accounting and provisioning norms. They take cognizance of prudent and prevalent banking practices, relevant regulatory requirements, nature and complexity of the Bank's activities, market dynamics etc.

Credit concentration risk arises mainly on account of concentration of exposures under various categories including industry, products, geography, underlying collateral nature and single / group borrower exposures. To ensure adequate diversification of risk, concentration ceilings have been set up by the Bank on different risk dimensions, in terms of borrower/ business group, geographic state, unsecured lending ratio and risk grading (for institutional lending).

The Board sets concentration ceilings which are monitored by the respective credit verticals and by the independent credit risk department. The Risk Management department reviews the exposure level under each dimension and ensures that the portfolio profile meets the approved concentration limits. Any breaches to these limits are periodically reported to CRMC and the RMCB. The regulatory prudential norms with respect to ceilings on credit exposure to individual borrowers or group of borrowers also ensure that the Bank avoids concentration of exposure.

Definitions of past due and impaired loans

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. A Non-Performing Asset (NPA), as defined by the RBI, shall be a loan or an advance where-

- Interest and/or instalment remains overdue for a period of more than 90 days in respect of a Term Loan;
- The account remains out of order with respect to CC/ OD for 90 days on a continuous basis;
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- In case of advances granted for Agricultural purposes
 - The instalment or interest thereon remains overdue for two crop seasons for short duration crops;
 - The instalment or interest thereon remains overdue for one crop season for long duration crops;

- The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021.
- In respect of derivative transactions, the overdue receivables representing positive mark to- market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment. The Bank had no derivative transaction on its books.

The Bank is guided by the provisions laid down in Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated April 1, 2025 as amended from time to time.

Provisioning and Regulatory norms applicable to the Bank

1. The Bank follows stringent provisioning norms and provides higher than prescribed RBI provision for all business verticals. The Board reviews the provisioning norms of the Bank at regular intervals to determine if any enhanced provisioning is required based on credit performance. Despite a history of better Portfolio at Risk (PAR) and delinquencies compared to Industry, the microfinance portfolio of the Bank (the Bank's flagship offering) is unsecured where adverse and acute events can impact the portfolio quality. To enhance the coverage on Micro Finance portfolio, the Bank continuously identifies incipient stress in specific accounts & geographies where accelerated provisions may be required on an on-going basis.
2. Considering the recent stress in Micro Lending book due to broader industry level stress and implementation of MFIN guardrails, on the directions of the Board, the Bank has adopted an accelerated provisioning regime during FY2025. The Bank's Risk Management Department undertakes a proactive assessment of the likely GNPA, NNPA, Provision Coverage Ratio (PCR) and incremental credit/provisioning costs by studying historical delinquency trends and external developments which can have a bearing on the asset quality and credit costs.
3. The Bank also carries Rs. 18,067 lakh of floating provision as at June 2025 to strengthen financial stability arising out of any potential slippages in the near future. Out of the same, Rs. 3,000 lakh was utilised towards Tier II capital, Rs. 13,000 lakh towards adjustment of GNPA and PCR calculation and Rs. 2066.9 lakh kept as idle provisions at June 30, 2025.
4. As per the Consumer Credit circular dated November 16, 2023, the Regulator has asked banks to review their extant sectoral **exposure limits for consumer credit and put in place, if not already there, Board approved limits in respect of various subsegments under consumer credit** as may be considered necessary by the Boards as part of prudent risk management. In view of the same the Bank has set exposure limits on subsegments under consumer credit.
5. RBI released a discussion paper on **Expected Credit Loss (Loss) framework for provisioning** by banks. Currently, banks are mandated to set aside provisions as per the

IRAC guidelines which follows the ‘incurred loss’ approach. The proposed approach aims to recognize Significant Increase in Credit Risk (SICR) on a forward-looking basis which is expected to strengthen the banking system. The discussion paper has provided the following directions:

- ECL amount is expected to be over and above IGAAP.
- To avoid the capital shocks in banks, incremental provision required under ECL (ECL minus IGAAP) can be added back to Common Equity (Tier 1). This benefit to be phased out in 5 years.
- A bank may choose to phase it out on a shorter period as per their own plan.

Credit Risk Portfolio review and Monitoring:

Micro finance Portfolio (Excluding IBPC/ Securitization/DA transactions):

A comprehensive review of the MBRB Portfolio is given below:

Rs. in lakh

MBRB	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Gross Advances*	18,70,883	19,67,283	18,82,621	18,60,682	18,70,713
GNPA(Value)	48,308	52,906	60,799	48,651	60,886
GNPA%	2.58%	2.69%	3.23%	2.61%	3.25%

The Bank undertakes portfolio monitoring on a periodic basis with specific focus on key portfolio triggers. Continuous review of portfolio enables the Bank to identify incipient stress at cluster/region/state/branch level. Breach in the internal thresholds for default is the starting point for identifying risk in the portfolio. Risk indicators such as PAR30+, PAR90+, early delinquencies, quick mortality, non-starters, On Time Repayment Rates (OTRR), Collection Efficiency (CoE), stressed assets percentage and lagged PAR estimates provide useful insights in risk identification.

The Bank monitors collection trends at a bucket level on a daily basis and findings are reported to top management. Collection monitoring is aided by a strong and dedicated collection team at ground level with extensive use of analytics and digital tools. Digital collection continues to scale up through existing and new channels like Fintech, Payment Banks, Money Mitra outlets (BC outlets) and the Hello Ujjivan Mobile application.

The composite collection efficiency (CE%) had reached nearly 95% in the month of June 2025. The efforts of enhanced monitoring and collections enabled the Bank to arrest fresh slippages (incremental overdue) and also increase the recovery rates in delinquency buckets. During the Q1 FY 2024-25, at an industry level the Microfinance portfolio is facing higher delinquency levels in a few pockets of the country arising mainly from over leveraging by customers. The Bank’s book has also been affected with an increase in GNPA on a quarter-on-quarter basis. However, the M-FIN (Microfinance Institutions Network India) has released guardrails for lending in microfinance. The Bank has adopted the guardrails laid down by M-

FIN and adopted restrictive credit policies in pockets that are worst affected and in branches where the portfolio is under stress.

Given that the microfinance portfolio is subject to adverse event risks, the Bank also monitors area specific communal issues, protests, sub-lending/ring leader issues, snatching attempts and others. In addition to the above, industry level information is also collected from the credit bureau/s to compare the performance in states or districts.

For the ensuing financial year, in the GL and IL vertical there would be increased focus on staff productivity. The key projects include Hello Ujjivan repeat loans, SMELO Revamp. The Gold loans and Secured livestock book are also projected to grow in the coming years. The vertical is also prioritizing implementation of regulatory directives and pursuant to the November 16th 2023 guideline on Consumer credit, the vertical is strengthening the LUC mechanism. The vertical had an existing process of conducting LUC on repeat cycle loans and now the vertical has put up a LUC mechanism for fresh loans which has gone live in Q2 FY 2024-25.

