27TH ANNUAL REPORT 2026

KRISHNA BHIMA SAMRUDDHI (KBS) LOCAL AREA BANK LIMITED

REACHING THE UNREACHED

Glimpses of Bank operations

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CORPORATE INFORMATION

Board of Directors

Name	Designation	
Mr. Syed Mohammad Farooque Shahab	Non-Executive Independent Part-Time Chairman	
Mr. Durga Prasad Donepudi	Managing Director & CEO	Till 30 June 2026
Mr. V. Narsi Reddy	Director	
Mr. V. Jaganmohan	Director	Till 14 August 2025
Mr. D. Indu Sekhar	Director	
Mrs. B. Vijayalakshmi	Director	Till 30 April 2026
Mrs. Geetha Mikkilineni	Director	Till 30 April 2026
Ms. Vineet Rastogi	Director	With effect from 12 May 2026
Mr. T. Srinivasa Rao	Director	With effect from 25 June 2026
Mr. N Murali Krishna	Director	With effect from 25 June 2026
Mr. Sorabh Dhawan	Managing Director & CEO	With effect from 1 July 2026

Key Managerial Personnel

Name	Designation	
Mr. Durga Prasad Donepudi	Managing Director & Chief Executive Officer	Till 30 June 2026
Mr. J. Murali Krishna	Chief General Manager & Chief Financial Officer	
Mr. Subir Boity	Company Secretary & Chief Compliance Officer	
Mr. Sorabh Dhawan	Managing Director & CEO	With effect from 1 July 2026

Senior Management Personnel

Name	Designation	
Mr. T.R.V. Satyanarayana	Executive Director	Till 30 April 2026
Mr. J Murali Krishna	Chief General Manager & Chief Financial Officer	
Mr. B Sudhakar	General manager & Chief Credit Officer	
Mr. L. Ram Mohan Rao	General Manager & Chief Operating Officer	

Statutory Auditors:	**Registrar and Transfer Agent:**	**Corp & Regd. Off:**
M/s. KVSRY & Associates Chartered Accountants Hyderabad Firm Regn. No. 08169S	M/s. Bigshare Services Pvt. Ltd 306, Right Wing, 3rd Floor Amrutha Ville, Opp. Yashoda Hospital, Somajiguda, Rajbhavan Rd Hyderabad – 500082 Tel: 040-40144582 Email: bsshyd1@bigshareonline.com	1-98/8 to 11/FC/501 and 1-98/8 to 11/FC/502, 5th Floor, Fortune Chambers, Image Garden Function Hall Lane, Silicon Valley, Madhapur, Hyderabad -500 081 Tel: 040-4192 3047 www.kbsbank.bank.in

ABOUT US

Krishna Bhima Samruddhi Local Area Bank

KBS Bank (Krishna Bhima Samruddhi Local Area Bank) started operation in 2001. KBS Bank is one of the two Local Area Banks presently operating in the country. Today, the Bank operates in thirteen districts in three States viz. Jogulamba Gadwal, Mahabubnagar, Medchal-Malkajgiri, Nagarkurnool, Narayanpet Ranga Reddy, Vikarabad and Wanaparthy in Telangana; Prakasham and Bapatla in Andhra Pradesh and Kalaburagi, Raichur and Yadgir in Karnataka covering 1768 villages. As on date, the Bank has 29 branches, 14 Business Correspondent outlets spread across the above districts.

The Bank has its Registered office and corporate office at Madhapur, Hyderabad in Rangareddy District, Telangana State.

What sets apart KBS is its business model, perhaps it is the only Bank in the country, whose business model has been built on 'Financial Inclusion' as its core objective and 'Micro Finance' as its delivery model. Right from the beginning, Bank had adopted the mission **“to be a sustainable local community-based institution, providing financial services to the under- served”**. Over the years, the Bank had taken numerous initiatives in this direction and the Mission and Vision of the Bank

has been revised to read as follows:

Mission

To be a partner in progress of our customers by
- Delivering simple, dependable and innovative Banking services
- Being cost effective using technology effectively
- Being proactive in understanding customers’ needs and preferences and
- Connecting the last mile in Banking to the doorstep of our customers.

Vision

- Make a difference by creating value for the under-served and un-served customers

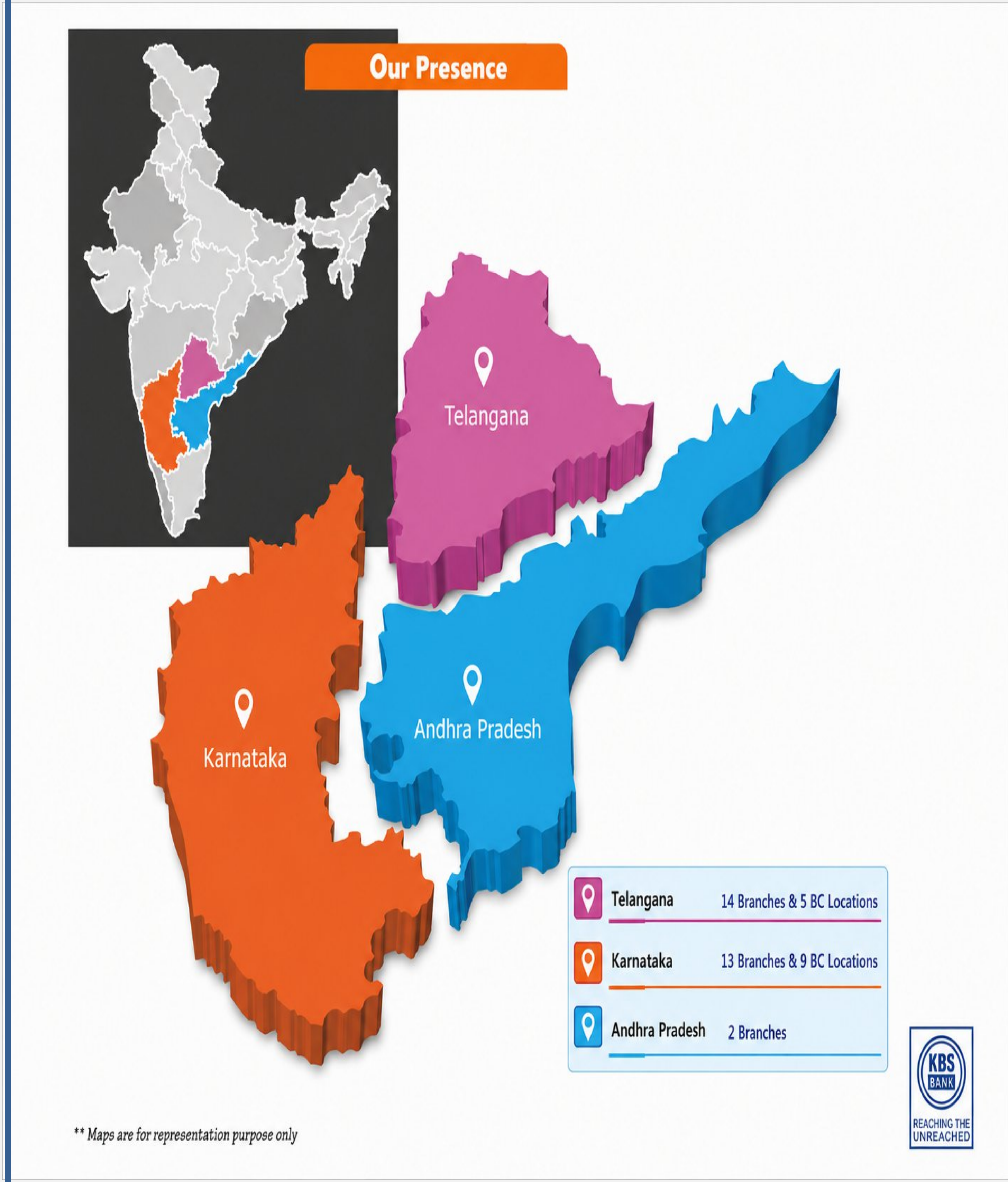
In keeping with its mission, the Bank had been offering various savings and credit products to its customers, customized to suit their requirements. It also provided service at the doorstep of the customer, for both deposits as well as credit, keeping in mind the specific needs of the segment it serves.

As regards credit, the Bank offers wide range of loans catering to different segments, especially the poor and the under-served to meet their various needs across a wide spectrum of economic activities. While non-farm micro enterprises form a major part of the loans of the Bank, loans to small and marginal farmers for agriculture and dairy farming also account for a sizable portion of the total credit. Bank offers Sukshma Loan with minimum loan amount of Rs.10,000/- to women customers through the Customer Service points in remote areas.

Technology

The Bank has always been operating in a fully computerized environment. Since the year 2010, the Bank has migrated to a Core Banking Solution. Bank operates in B@ncs24, a CBS software provided by C-Edge Technologies Ltd. under ASP model. The Bank also offers alternate delivery channel products such as ATM, Mobile Banking, IMPS, NEFT, RTGS, UPI and POS terminals. Bank has 22 ATMs in operation. Bank has established a network of Customer Service Points to provide Banking services to customers in remote areas which functions through Handheld Devices, also offers AePS, account opening etc., and these services are being handled through Business Correspondents. Bank has received approval from UIDAI for on boarding e-KYC functionality and for AePS payments. More details on the website of the Bank **www.kbsbank.bank.in.**

Our Presence



Board of Directors & Profile

Mr. SM Farooque Shahab is a professional Banker with more than 40 years of experience in Banking. He retired as Chief General Manager (Internal Audit) in State Bank of India on 31st March 2021. During his service in State Bank of India, he served in various positions and assignments in India and foreign countries such as Chief General Manager, (Internal Audit), Chief General Manager, SBI, Bangalore Circle, Regional Head & CEO, SBI Middle-East & North Africa, General Manager, SME Business Unit, General Manager, Northeast Circle, General Manager, Hyderabad Circle, CEO, SBI Retail Banking, Bahrain and Asst. General Manager (Credit-CEE & MENA), SBI, International Banking Group etc.

Mr. Sorabh Dhawan is a seasoned banking and financial services professional with over 19 years of experience across banking, NBFCs, corporate finance, SME lending, supply chain finance and digital financial services. He has held senior leadership positions at CEO-PSB Xchange, SG Finserve Limited, Kotak Mahindra Bank, Aditya Birla Finance, Bank Dhofar and HDFC Bank. His expertise includes business growth, P&L management, risk management, fundraising, regulatory compliance, corporate governance and technology-driven financial solutions.

He holds an MBA from the University of Aberdeen and is recognized for his strategic leadership and ability to build high-performing teams and drive sustainable growth.

Mr. V Narsi Reddy M.Sc. (Agriculture) is a professional Banker with more than 31 years of experience in Banking. He Retired as General Manager in State Bank of India in June 2019. In his career in State Bank of India, he had worked in different areas of Agriculture Finance, General Banking, MSME, Mid-Corporate, Corporate Finance, Information Technology, Digital Banking, Risk Management, Audit, Human Resource Management etc.,

He was also the Chairman of Andhra Pradesh Grameena Vikas Bank (APGVB) for above 54 months on deputation from SBI as General Manager.

Mr. Dantu Indu Sekhar is a Professional Banker with 40 years of experience in Banking. Retired as General manager from State Bank of India in June-2019. He had rich experience in all verticals of Banking viz; SME, Corporate Finance, Retail, Agri/Micro Finance, Audit and Treasury. During his tenure in State Bank of India, he served as General Manager (Management Audit), General Manager, Chennai Circle, General Manager, Corporate Centre, Mumbai, Deputy General Manager, Goa, Vice President (Treasury and Investments), SBI Capital Markets Ltd, Mumbai. He was Convener of the State Level Bankers Committee, State of Goa. He is also a Qualified Resolution Professional. He joined the Bank's Board in October 2022.

Mr. Srinivasa Rao Tenali is a former Chief General Manager and Ombudsman of the Reserve Bank of India, with over 37 years of experience in central and commercial banking. His expertise spans banking regulation, supervision, consumer protection and fair practices. He has extensive experience in conducting Risk-Based Supervision inspections of banks, including overseas branches, and currently serves as an Independent Director, Strategic Advisor and Member of RBI's External Advisory Committee.

He holds a B.Sc. from Nagarjuna University, an MBA in Banking and Finance, CAIIB certification and a Diploma in Treasury and Risk Management from the Indian Institute of Banking & Finance. He brings significant regulatory, supervisory and governance expertise to the Board.

Ms. Vineet Rastogi worked with State Bank of India for over 37 years and retired as Director & General Manager from State Bank Institute of Innovation and Technology, an Apex Training Institute. In her various assignments she worked in areas viz Retail, Operations, Technology, HR, SME and Agriculture banking. Some of her key assignments were DGM BPR, Corporate Centre, DGM Business and Operations, Mumbai Zone, Regional Manager, Hyderabad, and headed branches like Tenali Main, PBB Jubilee Hills, Gowliguda and AC Guards. She joined KBS Bank as Director from May 2026.

Mr. Nanduri Murali Krishna is a seasoned banking professional with over 42 years of experience across public and private sector banks, including Kotak Mahindra Bank, ICICI Bank, Bank of India and State Bank of Patiala. His expertise spans corporate banking, structured credit, asset reconstruction, treasury, forex, retail banking, agriculture finance and banking operations.

He holds B.Sc., M.A., MBA (Finance), LL.B. and CAIIB qualifications and is also a Certified Independent Director. He has extensive experience in corporate restructuring, insolvency resolution, credit risk management and recovery, and has played a key role in establishing corporate banking businesses and the integration of ING Vysya Bank with Kotak Mahindra Bank.

Mr. Durga Prasad Donepudi, (till 30 June 2026) is a veteran Banker with rich experience of over 49 years in various fields such as Priority Sector Lending, Financial Inclusion, Government Business, Corporate Banking and Retail Banking etc. During his career with Andhra Bank, he served in various positions with last position held as General Manager.

Post superannuation, he was also an Advisor to the then Andhra Bank. He was the Convenor of State Level Bankers Committee of combined Andhra Pradesh.

Mrs. Geetha Mikkilineni, (till 30 April 2026) is a Chartered Accountant by Profession. Her qualifications are ICAI, ICWAI, IIMU - MDP. She started her career in PWC in the field of Statutory Audits. During this period, she conducted and lead the teams in Statutory Audits in various industries, and moved to EY, Hyderabad to pursue Management Assurance Services. She also worked as a partner in M/s. Basha & Narasimhan, a firm of Chartered Accountants, for almost 12 years. The above firm of Chartered Accountants is in practice for more than 28 years having offices at Hyderabad, Visakhapatnam and Chennai.

Mr. V. Jaganmohan, (till 14 August 2025) holds a master's degree in business administration from Osmania University. He is a professional banker with more than 29 years of experience with State Bank of India in various capacities and locations. He has served as the Managing Director of AP State Cooperative Bank Ltd, Hyderabad, and of Coastal Local Area Bank Ltd, Vijayawada. He was also the Chairman and CEO of Kakatiya Grameen Bank, Warangal. He joined the Bank's Board in October 2022.

Mrs. B. Vijayalakshmi, (till 30 April 2026) is a professional Banker with more than 40 years of experience in Banking. She retired as General Manager in the then Andhra Bank in June 2019. During her career in Andhra Bank, she had worked in various cadres like Clerk, Asst. Manager, Branch Manager, Senior Manager, Chief Manager, Assistant General Manager, Deputy General Manager, Zonal Manager and General Manager.

Management Team Profile

Mr. T.R.V. Satyanarayana, Executive Director (till 30 April 2026) - He has more than 49 years of experience in various fields of Banking viz., Corporate Credit/Rural /Retail/Micro finance. Wide exposure in Business development, Budgeting, Data analysis, Data mining. Has rich experience in Cash Management Services/MIS–its analysis and in Receivable Monitoring & Administration. He was a member of Standing Committee on Currency Management (SCCM) and Nodal Officer for FATCA & CRS of earlier employer viz. State Bank of India.

A seasoned banker in the Administration of large offices and a Subject Matter Expert in Operations/Credit Management. A tech savvy Banker with domain expertise. He also has faculty experience of 8 years in APEX colleges/Institutions of SBI.

Mr. J. Murali Krishna, Chief General Manager & Chief Financial Officer - He is a fellow member of the Institute of Chartered Accountants of India (ICAI). He has about four decades of Banking experience in Credit, Retail Banking, Audit & Inspection apart from rich experience in overall administration. During his career with Andhra Bank, he served in various capacities with last position held as Deputy General Manager, Corporate Credit Department at the Head Office.

Mr. B.Sudhakar, General Manager & Chief Credit Officer - He is a Commerce Graduate and Insolvency Professional, worked in SBI, retired as DGM. He has 38 years of banking experience in various fields of Banking viz., Corporate Credit/ SME Credit / Controller / Stressed Asset Management/ HR areas. He has Exposure in Business development, Audit Compliances and Risk Management. Exposure in Recovery Mechanism of large advances, including SARFAESI, DRT, Compromise, NCLT process.

He has Rich experience in Banking as Branch Head, Regional Manager, Department Head. He is also having experience in Transaction Banking and Digital products.

Mr. L. Ram Mohan Rao, General Manager & Chief Operating Officer – He is a Post-Graduate in Geology and a Certified Associate of Indian Institution of Bankers, has over 39 years of experience in financial sector, including 20 years in State Bank of India. In SBI, he worked in different areas of Banking – Rural & Agricultural, MSME & Trade Advances, Retail Finance, Debt Markets. In KBSLAB, he worked as Assistant General Manager from 2007-10 and managed Bank's Business and Operations at that time.

Later, he worked as a Team Leader and Senior Consultant for 7 years in Global Microfinance Promotion programmes in various countries, including in Ethiopia, Cameroon, Mozambique, Kenya, Bhutan, Timor Leste etc., implemented by International Development Agencies – UNCDF and SDC for the development of Inclusive Finance sector in Least Developed Countries. From 2018 till March 2022, he worked first as Chief Executive Officer and later as Offsite Consultant of Gang-Jong Development Finance, a regulated financial institution set up by the Tibetan Government in exile in India exclusively for the Tibetan Migrant Community in India. He rejoined KBS Bank as GM & COO in Feb’2025

Mr. S. Kishan Rao, DGM & Chief Technology Officer - He graduated from Nagarjuna University and holds internationally accredited certifications such as CISA, CISM, and CEH. He has over 40 years of extensive experience in the banking sector, with a focus on IT operations and cybersecurity. He possesses significant expertise in IT applications and has played a pivotal role in the digital transformation of banking operations, including branch automation and the implementation of Core Banking Solutions. He has served as Head of the Cyber Security Centre of Excellence, Head of CSOC, and Chief Information Security Officer (CISO) in a public sector bank.