Affordable Housing Loans (including M-LAP)

A comprehensive review of the Housing Portfolio is given below:

Rs. in Lakh

Housing Loans	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Gross Advances*	4,97,953	5,57,541	6,19,410	7,11,949	7,78,459
GNPA(Value)	7,109	7,390	6,855	7,630	8,771
GNPA%	1.43%	1.33%	1.11%	1.07%	1.13%

**Excluding IBPC/ Securitization/DA transactions*

Credit risk monitoring of Secured Housing loans is broadly done at two levels – account level and portfolio level. While regular portfolio reviews are undertaken to assess the health of the portfolio, the Bank also assesses inter-linkages of risks especially legal risk induced credit risk. Collateral related processes and procedures are reviewed to ascertain various gaps in the process. The Bank has designed monitoring mechanisms at process level encompassing credit deviations, collateral management, documentation etc. Regular reports are placed to the CRMC for further direction and actionable.

MSME (Micro and Small and Medium Enterprise)

A comprehensive review of the MSME Portfolio is given below:

Rs. in lakh

MSME	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Gross Advances*	1,41,507	1,51,416	1,69,382	2,04,662	2,25,346
GNPA(Value)	12,518	12,983	11,658	11,358	11,947
GNPA%	8.85%	8.57%	6.88%	5.55%	5.30%

At the commencement of FY 2023-24, the Bank's MSME unit underwent a comprehensive transition through discontinuation of all existing products and launch of new products. The MSME business will now focus on providing Loan Against Property (LAP) with semi-formal and formal customers as the target segment. In addition to LAP, the MSME vertical has also commenced to offer tailored products on working capital facilities, supply chain financing and loans sourced through Loan Service Providers (LSPs). The Bank is investing on internal capabilities to address the other business lines like Fintech Partnership, Supply chain financing, etc. This vertical also intends to leverage digital analytics for MIS/reporting automation. During the quarter, the vertical registered 10% growth quarter on quarter. Much of the GNPA has arisen from what was booked previously. The repackaged LAP product that has now run for a period in excess of 17 months, continues to perform well with no apparent signs of stress. However, cognizant of the fact that stress tends to build up as the portfolio ages, the Bank now has an independent monitoring unit within the MSME unit, which leverages on the EWS triggers to take proactive corrective action at the first sign of stress.

During the Q2 of FY 2022-23, the Bank set up a Health council under the ambit of Credit Risk Monitoring Unit (CRMU). The Health Council is mandated to specifically review delinquency cases and deliberate on ways to improve the asset quality of the MSME portfolio. The Health Council is convened at monthly intervals with representation from Credit, Risk, Collections and Business teams who are empowered to take decisions against erring borrowers.

Institutional Lending

A comprehensive review of the Institutional Lending Portfolio is given below: **Rs. in lakh**

FIG	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Gross Advances	1,79,974	2,04,234	2,25,732	2,78,521	2,79,816
GNPA(Value)	442	442	442	442	442
GNPA%	0.25%	0.22%	0.20%	0.16%	0.16%

As on June 30, 2025, FIG vertical has marginally increased the OSB Quarter on Quarter. As part of monitoring, the Bank regularly reviews compliance to financial covenants (Capital Adequacy Ratio, GNPA, NNPA, Debt/Equity ratio as stipulated in sanction letter), collection of CA certified receivables statement and potential Early Warning Signals (EWS) alerts.

Vehicle Loans

The Vehicle Loans vertical was also considerably revamped and sought to focus only on two-wheeler financing during the year. As a step towards the relaunch, a new LOS was adopted and the Bank has also embedded a scorecard in the LOS to facilitate decision making. New locations for the business were identified and locations where business was suspended

were revived.

A comprehensive review of the Vehicle loan Portfolio given below:

Rs. in lakh

VF	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Gross Advances*	23,945	28,540	40,097	49,521	58,778
GNPA(Value)	630	628	719	858	849
GNPA%	2.63%	2.20%	1.79%	1.73%	1.44%

**Excluding IBPC/ Securitization/DA transactions*

As on June 30, 2025, the vertical has registered a 18% quarter on quarter increase in its OSB. Functionality to collect repayments through third party payment aggregators and other online portals was also enabled to provide ease of transaction. The vertical also added new dealerships for Two-wheeler financing. The business model is focused on sourcing new loans through tie-ups with direct dealerships. The Bank has also developed a trade advance facility to dealers which is now active.

Gold Loans and Micro LAP:

With an objective to diversify away from Microfinance which is largely unsecured and reduce concentration risk, the Bank has placed top priority on venturing into new business lines which are secured by underlying collateral. The Bank intends on leveraging the synergy in the target customer segment and has identified Gold loans and Micro- LAP loans as key enablers to meet the dual target of secured loans ratio and profitability targets. Gold loan has registered an 71% growth in OSP compared to the previous quarter.

The Gold Loan product is now being offered in **280** branches covering **20** states with a plan to expand in **69** branches in the ensuing financial year.

Micro LAP as a product offering, was launched within the Housing unit to cater to the financing needs of customers with a collateral. The product has been launched majorly in Tamil Nadu, Karnataka and also in Maharashtra, Gujarat. The disbursement trends of the product are given below:

Rs. in lakh

Particulars	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Disbursement-MLAP	7,762	12,902	15,033	22,041	19,900

Credit Risk Monitoring Unit (CRMU)

As per management directives, CRMU was created during FY2023 within the Credit Risk Department under the supervision of the Bank's Chief Risk Officer. Some of the key activities undertaken by CRMU are:

- Conducted monthly Health Council with CRO, ED and CCrO as council members. The idea of these health councils is to provide an insight into ongoing concerns in the

MSME portfolio and get case specific feedbacks directly from the field which includes Regional Credit Managers, Business as well Collection Team

- Quarterly Quick Mortality analysis is being done by the CRMU and a report on the findings is placed at CRMC.
- File review of new products Elite LAP and Working capital loans on sample basis was started in March 2024.
- Developed a Dashboard internally to monitor the Bank's portfolio at a snap shot which includes IOD'S, NPA, Bucket Movements, Roll Rates, etc.

Other Credit Risk management initiatives:

In a continuous endeavour to improve risk management practices, the Bank has, over time, transitioned from being reactive to proactive. In the post pandemic period, the Bank has put in place tools and techniques in order to transition to a proactive approach.

- An initiative which the credit risk team took is on analysing the policy gap in various verticals. An analysis of the credit policy of peers was performed during the Quarter 1 FY 2025-26. The parameters were tested against the Bank's credit parameters and were presented in the management committee. Basis the peer analysis certain amendments in policy for a few products were recommended by risk.
- A control testing framework (POC- proof of concept) was approved at the RMCB and the Credit Risk Unit (Policy and CRMU) will test the framework against the process / activities identified and the commencement of testing of some parameters will begin from Q4 FY 2024-25. The Control testing framework will be open to incorporate any additional activities as and when it is required.
- Some parameters will need time for developing data and also building certain reports basis which testing can be done.
- Collection productivity analysis for Micro-banking was developed during the year to analyse the performance of the In-house collection officers, off roll collections officers and agencies.
- The Bank performed PDD and OTC documents analysis for Retail verticals on a timely basis.
- The Bank performed deviation analysis for Housing and MSME verticals during the quarter.