Mr. M. Raj Sekhar, Head, Internal Audit - Having 39 years of rich experience in Banking in various fields and the main domain being Operations, Audit, HR and Administration. During his career in State Bank of India, has rich experience and exposure by heading the Branches.

Having experience in Administration by handling different departments in various offices in the State Bank of India. Having experience in Human Resources Department in various offices in the State Bank of India. Having wide exposure in Audit and compliances and guiding the Branches.

Mr. I Srinviasa Rao, DGM – RAC - An Ex Banker from SBI, retired as AGM on 31st May 2023 with 38 years of Banking. Experience in various fields viz Rural Banking, Retail business, Trade Finance, Forex business, Cross selling etc. Experience in Branch Business development & stress assets Recovery. During his service he worked as AGM & COO in 3 Corporate Clients Group Branches and maintained good Liasoning with Corporate customers

Mr. Anand Kumar, AGM - Credit and Business Operations - He is a graduate from Kurukshetra University and a Software Engineer from NIIT, New Delhi. He has over 25 years of experience in financial services, including more than 18 years in banking with KBS Bank.

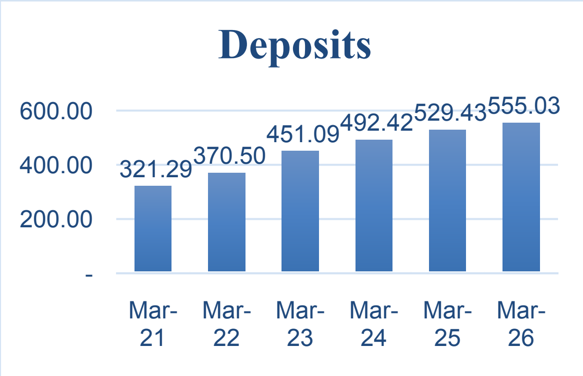
He has handled various assignments, including Branch Head and District Manager, as well as several corporate-level functions such as Business Development, Customer Deposits, Small Savings Promotion, IT, including migration to CBS, Branch Expansion, Branding Strategy, and alternate channels such as Insurance, BC Business and ATM Business. He is currently handling Credit Operations and LOS implementation of the Bank.

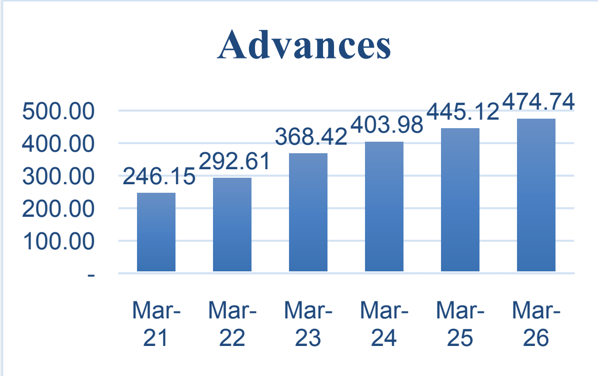
Mrs. R. Anuradha, Chief Manager & Head -HR - She is a postgraduate in Commerce and Business Administration (M.Com. & MBA) from Nagarjuna University and has over 24 years of experience in banking and financial services.

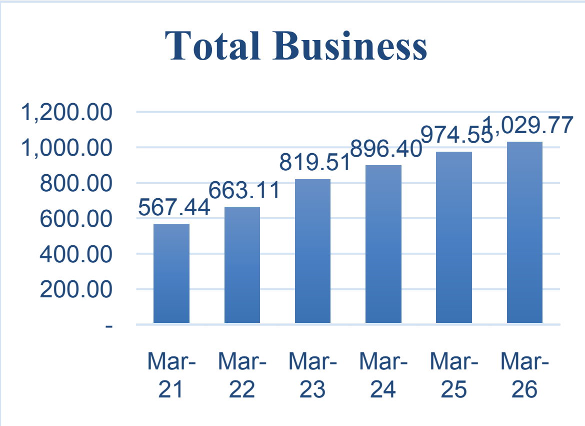
She has handled various assignments at KBS Bank, including Accounts, Finance, Treasury Management, Branch Banking, Operations, Human Resource Management and Administration. She currently heads the Human Resource Department of the Bank.

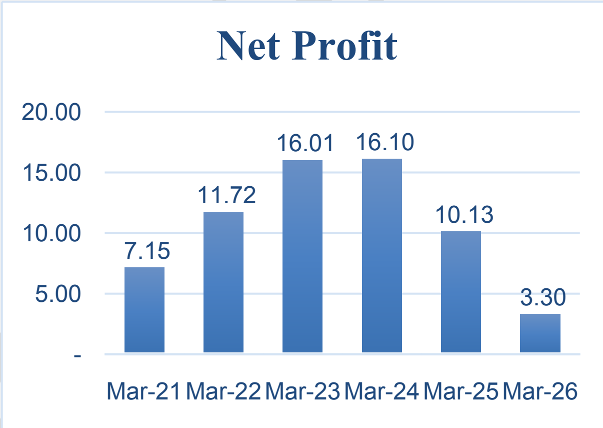
Mr. Subir Boity, Company Secretary & Chief Compliance Officer- He is a Member of the Institute of Company Secretaries of India (ICSI), with over 16 years of extensive experience in corporate secretarial and listing compliance. His professional strengths include corporate governance, SEBI and listing regulations, rights issues, private placements. QIP and the end-to-end management of Board and Committee meetings, as well as shareholders' meetings. He has successfully managed complex regulatory and corporate matters, including National Company Law Tribunal (NCLT) proceedings, corporate restructuring and arbitration.

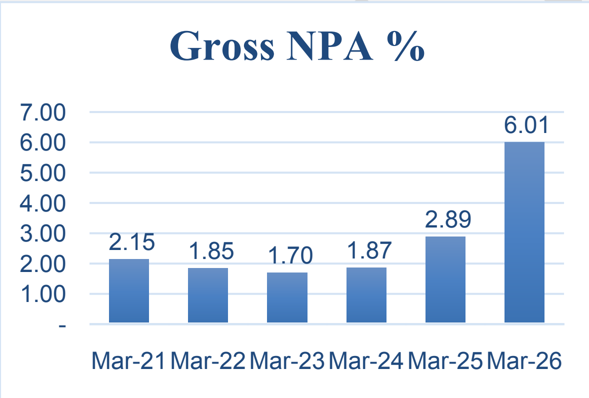
Performance briefly (in Cr)

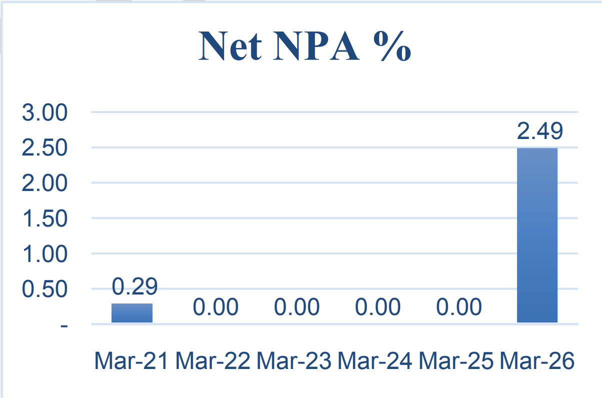


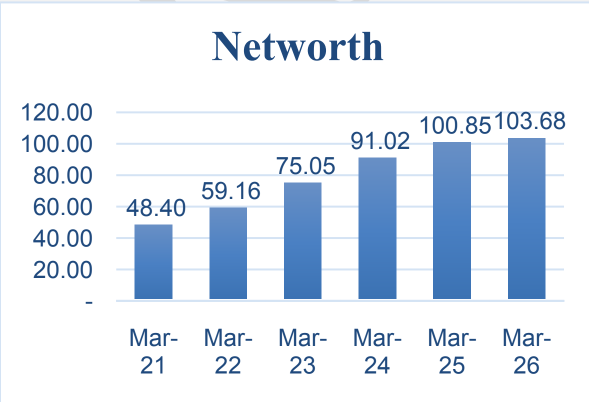


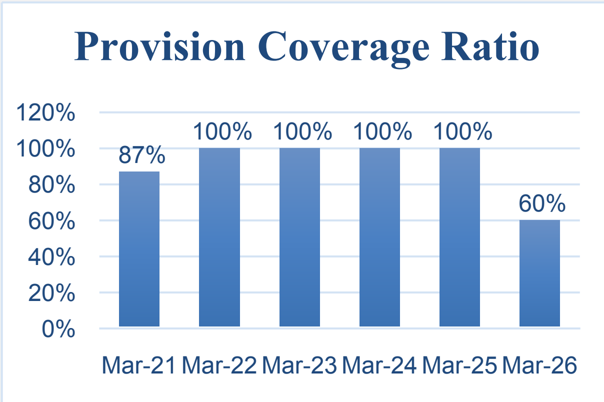












Information Technology – Enhancements

AI Powered HRMS module:

The Bank has implemented an AI-powered Human Resource Management System (HRMS) to facilitate seamless management of the employee lifecycle, from Hire to Retire. The system has been procured from M/s Darwinbox, a globally recognized Human Capital Management (HCM) platform provider. The HRMS has been operational during the year and is enabling the Bank to streamline and digitize its human resource processes.

Loan Origination System (LOS):

The Bank has procured a Loan Origination System (LOS) from M/s Vibho Technologies, a reputed IT solutions provider, to facilitate seamless end-to-end processing of loans and significantly improve turnaround time.

The application has been developed with the required integrations to enable retrieval and verification of Aadhaar and PAN details, CIBIL scores, and information relating to the existence and status of accounts with other banks. All branch users have been trained on the system and have commenced using the application for processing MSME, housing, mortgage, crop, dairy and micro-credit loans.

ISO Certification 9001:2015:

The ISO 9001:2015 re-certification audit for the Bank's Corporate Office was conducted by M/s TÜV SÜD following the successful completion of the 2023–26 audit cycle. The re-certification has been successfully completed, and the Bank's Corporate Office has been certified for a further three-year cycle. The certification recognizes the Bank's continued efforts in establishing and monitoring policies and regulatory guidelines governing banking operations, as well as its commitment to the continual improvement of systems and processes.

New Domain Registration:

With a view to combating the increasing instances of fraud in digital payments, the Reserve Bank of India (RBI) introduced the exclusive internet domain '.bank.in' for banks. RBI advised banks to operationalize the new domain through the Institute for Development and Research in Banking Technology (IDRBT). In compliance with the regulatory guidelines, the Bank operationalized its new domain, 'kbsbank.bank.in', with effect from 8 October 2025, within the timelines prescribed by RBI.

Regulatory compliance - NCRP portal:

During the year, the Bank was onboarded onto the Citizen Financial Cyber Fraud Reporting and Management System (CFCFRMS) / National Cybercrime Reporting Portal (NCRP) of the Indian Cybercrime Coordination Centre (I4C), Ministry of Home Affairs (MHA), Government of India.
The system facilitates near-real-time reporting of cyber-fraud incidents, transmission of complaints, escalation of grievances and resolution of fraud-related cases in the digital ecosystem. The ticket-based mechanism enables effective tracking, monitoring and referral of complaints, thereby strengthening the Bank's cyber-fraud management and regulatory compliance framework

ATM network with enhancements:

The Bank is operating a network of 22 ATMs to facilitate both issuer and acquirer transactions. With a focus on enhancing customer convenience and adopting new digital payment features, the Bank is in the process of enabling UPI-based transactions through ATMs and procuring Dual Interface Contactless RuPay Debit Cards. The Bank is also in the process of onboarding the NPCI 3DS Secure NXT platform to further strengthen the security and convenience of card-based transactions.

Internet Banking facility:

The Bank is in the process of introducing Internet Banking as a new digital delivery channel to enable customers to securely perform financial transactions online. The facility will provide 24x7 access to banking services, thereby enhancing customer convenience, accessibility and overall satisfaction.

Overview of Deposit and Loan products

Deposit Products

Samruddhi Amrit Kalash (SAK)

To remain competitive in the deposit market, the Bank introduced the “Samruddhi Amrit Kalash” (SAK) scheme with effect from May 1, 2024. This special term deposit is designed for customers, including senior citizens, looking to invest larger sums at attractive rates. Key features include:

- Tenure: 777 days
- Interest Rates: 8.15% p.a. for general customers; 9.15% p.a. for senior citizens
- Deposit Limits: Minimum of 5,000 and maximum of 10 crore
- Additional Benefits: Loan facility available against the deposit; premature withdrawals are permitted but will attract a penalty.

This product evinced good interest among Bank's deposit products.

Loan Products

Sampoorna Saral Credit for Small Business and Micro Enterprises:

Small business units, small industries in the tiny sector, retail traders, professionals and self- employed persons, who are in need of working capital are very often unable to provide the elaborate financial data sought by Banks from time to time for assessing their credit needs. In order to obviate this difficulty faced by the small units, in Small Scale Industries (SSI) sector & Small Business Finance (SBF) sectors, the Bank has designed this product based on a simple scoring model for assessment of loan application. Working capital facility or Term loan up to Rs.10 lacs to meet any kind of credit requirement including purchase of shop/shutter etc is granted under Sampoorna Saral Credit with 3 years tenure.

Samruddhi Sukshma Loan (SSL):

SSL is a product specifically designed for self-employed women and it has proved instrumental to women empowerment. Women engaged in an activity/occupation, retailers and service providers, either in farm or non-farm Sectors, having business experience of at least one year are granted SSL facility for productive/consumption purposes/ to meet requirement of working funds for their business/activity. The loan amount ranges from minimum Rs.10,000/- to maximum Rs.25,000/-for a period of one year. The loan is sanctioned through Loan Origination Application by the field staff at the doorstep of customer using Handheld Device with minimum KYC documentation. The whole process is Digitised with less paperwork.

Samruddhi Auto Loan (SAL):

The transport system of a country plays an integral role in its growth for a multitude of reasons. Quick and easy movement of raw materials, machinery, finished goods, etc, benefit the industry by providing ultimate benefit to our rural folk. This also helps in providing employment to the local villagers and helps in improving their socio-economic standards. To support improving transportation facilities, either be it in carrying the goods or passengers in the rural, semi-urban or urban areas in our operational districts, to ease out passenger traffic and also to improve transportation facility of our rural folk, Bank has introduced Samruddhi Auto Loan (SAL) under SME sector, for purchasing new or used three and four wheeler vehicles under “Goods and Passenger” carriers category for an amount up to Rs.25 lacs.

Samruddhi Housing Loan:

Recognizing the credit needs of people in rural and semi-urban areas, who have limited or difficult access to mainstream housing loan markets, the Bank has designed its housing loan product with flexible terms and conditions regarding tenure and loan amounts. Typically, individuals in rural areas struggle to obtain small loans from mainstream Banks and must rely on Government schemes or loans from unorganized sectors for housing purposes. In this context, the Bank's flexible housing loan product is highly beneficial, accommodating customers in rural areas with small loan requirements as low as Rs.15 to Rs.20 lakhs, as well as those needing larger loans up to Rs.200 lakhs. The loan tenure ranges from 15 to 25 years and can be used for various purposes such as renovating or repairing existing houses, extending or expanding current houses, or purchasing new or old houses.

Samruddhi House Plot Purchase Scheme:

To provide extended support to its customers, the Bank had introduced a new scheme under the Housing Loan for purchase of plot for construction of Residential House. Under the scheme, Bank provides loans for purchase of plots at lower rates in approved layouts or areas with all necessary approvals, intended for the construction of residential houses, within a maximum period of 48 months from sanction. It also includes purchases of plots or land located in metro, urban, or semi-urban areas from Government Bodies, Development Authorities, and reputed builders for building residential houses.

Business Flexi Loan (BFL)

The Business Flexi Loan (BFL) provides secured working-capital and expansion finance to MSMEs in trade, manufacturing and services, reflecting a shift toward relationship-based business banking built on conduct, repayment discipline and cash-flow strength. Individuals, proprietorships, partnerships, LLPs and corporates aged 21–70 with a CIBIL score of 650 or above can avail a need-based loan amount as a Cash Credit (12-month tenor) or Demand Loan (39–60 months) at 12% p.a. linked to the Bank's MCLR, with a modest processing fee and a 2-month moratorium. The facility is fully secured through hypothecation of stock and book debts plus SARFAESI-compliant collateral or a KBS Fixed Deposit, and offers flexible, business-cycle-aligned repayment with quick, low-paperwork sanction.

Samruddhi Vyapari Business Development Loan (SVBDL)

The Samruddhi Vyapari Business Development Loan (SVBDL) is a collateral-free credit product built on trust and discipline, designed to bring small traders — retailers, kirana and cloth stores, hotels, restaurants and medical shops with 4–5 years' business vintage — into formal banking. Eligible businesses need a healthy annual turnover, a satisfactory 12-month banking record, a CIBIL score of 650 or above, and Udyam registration. A modest, small-ticket loan is offered for 39–60 months at 15% p.a. simple interest linked to MCLR, with a 2-month moratorium and EMI repayment via e-NACH. Security is limited to hypothecation of stock and book debts under a simplified income-expenditure appraisal, currently being piloted across 14 branches.

Samruddhi Vishwas Loan (SVL) — MSME Top-Up Loan

The Samruddhi Vishwas Loan (SVL) is a collateral-free top-up facility exclusively for existing MSME borrowers with a satisfactory repayment record, rewarding financial discipline rather than requiring security. Borrowers must show no IRAC slippage in the last 12 months, a CIBIL score of 650 or above, partial repayment of their existing loan, and valid Udyam registration. The top-up amount is linked to the portion of the existing loan already repaid, kept within a modest overall cap on aggregate outstanding exposure, over a 39–60 month tenor with a 2-month moratorium. Interest is charged at tiered rates depending on the loan slab, secured by hypothecation of stock and book debts along with a third-party guarantee.

Control Mechanism

Risk Management Framework

The Bank's risk management philosophy is centred on achieving an optimal balance between risk and return, ensuring that all operations align with the Board-approved risk appetite statement. Over recent years, KBS Bank has made significant strides in bolstering its risk management capabilities, strengthening operational risk frameworks, and transitioning into a technology driven institution. To support this transformation, the Bank has strategically invested in advanced technology and robust processes, further fortifying its risk management architecture.

A comprehensive Risk Management Framework has been established, underpinned by well-defined policies and procedures to address diverse risk categories. The Risk Management Committee (RMC) of the Board diligently oversees the implementation of credit and operational risk policies. Functional heads are entrusted with the daily responsibility of monitoring and mitigating credit, operational, and market risks, ensuring proactive risk management across all levels.

The Bank's approach to risk management encompasses a wide array of measures designed to mitigate risks while optimizing the returns from its diverse banking products and services. This includes rigorous monitoring and reporting to ensure that operations remain within defined parameters, adherence to anti-money laundering (AML) and know-your-customer (KYC) protocols, and the issuance of internal circulars that comply with regulatory and internal guidelines. The credit underwriting process is structured and standardized, supported by a methodical credit appraisal and documentation system. All credit facilities and material amendments require approval from the appropriate authority level, with the internal risk rating system serving as the cornerstone of objective and standardized credit assessments.

Internal Financial Controls, Audit, and Compliance

Internal financial controls, audit, and compliance form the bedrock of KBS Bank 's governance framework, ensuring adherence to regulatory and statutory requirements while upholding transparency, integrity, and accountability across all operations.

The Bank's internal financial controls are meticulously designed to provide reasonable assurance of reliable financial reporting and accurate preparation of financial statements. These controls are instrumental in preventing and detecting errors and fraud, safeguarding assets, and ensuring timely and accurate financial reporting. Comprehensive mechanisms, including segregation of duties, approval workflows, and periodic reconciliations, have been instituted to maintain the highest standards of financial integrity.

The Internal Audit Department and Compliance Department operate independently to evaluate the adequacy of internal controls, ensuring that the Bank's operations align with established processes, regulatory mandates, and legal requirements. The Compliance Department plays a pivotal role in managing compliance risk, fostering a culture of adherence to guidelines issued by the Reserve Bank of India (RBI) and other statutory authorities. By implementing robust AML and KYC protocols, the department safeguards the Bank against legal and reputational risks, reinforcing its commitment to ethical banking practices.

The Board and Senior Management lead by example, cultivating a strong compliance culture that permeates all levels of the organization. The Compliance Department supports this vision by ensuring that business operations strictly adhere to RBI guidelines, statutory provisions, and internal standards, thereby upholding KBS Bank's reputation as a responsible and compliant financial institution.

DIRECTORS' REPORT

The Directors of your Bank are pleased to present the **27th Annual Report** of the Bank together with the Audited Statement of Accounts and the report on the business and operations of the Bank for the financial year ended **March 31, 2026**.

ECONOMIC SYNOPSIS AND WAY FORWARD

The global economic environment during FY 2025-26 remained influenced by evolving geopolitical developments, changing trade policies, inflationary trends, interest rate movements and continued uncertainty in global financial markets. While the global economy continued to demonstrate resilience, growth remained uneven across major economies. Central banks across jurisdictions continued to calibrate their monetary policies in response to evolving inflationary conditions and growth dynamics.

The Indian economy continued to demonstrate resilience and remained one of the fastest-growing major economies. Domestic economic activity was supported by sustained government expenditure on infrastructure, improving manufacturing and services activity, robust domestic consumption and continued formalisation of the economy. The financial sector remained well-capitalised, with banks maintaining healthy asset quality and adequate capital buffers.

During FY 2025-26, the Indian banking sector continued to witness growth in deposits and advances, supported by improving economic activity and credit demand. The banking industry, however, continued to remain focused on maintaining asset quality, strengthening risk management frameworks, improving cybersecurity and digital resilience, and enhancing customer service.

The Reserve Bank of India continued to focus on maintaining price and financial stability while supporting sustainable economic growth. The regulatory environment remained focused on strengthening governance, risk management, compliance, digital banking, customer protection and financial inclusion.

Going forward, the Indian economy is expected to remain on a growth trajectory, supported by domestic demand, infrastructure development, digitalisation and continued policy support. The banking sector is expected to play a critical role in supporting economic growth through efficient financial intermediation, responsible credit expansion and enhanced financial inclusion.

Against this backdrop, your Bank remains committed to pursuing sustainable and profitable growth while maintaining prudent risk management practices, strengthening asset quality, improving operational efficiency and leveraging technology to provide convenient and accessible banking services to its customers.

Micro-finance sector environment

During FY 2025–26, the micro-credit sector, especially in the core operating areas of the Bank - Kalaburagi, Yadgir and Raichur districts of Karnataka and adjoining Mahabubnagar district, operated in a challenging environment marked by borrower over-indebtedness, repayment stress and the implementation of the Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance, 2025, subsequently enacted as legislation. While the measures led to strengthening customer protection, discouraging the unregulated and coercive lending practices of some of the players, the transition also resulted in disruption to collections, reduced disbursement appetite and increased monitoring requirements. The impact was increased stress in existing loans, fall in disbursements, which led to contraction in growth of advances, fall in profits due to increased provision requirements for the rising NPAs.

However, it is heartening to note that the situation is improving fast. For FY 2026–27, the outlook is expected to be stable to cautiously positive. Recovery in credit growth is likely to be gradual and focused on responsible lending, bureau-based underwriting, household cash-flow assessment, and income-generating activities. Asset quality is expected to improve progressively, although legacy delinquencies and regional concentration risks will require continued monitoring. The Bank will continue to follow applicable RBI and statutory guidelines, strengthen customer protection and collection practices, and adopt a prudent approach to portfolio growth in Karnataka and the adjoining Telangana districts."

PERFORMANCE OF THE BANK FOR FY 2025-26

During the financial year 2025-26, the Bank continued to focus on sustainable business growth, prudent financial management, customer service and strengthening of its operational, governance and risk management frameworks.

Total Business

The Bank's Total Business stood at Rs. 102976.72 lakhs as on March 31, 2026, as against Rs. 97454.60 lakhs as on March 31, 2025, registering a growth of 5.67% during the year.

The growth in total business reflects the Bank's continued focus on expanding its customer base, mobilising deposits and supporting the credit requirements of its customers within its defined risk appetite.

Deposits

The total deposits of the Bank stood at Rs.55503.26 lakhs as on March 31, 2026, as against Rs. 52942.53 lakhs as on March 31, 2025, registering a growth of 4.84%.

The Bank continued its efforts towards mobilisation of deposits through its branch network, Business Correspondent outlets and other customer outreach initiatives.

Advances

The gross advances of the Bank stood at Rs. 47473.45 lakhs as on March 31, 2026, as against Rs. 44512.08 lakhs as on March 31, 2025, registering a growth of 6.65%.

During the year, the Bank continued to focus on responsible credit growth while maintaining appropriate underwriting standards and strengthening credit monitoring, collection and recovery mechanisms.

Particulars	March 31, 2026	March 31, 2025
Deposits	Rs.55503.26 lakhs	Rs. 52942.52 lakhs
Advances	Rs.47473.45 lakhs	Rs. 44512.08 lakhs
Total Business	Rs.102976.72 lakhs	Rs. 97454.60 lakhs

ASSET BASE

The total assets of the Bank stood at Rs. 72039.08 lakhs as on March 31, 2026, as against Rs. 67871.94 lakhs as on March 31, 2025, representing a growth of 6.14%.

CAPITAL STRUCTURE

The Authorised Share Capital of the Bank stood at Rs. 25,00,00,000/- comprising 2,50,00,000 Equity Shares of Rs. 10/- each.

The paid-up share capital of the Bank as on March 31, 2026, stood at Rs.13,42,22,620/- comprising 1,34,22,262 Equity Shares of Rs. 10/- each.

RESERVES

The position of reserves of the Bank as of March 31, 2026 is as under:

(Rs. in lakhs)

Particulars	2025-26	2024-25	Transfer / Movement during the year
Statutory Reserves	1,874	1,808	66
Capital Reserves	28	28	-
Share Premium	304	304	-
Investment Fluctuation Reserve	95	95	-
Revenue Reserve	5	5	-
Balance carried forward to Balance Sheet	6,773	6,557	216

During the year, an amount of Rs. 66 lakhs was transferred to the Statutory Reserves.

The Bank's net worth stood at Rs. 10367.78 lakhs as on March 31, 2026, as compared to Rs. 10084.97 lakhs as on March 31, 2025.

The Capital Adequacy Ratio (CRAR) of the Bank stood at 23.85% as on March 31, 2026, as compared to 24.74% as on March 31, 2025.

PROFITABILITY

(Rs. in lakhs)

Particulars	March 31, 2026	March 31, 2025
Interest Earned	7,999	8,166
Other Income	817	1,152
Total Income	**8,816**	9,318
Interest Expended	4,102	3,797
Operating Expenses	3,443	3,283
Provisions & Contingencies	691	760
Total Expenditure	**8,236**	7,840
Operating Profit	1,271	2,238
Profit Before Tax	580	1,478
Provision for Income Tax	250	465
Net Profit	330	1,013

The Profit After Tax (PAT) of the Bank for the financial year 2025-26 stood at Rs. 330 lakhs, as compared to Rs. 1013 lakhs for the financial year 2024-25.

The Return on Equity (ROE) stood at 3.22% as on March 31, 2026, as compared to 10.5% as on March 31, 2025, while the Return on Assets (ROA) stood at 0.48%, as compared to 1.56% in the previous year.

PRIORITY SECTOR ADVANCES

The Priority Sector Advances of the Bank stood at Rs. 22601.72 lakhs , constituting 47.61% of the total loan book as on March 31, 2026, as against 54% as on March 31, 2025.

The Bank continued to focus on meeting the prescribed Priority Sector Lending targets and supporting eligible sectors in accordance with the applicable guidelines of the Reserve Bank of India.

During the year, the Bank sold Priority Sector Lending Certificates (PSLCs) amounting to Rs. 4000 lakhs and purchased Rs. 1500 lakhs, and commission Rs. 90.77 lakhs

NON-PERFORMING ASSETS

The Gross NPA of the Bank stood at Rs. 2851.97 lakhs, constituting 6.01% of Gross Advances as on March 31, 2026, as compared to 2.89% as on March 31, 2025.

The Net NPA stood at 2.49% as on March 31, 2026, as compared to Nil as on March 31, 2025.

The Bank continued to strengthen its credit monitoring, recovery and collection mechanisms with a view to maintaining asset quality and containing slippages.

PROVISION COVERAGE RATIO

The Bank maintained a Provision Coverage Ratio (PCR) of 60.01% as on March 31, 2026, as compared to 100% as on March 31, 2025.

The Bank continues to maintain adequate provisions in accordance with applicable regulatory requirements and prudent risk management practices.

INVESTMENT PORTFOLIO

The Bank's Investment Portfolio stood at Rs. 12511.68 lakhs as on March 31, 2026, as against Rs. 12500 lakhs as on March 31, 2025.

The Bank's investment operations continued to be guided by its Investment Policy and applicable Reserve Bank of India guidelines. The Bank continued to maintain its investments in accordance with applicable statutory liquidity requirements and prudential norms.

The yield on investments during FY 2025-26 stood at 7.10%, as compared to 7.22% during the previous financial year.

DIVIDEND

The Bank has not proposed any dividend for the financial year 2025-26.

PERFORMANCE HIGHLIGHTS AND KEY INDICATORS AT A GLANCE

(Rs. in lakhs)

Sl. No.	Parameters	March 31, 2026	March 31, 2025
1	Deposits	55,504	52,942
2	Advances	47,473	44,512
3	Total Business	102,977	97,454
4	Non-SLR Investments	NIL	NIL
5	SLR Investments	12,512	12,500
6	Capital & Reserves	10,368	10,085
7	CRAR %	23.85	24.74
8	CASA %	14.16	13.94
9	Priority Sector Loan %	47.61	54.00
10	Gross NPA %	6.01	2.89
11	Net NPA %	2.49	0.00
12	Other Income to Total Income %	9.27	12.36
13	Operating Cost to Total Income %	39.05	35.24
14	Staff Cost to Total Income %	19.37	17.41
15	Cost of Deposits %	7.73	7.55
16	Yield on Advances %	14.93	16.45
17	Interest Spread %	4.73	6.15
18	CD Ratio %	85.53	84.08
19	Cost of Funds %	7.73	7.55
20	Return on Assets %	0.48	1.56
21	Return on Equity %	3.22	10.50

22	Earnings Per Share	2.46	7.55
23	Net Worth	10,368	10,085
24	Book Value per Share	77.24	75.14
25	Cost/Income Ratio	73.04	59.47
26	Yield on Investments	7.10	7.22
27	No. of Employees	339	343
28	Average Age of Employees	41	40
29	Business per Employee	303.77	284.12
30	Profit per Employee	0.97	2.95
31	Net Interest Margin %	5.65	6.72

HUMAN RESOURCES

The Bank recognises that its employees constitute an integral part of its growth and success. During FY 2025-26, the Bank continued to focus on employee development, capacity building, training, mentoring, role enrichment and providing opportunities for professional growth.

The Bank continued to undertake various initiatives aimed at enhancing employee knowledge and skills, improving operational efficiency and preparing employees to meet the evolving requirements of the banking industry.

As on March 31, 2026, the Bank had 339 employees, with an average employee age of 41 years.

The Bank also continued to provide various financial and non-financial benefits to its employees in accordance with its policies.

PREVENTION OF SEXUAL HARASSMENT

The Bank has constituted an Internal Complaints Committee (ICC) in accordance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Bank remains committed to providing a safe, respectful and inclusive working environment to all its employees. The Internal Complaints Committee is responsible for addressing complaints relating to sexual harassment at the workplace in accordance with the applicable provisions of law.

The Bank has also undertaken appropriate awareness and sensitisation measures for employees regarding prevention of sexual harassment at the workplace.

The details for the financial year 2025-26 are as under:

Particulars	Details
Number of complaints of sexual harassment received during the year	NIL
Number of complaints disposed of during the year	NA
Number of cases pending for more than ninety days	NA

The Bank has complied with the applicable provisions relating to the constitution of the Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

MATERNITY BENEFIT ACT, 1961

In accordance with the provisions of the Maternity Benefit Act, 1961, the Company hereby confirms that it is in compliance with all applicable provisions under the said Act. This includes:

- Provision of maternity leave as per statutory guidelines.
- Payment of salary and benefits during the maternity leave period.
- Ensuring all related entitlements of eligible employees are honored.

INFORMATION TECHNOLOGY AND IT ENABLED SERVICES

The operations of the Bank are computerised, and the Bank continues to leverage information technology to provide efficient, secure and convenient banking services to its customers.

During FY 2025-26, the Bank continued its efforts towards technology upgradation, digital banking, strengthening of information security and enhancing customer convenience.

The Bank continued to provide digital banking facilities including RTGS, NEFT, IMPS and UPI, besides other technology-enabled banking services.

The Bank had 21 on-site and 1 off-site ATMs as on March 31, 2026.

The Bank also continued to strengthen its digital payment infrastructure and technology platforms during the year.

INTERNAL CONTROL MECHANISM

Banking is a business of managing risks. The Bank has established an adequate system of internal controls with a focus on identifying, monitoring and managing various classes of risks arising from its business and operations.

The Bank has developed an appropriate Risk Appetite Framework containing benchmarks, ceilings and ranges for various ratios and parameters. These ratios and parameters are monitored periodically by the Management, and appropriate corrective measures are initiated wherever necessary.

The Bank has established appropriate internal control mechanisms, including internal audit, concurrent audit, compliance monitoring and other control processes, to safeguard the assets of the Bank, ensure adherence to applicable laws and regulations and prevent and detect fraud and other irregularities.

The internal control mechanisms and various control returns are periodically reviewed by the Management and the Committees of the Board.

RISK MANAGEMENT

The Bank has comprehensive risk management frameworks covering various risks arising from its business operations.

The Bank has put in place appropriate policies, processes, limits, controls and systems for identifying, measuring, monitoring and managing risks within the approved Risk Appetite Framework.

The Risk Management Committee of the Board periodically reviews the risk profile of the Bank and provides guidance for managing emerging risks.

The Asset Liability Management and Investment Committee oversees liquidity and investment risks and ensures adherence to applicable prudential limits.

The Bank's liquidity profile is monitored through appropriate liquidity ratios, gap analysis and stress testing, as applicable. The Bank continues to maintain adequate liquidity to meet its obligations and comply with applicable regulatory requirements.

COMPLIANCE FUNCTION

The Bank recognises the importance of an effective compliance function in ensuring adherence to applicable laws, regulations, guidelines and internal policies.

The Compliance Department operates with appropriate independence from business operations and monitors compliance with applicable regulatory requirements.

The Bank continues to monitor statutory and regulatory ratios and requirements, including CRR, SLR, Priority Sector Lending, IRAC norms, provisioning norms and other applicable regulatory requirements.

The Bank remains committed to strengthening its compliance culture and ensuring timely identification and rectification of compliance gaps.

INTERNAL AUDIT

The Internal Audit Department of the Bank functions independently and reports to the Audit Committee of the Board on the adequacy and effectiveness of internal controls, risk management, governance systems and processes.

The Department also undertakes Concurrent Audit and other audit assignments in accordance with the applicable regulatory framework and the Bank's approved policies.

The Bank's Internal Audit function is aligned with the Risk Based Internal Audit framework and applicable RBI guidelines.

The Audit Committee periodically reviews the reports of the Internal Audit and Concurrent Audit functions and monitors corrective actions taken by the concerned departments and branches.

The Bank also undertakes compliance audits, spot audits and surprise inspections, wherever considered necessary, to strengthen its internal control environment.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank has complied with the applicable provisions of Section 135 of the Companies Act, 2013 relating to Corporate Social Responsibility. The Report as required under Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 on CSR activities is set out as ***Annexure-I*** forming part of the Board's Report and the Policy has been uploaded on the Company's website at www.kbsbank.bank.in. As per the provisions of the Companies Act, 2013, Bank is not required to constitute any CSR committee as the CSR related matters are being taken care by the Board.

VIGILANCE MECHANISM

The Bank has established a Vigilance mechanism in line with the provisions of Section 177 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014. The Vigilance mechanism functions under the direct supervision of the Audit Committee of the Board.

The Vigilance Policy of the Bank is periodically reviewed and suitably amended whenever needed with the approval of the Board. All the vigilance/fraud cases are reported to the Audit Committee of the Board and to the Board for their review and are dealt with as per the guidelines under the Vigilance Policy of the Bank and guidelines of the Reserve Bank of India. They are also reported to the RBI.

Your Bank also has a whistle blower policy for dealing with the “protected disclosures” made by the whistle blowers. The Bank has put in place the Board approved Disciplinary Action Procedure for investigation and Disciplinary Action against staff alleged to be involved in fraud or embezzlement cases based on Principles of natural justice.

CUSTOMER SERVICE

Customer service continues to remain a key priority for the Bank. The Bank is committed to providing efficient, accessible and customer-centric banking services through its branches, Business Correspondent outlets and digital channels.

The Bank continued to focus on improving branch infrastructure, accessibility and customer convenience.

The Bank has established appropriate mechanisms for customer service and grievance redressal at the branch, management and Board levels.