- During the year, the Bank's board approved the Quick Mortality framework for all the loans in the Bank.
- The Bank has developed an Early Warning System (EWS) framework at an account level to detect and monitor account level behaviour patterns. This framework aids in identifying early signs of stress in loan accounts for early intervention and follow-up. The Bank has onboarded a vendor to put in place a system to capture feedback and enable on going monitoring. The system is currently under configuration and is expected to go-live sometime in Q2 FY 2025-26.
- With the availability of credit and loan performance data in the post pandemic period, the Bank has restarted its risk analytics journey for development of statistical application scorecards. Application scorecards are being redeveloped with post pandemic data for microfinance, vehicle and housing loans. Leveraging on the EWS outputs, the Bank also intends on developing behavioural scorecards, the outputs of which will be used in advanced capital charge calculation frameworks (FIRB approach).
- The credit risk models are intended to aid the Bank in quantifying, aggregating and managing risk across geographical and product lines. The outputs of these models also play increasingly important roles in the Banks' risk management and performance measurement processes, customer profitability analysis, risk-based pricing, active portfolio management and capital structure decisions. Credit risk modelling will aid in better internal risk management and have the potential to be used in the supervisory oversight of banking operations. The Bank has commenced development of scorecards in GL and IL. IL and VF scorecard are directly used in pricing models warranting regular review. As part of ECL preparedness, Bank has developed PD and LGD models using historical data and statistical techniques. **Therefore, the Bank's Board has approved a policy to govern Model development, validation and ongoing monitoring. The Credit risk model validation essentially has qualitative as well as quantitative components.**
- RBI guidelines on loan pricing mandates delineation of spread components and assignment of benchmarks (MCLR or EBLR) to loan pricing, the Bank undertook an internal exercise to evaluate the reasonableness and effectiveness in pricing of loans to meet strategic imperatives. The Bank developed customised pricing models using internal data estimates and external benchmarking, wherever applicable. Further, these pricing models were carefully evaluated for alignment to business strategy, budgets, system feasibility, adherence to prudential risk management norms and also ensure compliance to RBI guidelines on interest rate management on advances. A salient feature in these pricing models includes adoption of a differential pricing matrix, in that, pricing of loans to borrowers would be risk adjusted to reflect the borrower's creditworthiness. The Bank believes that the introduction of Risk Based

Pricing (RBP) will aide in encouraging and incentivising borrower/s to maintain a long-term relationship.

6.2. Quantitative Disclosures

The overall distribution of Gross advances and Gross Loan Book is as under:

	Rs. in lakh			
Vertical	Gross Advances	%	Gross Loan Book	%
MB&RB	18,70,713	56.50%	18,70,713	56.20%
FIG Lending	2,79,816	8.45%	2,79,816	8.41%
Housing	7,78,459	23.51%	7,96,240	23.92%
MSE	2,25,346	6.81%	2,25,346	6.77%
Personal Loans*	2,232	0.07%	2,232	0.07%
Staff Loan	25,486	0.77%	25,504	0.77%
Vehicle Finance	58,778	1.78%	58,778	1.77%
Loan/OD Against Deposit/Gold loan	70,082	2.12%	70,082	2.11%
Total	33,10,911	100.00%	33,28,711	100.00%

*Residual book. Portfolio being run down; product discontinued.

Exposure summary: Facility type

Exposure Type	Domestic (Rs. in Lakh)	Overseas
Fund- Based exposure ¹⁴	48,67,822	--
Non- Fund Based Exposure*	94,957	--
LESS: CRM DEDUCTIONS (GNPA Provisions held)	(47,400)	
Total	49,15,379	--

*Non-fund-based exposure for purpose of computation of CRAR includes undrawn limits of MSME Overdrafts and KPC, yet to be disbursed portion of Secured Housing, MSME and FIG customers and Contingent liabilities.

Geographic Distribution of advances (State-wise)¹⁵ (Rs in lakh)

States	Advances	% Share
Tamil Nadu	4,55,547	13.69%
Karnataka	4,27,176	12.83%
West Bengal	3,88,248	11.66%
Maharashtra	3,29,476	9.90%
Gujarat	2,85,260	8.57%
Uttar Pradesh	2,29,415	6.89%
New Delhi	2,12,288	6.38%

¹⁴ Fund Based exposure is computed as per Basel II guidelines

¹⁵ Geography wise loans and advances is Including IBPC, Securitization and DA

Bihar	2,05,250	6.17%
Haryana	1,68,948	5.08%
Rajasthan	1,51,141	4.54%
Jharkhand	77,028	2.31%
Punjab	70,727	2.12%
Odisha	61,488	1.85%
Kerala	58,442	1.76%
Madhya Pradesh	56,333	1.69%
Tripura	42,430	1.27%
Assam	37,139	1.12%
Uttarakhand	17,625	0.53%
Telangana	15,899	0.48%
Chhattisgarh	13,226	0.40%
Pondicherry	11,216	0.34%
Chandigarh (UT)	5,771	0.17%
Himachal Pradesh	3,766	0.11%
Meghalaya	3,744	0.11%
Goa	1,019	0.03%
Andhra Pradesh	108	0.00%
Total	33,28,711	100%

Maturity pattern of assets and liabilities

Rs. in lakh

Buckets	Net Advances	Investments	Deposits	Borrowings
Day - 1	3,302	3,80,507	21,297	1,42,218
2-7 Days	32,278	21,505	1,30,882	-
8-14 Days	61,853	33,548	97,801	-
15-30 Days	75,227	44,881	1,44,321	-
31 Days and up to 2 months	1,95,726	44,209	3,28,995	-
Over 2 months and up to 3 months	2,09,293	68,732	3,95,316	3,912
Over 3 Months and up to 6 months	4,28,057	1,95,852	5,20,610	6,776
Over 6 Months and up to 1 year	6,47,817	1,71,165	8,12,292	13,549
Over 1 Year and up to 3 years	7,91,874	2,60,711	13,91,188	75,396
Over 3 Year and up to 5 years	1,62,538	10,291	17,974	29,574
Over 5 years	6,42,371	2,459	1,185	36,392
Total	32,50,336	12,33,859	38,61,861	3,07,817

Gross non-performing assets (NPA)

Rs. In Lakh

Category of Gross NPA	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Sub-standard	47,781.17	58,676.78	70,945.14	58,385.47	70,917.39
Doubtful	20,756.51	15,150.83	9192.6	10,161.08	11,443.72
Loss	1,186.78	1,168.47	985.11	1,041.98	1,073.83
Total	69,724.46	74,996.08	81,122.85	69,588.53	83,434.94

Rs. In Lakh

NNPA	June-24	Sept-24	Dec-24	Mar-25	Jun-25
Net NPA	23,124	28,408	33,494	28,243	36,035
NNPA after factoring Floating Provisions	11,124	16,408	16,494	15,243	22,612

NPA Ratios	June-24	Sept-24	Dec-24	Mar-25	Jun-25
Gross NPA to Gross Advances (excluding IBPC/Securitisation/DA) ¹⁶	2.52%	2.52%	2.68%	2.18%	2.52%
Net NPA to Net Advances (excluding IBPC/Securitisation/ DA) ¹⁷	0.41%	0.56%	0.56%	0.49%	0.70%

Movement of Net NPAs (Quarterly basis)

Rs. In lakh

Particulars	June-24	Sept-24	Dec-24	Mar-25	Jun-25
Year Opening Balance	7,629	7,629	7,629	7,629	15,243
Additions during the period	13,358	23,906	39,088	67,803	24,140
Reductions during the period	9863	15,127	25,223	59,190	16,348
Closing Balance	11,124	16,408	16,494	15,243	22,612

Movement of Provisions for NPAs (excluding provisions on standard assets)

Rs. in lakh

Particulars	June-24	Sept-24	Dec-24	Mar-25	Jun-25
Opening Balance	41,623	41,623	41,623	41,623	41,346
Provisions made during the period	12,449	26,301	41,399	47,558	22,883
Write back of excess provisions	7,473	21,336	35,394	47,836	16,829
Closing Balance	46,600	46,588	47,629	41,346	47,400

Provision Coverage Ratio (PCR)

Rs. in lakh

Category	Gross Advances*	GNPA on gross advances	GNPA Provisions on gross advances	Floating Provisions Considered for NNPA	PCR% on gross advances	PCR% on gross Loan Book
MB-RB	18,70,713	60886.1	35,846	13,000	80.23%	80.23%
FIG Lending	2,79,816	441.7	442	0	100.00%	100.00%

¹⁶ Gross NPA to Gross Loan Book (including IBPC/Securitisation/Direct Assignment) was 2.52% as on June 30, 2025

¹⁷ Net NPA to Net Loan Book (including IBPC/Securitisation/Direct Assignment) was 0.70% as at June 30, 2025

Housing	7,78,459	8771.3	3,534	0	40.30%	40.43%
MSME	2,25,346	11947.3	6,716	423	59.76%	59.76%
Personal Loans	2,232	301.6	222	0	73.48%	73.48%
Staff Loan	25,486	31.3	28	0	89.14%	89.14%
Vehicle Finance	58,778	849.3	546	0	64.24%	64.24%
Gold Loan/Loan Against Deposit	70,082	206.3	67	0	32.24%	32.24%
Grand Total	33,10,911	83434.9	47,400	13,423	72.90%	72.69%

***After netting off IBPC, Securitization & Direct Assignment**

Write off:¹⁸

Rs. in lakh

Particulars	Total Write off undertaken
Q1 FY 2025-26	15946.97

Non-performing Investments (NPI)

Amount of non-performing investments	NIL
Amount of provision held for non-performing investments	NIL

Movement of provisions for depreciation on investments

Particulars	Amount
Opening Balance	--
Provisions made during the period	--
Write-off	--
Write- Back of excess provisions	--
Closing Balance	--

6. Table DF-4: Credit Risk: Disclosures for Portfolios subject to the Standardised Approach

6.1 Qualitative Disclosures

- The Bank has adopted Standardized Approach for computation of capital charge under Credit Risk as per RBI guidelines. These guidelines envisage different risk weights for different asset classes, which have been duly applied.
- The loan book of the Bank predominantly comprises retail category loans. Therefore, the risk weights as applicable to Regulatory Retail, claims under Residential Mortgage and staff loans are applied. For consumer loans within its microfinance portfolio, the applicable risk

¹⁸ Write off includes actual write off and technical write off

weight is applied.

- Institutional lending is risk-weighted as per ratings assigned by Eligible Credit Rating Agencies (ECRA) as prescribed by RBI. During the year, the Regulator had issued specific guidelines with respect to treatment of exposures with instances of rating withdrawal and unrated exposures in relation to total borrowings from industry. The Bank has taken cognizance of the same.
- In terms of circular No. DBR.BP.BC.No.72/08.12.015/2016-17 dated June 7, 2017, the capital charge for claims secured by residential property falling under the category of individual housing loans is assigned differential risk weights based on the size of the loan as well as the loan to value ratio (LTV). As a countercyclical measure, RBI has decided to rationalise the risk weights, irrespective of the amount and only on the basis of LTV vide a notification on October 16, 2020. The Bank has taken cognizance of the same and these were incorporated for all loans sanctioned after the date of issuance of this circular. The Bank has factored the directions of RBI circular dated April 8, 2022 wherein, it was directed to continue with risk weights contained in the circular ibid for all new individual housing loans sanctioned up to March 31, 2023.

6.2 Quantitative Disclosures

Amount of the Bank's Exposures (rated & unrated) in major risk buckets – under Standardized Approach, after factoring Risk Mitigants (i.e. Provisions)

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk Weight – Position as on June 30, 2025		
Sl. No.	Risk Weight	Rs. in lakh
1	Below 100% Risk Weight	36,33,836
2	100% Risk Weight	7,88,926
3	More than 100% Risk Weight	6,00,840
4	Deductions (GNPA PROVISION)	(60,823)
5	Total	49,62,779

7. *Table DF-5: Credit Risk Mitigation: Disclosures for Standardised Approach*

7.1 Qualitative Disclosures

7.2 The Group Loan and Individual Loan portfolio, under microfinance is unsecured. Loans to the Affordable Housing segment are collateralized by a mortgage over the property financed. There are primarily secured product variants under MSME loans. Loans to Financial Institutions are secured by a charge over book debts which are registered with CERSAI. Vehicle loans are collateralised by a charge over the vehicle financed. In an effort to diversify from a greater reliance on the unsecured microfinance book, the Bank has introduced Microlap and

Gold loans. Both are secured products; microloan loans are collateralized by property, while gold loans are secured by pledge of gold.

The Bank accepts Eligible Financial Collateral¹⁹ in a few instances for risk mitigation under secured Institutional lending and MSME loans. These financial collaterals are netted off for its collateralized transactions under comprehensive approach²⁰ while computing its Risk Weighted Assets (RWA). The Bank regularly reviews the health of the portfolio/ borrowers and works on mitigation of any risk associated with the portfolio or borrower in particular through a combination of limits and restrictions.

The Bank has in place the following risk mitigation techniques for its loan portfolio which are as follows:

- Life insurance cover is voluntary for all the borrowers availing Bank's microfinance loans. Housing, 2-wheeler, and gold loans are provided with an option to avail a life insurance cover, though this is not a bundled offering along with the loan products.
- The Bank works with 4 Credit Information Companies (CICs) to ensure 100% application screening through the bureaus using their comprehensive credit reports.
- The Bank also undertakes independent surveys and analysis to identify negative areas/No-go areas based on historical events. These surveys enable the Bank to discourage increasing business from these areas as identified above.
- A negative list/negative area profile is maintained at a branch level to avoid exposure to those categories.

7.3 Quantitative Disclosures

7.3.1 Gold Loan:

For the portfolio under Micro Banking, Gold Loan product has risk mitigant which can be considered as eligible financial collateral in computing Risk Weight. Details are as follows:

Rs in Lakh

Description	Outstanding Balance	Mitigant	Risk Weight
Loan against Gold Ornaments	29,201.04	29,195.02	7.52

7.3.2 MSME Loans:

For the portfolio under MSME, FD backed overdraft is having eligible financial collateral. Details are as follows:

Rs in Lakh

Description	Outstanding Balance	Mitigant	Risk Weight
Loan against FD	40,674.42	40,674.42	0

¹⁹ Refer section 7.3.5 of Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline New Capital Adequacy Framework (NCAF) dated July 1, 2015

²⁰ Refer section 7.3 of Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline New Capital Adequacy Framework (NCAF) dated July 1, 2015

8. *Table DF-6: Securitisation: Disclosure for Standardised Approach*

8.1 Qualitative Disclosure

8.1.1 **Securitisation Objectives**

The Bank undertakes Securitisation transactions to increase the efficiency of capital and enhance the return on capital employed by diversifying sources of funds, managing liquidity and maximising yield on asset opportunities. The Bank has put in place appropriate policies for undertaking securitization transactions based on Master Directions – RBI (Securitisation of Standard Assets) Directions dt. 24.09.2021.(updated on December 5, 2022)

The overall framework for the Securitisation of Standard Assets for the Bank is specified in the Board approved policy on Securitisation of Standard Assets.