The Bank continues to provide doorstep banking services and banking facilities through its Business Correspondent network to customers in rural and semi-urban areas.

The Bank's digital banking facilities, including mobile banking and UPI-enabled services, continued to provide customers with convenient access to banking services.

CUSTOMER COMPLAINTS REDRESSAL

The Bank has a structured grievance redressal mechanism to address customer complaints and grievances.

The Bank has designated a senior official as the Customer Grievance Redressal Officer, whose contact details are displayed at the business premises and on the Bank's website.

Customer complaints received through various channels, including telephone, email and written communications, are dealt with in accordance with applicable regulatory requirements and within the prescribed timelines.

The Bank continues to review customer complaints and feedback with a view to improving its products, services and operational processes.

GOVERNMENT SCHEMES AND PROGRAMMES

The Bank continues to participate in eligible Government-sponsored schemes and programmes aimed at promoting financial inclusion and providing access to banking and insurance services.

The Bank facilitates eligible customers to receive subsidies and benefits under applicable Government schemes.

The Bank also continues to participate in the Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), subject to applicable arrangements and guidelines.

During FY 2025-26:

- Number of PMSBY policies issued- **4,088** & renewed- **52,564**
- Number of PMJJBY policies issued- **4,111** & renewed- **30,916**
- PMSBY claims settled: **19 out of 19**
- PMJJBY claims settled: **91 out of 93**
- PMSBY claim settlement ratio: **100%**
- PMJJBY claim settlement ratio: **97.85%**

The Bank's customer base stood at approximately **3,05,865 customers**, spread across **1,768 villages / locations** in its operating area.

INSURANCE SERVICES

The Bank continues to facilitate eligible insurance products and services for its customers through its insurance partners.

The Bank offers appropriate life and non-life insurance products in accordance with applicable regulatory requirements and arrangements with its insurance partners.

The Bank also facilitates insurance coverage for eligible borrowers and assets financed by the Bank.

BUSINESS CORRESPONDENTS (BC) OPERATIONS

The Bank continues to extend banking services through its Business Correspondent network as part of its financial inclusion initiatives.

The Bank's BC network enables customers in remote and underserved areas to access essential banking services closer to their place of residence.

As on March 31, 2026, the Bank had 14 BC locations operating through 11 base branches.

The BC network provides services including account opening, deposits, withdrawals, remittances, fund transfers and other permitted banking services.

The Bank continues to strengthen its BC operations through technology-enabled solutions and improved connectivity.

BC BUSINESS PERFORMANCE

The business performance of the Bank's BC network as on March 31, 2026, was as under:

(Rs. in lakhs)

Particulars	Amount
CASA Deposits	1,122.49
Fixed Deposits	3,610.41
Total Deposits	4,732.90
Percentage of Bank's Deposits	8.53%
Advances mobilised	6,158.80
Percentage of Bank's Advances	12.97%

SAMRUDDHI SUKSHMA LOAN (SSL) APP

The Bank continues to offer small-ticket loans through its digital platform, subject to applicable credit policies and regulatory requirements.

The loan origination and pre-sanction process is facilitated through digital technology and handheld devices.

As on March 31, 2026:

- Number of SSL loans outstanding: 203
- Outstanding amount: Rs. 25.00 lakhs
- NPAs: Rs. 8.28 lakhs

AUDITORS AND AUDITORS' REPORT

M/s K V S R Y Associates, Chartered Accountants, Hyderabad, were appointed as the Statutory Auditors of the Bank for a period of three consecutive years at the 25th Annual General Meeting held on September 26, 2024, subject to prior approval of the Reserve Bank of India and ratification / approval of the shareholders, as applicable.

The Board recommends the appointment / reappointment of M/s K V S R Y Associates, Chartered Accountants, as Statutory Auditors of the Bank for FY 2026-27, subject to the requisite approval of the Reserve Bank of India and shareholders of the Bank, as applicable.

Explanations or Comments by the Board on Every Qualification, Reservation, Adverse Remark or Disclaimer

There are no qualifications, reservations, adverse remarks or disclaimers in the Statutory Auditors' Report for FY 2025-26.

CORPORATE GOVERNANCE

The Bank has always adopted appropriate practices and policies to promote a culture of sound corporate governance.

The governance structure of the Bank comprises the Board of Directors, Board-level Committees, Management Committees and the branch-level management structure.

The Board of Directors provides overall strategic direction and exercises oversight over the affairs of the Bank, while the Committees of the Board assist the Board in discharging its statutory and regulatory responsibilities.

The Bank continues to comply with applicable provisions of the Companies Act, 2013, Banking Regulation Act, 1949 and applicable guidelines and directions issued by the Reserve Bank of India.

BOARD OF DIRECTORS

As on March 31, 2026, the Board of Directors comprised 6 (Six) Directors, including 5 (Five) Independent Directors, 1 (One) Managing Director and 1 (One) Part-Time Chairman, as applicable.

During FY 2025-26, the following changes took place in the composition of the Board:

- Mr. Jagan Mohan Vedantham retired as Non-Executive Director of the Bank on attaining the age of 70 years.

- Mr. Narsi Reddy Vangala was re-appointed as Non-Executive Independent Director of the Bank.

The Directors of the Bank have complied with the applicable Fit and Proper criteria prescribed by the Reserve Bank of India and have submitted the requisite declarations and disclosures under applicable laws and regulations.

Subsequent Change in Managing Director & CEO

The term of office of Mr. Durgaprasad Donepudi, Managing Director of the Bank, was completed on June 30, 2026.

The Reserve Bank of India, vide its letter No. DoR.GOV.No.s2778/29.55.001/2026-27 dated June 30, 2026, approved the appointment of Mr. Sorabh Dhawan as the Managing Director & CEO of the Bank.

Mr. Sorabh Dhawan assumed charge as the Managing Director & CEO of the Bank with effect from July 1, 2026.

The above change occurred subsequent to the close of the financial year and is accordingly disclosed as a material subsequent event.

CHANGE IN KEY MANAGERIAL PERSONNEL

During FY 2025-26, there was no change in the Key Managerial Personnel of the Bank.

MEETINGS OF THE BOARD AND ATTENDANCE

The Board of Directors met **Six (6) times** during the Financial Year 2025-26 on the following dates:

13th May 2025, 22nd July 2025, 30th August 2025, 29th October 2025, 21st January 2026, and 24th March 2026

The intervening gap between the meetings was within the period prescribed under the applicable provisions of the Companies Act, 2013 and applicable RBI regulations / guidelines.

Attendance of Directors in Board Meetings

Sl. No.	Name of Director	No. of meetings entitled to attend	No. of meetings attended
1.	Mr. SM Farooque Shahab	6	6
2.	Mr. V Narsi Reddy	6	6
3.	Mr. D. Indu Sekhar	6	6
4.	Mrs. B Vijaya Lakshmi	6	6
5.	Mrs. Geetha Mikkilineni	6	6
6.	Mr. Durga Prasad Donepudi	6	6

7.	Mr. V Jaganmohan	2 (13 May 25 & 22 Jun 25)	2 (13 May 25 & 22 Jun 25)

The Board reviewed the matters covered under the Reserve Bank of India's Calendar of Reviews and other applicable regulatory requirements.

The profiles of the Directors were reviewed and the Directors complied with the applicable Fit and Proper criteria prescribed by the Reserve Bank of India.

The Directors submitted the requisite annual declarations and disclosures under the Companies Act, 2013 and applicable RBI guidelines.

COMMITTEES OF THE BOARD

During FY 2025-26, the Bank had the 11 Committees of the Board

The composition of the Committees and the number of meetings held during FY 2025-26 are set out below:

Sl. No.	Name of Committee	Composition as on March 31, 2026	Meetings held during FY 2025-26
1	ALMI Committee	1. Mr. SM Farooque Shahab 2. Mrs. Geetha Mikkilineni 3. Mr. D. Indu Sekhar 4. Mr. Donepudi Durga Prasad	13-05-2025, 22-07-2025, 29-10-2025, and 21-01-2026,
2	Executive Committee	1. Mr. D. Indu Sekhar 2. Mr. V. Narsi Reddy 3. Mrs. B. Vijayalakshmi 4. Mr. Donepudi Durga Prasad	13-05-2025, 22-07-2025, 29-10-2025, 21-01-2026, and 17-03-2026
3	Audit Committee	1. Mrs. Geetha Mikkilineni 2. Mr. D Indu Sekhar 3. Mrs. B. Vijayalakshmi 4. Mr. V Narsi Reddy	13-05-2025, 22-07-2025, 29-10-2025, and 21-01-2026,
4	Human Resource Development Committee	1. Mr. SM Farooque Shahab 2. Mr. D. Indu Sekhar 3. Mr. Donepudi Durga Prasad	15-07-2025, 27-10-2035, and 07-02-2026
5	Customer Service Committee	1. Mr. D Indu Sekhar 2. Mr. SM Farooque Shahab 3. Mr. Donepudi Durga Prasad	29-10-2025, and 24-03-2026
6	Risk Management Committee	1. Mr. V. Narsi Reddy 2. Mr. SM Farooque Shahab 3. Mrs. B. Vijayalakshmi 4. Mr. D Indu Sekhar 5. Mr. Donepudi Durga Prasad	29-10-2025, and 24-03-2026
7	Information Technology Committee	1. Mr. SM Farooque Shahab 2. Mr. V Narsi Reddy 3. Mrs. Geetha Mikkilineni 4. Mr. Donepudi Durga Prasad	13-05-2025, 22-07-2025, 29-10-2025, and 21-01-2026,
8	Share Allotment & Transfer Committee	1. Mr. V. Narsi Reddy 2. Mr. SM Farooque Shahab 3. Mrs. Geetha Mikkilineni	30-08-2025
9	Nomination & Remuneration Committee	1. Mr. V Narsi Reddy 2. Mr SM Farooque Sahab	13-05-2025, 22-07-2025, and

		3. Mrs. B Vijayalakshmi	24-03-2026
10	Credit Committee	1. Mr. D Indu Sekhar 2. Mr. V. Narsi Reddy 3. Mr. SM Farooque Shahab 4. Mrs. B. Vijayalakshmi 5. Mr. Donepudi Durga Prasad	13-05-2025, 19-06-2025, 22-07-2025, 29-10-2025, and 21-01-2026,
11	Special committee of the Board for Monitoring and follow-up of Frauds	1. Mr. SM Farooque Shahab 2. Mr. D Indu Sekhar 3. Mr. Donepudi Durga 4. Mr. TRV Satyanarayana 5. Mr. L Rammohan Rao 6. Mr. KV Parameswara Rao	21-01-2026

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 134(5) OF THE COMPANIES ACT, 2013

Your directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any.
- The accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2026, and of the profit of the Bank for the year ended on that date.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the applicable provisions of the Companies Act, 2013, Banking Regulation Act, 1949 and other applicable laws for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.
- The Bank, being an unlisted company, the provisions of Section 134(3)(e) of the Companies Act, 2013 pertaining to laying down internal financial controls are not applicable to the Bank.
- The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS

The Bank has constituted a Nomination and Remuneration Committee in accordance with the applicable provisions of Section 178 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 and applicable RBI guidelines.

Policy on Appointment of Directors

The appointment of Directors is subject to applicable provisions of the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India from time to time.

The Nomination and Remuneration Committee determines the Fit and Proper status of existing and proposed Directors based on applicable criteria relating to educational qualifications, experience, field of expertise, track record, integrity and other requirements prescribed by the Reserve Bank of India.

The appointment of the Managing Director & CEO / Whole-Time Director is subject to compliance with applicable Fit and Proper criteria and approval of the Reserve Bank of India, wherever required.

The Directors do not have any pecuniary relationship with the Bank except to the extent of sitting fees paid for attending meetings of the Board and Committees of the Board, remuneration paid to the Managing Director & CEO and honorarium paid to the Part-Time Chairman, as applicable.

Policy on Remuneration to Directors

The remuneration paid to the Managing Director is approved by the Reserve Bank of India alongside the appointment. The Honorarium paid to the Part-time Chairman of the Board is approved by the Reserve Bank of India alongside the appointment. The Directors other than the Managing Director are paid sitting fees for attending the Board and Committees of the Board meetings as fixed by the Board in accordance with the provisions of Section 197 of the Companies Act, 2013 and Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014.

None of the other Directors are paid any remuneration other than sitting fees for attending meetings of the Board and Committees and reimbursement of eligible expenses.

DECLARATION BY INDEPENDENT DIRECTORS

The Independent Directors of the Bank have submitted the requisite declarations confirming that they meet the criteria of independence prescribed under Section 149(6) of the Companies Act, 2013 and applicable RBI guidelines.

The Independent Directors have also complied with the applicable provisions of Schedule IV to the Companies Act, 2013 and have submitted the necessary disclosures and declarations for FY 2025-26.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The nature of business of the Bank is such that there were no foreign exchange earnings or outgo during the financial year 2025-26.

STATUTORY DISCLOSURE

Considering the nature of activities of the Bank, the particulars relating to conservation of energy and technology absorption under Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 are not applicable to the Bank.

However, the Bank continues to use technology commensurate with its size and business requirements. The Bank operates in a computerised environment and its branches, and Business Correspondent locations operate through Core Banking Solution.

The Bank continues to encourage employees to conserve energy and resources wherever possible.

Pursuant to Section 134(3)(a) of the Companies Act, 2013, the Annual Return of the Bank is available on the website of the Bank at **www.kbsbank.bank.in**.

SECRETARIAL STANDARDS

The Directors state that the Bank has devised proper systems to ensure compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government, as applicable to the Bank.

The systems are adequate and operating effectively.

DETAILS OF DIFFERENCE BETWEEN AMOUNT OF VALUATION DONE AT THE TIME OF ONE-TIME SETTLEMENT AND THE VALUATION DONE WHILE TAKING LOAN FROM BANKS OR FINANCIAL INSTITUTIONS

The provisions relating to disclosure of difference between the amount of valuation done at the time of one-time settlement and the valuation done while taking a loan from banks or financial institutions are not applicable to the Bank.

CHANGE IN THE NATURE OF BUSINESS

There has been no change in the nature of business of the Bank during FY 2025-26.

MATERIAL CHANGES AND COMMITMENTS

Except as disclosed elsewhere in this Report, there have been no material changes and commitments affecting the financial position of the Bank between the end of the financial year to which these financial statements relate and the date of this Report.

Subsequent to the close of the financial year:

- Mr. Subir Boity, Company Secretary and Chief Compliance Officer of the Bank (appointed with effect from November 6, 2024), was placed under suspension by the Board of Directors at its meeting held on May 12, 2026, in accordance with the applicable policies and procedures of the Bank.

- Ms. Vineet Rastogi was appointed as an Additional Director of the Bank with effect from May 12, 2026.

- Mr. Srinivasa Rao Tenali and Mr. N. Murali Krishna were appointed as Additional Directors of the Bank with effect from June 25, 2026.

- The term of office of Mr. Durgaprasad Donepudi as the Managing Director of the Bank was completed on June 30, 2026.

- Mr. Sorabh Dhawan was appointed as the Managing Director & Chief Executive Officer of the Bank and assumed charge with effect from July 1, 2026, pursuant to the approval of the Reserve Bank of India.

Apart from the above, there have been no other material changes and commitments affecting the financial position of the Bank that have occurred between the end of the financial year and the date of this Report.

DETAILS OF SUBSIDIARY / JOINT VENTURES / ASSOCIATE COMPANIES

The Bank does not have any subsidiary, joint venture or associate company.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY REGULATORS, COURTS AND TRIBUNALS

No significant and material order has been passed by any regulator, court or tribunal impacting the going concern status of the Bank or its operations in the future.

INSOLVENCY AND BANKRUPTCY CODE, 2016

There was no application made or proceeding pending against the Bank under the Insolvency and Bankruptcy Code, 2016 during FY 2025-26.

DEPOSITS

Being a Banking Company, the provisions relating to acceptance of deposits under Section 73 of the Companies Act, 2013 and the corresponding disclosure requirements under the Companies (Accounts) Rules, 2014 are not applicable to the Bank to the extent applicable to banking companies.

RELATED PARTY TRANSACTIONS

The particulars of contracts or arrangements or transactions with related parties entered into by the Bank during the financial year ended March 31, 2026, as applicable under Section 188 of the Companies Act, 2013, are disclosed in the Notes to Accounts forming part of the Annual Report.

There were no materially significant related party transactions during the year under review with the Promoters, Directors, Key Managerial Personnel and their relatives which had potential conflict with the interests of the Bank.

ACKNOWLEDGEMENTS

Your Directors place on record their sincere appreciation for the continued support and guidance received by the Bank from the Reserve Bank of India, other regulatory authorities, other banks and financial institutions and all other stakeholders and organisations associated with the Bank.

The Directors also place on record their appreciation for the continued trust and confidence reposed in the Bank by its valued customers and solicit their continued support and cooperation.

Your Directors also wish to place on record their sincere appreciation for the commitment, dedication and valuable contribution of the employees of the Bank towards the growth and development of the Bank during the year.

The Directors look forward to the continued support and cooperation of all stakeholders in achieving the Bank's objectives and realising its corporate goals in the years ahead.

On behalf of the Board of Directors

Sd/-	**Sd/-**
SM Farooque Shahab	**Sorabh Dhawan**
Part-Time Chairman	**Managing Director & CEO**
DIN: 09214092	**DIN: 06802161**

Date: 12th August 2026
Place: Hyderabad

Annexure-I

REPORT ON CSR ACTIVITIES
[Pursuant to Section 135 of the Companies Act, 2013 and Rule 12(1B) of the Companies (Accounts) Rules, 2014]

1. Brief outline on CSR Policy of the Company:

In accordance with the provisions of Section 135 of the Companies Act, 2013, and the rules made thereunder, the Company has formulated and adopted a Corporate Social Responsibility (CSR) Policy, which has been approved by the Board of Directors of the Company.

The CSR Policy of Krishna Bhima Samruddhi Local Area Bank Limited outlines the Company's commitment towards undertaking socially responsible initiatives for the benefit of the community and society at large. The Policy provides the framework and guidelines for identifying, undertaking, implementing and monitoring CSR activities in accordance with the provisions of Section 135 of the Companies Act, 2013, read with Schedule VII thereto and the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time.

The CSR activities of the Company are undertaken with the objective of contributing towards inclusive growth and sustainable development, particularly in areas relating to healthcare, education, community development and other activities as may be permitted under Schedule VII of the Companies Act, 2013.