8.1.2 **The major risks inherent in Securitisation of Standard Assets and Transfer of Loans:**

Credit Risk: In case of Securitisation transactions, where credit enhancement (CE) is provided by the originator or any third party as permitted under the revised guidelines, the investor bears the loss in case the shortfall in collections exceeds the credit enhancement provided. If CE is provided in the form of a corporate guarantee, the investor bears the loss that could arise due to default by the guarantor which is also reflected in the rating downgrade of the corporate guarantor.

Market Risk:

- **Liquidity Risk:** Risk arising on account of absence of a secondary market, which provides exit options to the investor/participant.
- **Interest Rate Risk:** This is the mark-to-market risk arising on account of interest rate fluctuations.

Regulatory and Legal Risk: These risks may arise when transactions are not compliant with applicable laws which may result in the transaction being rendered invalid. Conflict between the provisions of the transaction documents and those of the underlying financial facility agreement.

Operational Risk

- **Co-mingling risk:** Risk arising on account of co-mingling of funds belonging to investor(s) with that of the originator and /or collection and processing servicer, when there exists a time lag between collecting amount due from the obligors and payment made to the investors.

Reputational Risk:

- This risk may arise due to rating downgrade of a securitised instrument due to unsatisfactory performance of the underlying asset pool.
- Inappropriate practices followed by the collection and processing agents

Prepayment Risk: Risk arising on account of prepayment of dues by obligors/borrowers in the securitised pool.

In addition to above, originators are exposed to pipeline and warehousing risks which refers to the event where originating banks are unable to off-load assets, which were originated with an intention of selling thus potentially exposing them to losses arising on declining values of these assets. The Bank does not follow the “originator to distribute” model and hence is not exposed to the pipelining and warehousing risks.

The Bank has established appropriate risk management processes to monitor the risks on Securitisation of Standard Assets which include:

Monitoring credit risk: The Bank, in the capacity of collection and processing agent prepares monthly performance reports which are circulated to investors/ rating agencies. The securitised pools are continuously monitored and those requiring attention are subjected to specific interventions (e.g. focused collection efforts in affected geographies) to improve their performance. The pool is also monitored by the rating agencies based on amortisation level, collection efficiency, credit enhancement utilisation levels and credit cover available for balance deal tenor.

Monitoring market risk: The Bank ascertains market value of the securitisation exposures based on extant norms, which is compared with their book value to assess the marked to market impact of these exposures monthly.

8.1.3 Roles Played by the Bank

Originator / Seller: The Bank originates assets in its book and subsequently sells down through the securitisation or assignment route.

Servicer: For sold assets, the Bank undertakes the activity of collections and other servicing activities including preparation of monthly pay out reports.

Provider of Liquidity Facilities: The Bank may provide liquidity facility to address temporary mismatches on account of the timing differences between the receipt of cash flows from the underlying performing assets and the fulfilment of obligations to the beneficiaries.

Credit Enhancement provider: The Bank provides credit enhancement on Securitisation ‘sale’ transactions undertaken by the Bank for meeting shortfalls arising on account of delinquencies and prepayment losses in the underlying pool sold.

8.1.4 Significant Accounting Policy for Securitisation and Direct Assignment of Standard Assets

The Bank as originator sells assets to a special purpose entity only on cash basis. Standard Assets transferred through securitisation are de-recognised in the Balance Sheet when they are sold (true sale criteria being fully met with) and consideration is received. Sales / transfers that do not meet true sale criteria are accounted for as borrowings. Standard assets transferred through direct assignment are de-recognised in the Balance Sheet of the Bank to the extent a portion of the rights, title and interest of the Bank in the underlying loans has been assigned. The Bank follows the accounting treatment specified in the revised

securitisation guidelines and transfer of loan exposure guidelines for any realised and unrealised gain arising from the securitisation transactions.

The Bank transfers advances through inter-bank participation with risk. In the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances.

8.1.5 Rating of Securitisation Transaction

The Bank used the ratings provided by CARE Ratings limited for the securitisation of retail pools and there has been no change to this rating since origination.

8.2 Quantitative Disclosures

Details of Securitisation exposures in the Banking Book

Rs.in Lakh

Total Exposures Securitised by the Bank*	-
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* Represents total exposure of loans securitised & sell-downs via Direct Assignment during Q1 FY 2025-26

For exposures securitised, losses recognised by the Bank during the current period broken by the exposure type

Rs.in Lakh

Exposure type	Losses
Pass Through Certificate (underlying assets being Loan against property)	-

Assets to be securitised within a year as on June 30, 2025

Rs.in Lakh

Exposure type	Amount
Amount of assets intended to be securitized within a year	-
Of which amount of assets originated within a year before Securitization	-

Total outstanding exposures securitised by the Bank and the related unrecognised gains/(losses)

Rs.in Lakh

Exposure Type	Amount*	Unrecognised gains / (losses)
PTC (underlying assets being Loan against property)	12,082	-
Direct Assignment	5,717	-
Total	17,799	-

*The total outstanding for Securitization and Direct Assignment as on June 30, 2025.

Securitisation exposures retained or purchased

Rs.in Lakh

Exposure Type	On Balance Sheet*	Off Balance Sheet	Total
Equity Tranche	1,263	-	1,263
Overcollateralization	758	-	758

Direct Assignment	635	-	635
Total	2,656	-	2,656

* Represents total principal amount of investment in Equity Tranche, Overcollateralization and Direct Assignment outstanding under risk sharing as at June 30, 2025.

Risk weight (RW) bands break-up of securitisation exposures retained or purchased

Rs. In lakh

Exposure Type	50% RW	75% RW	114% RW*	125% RW	Total
Equity Tranche (underlying assets being Loan against property)			1,263		1,263
Total			1,263		1,263

* Calculated as per formula prescribed in Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2022

Securitisation exposures deducted from capital –

Exposure Type	Exposure deducted entirely from Tier-1 capital	Credit enhancing interest-only strips deducted from total capital	Other exposures deducted from total capital
Overcollateralization	758	-	-
First Loss Credit Enhancement	1,263	-	-
Total	2,021	-	-

Details of Securitisation Exposures in the Trading Book: NIL

9. Table DF-7: Market Risk in Trading Book

9.1 Qualitative Disclosures

9.1.1 Overview of Market Risk Management

The Bank defines Market Risk as the risk of loss in on-balance sheet and off-balance sheet positions arising from movements in market process, in particular, changes in interest rates, exchange rates and equity and commodity prices. The Bank has adopted the Standardized Duration Approach (SDA) for Market Risk capital charge computation. While this is not a regulatory requirement as per SFB guidelines, the Bank has considered it prudent to undertake capital adequacy assessment for all Pillar I risk i.e. Credit, Market and Operational Risk from a governance perspective.

The Bank has a well-defined Investment and Market Risk Management Policy. This policy covers all important areas of market risk identification, monitoring and measurement. The

policies set various prudential exposure limits and risk limits for ensuring that the investment and trading operations are in line with the Bank's expectations of return and risk appetite.