2. Composition of CSR Committee:

Pursuant to Section 135(9) of the Companies Act, 2013, where the amount required to be spent by a company under Section 135(5) does not exceed fifty lakh rupees, the requirement under Section 135(1) to constitute a Corporate Social Responsibility Committee shall not be applicable and the functions of such Committee shall, in such cases, be discharged by the Board of Directors of the Company.

Accordingly, during the financial year under review, the CSR functions of the Company were discharged by the Board of Directors of Krishna Bhima Samruddhi Local Area Bank Limited, in accordance with the applicable provisions of the Companies Act, 2013 and the rules made thereunder.

3. Provide the web-link where Composition of CSR Committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company: **www. kbsbank.bank.in**

4. Provide the executive summary along with web-link(s) of Impact Assessment of CSR projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable: **Not Applicable.**

The provisions relating to impact assessment under Rule 8(3) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, are not applicable to the Company for the financial year under review.

5. Details of CSR obligation:

Particulars	Amount (in INR)
a) Average net profit of the Company as per Section 135(5)	19,31,07,269/-
b) Two per cent of average net profit of the Company as per Section 135(5)	38,62,145/-

c) Surplus arising out of the CSR projects or programmes or activities of the previous financial years	45,173/-
d) Amount required to be set off for the financial year, if any	Nil
e) Amount available for setoff in succeeding financial year	45,173/-
f) Total amount spend in financial year	38,62,145/-

6. Details of CSR amount spent during the financial year:

Particulars	Amount (in INR)
a) Amount spent on CSR projects (both ongoing project and other than ongoing project)	38,62,145/-
b) Amount spent in administrative overheads	NIL
c) Amount spent on impact assessment, if applicable	Not Applicable
d) Total amount spent for the financial year [(6a) + (6b) + (6c)]	38,62,145/-
e) CSR amount spent ~~or unspent~~ for the financial year	38,62,145/-

7. Details of Unspent CSR amount for the preceding three financial years: **Nil**

8. Whether any capital assets have been created or acquired through CSR amount spent in the financial year: **No.**

9. Details of CSR amount spent against other than ongoing projects for the financial year:

S. No	Name of the Project	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No)	Location of the project	Amount spent for the project (In INR)	Expenditure on Administrative overheads (in INR)	Mode of implementation – Direct (Yes/No)	Mode of implementation - Through implementing agency	
								Name	CSR Registration Number
1	Provide Education, including special Education	Education	Yes	Telangana	10,86,780/-	Nil	Yes	NA	NA
2	Contribution to Prime	Prime Minister's	Yes	NA	27,75,365/-	Nil	Yes	NA	NA

	Minister's national relief fund.	national relief fund.								

Details of Name, Address and Email Address of the Implementing Agency:

1	**Name**	NA
2	**Address**	NA
3	**Email Address**	NA

10. Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per sub-section (5) of Section 135: **Not Applicable.**

The Company has duly complied with the applicable CSR expenditure requirements prescribed under Section 135 of the Companies Act, 2013, for the financial year under review.

On behalf of the Board of Directors

Sd/-
SM Farooque Shahab
Part-Time Chairman
DIN: 09214092

Sd/-
Sorabh Dhawan
Managing Director & CEO
DIN: 06802161

Date: 12th August 2026
Place: Hyderabad

INDEPENDENT AUDITOR'S REPORT

To the Members
Krishna Bhima Samruddhi Local Area Bank Limited
Hyderabad

Report on audit of the Standalone Financial Statements

Opinion

1. We have Audited the accompanying standalone financial statements of Krishna Bhima Samruddhi Local Area Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31st March 2026, the Statement of Profit and Loss and the Statement of Cash Flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns for the year ended on that date of all 29 branches Audited by us.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 in the manner so required for banking Companies and are in conformity with the accounting principles generally accepted in India and give a true and fair view

   a. in case of the Balance sheet, of the state of affairs of the Bank as at 31st March 2026;
   b. its profit in case of Profit and Loss account for the year ended on that date; and
   c. in case of statement of cash flows for the year ended on that date.

Basis for Opinion

3. We conducted our Audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our Audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the Audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key Audit matters are those matters that, in our professional judgment, were of most significance in our Audit of the financial statements of the current period. These matters were addressed in the context of our Audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S.No.	Key Audit Matter	How our Audit addressed the Key Audit Matter
1	**Income Recognition and Asset Classification**	Our Audit approach towards advances with reference to the IRAC Norms and other related circulars / directives issued by

	Classification of Advances and Identification of and provisioning of Non-performing Advances in accordance with the RBI guidelines Advances include Cash credits, Overdrafts loans repayable on demand and Term loans. These are further categorized as secured by Tangible assets (including advances against Books debts), covered by Bank / Government Guarantees and unsecured advances. Advances constitute 65.90% of the Bank's total assets. They are, inter-alia, governed by income recognition, asset classification and provisioning (IRAC) norms and other circulars / directives issued by the RBI from time to time which provides guidelines related to classification of Advances into performing and non-performing Advances (NPA). The Bank classifies these Advances based on IRAC norms as per its accounting policy No. 3. Identification of performing and non-performing advances involves establishment of proper mechanism. The Bank accounts for all the transactions related to Advances in its Information Technology System (IT System) viz. B@ncs 24X7 which also identifies whether the advances are performing or non-performing. Further, NPA provision is done manually. The carrying value of these advances (net of provisions) may be materially misstated if, either individually or in aggregate, the IRAC norms are not properly followed. Considering the nature of the transactions, regulatory requirements, existing business environment, estimation/judgment involved in valuation of securities, it is a matter of high importance for the intended users of the Standalone financial statements. Considering these aspects, we have determined this as a Key Audit Matter.	RBI and also internal policies and procedures of the Bank includes the testing of the following: - The accuracy of the data input in the system for income recognition, classification into performing and non-performing Advances and provisioning in accordance with the IRAC Norms in respect of the all 29 branches Audited by us; - Existence and effectiveness of monitoring mechanisms such as Internal Audit, Systems Audit and Concurrent Audit are as per the policies and procedures of the Bank; We have examined the efficacy of various internal controls over advances to determine the nature, timing and extent of the substantive procedures and compliance with the observations of the various Audits conducted as per the monitoring mechanism of the Bank and RBI inspection. In carrying out substantive procedures at all the 29 branches Audited by us, we have examined all large advances/stressed advances while other advances have been examined on a sample basis including review of valuation reports of independent valuers provided by the Bank's management. We have also relied on the reports of External IT system Audit experts with respect to the business logics / parameters inbuilt in B@ncs 24X7 for tracking, identification and stamping of NPAs and provisioning is calculated manually.

	Accordingly, our Audit was focused on income recognition, asset classification and provisioning pertaining to advance due to the materiality of the balances.	

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

5. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

   In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the Financial Statements

6. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an Audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

   As part of an Audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the Audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform Audit procedures responsive to those risks, and obtain Audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the Audit in order to design Audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies

Act, 2013, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the Audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the Audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Materiality is the magnitude of the misstatements in the standalone financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in
  (i) planning of the scope of our audit work and evaluating the results of our work; and
  (ii) to evaluate the effect of any identified misstatement in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the Audit and significant Audit findings, including any significant deficiencies in internal control that we identify during our Audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the Audit of the financial statements of the current period and are therefore the key Audit matters. We describe these matters in our Auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013.

8. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

   a. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our Audit and have found them to be satisfactory;

   b. the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;

   c. the returns received from the offices; and branches of the Bank have been found adequate for the purposes of our Audit.

   d. the profit and loss account shows a true balance of profit for the year then ended.

9. Further, as required by section 143(3) of the Act, we report that

   a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.

   c. The reports on the accounts of the branch offices of the Bank Audited under section 143(8) of the Act by us have been properly dealt with by us in preparing this report;

   d. The Balance Sheet, the Statement of Profit and Loss and the Statement of Cash Flows dealt with by this report are in agreement with the books of account.

   e. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, to the extent they are not inconsistent with the accounting policies prescribed by RBI.

   f. On the basis of written representations received from the directors as on 31st March 2026 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2026 from being appointed as a director in terms of Section 164(2) of the Act.

   g. With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"

   h. With respect to the other matters to be included by the Auditor's in the Auditor's report in accordance with the requirement of section 197(16) of the Companies Act, 2013 as amended:

      In our opinion and to the best of our information and according to explanation given to us, remuneration paid or payable by the company to the directors during the year is in accordance with the section 197 of the Companies Act, 2013.

i. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Bank does not have any pending litigations which would impact its financial position

ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses and

iii. There were no amounts pending, which were required to be transferred to the Investor Education and Protection Fund by the Bank.

iv.

a. (The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall: Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Company or Provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

b. The management has represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall:

Directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Funding Party or Provide any guarantee, security or the like form or on behalf of the Ultimate Beneficiaries; and

c. Based on such Audit procedures as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (d) (i) and (d)(ii) contain any material mis-statement.

v. No Dividend has been declared or paid during the year by the Company.

vi. The Bank has used such accounting software for maintaining its books of account which has a feature of recording Audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the Audit trail feature has not been tampered with and the Audit trail has been preserved by the company as per the statutory requirements for record retention

For K V S R Y & Associates
Chartered Accountants
FR No: 08169S

Date: 25-06-2026
Place: Hyderabad

Kari Venkateswarlu
Partner
M.No. 207068
UDIN: 26207068LAYCKG1612

“Annexure A” to the independent Auditor’s report of even date on the standalone financial statements of Krishna Bhima Samruddhi Local Area Bank Limited

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

1. We have Audited the internal financial controls over financial reporting of Krishna Bhima Samruddhi Local Area Bank Limited (‘the Bank’) as at 31st March 2026 in conjunction with our Audit of the standalone financial statements of the Bank for the year ended on that date.

Management’s Responsibility for Internal Financial Controls over Financial Reporting

2. The Bank’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (“the Act”).

Auditor’s Responsibility

3. Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our Audit. We conducted our Audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, to the extent applicable to an Audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the Audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

4. Our Audit involves performing procedures to obtain Audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our Audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the Auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the Audit evidence we have obtained is sufficient and appropriate to provide a basis for our Audit opinion on the Bank’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

6. A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2026, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For K V S R Y & Associates
Chartered Accountants
FR No: 08169S

Date: 25-06-2026
Place: Hyderabad

Kari Venkateswarlu
Partner
M.No. 207068
UDIN: 26207068LAYCKG1612

Balance Sheet

BALANCE SHEET AS ON	Sch	31-Mar-2026	31-Mar-2025
			Rs.
CAPITAL AND LIABILITIES			
Capital	1	13,42,22,620	13,42,22,620
Reserves and Surplus	2	90,25,55,468	87,96,71,426
Deposits	3	5,55,03,26,436	5,29,42,52,657
Borrowings	4	-	-
Other Liabilities and Provisions	5	61,68,03,858	47,90,47,260
Total		**7,20,39,08,382**	**6,78,71,93,963**
ASSETS			
Cash and Balances with Reserve Bank of India	6	10,75,36,051	12,36,48,316
Balances with Banks and Money at Call and Short Notice	7	96,41,18,326	81,65,81,228
Investments	8	1,25,11,68,455	1,24,99,95,055
Advances	9	4,74,73,45,072	4,45,12,07,733
Fixed Assets	10	3,04,41,870	3,39,89,280
Other Assets	11	10,32,98,608	11,17,72,351
Total		**7,20,39,08,382**	**6,78,71,93,963**
Contingent Liabilities	12	83,11,378	69,85,311
Bills for Collection		-	-

The schedules referred to above form an integral part of the Balance Sheet.
In terms of our report of even date

For KVSRY & Associates	**For and on behalf of the Board of Directors**		
Chartered Accountants **Firm Regn. No. 08169S**			
Sd/- **K. Venkateswarlu** Partner M. No. 207068 UDIN:26207068LAYCKG1612	**Sd/-** **Syed Mohammad Farooque Shahab** Non-Executive Independent Director And Part-Time Chairman DIN: 09214092		**Sd/-** **Narsi Reddy Vangala** Non-Executive Independent Director DIN: 08685359
	Sd/- **Indusekhar Dantu** Non-Executive Independent Director DIN: 08571259	**Sd/-** **Durga Prasad Donepudi** Managing Director DIN: 07031463	**Sd/-** **J. Murali Krishna** Chief General Manager and Chief Financial Officer
Place: Madhapur **Date:** June 25, 2026	Audited Financial Statements as at March 31, 2026		

PROFIT AND LOSS

			Rs.
PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED	**Sch**	**31-Mar-2026**	**31-Mar-2025**
I. INCOME			
Interest Earned	**13**	79,98,99,407	81,65,88,017
Other Income	**14**	8,17,13,448	11,52,14,569
Total		**88,16,12,855**	**93,18,02,586**
II. EXPENDITURE			
Interest Expended	**15**	41,02,26,712	37,97,02,678
Operating Expenses	**16**	34,42,95,423	32,83,42,225
Provisions and Contingencies		9,40,60,336	12,24,76,684
Total		**84,85,82,471**	**83,05,21,587**
III. PROFIT / LOSS			
Net Profit/(Loss) for the Year		3,30,30,385	10,12,80,999
Add: Profit/(Loss) Brought Forward		65,56,70,186	57,76,81,527
Total		**68,87,00,571**	**67,89,62,526**
IV. APPROPRIATIONS/TRANSFERS			
Statutory Reserve		66,10,845	2,02,70,820
Capital Reserve		-	-
Investment Fluctuation Reserve		-	-
Proposed Dividend		-	-
Staff Welfare Fund Reserve		12,50,000	30,00,000
IT Development Reserve Fund		35,00,000	-
Balance Carried Over to Balance Sheet		67,73,39,726	65,56,91,706
Total		**68,87,00,571**	**67,89,62,526**
Principal Accounting Policies	**17**		
Notes on Accounts	**18**		

The schedules referred to above form an integral part of the Profit and Loss Account

In terms of our report of even date

For KVSRY & Associates	**For and on behalf of the Board of Directors**		
Chartered Accountants **Firm Regn. No. 08169S**			
Sd/- **K. Venkateswarlu** Partner M. No. 207068 UDIN:26207068LAYCKG1612	**Sd/-** **Syed Mohammad Farooque Shahab** Non-Executive Independent Director And Part-Time Chairman DIN: 09214092		**Sd/-** **Narsi Reddy Vangala** Non-Executive Independent Director DIN: 08685359
	Sd/- **Indusekhar Dantu** Non-Executive Independent Director DIN: 08571259	**Sd/-** **Durga Prasad Donepudi** Managing Director DIN: 07031463	**Sd/-** **J. Murali Krishna** Chief General Manager and Chief Financial Officer
Place: Madhapur **Date:** June 25, 2026	Audited Financial Statements as at March 31, 2026		

SCHEDULES TO BALANCE SHEET AS ON	31-Mar-2026	31-Mar-2025
SCHEDULE 1:CAPITAL		
Authorised Capital	25,00,00,000	25,00,00,000
250,00,000 Equity Shares of Rs. 10/- each		
Issued Capital		
Issued 13422262 Equity Shares of Rs. 10/- each	**13,42,22,620**	**13,42,22,620**
Subscribed & Paid-up capital		
13422262 Equity Shares of Rs. 10/- each	13,42,22,620	13,42,22,620
Total	**13,42,22,620**	**13,42,22,620**
SCHEDULE 2:RESERVES AND SURPLUS		
I.Statutory Reserves		
Opening Balance	18,08,31,668	16,05,60,848
Additions during the Year	66,10,845	2,02,70,820
Deductions during the Year	-	-
Total	**18,74,42,513**	**18,08,31,668**
II.Capital Reserves		
Opening Balance	27,68,191	27,68,191
Additions during the year	-	-
Deductions during the year	-	-
Total	**27,68,191**	**27,68,191**
III.Share Premium		
Opening Balance	3,04,29,380	3,04,29,380
Additions during the year	-	-
Deductions during the year	-	-
Total	**3,04,29,380**	**3,04,29,380**
IV.Investment Fluctuation Reserve		
Opening Balance	95,20,000	95,20,000
Additions during the year	-	-
Deductions during the year	-	-
Total	**95,20,000**	**95,20,000**
V. Revenue and Other Reserves		
Opening Balance	4,52,000	4,52,000
Addition During the Year	-	-
Deductions during the year	-	-
Total	**4,52,000**	**4,52,000**
VI. Balance in Profit and Loss Account		
Opening Balance	65,56,70,186	57,76,81,527
Addition During the Year	2,64,19,540	8,10,10,179
Deductions during the year	12,50,000	30,00,000
Less: Deferred Tax	53,96,343	21,520
Less :IT Development Reserve Fund	35,00,000	-
Total	67,19,43,384	65,56,70,187
Total (I to VI)	**90,25,55,468**	**87,96,71,426**

SCHEDULES TO BALANCE SHEET AS ON	**31-Mar-2026**	**31-Mar-2025**
SCHEDULE 3:DEPOSITS		
A I. Demand Deposits		
(i) From Banks	**-**	**-**
(ii) From Others	2,34,45,520	2,41,68,300
II. Savings Bank Deposits	76,28,81,258	71,38,45,307
III. Term Deposits		
(i) From Banks	-	-
(ii) From Others	4,76,39,99,658	4,55,62,39,050
Total (I, II and III)	**5,55,03,26,436**	**5,29,42,52,657**
B. I. Deposits of branches in India	**5,55,03,26,436**	**5,29,42,52,657**
II. Deposits of branches out side India	**-**	**-**
Total	**5,55,03,26,436**	**5,29,42,52,657**
SCHEDULE 4:BORROWINGS		
I. Borrowings in India		
i Reserve Bank of India	**-**	**-**
ii Other Banks	**-**	**-**
iii Other Institutions and Agencies	**-**	**-**
II. Borrowings outside India	**-**	**-**
Total	**-**	**-**
(Secured borrowings included in I & II above)		
SCHEDULE 5:OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable & Liabilities	**-**	**-**
II. Inter-Office adjustments (net)	**-**	**-**
III. Interest Accured	**-**	**-**
IV. Others *(including provisions)*	61,68,03,858	47,90,47,260
V.Proposed dividend (Inc Dividend Distribution tax)	**-**	**-**
Total	**61,68,03,858**	**47,90,47,260**
SCHEDULE 6:CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand	5,75,24,519	6,27,13,784
(including foreign currency notes)		
II.Balances with Reserve Bank of India		
(i) in current Account	5,00,11,532	6,09,34,532
(ii) in other Accounts	**-**	**-**
Total - (I & II)	**10,75,36,051**	**12,36,48,316**