The Treasury Department of the Bank comprises 3 independent units i.e. Front Office, Middle Office and Back office. The Front Office is responsible for trading, investment and fund management activity. Front Office is headed by Head of Treasury and is guided by Board approved Investment Policy. Middle Office is responsible for limit monitoring, valuation, regulatory / internal reporting and risk evaluation. Middle Office reports to Chief Risk Officer. Back office is responsible for settlement and reconciliation activities which reports to Head of Operations.

Investments: The Bank has a Board approved policy to make investments in both SLR and Non SLR securities. The Bank had investments in the following instruments: Government of India Securities (G Sec), Treasury Bills (T Bills), State Development Loans (SDL), Certificate of Deposits (CD), Commercial Papers (CP), Debt Mutual Funds (MF), Non-Convertible Debentures (NCD), Equity IPO's and one legacy investment in an unquoted equity. The Bank had also made a token investment in a New Umbrella Entity (NUE) in association with National Payment Corporation of India (NPCI) and investment of Rs. 1,263 lakhs as Pass through Certificates as part of the Securitisation deal executed during FY 2022. The Bank resumed investments in non SLR securities such as certificate of deposits, commercial papers, NCDs and Mutual Funds after successfully completing the automation of NPI module. The Bank has also secured necessary approvals to commence investments in select IPOs as a way to deploy short term surpluses and generate the alpha. This is now a growing portfolio, especially since the Bank has consistently been in a situation of surplus liquidity, most of which has been channelised into NSLR investment to mitigate the impact of negative carry. As on June 30, 2025, the investment holdings in various SLR and Non SLR instruments were as under:

Rs. in lakh

	AFS		HFT		HTM		FVTPL	
Instruments*	BV	MV	BV	MV	BV	MV	BV	MV
<u>SLR</u>								
G Sec	0.00	0.00	3,603.27	3,603.27	5,73,558.88	5,78,653.85	0.00	0.00
SDL	0.00	0.00	472.19	472.19	2,94,599.42	3,01,063.42	0.00	0.00
T Bill	55,274.75	55,274.75	2,486.78	2,486.78	0.00	0.00	0.00	0.00
Total SLR	55,274.75	55,274.75	6,562.24	6,562.24	8,68,158.30	8,79,717.27	0.00	0.00
<u>Non-SLR</u>								
PTC	0.00	0.00	0.00	0.00	0.00	0.00	1,262.94	1,402.80
Equity	0.00	0.00	0.00	0.00	0.00	0.00	42.47	42.47
CP	0.00	0.00	33,815.36	33,815.36	0.00	0.00	0.00	0.00
CD	0.00	0.00	1,48,328.01	1,48,328.01	0.00	0.00	0.00	0.00

MF	0.00	0.00	0.00	0.00	0.00	0.00	53,140.05	53,140.05
NCD	0.00	0.00	67,275.20	67,275.20	0.00	0.00	0.00	0.00
Total Non-SLR	0.00	0.00	2,49,418.57	2,49,418.57	0.00	0.00	54,445.46	54,585.32
Total	55,274.75	55,274.75	2,55,980.81	2,55,980.81	8,68,158.30	8,79,717.27	54,445.46	54,585.32

* In the above table, Security Receipts amounting to Rs. 3,015.44 lakh is not included as the same is fully provided for in books of accounts.

During Q1 FY 2026, in the SLR segment, besides trading, the Bank participated in OMO, Switch and Buy-back operations, aligning with its strategy to optimise yield and duration amidst evolving interest rate expectations. The HTM book was maintained at an average of ~23.12% of NDTL with a steady rise in Modified Duration from 4.73 to 5.19 years, positioning the portfolio to benefit from potential rate cuts while limiting MTM risk from future hikes. Average SLR maintained exceeded regulatory requirements, reflecting a prudent liquidity stance.

The investment into SLR securities is undertaken for the purpose of regulatory compliance i.e., SLR maintenance and for Asset Liability Management (ALM). Investment in SLR securities is held as both HTM and AFS; majority of investments in AFS is in the form of Treasury Bills with small part of the AFS portfolio held in Central Government securities. The mandatory requirement for maintenance of SLR as stipulated by RBI is 18.00% of Net Demand and Time Liabilities (NDTL). The Bank has complied with the regulatory SLR requirement and has maintained SLR much above the requirement. During the quarter, the average SLR requirement and maintenance was as below:

Rs. in lakh			
Month	Average SLR requirement	Average SLR maintenance	Average SLR requirement maintained as a % of NDTL
Apr-25	6,37,733	8,53,133	24.10%
May-25	6,44,702	8,25,637	23.05%
Jun-25	6,56,361	8,65,768	23.74%

The maintenance of SLR was higher than the minimum requirement which is in line with its Board directive. The Bank maintains a higher SLR on account of two reasons viz. 1) risk management, in that, to ensure a cushion in case of a contingency, to keep a healthy Liquidity Coverage Ratio (LCR) at all times and also to ensure that the regulatory thresholds for the Structural Liquidity Statement (SLS) limits are not breached and 2) availability of liquid assets for non-SLR investments as an avenue to optimise the yield on investment portfolio.

Trading: The Bank is actively trading in G-sec market on an intraday basis and also carries overnight position in HFT portfolio, the trading positions are governed by stop loss limits to minimise the loss should there be a volatility in the market. The trading limits in the form of

duration limits, PV01 limits, trading book limit, exposure limits and Value at Risk (VaR) are monitored regularly by the Middle Office. Any instance of breach in limits is brought to the notice of stakeholders and remedial measures taken.

The Bank resumed non SLR investments from June 2023 onwards and has made investments in CD, CP, NCD and debt and liquid mutual funds. The investment is undertaken with an objective of diversifying the investment portfolio and maximising the yield on the investment portfolio by deploying surplus liquidity. The transactions in non SLR investments were within the Board approved policies and regulatory thresholds. The Bank had made selective investments in equity IPO during Q1 of FY 2026 and the investments were within the Board approved policies and thresholds. All investments made were liquidated upon listing.

9.1.2 Liquidity and Liquidity Risk Management:

Treasury Department is primarily responsible for the day-to-day liquidity and fund management with an oversight by the ALM desk. The day-to-day fund excess or shortfall is arrived at based on a daily liquidity statement prepared by Front Office in co-ordination with Finance department. Based on the daily shortage or excess funds, Front Office undertakes money market borrowing and lending activity. The source of borrowing and lending amongst Call money, Repo, TREPS and CROMS is decided based on the most favourable rate. The regulatory limit on Call/Notice money borrowing and lending is monitored on a daily basis by Middle office and reported to all stakeholders.

Market Risk team keeps the senior management and the Board apprised of the Liquidity situation of the Bank through regular updates to the ALCO and RMCB. As a part of the update, a detailed analysis on cash flow projections, recommendations, constraints (if any), scenario analysis on various regulatory ratios and ALM position of the Bank are being placed at regular intervals.

Liquidity Risk Management is governed as per the provisions of the ALM policy. The ALM position for the Bank was well managed and regulatory thresholds complied during the quarter. The Bank has various avenues to leverage upon in mitigating any future liquidity shortfalls. Some of the measures include securitization, Direct Assignment, IBPC transactions, refinance and term loan facilities from Bank. The Bank is prioritizing long-term funding through deposit mobilization and refinance borrowings.