SCHEDULES TO BALANCE SHEET AS ON	31-Mar-2026	31-Mar-2025
SCHEDULE 7:BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balance with banks		
a. in current accounts	20,28,83,272	22,93,35,494
b. in other deposit accounts	76,12,35,054	58,72,45,734
ii.Money at call and short notice		
a. with banks	-	-
b. with other institutions	-	-
Total	**96,41,18,326**	**81,65,81,228**
II. Outside India		
i. In current accounts		
ii. In Other deposit accounts	-	-
iii. Money at call and short notice	-	-
Total	-	-
Total - (I & II)	**96,41,18,326**	**81,65,81,228**
SCHEDULE 8:INVESTMENTS		
I. Investments in India in		
i. Government Securities	1,25,11,68,455	1,24,99,95,055
ii. Other approved securities	-	-
iii.Shares	-	-
iv.Debentures and Bonds	-	-
v.Subsidiaries and/or joint ventures	-	-
vi.Others	-	-
Total	**1,25,11,68,455**	**1,24,99,95,055**
Less: Depreciation	-	-
Net Investments	**1,25,11,68,455**	**1,24,99,95,055**
II. Investments outside India in		
i.Government securities (including local authorities)	-	-
ii.Subsidiaries and/or joint ventures abroad	-	-
iii. Other investments	-	-
Total	-	-
Total - (I & II)	**1,25,11,68,455**	**1,24,99,95,055**
SCHEDULE 9:ADVANCES		
A i) Bills purchased and discounted	-	-
ii) Cash credits, overdrafts and loans repayable on demand	8,75,04,561	9,54,19,552
iii) Term Loans	4,65,98,40,511	4,35,57,88,181
Total	**4,74,73,45,072**	**4,45,12,07,733**
B i) Secured by Tangible Assets	4,65,28,50,526	4,31,48,28,951
ii) Covered by Bank/Government Guarantee	-	-
iii) Unsecured	9,44,94,546	13,63,78,782
Total	**4,74,73,45,072**	**4,45,12,07,733**

SCHEDULES TO BALANCE SHEET AS ON	31-Mar-2026	31-Mar-2025
C **I**) Advances in India		
i) Priority Sectors	2,26,01,72,103	2,40,35,83,065
ii) Public Sector	-	-
iii) Banks	-	-
iv) Others	2,48,71,72,969	2,04,76,24,668
Total	**4,74,73,45,072**	**4,45,12,07,733**
II) Advances outside India		
i) Due from Banks	**-**	**-**
ii) Due from Others	**-**	**-**
Total	**-**	**-**
Total (C. I & II)	**4,74,73,45,072**	**4,45,12,07,733**
SCHEDULE 10:FIXED ASSETS		
I Premises	**-**	**-**
II Other Fixed assets (including furniture and fixtures)		
At cost as on 31st March of the preceding year	16,06,22,356	15,23,82,257
Additions during the year	96,17,127	1,43,58,680
Deductions during the year	3,39,94,121	61,18,581
Depreciation to date	10,58,03,492	12,66,33,076
Total	**3,04,41,870**	**3,39,89,280**
SCHEDULE 11:OTHER ASSETS		
I. Inter-Office adjustments (net)	**-**	**-**
II. Interest accrued	4,51,93,035	4,06,49,485
III. Tax paid in advance / Tax deducted at source	2,56,30,863	4,28,93,504
IV. Stationery and stamps	11,27,544	19,54,365
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Deferred Tax Asset (Net)	59,29,401	53,96,343
VII. Others	2,54,17,765	2,08,78,654
Total	**10,32,98,608**	**11,17,72,351**

SCHEDULES TO BALANCE SHEET AS ON	31-Mar-2026	31-Mar-2025
SCHEDULE 12:CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts	-	-
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding forward exchange contracts	-	-
IV. Guarantees given on behalf of constituents		
a. In India	-	-
b. Outside India	-	-
V. Acceptances, endorsements and other obligations	-	-
VI.Other items for which the bank is contingently liable	**83,11,378**	**69,85,311**
Total	**83,11,378**	**69,85,311**

The schedules referred to above form an integral part of the Balance Sheet.
In terms of our report of even date

For KVSRY & Associates	**For and on behalf of the Board of Directors**		
Chartered Accountants **Firm Regn. No. 08169S**			
Sd/- **K. Venkateswarlu** Partner M. No. 207068 UDIN:26207068LAYCKG1612	**Sd/-** **Syed Mohammad Farooque Shahab** Non-Executive Independent Director And Part-Time Chairman DIN: 09214092		**Sd/-** **Narsi Reddy Vangala** Non-Executive Independent Director DIN: 08685359
	Sd/- **Indusekhar Dantu** Non-Executive Independent Director DIN: 08571259	**Sd/-** **Durga Prasad Donepudi** Managing Director DIN: 07031463	**Sd/-** **J. Murali Krishna** Chief General Manager and Chief Financial Officer
Place: Madhapur **Date:** June 25, 2026	Audited Financial Statements as at March 31, 2026		

			Rs.
SCHEDULES TO PROFIT AND LOSS ACCOUNT		**31-Mar-2026**	**31-Mar-2025**
SCHEDULE 13: INTEREST EARNED			
I. Interest/discount on advances/bills		65,69,73,892	69,16,16,268
II. Income on Investments		8,60,10,253	8,29,37,407
III.Interest on balances with Reserve Bank of India and other inter-bank funds		5,69,15,262	4,20,34,341
IV. Others		-	-
Total		**79,98,99,407**	**81,65,88,016**
SCHEDULE 14:OTHER INCOME			
I. Profit on sale of Asset / Investments		50,12,370	58,48,335
II. Miscellaneous Income		7,67,01,078	10,93,66,234
Total		**8,17,13,448**	**11,52,14,569**
SCHEDULE 15:INTEREST EXPENDED			
I. Interest on Deposits		40,58,87,605	37,96,83,965
II.Interest on Reserve Bank of India/Inter-bank borrowings		28,274	18,713
III.Others		43,10,833	-
Total		**41,02,26,712**	**37,97,02,678**
SCHEDULE 16:OPERATING EXPENSES			
I. Payments to and provision for employees		17,07,58,883	16,22,34,337
II. Rent, taxes and lighting		3,45,48,106	3,19,95,976
III. Printing and Stationery		41,10,866	34,38,354
IV. Advertisement and publicity		6,75,163	4,64,626
V. Depreciation on bank's property		1,30,86,620	1,23,63,709
VI. Directors' fees, allowances and expenses		47,88,550	50,29,185
VII. Auditors' Fees and Expenses		13,22,830	11,19,951
VIII. Law Charges		1,57,100	2,51,200
IX. Postage, Telephones. Etc.		36,49,821	34,04,143
X. Repairs and maintenance		67,74,908	42,35,661
XI. Insurance		1,46,32,446	1,29,90,796
XII. Other expenditure		8,97,90,129	9,08,14,286
Total		**34,42,95,423**	**32,83,42,224**
SCHEDULES TO PROFIT AND LOSS ACCOUNT		**31-Mar-2026**	**31-Mar-2025**
PROVISIONS AND CONTINGENCIES			

I. Provision for Non Performing Assets		6,72,00,000	7,39,80,205
II. Provision on Standard Assets		19,03,325	9,21,134
III. Provision for Current Tax		2,49,57,011	4,65,14,171
IV. Prov for Income Tax Prior Years		-	-
V. Provision for Depreciation on Investments		-	(4,07,600)
VI. Other Provisions		-	14,68,774
VII.General Provision		-	-
Total		**9,40,60,336**	**12,24,76,684**

The schedules referred to above form an integral part of the Profit and Loss Account

In terms of our report of even date

For KVSRY & Associates	**For and on behalf of the Board of Directors**		
Chartered Accountants **Firm Regn. No. 08169S**			
Sd/- **K. Venkateswarlu** Partner M. No. 207068 UDIN:26207068LAYCKG1612	**Sd/-** **Syed Mohammad Farooque Shahab** Non-Executive Independent Director And Part-Time Chairman DIN: 09214092		**Sd/-** **Narsi Reddy Vangala** Non-Executive Independent Director DIN: 08685359
	Sd/- **Indusekhar Dantu** Non-Executive Independent Director DIN: 08571259	**Sd/-** **Durga Prasad Donepudi** Managing Director DIN: 07031463	**Sd/-** **J.Murali Krishna** Chief General Manager and Chief Financial Officer
Place: Madhapur **Date:** June 25, 2026	Audited Financial Statements as at March 31, 2026		

CASH FLOWS STATEMENT

(Amount in Rs.)

Sl.No	Particulars	31-Mar-26		31-Mar-25	
A	Cash Flow from Operating activities		13,91,97,166		12,52,03,149
B	Cash Flow from Investing activities		23,74,010		(7,42,33,728)
C	Cash Flow from Financial activities		(1,01,46,343)		(30,21,520)
	Net Change in Cash & Cash Equivalents		**13,14,24,834**		**4,79,47,900**
D	Cash & Cash Equivalents at the beginning of the year		94,02,29,544		89,22,81,644
E	Cash & Cash Equivalents at the end of the year		1,07,16,54,377		94,02,29,544
	Net Change in Cash & Cash Equivalents		**13,14,24,833**		**4,79,47,900**
A	***CASH FLOW FROM OPERATING ACTIVITIES***				
I	Net Profit after Taxes	3,30,30,385		10,12,80,999	
	Add : Tax Provision	2,49,57,011		4,65,14,171	
	Sub Total		**5,79,87,395**		**14,77,95,170**
	Less : Amount Transferred to Provision for leave encashment	-	2,96,756	-	-
	Sub Total	-	**5,76,90,639**	-	**14,77,95,170**
	Adjustments :-				
i	Depreciation on Fixed Assets		1,30,86,620		1,23,63,709
ii	Provision for NPAs		6,72,00,000		7,39,80,205
iii	Provision for Standard Assets		19,03,325		9,21,134
iv	Depreciation on Investments		-		(4,07,600)
v	Interest paid on Subordinated Debts		-		-
vi	**Other Provisions**				
	Provision for Retired employee's Medical Bills	-		-	
	Adhoc provision for loan loss & Misce.Items /other provision	-		-	
	Provision for Contingent Liabilities	-		-	
	Floating Provision for Loan Losses	-		-	
	Deferred Tax asset for Current year / DTL	59,29,401	59,29,401	-	-
	Sub Total		**14,58,09,986**		**23,46,52,618**
	Less : Direct Taxes (Actual advance Tax paid)		2,52,50,000		4,25,00,000
	Sub Total		**12,05,59,986**		**19,21,52,618**
I	Increase in Deposits	25,60,73,77		37,00,14,1	

		9		14	
II	Increase /Decrease in Borrowings	-		-	
III	Increase in Advances	(29,61,37,339)		(41,13,62,380)	
IV	Increase in Other Liabilities & Provisions	2,49,76,997		(7,42,40,064)	
V	Increase/ Decrease in Other Assets	3,37,23,743		4,86,38,861	
	Sub Total		**1,86,37,181**		**(6,69,49,469)**
	Net Cash Flow from Operating Activities		**13,91,97,166**		**12,52,03,149**

Sl.No	Particulars	31-Mar-26		31-Mar-25	
B	***CASH FLOW FROM INVESTING ACTIVITIES***				
I	Investment in subsidiaries and /or Joint Ventures	-		-	
II	Income Earned on Such Investment	-		-	
III	Increase in Investments	(11,73,400)		(7,22,67,116)	
III	Fixed Assets				
	Additions during the year	(3,04,46,711)		(80,85,193)	
	Deductions during the year	3,39,94,121		61,18,581	
	Net Cash used in Investing Activities	-	**23,74,010**	-	**(7,42,33,728)**
C	***CASH FLOW FROM FINANCING ACTIVITES***				
I	Share Capital	-		-	
II	Share Premium	-		-	
III	Subordinated Bonds	-		-	
IV	Redemption of Bonds (Series -1)	-		-	
V	Interest paid on Subordinated Bonds	-		-	
VI	Dividend paid	-		-	
VII	Other Reserves	(1,01,46,343)		(30,21,520)	
	Net Cash Provided by (used in) Financing Activities		**(1,01,46,343)**		**(30,21,520)**
D	***CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR***				
I	Cash in Hand (including Foreign Currency Notes)	6,27,13,784		6,72,13,393	
II	Balance with Reserve Bank of India	6,09,34,532		5,03,19,532	
III	Balance with Banks and Money at call and short Notice	81,65,81,228		77,47,48,718	
	Total :		**94,02,29,544**		**89,22,81,644**
E	***CASH & CASH EQUIVALENTS AT THE END OF THE YEAR***				
I	Cash in Hand(including Foreign Currency Notes)	5,75,24,519		6,27,13,784	
II	Balance with Reserve Bank of India	5,00,11,532		6,09,34,532	

III	Balance with Banks and Money at call and short Notice	96,41,18,326		81,65,81,228	
	Total :		**1,07,16,54,377**		**94,02,29,544**

For KVSRY & Associates	**For and on behalf of the Board of Directors**		
Chartered Accountants **Firm Regn. No. 08169S**			
Sd/- **K. Venkateswarlu** Partner M. No. 207068 UDIN:26207068LAYCK G1612	**Sd/-** **Syed Mohammad Farooque Shahab** Non-Executive Independent Director And Part-Time Chairman DIN: 09214092		**Sd/-** **Narsi Reddy Vangala** Non-Executive Independent Director DIN: 08685359
	Sd/- **Indusekhar Dantu** Non-Executive Independent Director DIN: 08571259	**Sd/-** **Durga Prasad Donepudi** Managing Director DIN: 07031463	**Sd/-** **J.Murali Krishna** Chief General Manager and Chief Financial Officer
Place: Madhapur **Date:** June 25, 2026	Audited Financial Statements as at March 31, 2026		

Notes to Accounts

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES

1. **BACKGROUND:** The Local Area Banks (LAB) guidelines, known as "Guidelines for Setting up of Local Area Banks in the Private Sector", were issued on 24th August 1996. The stated objective of setting up the LABs was to develop an institutional mechanism for promoting rural savings as well as making available a channel for credit to viable economic activities, primarily in the rural areas. The Bank (KBSLAB) is governed by the Banking Regulation Act, 1949, and the State Bank of India Act, 1955.
   Following are the Significant Accounting Policies i.e., the specific accounting principles and methods of applying these principles in the preparation and presentation of financial statements of the Bank

2. **Basis for Preparation of Financial Statements:**

The Bank's financial statements have been prepared under the historical convention with fundamental accounting assumptions of going concern, consistency, and accrual, unless otherwise stated. The accounting policies applied conform with the Generally Accepted Accounting Principles in India (Indian GAAP) and are consistent with those followed in the previous year. The financial statements comply with:

a. The provisions of the Banking Regulation Act, 1949
b. Applicable guidelines and circulars issued by Reserve Bank of India (RBI).
c. The Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI), as notified under the Companies (Accounting Standards) Rules, 2006.
d. Other applicable statutes and regulations.
e. The generally accepted banking practices prevailing in India.

This framework ensures that the financial statements reflect a true and fair view of the state of affairs of the Bank, with specific consideration for its operations in rural areas of Telangana, Karnataka, and Andhra Pradesh.

3. **Use of Estimates:**

The preparation of financial statements in conformity with Indian GAAP requires the Bank's management to make estimates and assumptions that affect:

a. The reported amounts of assets and liabilities,
b. The disclosure of contingent liabilities, and
c. The reported amounts of income and expenses during the reporting period.

These estimates and assumptions are based on management's best knowledge of current events, experience, and various other factors that are believed to be prudent and reasonable under the circumstances. They are reviewed on a continuous basis, and any revision to accounting estimates is recognized prospectively in the current and future periods.

4. **Significant Accounting Policies:**

1. **Revenue Recognition*:***

a. Revenue is recognized to the extent it is probable that economic benefits will flow to the Bank, and the revenue can be reliably measured.
b. Income and expenditure are generally recognized on an accrual basis, unless stated otherwise.
c. Income on advances classified as standard assets is recognized on an accrual basis.
d. Income on non-performing advances (NPAs) is recognized only when realized, in accordance with Income Recognition and Asset Classification (IRAC) norms prescribed by the RBI.

e. Interest on investments and Bank fixed deposits is accounted for on an accrual basis.

f. The discount or premium if any on acquisition of all debt securities, across all categories of investments i.e. HTM, AFS, HFT-FVTPL meeting Solely Payments of Principal and Interest" (SPPI) Criterion is amortised over the remaining life of the instrument using Straitline method. The amortised amount is reflected under item II 'Income on Investments' of Schedule 13: 'Interest Earned' with a contra in Schedule 8: 'Investments'

g. Income such as commission, locker rent, exchange, and other service charges is recognized on realization, in line with conservative accounting practices.

2. Investments:

In accordance with Reserve Bank of Bank guidelines, Investments are accounted for and classified in line with RBI guidelines and include both statutory Liquidity ratio (SLR) and Non – SLR Investments.

(1) **Classification**: Investment are classified into the following categories

a) Held to Maturity (HTM)

b) Available for Sale (AFS)

c) FVTPL

i. Held for Trading (HFT)

ii. Non -HFT

(2) **Basis of Classification**:

a) Investments that the Bank intends to hold till maturity are classified under "HTM "

b) The classification is made only at the time of acquisition in terms of RBI guidelines.

c) Investments not classified as HTM are categorized as "AFS or HFT", based on the intended holding period and trading strategies. However, Bank does not have any securities under HFT/FVTPL categories.

(3) Valuation:

a) HTM Investments are carried at acquisition cost. Where the acquisition cost is above face value, the premium is amortized over the remaining maturity period.

b) AFS Investments are valued scrip-wise at market value (as per RBI guidelines), and the valuation is done classification-wise.

c) Treasury Bills under AFS are valued at carrying cost.

d) HFT Investments, if any, are to be valued scrip-wise at monthly intervals based on market/realizable value. Currently, the Bank does not hold any securities under the HFT category.

e) Broken period interest paid/ received on debt instruments is treated as interest expense/ income and is excluded from cost/ sale consideration.

f) One-time classification, valuation and shifting of securities has been done on 1st April 2024 in line with RBI guidelines.

g) Investment Fluctuation Reserve (IFR):

a. As per RBI guidelines, the Bank is required to maintain an IFR of at least 2% of the portfolio classified under AFS and HFT categories. The Bank has already created an

IFR of Rs.95.20 lakh in prior years. As of March 31, 2026, the Bank is not holding any AFS portfolio except Treasury Bills.