9.2 Quantitative Disclosures

Liquidity Coverage Ratio (LCR) Q1 FY 2026

The objective of the LCR is to promote the short-term resilience of a bank's liquidity risk profile, ensuring that it has adequate stock of unencumbered high-quality liquid assets that can easily be converted into cash to meet its liquidity needs in an acute stress scenario lasting for 30 days.

Liquidity Coverage Ratio			
	Q1 Quarterly Average		Rs. in lakh
		Amount	Adjusted Amount
A	High Quality Liquid Assets		
	Level 1 Assets	8,61,959.82	8,61,959.82
B	Total Stock of HQLAs	-	8,61,959.82
C	Cash Outflows	30,19,886.37	7,34,904.95
D	Cash Inflows	2,43,567.23	1,58,784.43
E	Net Cash flow	27,76,319.14	5,76,120.52
F	25% of Total Cash Outflow	7,54,971.59	1,83,726.24
G	Higher of E or F	-	5,76,120.52
Liquidity Coverage Ratio		149.61%	

Net Stable Funding Ratio (NSFR): NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. "Available Stable Funding" (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required Stable Funding") (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures. The minimum NSFR requirement set out in the RBI guideline is 100%.

The Bank's NSFR as at June 30, 2025 was 140.49% as against RBI minimum requirement of 100%.

Rs. In Lakh	
NSFR	Weighted Amount
Total Available Stable Funding (ASF)	33,12,435.77
Total Required Stable Funding (RSF)	23,57,695.54
NSFR	140.49%

10. Table DF – 8: Operational Risk

10.1 Qualitative Disclosures

10.1.1 **Operational Risk Management Policy and Governance Structure**

For effective management of Operational Risk, the Bank has constituted an Operational Risk Management Committee (ORMC) chaired by MD & CEO. This Committee, which is convened by Chief Risk Officer meets at least once every quarter to provide an oversight on key operational risk issues, the summary of which is presented to the Risk Management Committee of the Board (RMCB). The Bank has in place a Board approved Operational Risk Management policy updated to include the latest guidance note on Operational Risk Management and Operational Resilience published by RBI issued on 30th April 24.

Operational Risk is one of the major risks that the Bank faced in its day-to-day activities. This emanates primarily from its microfinance business, where the operating processes, especially collections/repayment remain people driven. The Bank has been progressively digitizing some of the processes, but these bring with it attendant challenges in Operational Risk and Information Security risk challenges. Over a period, the Bank has developed a framework for oversight of this critical activity. Aside from operational risk challenges seen in microfinance business, the Bank also is exposed to Operational risk in its other areas of activities including activities that are localized in the Corporate Office.

Four of the initiatives taken during the year were the following:

1. Enhanced State Level Heatmaps to record operational risk originating from the Bank's business in each of the states. Historically, the Bank has had a process of granular operational risk management through a scorecard matrix introduced at inception. Since the Bank has a repository of historical data from this exercise, the Bank is now leveraging outputs from an internal Data Science and Decision Management (DSDM) to provide granular insights on key operational risk triggers that affect the performance in each state. This analysis is presented on a M-o-M basis for corrective action, especially in states or branches where the risk triggers are recurring. When compared with Q1 FY'26 with Q1 FY'25, there has been a decrease of 5 states (56%) which were in red category in overall performance of key operational parameters. The shift indicates a positive trend.
2. The Bank has developed Risk postures for all its critical business activities. This is an enhancement of the conventional RCSA process and includes, at a design level, an end-to-end capture of the transaction journey, including also regulatory implications, at each stage, if applicable. At a design level, this has been completed for all the business verticals. The Bank has also completed the testing of the operating effectiveness of the controls for three major business verticals namely Housing Loan, Vehicle Finance and Gold Loan as on quarter ending June, 2025. The outcomes and recommendations out of the testing have been shared with the respective business units for further enhancements of the processes and strengthening the operational efficacy. Historically, the Operational Risk team has been conducting the IFC exercise annually, in addition to having an oversight on the RCSA activity being led by the first line of defence. As such they have a repository of test samples that can be used to test the operating effectiveness.
3. Outsourcing activities and Business Continuity received additional focus during the financial year. While the Bank has an Outsourcing SOP in place, the focus hitherto has been more silo based. The transition during the year was to apprise a comprehensive risk posture of the Bank's outsourcing portfolio at an organization level. This exercise has resulted in identifying vendors that are critical to the Bank's operation, and which require greater attention from a Risk Management perspective. The Bank is currently

undertaking a comprehensive review of all checklists and templates used for classification and periodic monitoring along with the process enhancement.

4. The Bank has completed the annual revision exercise of the Critical Processes review & the Business Impact Analysis (BIA) and enhanced the business continuity management policy with the revised list of Critical Processes, Critical Vendors and Critical applications of the bank.

While the above mentioned were the key initiatives taken during the year, the Operational Risk Unit continued with its Business-as-Usual activities which included process reviews, UAT testing including review of BRD, oversight of RCSA, monitoring of Key Risk Indicators both at an organizational level and at select functional level. Significantly, as required by regulation, the Bank has developed Key Risk Indicators for its Digital payment activity, the results of which are monitored at ORMC.

Loss Data Management is in place to record material incidents and learnings from errors and strengthening existing controls. Incidents are recorded as operational loss and near miss events. This is followed by a Root Cause Analysis (RCA) for critical incidents. The process which used to be manual is in the final stages of automation, with the incident reporting module will be implemented across all the branches and departments before Q2 FY'26.

The Bank has created a separate General Ledger Code (GLC) to record losses (separate for fraud and non-fraud) on account of these incidents, and these are reported to the ORMC & Board at regular intervals.

The incident reporting process enables creation of loss database as per Basel definitions. The activities broadly include the following:

- Reconciliation of General Ledgers (GL) to operational loss as recorded by ORMD
- Root Cause Analysis (RCA) of critical events
- Quarterly loss data submission to ORMC

Loss Dashboard for YTD FY 25-26 (as on June'25)²¹:

²¹ >Gross loss refers to total amount involved in the reported incidents, Net loss refers to loss which got netted off post recoveries and Operational loss refer to the actual loss booked in Operational loss GL (Fraud & Non-fraud) in case of unsuccessful recovery efforts.

> Out of the 903 incidents reported in YTD June'25, 501 (~55%) were from "Cash Excess" and "Cash Shortage", owing to inclusion of all incidents reported, irrespective of amount.