3. **Advances and Provisions thereon:**

a) Classification Based on Security: Loans are categorized as secured or unsecured, considering the value of primary and / or collateral security (e.g., livestock, crops, other assets, or collateral)

b) Classification Based on Performance: Loans are labeled as Performing or Non-Performing Assets (NPAs) in line with RBI's IRAC (Income Recognition, Asset Classification) norms

c) NPA Categories (As per RBI):

- **i.** Sub-standard Assets: A loan asset that has remained non-performing for a period of less than or equal to 12 months.
- **ii.** Doubtful Assets: A loan asset that has remained in the sub-standard category for a period of not less than 12 months.
- **iii.** Loss Assets: A loan asset where loss has been identified, but the amount has not been fully written off.

d) Provisions are to be made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below:

a. Substandard Assets:
   - i. Provision of 15% on the total outstanding;
   - ii. Additional provision of 10% for exposures which are unsecured;

b. Doubtful Assets: -
   Secured portion:
   - **i.** Up to one year – 25%
   - **ii.** One to three years – 40%
   - **iii.** More than three years – 100%
   - **iv.** Unsecured portion 100%

c. Loss Assets: 100%

However, Bank has provided 100% on its Non-Performing Assets under doubtful category.

e) Irrespective of the above classification, where any asset, in the opinion of the management, Auditors and Reserve Bank of India is considered irrecoverable with reasonable efforts, the same is classified as Loss Assets. However, there are no loans under this category.

f) **Provisions for Standard (Performing) Assets:** In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI guidelines which are prescribed below:

1. Farm Credit, SMEs and Housing: 0.25%
2. Commercial Real Estate (CRE): 1.00%
3. CRE – Residential Housing (CRE-RH): 0.75%
4. All other Loans: 0.40%

Notes to Accounts

Provisions on Standard Assets are shown in **Schedule 5 under "Other Liabilities & Provisions – Others."** These are not deducted from gross NPAs for arriving at Net NPAs**.**

4. Fixed Assets and Depreciation / Amortization:

4.1. Recognition: Fixed assets are stated at cost, less accumulated depreciation/ amortization.

4.2. Cost Components: Include purchase cost, taxes, duties, freight, and other incidental expenses related to acquisition and installation.

4.3. Intangible Assets: Computer software and licenses which are expected to provide future enduring economic benefits are capitalized at cost, less accumulated amortization and impairment losses if any; tech support and annual maintenance cost for such software are charged to the Statement of Profit & Loss.

4.4. Depreciation Method: Depreciation on tangible assets is provided on Straight Line Method (SLM) which reflects the management's estimate of the useful life of the respective fixed assets. As per the Companies Act, 2013, Bank has reviewed and fixed the useful life of its fixed assets. Such useful Life of the fixed assets are given here under:

Asset Category	**Useful Life of the assets (No of Years)**
Assets for Own Use:	
Furniture and Fixtures	10
Office Equipment	5
Professional Equipment (Comprising of Computers, Peripherals etc)	3
Vehicles	5
Leased Premises – constructions	5

Fixed Assets costing less than Rs.5,000/- each are charged off in the year of purchase and put to use.

4.5. Impairment of Fixed Assets:

a) Whenever events or changes in circumstances indicate that the carrying amount of fixed assets may be impaired, such assets are put to a test of recoverability, based on discounted cash flows expected from use or disposal thereof. If the assets are impaired, the impairment loss is recognized, which is the excess of the carrying amount over the recoverable amount.

b) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

c) A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying amount after reversal is not increased beyond the carrying amount that would have prevailed by charging usual depreciation if there was no impairment.

5. Provisioning and write-off:

5.1. Provisioning in respect of non-performing assets is made as per guidelines applicable to Banks, issued by Reserve Bank of India.

5.2. Bank has adopted a policy to write-off selective cases, wherever 100% provision is made.

Notes to Accounts

6. Pre-operative Expenditure:

The pre-operative expenditure incurred with regard to shifting of existing branches and opening of new branches, are treated as revenue expenditure during the year of shifting. However, during the financial year, the Bank has not booked any pre-operative expenses.

7. Prior Period and Extra Ordinary Items:

Prior Period and Extraordinary items having material impact on financial affairs are disclosed separately.

8. Employee Benefits:

8.1. Short Term Employee Benefits: Employees are permitted to encash 10 days' privilege leave once in two years, subject to sanction from management. For the purpose of leave encashment, Basic pay drawn in the previous month will be taken as the basis for arriving at the amount of leave encashment. The leave encashment slab for which encashment was permitted by the Bank is for 2024-26.

8.2. Long Term Employee Benefits:

i) **Provident Fund**: Every eligible employee shall become a member of the Provident Fund. Contribution is accounted for on actual liability basis and paid to Employees' Provident Fund Organization in accordance with the rules governing the fund in terms of the Provident Fund Act, 1952.

ii) **Gratuity Fund**: The amount of gratuity is payable as per Gratuity Act, 1972 in force.

iii) Gratuity is being computed as per statutory norms on actuarial valuation basis and paid in to a Trust, created with and for this purpose through the group schemes of Life Insurance Corporation of India.

9. Taxes on Income:

9.1. Current Tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.

9.2. Deferred Tax is recognized on the timing differences – being differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred Tax Assets, subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

In situations where the Company has unabsorbed depreciation or carryforward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Notes to Accounts

10. Provisions, Contingent Liabilities and Contingent Assets:

10.1. Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events – it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation.

10.2. Contingent Liabilities are not recognized but are disclosed in the Notes.

10.3. Contingent Assets are not recognized in financial statements.

11. Cash and Cash equivalents: Cash and Cash equivalents include cash in hand, balance with Reserve Bank of India, Balances with other Banks/Institutions and money at call and short notice.

12. Cash Flow Statement: Cash flows are reported using the indirect method. Under this method, profit before tax is adjusted for the effects of non-cash transactions, deferrals, and other items that relate to investing or financing activities.

13. Segment Information

The disclosure related to Segment information is in accordance with Accounting Standard 17, Segment Reporting and as per the guidelines issued by RBI. Bank has classified its business into the following for the segment reporting:

a) Treasury includes all investment portfolio, interest earned on investments and FDRs, profit or loss on sale of investments, profit on sale of Mutual Fund investments etc.,

b) Retail Banking includes lending to and deposits from retail customers and identified earnings and expenses of the segment.

c) Other Banking operations include all other operations not covered under Treasury and Retail Banking.

14. Net Profit: Net Profit is arrived at after accounting for the following "Provisions and Contingencies":

- Depreciation and amortization of Investments
- Provision for Taxation including Income Tax & Deferred Tax
- Provision for Loan losses
- Provision for Standard Assets
- Provision for NPAs
- Other usual and necessary provisions

15. Earnings per Share:

Basic and Diluted earnings per equity shares are reported in accordance with Accounting Standard – 20 – Earnings per Share notified by the Central Government under the Companies (Accounting Standards) Rules, 2006.

Basic earnings per equity share have been computed by dividing Net Profit after Tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per equity share is computed by dividing the Net profit after Tax for the year by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

Notes to Accounts

SCHEDULE 18 – NOTES ON ACCOUNTS

1. Regulatory Capital

a) Composition of Regulatory Capital

(Rs in lakhs)

Sl. No	Particulars	Current Year	Previous Year
i)	Tier 1 Capital	10272.58	9989.78
ii)	Tier 2 Capital	244.79	225.75
iii)	Total capital (Tier 1+Tier 2) (i+ii)	10517.37	10215.53
iv)	Total Risk Weighted Assets (RWAs)	44093.66	41286.85
v)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	23.30	24.20
vi)	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	0.56	0.54
vii)	Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	23.85	24.74
viii)	Amount of paid-up equity capital raised during the year	-	-
ix)	Amount of non-equity Tier 1 capital raised during the year, of which		
	a) Perpetual Non-Cumulative Preference Shares b) Perpetual Debt Instruments	-	-
x)	Amount of Tier 2 capital raised during the year, of which		
	a) Perpetual Non-Cumulative Preference Shares b) Perpetual Debt Instruments	-	-

Particulars	Current Year	Previous Year
Amount of Non-Equity Tier -1 Capital raised during the year of which		
a) Perpetual Non-Cumulative Preference Shares **b)** Perpetual Debt Instruments	Nil	Nil

b) **Draw down from Reserves**: No such cases, Bank has not drawn any funds from reserves during FY 2025-26

Notes to Accounts

2. Asset Liability Management

a) Maturity pattern of certain items of assets and liabilities

(Rs In thousand)

Head	Next Day	2-7 Days	8-14 Days	15-28 Days	29-Days and Up to 3 Months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 and Up to 3 Years	Over 3 and Up to 5 Years	Over 5 Years	Total
Deposits	25,163	69,441	96,788	93,372	5,43,336	6,70,235	12,01,170	26,33,301	1,24,516	93,003	55,50,326
Loans & Advances	3,34,403	73,041	68,700	31,761	2,00,040	3,81,396	13,58,520	3,23,814	13,82,711	5,92,959	47,47,345
Investments & FDR	4,733	13,062	48,206	84,564	3,32,676	3,91,498	6,01,418	4,95,331	23,422	17,494	20,12,404
Borrowings											
Foreign Currency Assets											
Foreign Currency Liabilities											

b) Liquidity coverage ratio (LCR): Bank has been following Basel-I framework which is applicable to Local Area Banks. Hence, Liquidity Coverage Ratio is not applicable.

Notes to Accounts

3. INVESTMENTS

a) Investment Portfolio as at 31- March- 2026

(Rs in lakhs)

Sl.No	Particulars	Current Year							Previous Year						
		HTM		AFS	FVTPL		subsidiaries, Associates & JVs		HTM		AFS	FVTPL		subsidiaries, Associates & JVs	
		At Cost	Fair Value		HFT	NON-HFT	At Cost	Fair Value	At Cost	Fair Value		HFT	NON-HFT	At Cost	Fair Value
I	Investments in India														
(i)	Government Securities	11,671.80	11,341.36	984.73	-	-	-	-	9,693.82	9,622.61	2,930.96	-	-	-	-
(ii)	Other Approved Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iii)	Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iv)	Debentures and Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(v)	Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(vi)	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	11,671.80	11,341.36	984.73	-	-	-	-	9,693.82	9,622.61	2,930.96	-	-	-	-
	Less: Provisions for Impairment/NPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Net	11,671.80	11,341.36	984.73	-	-	-	-	9,693.82	9,622.61	2,930.96	-	-	-	-
II	Investments Outside India														
(i)	Government Securities (Including local authorities)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(ii)	Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iii)	Other Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Less: Provisions for Impairment/NPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Investments (I+II)	**11,671.80**	**11,341.36**	**984.73**	**-**	**-**	**-**	**-**	**9,693.82**	**9,622.61**	**2,930.96**	**-**	**-**	**-**	**-**

b) Fair Value hierarchy of Investment portfolio measured at fair value on Balance sheet

Notes to Accounts

(Rs in lakhs)

Sl.No	Particulars	Current Year								Previous Year							
		AFS				FVTPL				AFS				FVTPL			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
I	Investments in India																
(i)	Government Securities	9834.73	-	-	-	-	-	-	-	2,980.96	-	-	-	-	-	-	-
(ii)	Other Approved Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iii)	Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iv)	Debentures and Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(v)	Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(vi)	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	9834.73	-	-	-	-	-	-	-	2,980.96	-	-	-	-	-	-	-
II	Investments Outside India	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	Government Securities (Including local authorities)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(ii)	Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iii)	Other Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Investments (I+II)	9834.73	-	-	-	-	-	-	-	2,980.96	-	-	-	-	-	-	-

c) Net gains/ (losses) on Level 3 financial instruments recognized in AFS-Reserve and Profit and Loss Account

(Rs in lakhs)

Particulars	***Current Year***	***Previous Year***
Recognized in AFS-Reserve	-	-
Recognized in Profit and Loss Account	-	-

d) Details of sales made out of HTM

(Rs in lakhs)

Sl.No	**Particulars**	***Current Year***	***Previous Year***
A	Opening carrying value of securities in HTM	-	-
B	Carrying value of all HTM securities sold during the year	-	-
C	Less: Carrying values of securities sold under situations exempted from regulatory limit	-	-
D	Carrying value of securities sold (D=B-C)	-	-
E	Securities sold as a percentage of opening carrying value of securities in HTM (E=D÷A)	-	-
F	Amount transferred to Capital Reserve in respect of HTM securities which were sold at a gain	-	-

e) **Reclassification between categories of Investments:** The RBI's revised directions required banks to undertake a one-time comprehensive classification/reclassification of the entire **investment portfolio** when the new framework became effective from **1 April 2024**. The categories under the new framework are HTM (Held to Maturity), AFS (Available for Sale), and FVTPL (Fair Value Through Profit and Loss), with HFT being a sub-category of FVTPL. Banks are not required to reclassify the entire investment portfolio every financial year.

Bank reclassified its entire portfolio at the time of transition to the new RBI framework (effective FY 2024-25) on 01.04.2024 and did not reclassify any securities during FY 2025-26.

f) Movement of Provisions for Non-Performing Investments (NPIs) and Investment Fluctuation Reserve

(Rs in lakhs)

Sl.No	Particulars	Current Year	Previous Year
i)	**Movement of provisions held towards NPIs**		
a)	Opening balance	-	-
b)	Add: Provisions made during the year	-	-
c)	Less: Write off / write back of excess provisions during the year	-	4.08
d)	Closing balance	-	-
ii)	**Movement of Investment Fluctuation Reserve**	-	
a)	Opening balance	95.20	95.20
b)	Add: Amount transferred during the year	-	-
c)	Less: Drawdown	-	-
d)	Closing balance	95.20	95.20
iii)	Closing balance in IFR as a percentage of closing balance of investments in AFS and FVTPL (including HFT)	-	-

g) Non SLR Investment Portfolio: **(Rs in lakhs)**

Sl.No	Particulars	*Current Year*	*Previous Year*
a)	Opening balance	-	-
b)	Additions during the year from 1st April	*4200.00*	*4800.00*
c)	Reductions during the above period	*4200.00*	*4800.00*
d)	Closing balance	-	-
e)	Total provisions held	-	-

h) Issuer composition of non-SLR investments:

(Rs in lakhs)

Sl.No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted Securities
1	PSUs (UTI-MF)	500.00	-	-	-	-
2	FIs (SBI-MF)	3700.00	-	-	-	-

i) Repo transactions (in face value and market value terms): Bank does not deal in any repo transactions

Notes to Accounts

	Minimum outstanding during the year		Maximum outstanding during the year		Daily Average outstanding during the year		Outstanding as on March 31,2026	
	FV	**MV**	**FV**	**MV**	**FV**	**MV**	**FV**	**MV**
i) Security sold under Repo								
a) Government securities								
b) Corporate debt Securities								
c) Any Other Securities								
ii) Security Purchased under Reverse Repo				**NIL**				
a) Government securities								
b) Corporate debt Securities								
c) Any Other Securities								

j) Government Security Lending (GSL) transactions: NIL

4. ASSET QUALITY

a) Classification of advances and provisions held

(Rs in Lakhs)

Particulars	**Standard**	**Non-Performing**				**Total**
	Total Standard Advances	**Sub-standard**	**Doubtful**	**Loss**	**Total Non-Performing Advances**	
Gross Standard Advances and NPAs						
Opening Balance	43,226.83	890.68	394.57	-	1,285.25	44,512.08
Add: Additions/Change during the year		2,170.91	739.55	-	2,910.46	2,910.46
Less: Reductions during the year		1,089.32	254.42	-	1,343.74	1,343.74
Closing balance	**44,621.48**	**1,972.27**	**879.70**	**-**	**2,851.97**	**47,473.45**
Reductions in Gross NPAs due to:					-	-
i) Upgradation	-	68.84	16.09		84.93	84.93
ii) Recoveries (excluding recoveries from upgraded accounts)	-	943.33	-		943.33	943.33
iii) Technical/ Prudential Write-offs	-	77.15	41.29		118.44	118.44
iv) Write-offs other than those under (iii) above	-		197.04		197.04	197.04
Provisions (excluding Floating Provisions)					-	-
Opening balance of provisions held		890.68	394.57		1,285.25	
Add: Fresh provisions made during the year		1,539.19	420.16		1,959.35	
Less: Excess provision reversed/ Write-off loans		1,150.49	382.59		1,533.09	
Closing balance of provisions held	**-**	**1,279.38**	**432.13**	**-**	**1,711.51**	

Notes to Accounts

Net NPAs		-	-			
Opening Balance		-	-		-	
Add: Fresh additions during the year		631.72	319.39		951.11	
Less: Reductions during the year		-61.17	-128.17		-189.35	
Closing Balance		692.89	447.56		1,140.45	

Particulars	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Floating Provisions						
Opening Balance						
Add: Additional provisions made during the year						
Less: Amount drawn down during the year						
Closing balance of floating provisions						
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts			1,184.70		1,184.70	
Add: Technical/ Prudential write-offs during the year			197.04		197.04	
Less: Recoveries made from previously technical/ prudential written-off accounts during the year			15.08		15.08	
Closing balance			1,366.66		1,366.66	

Sl.No	Ratios (in per cent)	Current Year	Previous Year
1	Gross NPA to Gross Advances	6.01	2.89
2	Net NPA to Net Advances	2.49	0.00
3	Provision coverage ratio	60.01	100

Notes to Accounts

b) Sector-wise Advances and Gross NPAs

(Rs in Lakhs)

SL. NO	SECTOR	2025-26			2024-25		
		Outstanding Total Advance	Gross NPA	% of Gross NPA to Total Advances in that sector	Outstanding Total Advance	Gross NPA	% of Gross NPA to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture & allied activities	8,621.99	720.81	6.48	7,917.99	294.14	2.19
2	Industry (Micro & small, Medium and Large)	11,688.29	1,941.67	16.61	14,685.06	891.79	6.07
3	Services	2,291.45	70.04	3.06	1,432.78	21.02	1.47
4	Personal Loans	-	-	-	-	-	-
	Sub Total -(A)	**22,601.72**	**2,732.52**	**12.09**	**24,035.83**	**1,206.96**	**5.02**
B	**Non-Priority Sector**						
1	Agriculture & allied activities	2,500.00	-	-	5,500.00	-	-
2	Industry (Micro & small, Medium and Large)	-	-	-	-	-	-
3	Services	22,344.65	119.45	0.53	14,952.54	78.29	0.52
4	Personal Loans	27.08	-	-	23.70	-	-
	Sub Total -(B)	**24,871.73**	**119.45**	**0.53**	**20,476.25**	**78.29**	0.38
	Total (A) + (B)	**47,473.45**	**2,851.97**	**6.01**	**44,512.08**	**1,285.25**	**2.89**

c) Overseas assets, NPAs and revenue: The Bank does not have any overseas operations.