Event Type	Count of Incidents		Loss in lakhs			
	YTD June'24	YTD June'25	YTD June'25			YTD June'24
	Total	Total	Gross	Net	Ops Loss	Ops Loss
Business Disruption and Systems Failures	63	72	₹ 0.83	₹ 0.81	₹ 0.19	₹ 0.24
Clients, Products, and Business Practice	4	1	₹ 0.00	₹ 0.00	₹ 0.00	₹ 1.43
Damage to Physical Assets	5	15	₹ 0.00	₹ 0.00	₹ 0.00	₹ 0.00
Employment Practices and Workplace Safety	5	6	₹ 0.00	₹ 0.00	₹ 0.00	₹ 0.00
Execution, Delivery, and Process Management	447	667	₹ 33.05	₹ 21.86	₹ 1.67	₹ 53.86
External Fraud	47	92	₹ 30.90	₹ 8.96	₹ 0.74	₹ 8.06
Internal Fraud	127	61	₹ 88.36	₹ 60.46	₹ 56.66	₹ 36.68
Total	698	914	₹ 153.13	₹ 92.09	₹ 59.26	₹ 100.27

The Ops Loss Recovery done as on date (30th June'25) pertaining to Operational Losses booked in previous financial years is Rs. 3.41 Lakh

Key Risk Indicators (KRIs) are measurable metrics that provide an early warning signals of potential risk exposure before it becomes critical for the Bank. KRIs were revamped in Q1 FY'26 with updated parameters and thresholds, aligned to current scenario and observed trends. KRIs are monitored monthly across 8 Business departments, 2 support functions and at the Organisational level with 180 parameters. KRI dashboard is published to respective department and correction measures are taken in case of KRI breaches.

User Access reviews are conducted for critical applications to ensure that access and role matrix are well defined, and that access is commensurate with the responsibility assigned. In FY'26, the annual user access review was performed for critical applications which are used by the Bank and findings and necessary recommendations were shared with respective stake holders for initiating corrective action.

Exceptions Handling Mechanism is an initiative commenced from July 2020 to strengthen monitoring and oversight mechanism. As per the Board's directive, exception reports are to be monitored by the respective department and Operational Risk Management team to provide the oversight. The existing list of exception reports is being shared with the relevant departments in a phased manner. In Q1 FY'26, a total of 15 reports were provided to the Branch Banking team for monitoring and if any observations are identified during this process these will be addressed through appropriate corrective actions by the Branch Banking team.

Information Security Risk:

The Information Security Management Committee is tasked with managing and monitoring Key Risks Indicators and Key Performance Indicators, Third Party Risk Assessments (TPA), Security Project Management, managing and monitoring the vulnerability assessment and penetration testing program of the Bank, managing the Bank's ISMS (Information Systems Management Standard), regulatory and statutory compliances, formulating policies, processes and procedures relating to information security, risk assessments etc. The Security

Operations – (known as Blue team) is tasked with managing the Security Operations Centre (SOC). The key activities of SOC include and are not limited to log monitoring, threat intelligence, incident management, evaluating the effectiveness of security devices, etc.

The Red Team – comprised of ethical hackers whose primary responsibility is to simulate and mount attacks similar to what a malicious attacker would do in a real-world scenario, which serves two purposes:

- Assess the effectiveness of and strengthen the Blue team.
- Evaluate the security of the infrastructure from an attacker's viewpoint; and
- Identify these vulnerabilities and plug in gaps before the same can be taken advantage of.

11. Table DF-9: Interest Rate Risk in the Banking Book (IRRBB)

11.1 Qualitative Disclosures

Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings and economic value of a bank's banking book as a consequence of movement in interest rates. For banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL). The Bank has identified the risks associated with changing interest rates on its exposures in the banking book from both a short-term and long-term perspective.

The interest rate risk is measured and monitored through two approaches:

- Earnings at risk (Traditional Gap Analysis): The impact of change in interest rates on net interest income is analysed under this approach and calculated under yield curve approach. Under this approach a parallel shift of 200 bps is assumed both in assets and liabilities.
- Economic Value of Equity (Duration Gap Approach): Modified duration of assets and liabilities is computed separately to arrive at modified duration gap. A parallel shift in yield curve by 200 bps is assumed for calculating the impact on economic value of equity. Additionally, the Bank has also performed steepening of yield curve wherein a change in 100 bps was considered linearly between 14-day and over 15-year maturities and using an inversion of the yield curve wherein 1-year rates were increased by 250 bps and 10-year rates were decreased by 100 bps. Such shocks are monitored regularly to assess the impact of interest risk on the Bank's book and its potential impact on the Bank's business projections. These scenarios are as per the RBI guidelines on stress testing dated 02 Dec 2013.
- As a risk measurement tool, the Bank has developed an IRRVaR model to aid in applying a Pillar II capital charge under ICAAP under pre-specified breaches to internal limits.

11.2 Quantitative Disclosures

11.2.1 Earnings at Risk (Earnings Perspective)

Rs. in Lakh

Interest Rate Risk in the Banking Book (IRRBB)		
Sl. No.	Country	Interest Rate Shock

		+200 bps shock	-200 bps shock
1	India	-2,135.51	2,135.51
2	Overseas	-	-
	Total	-2,135.51	2,135.51

11.2.2 Economic Value Perspective (MDG Approach)

Rs. in Lakh

Category	Items	Amount
A	Computation of Aggregate RSA	46,15,987.64
B	Computation of Aggregate RSL	41,69,678.75
C	Weighted Avg. MD of RSL across all currencies	0.9000
D	Weighted Avg. MD of RSA across all currencies	1.7100
E	Modified Duration Gap (MDG)	0.8970
F	Change in MVE as % of equity for 200 bps change in interest rate	14.56%
G	Change in MVE in absolute terms	82,785.72

12.2.3. Economic Value Perspective (Steepening of Yield Curve)

The Bank calculated the change in MVE using steepening of yield curve wherein a change of 100 basis points was considered linearly between 15-day and over 25-year maturities. Change in MVE under this scenario was (Rs.34,816 lakh).

12.2.4. Economic Value Perspective (Inversion of Yield Curve)

The Bank calculated the change in MVE using Inversion of yield curve wherein one -year rate was increased by 250 basis points, and 10-year rate was decreased by 100 basis points. Change in MVE under this scenario was (Rs.5,583 lakh).

12. Table DF-17: Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure Measure

Rs in Lakh

Summary comparison of accounting assets versus leverage ratio exposure measure		
	Item	Amount
1	Total consolidated assets as per published financial statements	36,50,254
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	12,60,797
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	-

5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	41,326
7	Other Adjustments	-43,229
8	Leverage ratio exposure	49,09,148

13. Table DF-18: Leverage Ratio Common Disclosure Template

Rs. in lakh

Table DF-18: Leverage ratio common disclosure template		
	Item	Amount
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	49,11,051
	Domestic Sovereign	9,29,830
	Banks in India	49,591
	Corporates	2,81,202
	Exposure to default fund contribution of CCPs	174
	Other Exposure to CCPs	
	Others	36,50,254
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-43,229
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	48,67,822
	Derivative exposures	-
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-

101	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
111	Total derivative exposures (sum of lines 4 to 10)	-
	Securities financing transaction exposures	-
122	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
133	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
144	CCR exposure for SFT assets	-
155	Agent transaction exposures	-
166	Total securities financing transaction exposures (sum of lines 12 to 15)	-
	Other off-balance sheet exposures	
177	Off-balance sheet exposure at gross notional amount	94,957
188	(Adjustments for conversion to credit equivalent amounts)	53,631
199	Off-balance sheet items (sum of lines 17 and 18)	41,326
	Capital and total exposures	
200	Tier 1 capital	5,65,413
211	Total exposures (sum of lines 3, 11, 16 and 19)	49,09,148
	Leverage ratio	
222	Basel III leverage ratio	11.52%

Presently the contribution of Tier I capital to Total Basel II capital is 93.05%. The business model of the Bank is relatively simple with a significant portion as fund-based assets. The Leverage ratio is well above the benchmark of 4.5%.