Particulars	**Current Year**	**Previous Year**
Total Assets	NIL	NIL
Total NPAs	NIL	NIL
Total Revenue	NIL	NIL

d) Details of accounts subjected to restructuring (restructuring as defined as per applicable regulations):

The Bank has not rescheduled /restructured any loan either during the current year or during the previous year

e) Divergence in Asset Classification and Provisioning for NPAs

(Rs in Lakhs)

Sl.No	**Particulars**	**Amount**
1	Gross NPAs as on March 31, 2025 as reported by the Bank	1285.25
2	Gross NPAs as on March 31, 2025 as assessed by RBI	1285.25
3	Divergence in Gross NPAs (2-1)	-
4	Net NPAs as on March 31, 2025 as reported by the Bank	-
5	Net NPAs as on March 31, 2025 as assessed by RBI	-
6	Divergence in Net NPAs (5-4)	-
7	Provisions for NPAs as on March 31, 2025 as reported by the Bank	1285.25
8	Provisions for NPAs as on March 31, 2025 as assessed by RBI	1285.25

9	Divergence in provisioning (8-7)	-
10	Reported Profit before Provisions and Contingencies for the year ended March 31,2025	2237.58
11	Reported Net Profit after Tax (PAT) for the year ended March 31,2025	1012.81
12	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31,2025 after taking into account the divergence in provisioning	-

f) Disclosure of transfer of loan exposures: The Bank has neither sold nor purchased any non-performing financial assets during the current year or previous year.

g) Non fund Based (NFB) Credit Facilities : Nil

h) Fraud accounts:

(Rs in Lakhs)

Particulars	**Current year**	**Previous year**
Number of frauds reported	4	5
Amount involved in fraud	32.88	42.36
Amount of provision made during the year for such frauds (*)	-	25.55
Amount of Un-amortised provision debited from 'other reserves' as at the end of the year	-	-

(*) Outstanding provision as on 31.03.2025 is Rs.14.69 lakhs after partial recovery.

i) Disclosure under Resolution Framework for COVID-19-related Stress:
In line with the regulatory relief measures announced by the Reserve Bank of India (RBI) through various circulars during March to August 2020, the Bank extended the following support to eligible borrowers to mitigate the financial stress arising from the COVID-19 pandemic:

- Moratorium of six months on repayment of instalments of term loans
- Deferment of interest on working capital limits

Present status of these accounts is as under:

(Rs in Lakhs)

Type of Borrower	**Exposure to accounts classified as standard consequent to implementation of resolution plan- position as at the end of the previous year (A)**	**Of (A) aggregate debt that slipped into NPA during the year**	**Of (A) amount written off during the year**	**Of (A) amount paid by the borrowers during the year**	**Exposure to accounts classified as Standard consequent to implementation of resolution plan- Position as at the end of this year**
Personal Loans	-	-	-	-	-
Corporate Persons	-	-	-	-	-
SMEs	51.70	-	18.54	1.84	127.75
Others	182.90	-	5.95	26.15	21.56
Total	**234.60**	**-**	**24.49**	**27.99**	**149.31**

Notes to Accounts

The Bank continues to monitor these accounts and take appropriate recovery or resolution action as per regulatory guidelines.

5. **Exposures:**

a) **Exposure to real estate sector:** The Bank has provided housing loans, which are fully secured by mortgage on residential property that is or will be occupied by the borrowers or that is rented and are classified under priority sector. The loan given to commercial real estate is classified as non-priority sector loans.

(Rs in Lakhs)

Sl. No	Category	Current year	Previous year
a)	Direct exposure		
i.	Residential Mortgages		
	Priority Sector	2010.63	953.15
	Non-Priority Sector	522.01	786.45
ii.	Commercial Real Estate		
	Priority Sector		-
	Non-Priority Sector	237.17	147.25

Sl. No	Category	Current year	Previous year
iii.	Investments in Mortgage-Backed Securities (MBS) and other securitized exposures:	-	-
	a. Residential		
	b. Commercial Real Estate.		
	c. Indirect Exposure		
	Total Exposure to Real Estate Sector	**2769.35**	**1886.85**

b) **Exposure to capital market:** The Bank has not made any investments in capital market.

c) **Risk category-wise country exposure:** The Bank does not have any overseas operations; hence there is no country risk.

d) **Unsecured advances:** An unsecured loan is a loan that is not backed by any security, either primary or collateral. It is a loan that is issued and supported only by the borrower's creditworthiness, Joint Liability, etc., rather than by some sort of tangible security. The unsecured advances breakup is as under:

(Rs in Lakhs)

Particulars	**Current year**	**Previous year**
General Purpose Loans	267.39	413.39
Personal loan to staff	-	-
Festival advance loan to Staff	27.08	23.70
Staff Clean overdraft	433.64	478.58
Samruddhi Sukshma Loan	216.84	448.12
Total	**944.95**	**1363.79**

e) **Factoring exposures:** Bank has not made any Factoring transactions

Notes to Accounts

f) Intra-group exposures: Bank has no intra-group exposure

g) Unhedged foreign currency exposure: Bank has no forex transactions and hence not applicable

h) Loans Against Gold and Silver as Collateral: Nil

i) Exposure to Related Parties

Sl.No	Particulars	Current year	Previous year
	A. Loans to Related Parties		
1	Aggregate value of loans sanctioned to related parties during the Year	NIL	NIL
2	Aggregate value of outstanding loans to related parties as on 31, March		
3	Aggregate value of outstanding loans to related parties as a proportion of total credit exposure as on 31, March (in %)		
4	Aggregate value of outstanding loans to related parties which are categorized as :		
	(i). Special Mentioned Accounts as on 31, March		
	(ii). Non-Performance Assets as on 31, March		
5	Amount of provisions held in respect of Loans to related Parties as on 31, March		
	B. Contracts and arrangements involving related parties		
6	Aggregate value of Contract and arrangements awarded to related parties during the Year	NIL	NIL
7	Aggregate value of outstanding Contract and arrangements involving related parties as on 31, March		

6. Concentration of deposits, advances, exposures and NPAs

a) Concentration of deposits:

Particulars	Current Year	Previous Year
Total deposits of the twenty largest depositors (In Lakh)	4610.86	3997.25
Percentage of deposits of twenty largest depositors to total deposits of the bank	8.31%	7.55%

b) Concentration of advances:

Particulars	Current Year	Previous Year
Total advances to the twenty largest borrowers (In Lakh)	928.64	885.01
Percentage of advances to twenty largest borrowers to total advances of the bank	1.96%	1.99%

c) Concentration of exposures:

Particulars	Current Year	Previous Year
Total exposure to the twenty largest borrowers/customers (In Lakh)	1248.59	1123.46
Percentage of exposures to the twenty largest borrowers/ customers to the total exposure of the bank on borrowers/ customers	1.87%	1.70%

d) Concentration of NPAs:

Particulars	Current Year	Previous Year
Total Exposure to the top twenty NPA accounts (In Lakh)	44.82	50.50
Percentage of exposures to the twenty largest NPA exposures to total Gross NPAs.	1.57%	3.93%

7. Derivatives:

a) Details of derivative portfolio: The Bank does not deal with any derivatives products
b) Forward rate agreement/Interest rate swap: Bank does not deal with FRA/IRS
c) Exchange traded interest rate derivatives: Bank does not deal in these products
d) Disclosures on risk exposure in derivatives: Bank has no exposure to derivatives

8. Transfers to Depositor Education and Awareness Fund (DEA Fund)

(Rs in Lakhs)

Sl.No	Particulars	Current Year	Previous Year
i)	Opening balance of amounts transferred to DEA Fund	69.85	47.61
ii)	Add: Amounts transferred to DEA Fund during the year	13.26	22.24
iii)	Less: Amounts reimbursed by DEA Fund towards claims	-	-
iv)	Closing balance of amounts transferred to DEA Fund	83.11	69.85

9. Disclosure of complaints

a) Summary information on complaints received by the Bank from customers

Sl.no	Particulars	Current Year		Previous Year	
		ATM/UPI	Others	ATM/UPI	Others
	Complaints received by the Bank from its customers.				
1	Number of complaints pending at beginning of the year	1	-	-	-
2	Number of complaints received during the year	84	-	75	-
3	Number of complaints disposed during the year	85	-	74	-
3.1	Of which, number of complaints rejected by the Bank	-	-	-	-
4	Number of complaints pending at the end of the year	-	-	1	-
	Maintainable complaints received by the Bank	-	-	-	-

Notes to Accounts

	from Office of Ombudsman.				

Sl. no	Particulars	Current Year		Previous Year	
		ATM/UPI	Others	ATM/ UPI	Others
5	Number of maintainable complaints received by the Bank from Office of Ombudsman	-	-	-	-
5.1	Of 5, number of complaints resolved in favour of the Bank by Office of Ombudsman	-	-	-	-
5.2	Of 5, number of complaints resolved through conciliation/mediation/ advisories issued by Office of Ombudsman	-	-	-	-
5.3	Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the bank	-	-	-	-
6.	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-	-	-

b) Top five complaints received by the Bank from customers

Grounds of complaints (i.e. complaints relating to	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5 number of complaints pending beyond 30 days
1	**2**	**3**	**4**	**5**	**6**
Ground – 1	1	84	12%	Nil	Nil
Ground – 2					
Ground – 3					
Ground – 4					
Ground – 5					
Total					

Grounds of complaints (i.e. complaints relating to	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5 number of complaints pending beyond 30 days
1	**2**	**3**	**4**	**5**	**6**
			Previous Year		
Ground – 1	Nil	75	(-) 49.66 %	1	Nil
Ground – 2					
Ground – 3					
Ground – 4					
Ground – 5					
Total	Nil	75	(-) 49.66 %	1	Nil

Notes to Accounts

10. Disclosure of penalties imposed by the Reserve Bank of India: RBI has not levied any penalties on the Bank during the FY 2025-26

11. Disclosures on remuneration

Particulars		**Remarks**
Qualitative disclosures	a. Information relating to the composition and mandate of the Remuneration Committee.	The Bank has Human Resource Development Committee and Nomination and Remuneration Committee of the Directors. The HRD Committee consists of Three directors and the Nomination and Remuneration Committee consists of Three directors.
	b. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	The HRD Committee at management level is headed by the Managing Director and at Board level, it is headed by the Board Chairman directs and oversees Manpower Planning and framing and implementation of compensation policy. The Nomination and Remuneration Committee of the Board (NRC) identifies and recommends to the Board for appointment and fixing the remuneration to Key Managerial Personnel such as the Managing Director, Chief Financial Officer and the Company Secretary. In the case of Managing Director, the Board on the recommendations from NRC again recommends the remuneration to RBI for approval. In case of other staff (non-KMP) the HRD Committee at Management level, chaired by the Managing Director & CEO, shall decide and implement the criteria for fixing suitable remuneration to each category of employees based on their job profile and performance.
	c. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks	The Bank aims to provide compensation based on sound principles for effective alignment of compensation with prudent risk taking for all employees including whole time director/Chief Executive Officer and conduct annual review thereof. In case of staff of the Bank, the compensation includes fixed monthly remuneration and quarterly variable pay. The variable pay is calculated strictly taking into consideration certain key parameters of performance for each employee, which contain actual performance of the employee, incentives for better performance, risk taking ability etc.,

Notes to Accounts

	d. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	The parameters to be used by the Board of Directors for evaluation of performance, the determination of quantum of performance-linked Cash and Non-Cash Variable Pay, and the timeline (upfront and deferral) for the payment / vesting of the variable in case of MD & CEO are as follows: The Nomination & Remuneration Committee, and the Board of Directors, shall determine the quantum of Cash and Non-Cash components of the variable pay, and the timeline for their payment / vesting (upfront/deferred) at the end of each financial year on the basis of actual performance during the financial year compared with past performance trends, approved business plan for the financial year, and in the context of materially significant market, macro-economic and other conditions that prevailed in the external environment that impacted on operations of the Bank during the year, and such determination shall be submitted by the Board of Directors to the Reserve Bank of India for prior approval before being acted upon.
	e. A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.	In the case of MD & CEO, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. If cash component is part of variable pay, at least 50% of the cash component should also be deferred. The deferral period should be for a minimum period of three years, and such first deferral payment will be paid after completion of one year and so on and so forth.
	f. Description of the different forms of variable remuneration (i.e., cash and types of share-linked instruments) that the bank utilizes and the rationale for using these different forms.	The variable pay is in the form of share-linked instruments or a mix of cash and share-linked instruments. There will be proper balance between the cash and share-linked components in the variable pay. A substantial portion of compensation, i.e., at least 50%, shall be variable and a minimum of 50% of the variable pay shall be paid by means of non-cash instruments.

Notes to Accounts

			Name of Committee	Current year	Previous year
2	Quantitative disclosures. (The quantitative disclosures should only cover Whole Time Directors/ Chief Executive Officer/ Material Risk Takers)	g. (i) Number of meetings held by the Nomination and Remuneration Committee during the financial year and (ii) remuneration paid to its members (sitting fees)			
			Nomination and Remuneration Committee	3	4
				W.e.f July 30, 2024, Rs.10,000/- per Committee meeting	W.e.f July 30, 2024, Rs.10,000/- per Committee meeting
		h. (i) Number of employees having received a variable remuneration award during the financial year. (ii) Number and total amount of sign-on/joining bonus made during the financial year. (iii) Details of severance pay, in addition to accrued benefits, if any.		0	1
				NIL	NIL
				NIL	NIL
		i (i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms. (ii) Total amount of deferred remuneration paid out in the financial year.		NIL	NIL
				NIL	NIL
		j. Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.		MD- Rs.40,70,003 Variable Rs.0 Fixed Rs.40,70,003	MD- Rs.48,29,955 Variable Rs.11,61,000 Fixed Rs. 36,68,955
		k. (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. (ii) Total amount of reductions during the financial year due to ex post explicit adjustments. (iii) Total amount of reductions during the financial year due to ex post implicit adjustments.		NIL	NIL
				NIL	NIL
				NIL	NIL

		l. Number of MRTs identified		3	3
		m. (i) Number of cases where malus has been exercised.		Nil	Nil
		(ii) Number of cases where clawback has been exercised.		Nil	Nil
		(iii) Number of cases where both malus and clawback have been exercised.		Nil	Nil
3	General Quantitative Disclosure	n. The mean pay for the bank as a whole (excluding sub-staff) and Deviation of the pay of WTDs from the mean pay for the Bank – MD & CEO		Current year	Previous year
				Rs.4,84,773 Rs.35,85,230	Rs.4,52,383 Rs.43,77,572

DISCLOSURE ON REMUNERATION TO NON-EXECUTIVE DIRECTORS:

The Non-Executive Directors are paid sitting fees for attending meetings of the Board and its Committees. Till July 30, 2024, the Directors were paid a sitting fee of Rs.75,000/- for attending standalone Board meetings or otherwise for each Board meeting apart from Rs.15,000/- for each of the Committee meetings. Effective July 30, 2024, the sitting fees have been revised to Rs.10,000/- for each of the Committees and Rs.75,000/- for the Board meeting.

12. Other Disclosures

a) Business ratios

(Figures in %)

Sl. No	Particular	Current Year	Previous Year
i)	Interest Income as a percentage to Average Working Funds	12.37	13.55
ii)	Non-interest income to Average Working Funds	1.26	1.91
iii)	Cost of Deposits	7.73	7.55
iv)	Net Interest Margin	5.65	6.72
v)	Operating Profit to Average Working Funds	1.96	3.71
vi)	Return on Assets	0.48	1.56
vii)	Business (deposits plus advances) per employee (in lakh)	303.77	284.12
viii)	Profit per employee (in Lakh)	0.97	2.95

b) Bancassurance business: Bank has not undertaken any Bancassurance business

c) Marketing and distribution: Not applicable

d) Disclosures regarding Priority Sector Lending Certificates (PSLCs): The Bank enters into transactions of sale or purchase of priority sector lending certificate (PSLC). During FY 2025-26, the Bank sold Priority Sector Lending Certificate (PSLC) for a value of Rs.40.00 crore against Rs.55.00 crore in FY 2024-25 and Bank earned a commission of Rs.104.00 lakh in FY 2025-26 against a commission of Rs. 106.15 lakh earned in FY 2024-25.

Notes to Accounts

Bank also purchased the PSLC certificate of Rs15.00 Crore and commission paid Rs. 13.23 lakh during FY 2025-26

e) Provisions and contingencies

(Rs in Lakhs)

Sl. No	Provision debited to Profit and Loss Account	Current Year	Previous Year
i)	Provisions for NPI	-	-
ii)	Provision towards NPA	672.00	739.80
iii)	Provision made towards Income tax	249.57	465.14
iv)	Provision for Standard Assets	19.03	9.21
v)	Provision for depreciation on Investment	-	(-) 4.08
vi)	Other Provisions	-	14.69
	Total	**940.60**	**1,224.76**

f) Implementation of IFRS converged Indian Accounting Standards (Ind AS): Not applicable to LABs

g) Payment of DICGC Insurance Premium:

(Rs in Lakhs)

Sr.No	Particulars	Current Year	Previous Year
i)	Payment of DICGC Insurance Premium	77.88	73.75
ii)	Arrears in payment of DICGC premium	-	-

h) Disclosure of facilities granted to directors and their relatives: Bank has not sanctioned any facilities to its directors or their relatives.

i) Disclosure on amortization of expenditure on account of enhancement in family pension of employees of banks: NIl

j) Disclosure of Letters of Comfort (LoCs) issued by Banks: The Bank has not issued any Letter of Comfort (LOCs) during the current financial year

k) Portfolio-level information on the use of funds raised from green deposits: Not Applicable

Disclosure Requirements as per Accounting Standards:

1. **Accounting Standard 5:** Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies: There are no changes in Accounting Policies during the previous year and the current financial year.
2. **Accounting Standard 9:** Revenue Recognition: Revenue and Expenditure have been generally accounted for on Accrual Basis.
3. **Accounting Standard 11:** The Effects of Changes in Foreign Exchange Rates: Not Applicable
4. **Accounting Standard 15: Employee Benefits:**

Provision has been made for employee benefits viz. Gratuity (as applicable to the Bank) in accordance with the Revised Accounting Standard 15. The liability of Gratuity was considered as per the statutory norms based on actuarial valuation and paid into a Trust created for this purpose, through the group schemes of Life Insurance Corporation of India.

This is in compliance with the Revised Accounting Standard–15 on Employee Benefits notified by the Institute of Chartered Accountants of India.

Notes to Accounts

5. **Accounting Standard – 17: Segment Reporting:**

Part A: Business segments:

(Rs. In Lakhs)

	Treasury		Corporate/Whole sale Banking		Retail Banking		Other Banking Operations		Total	
Particulars	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	1,478.31	1,291.70			6,569.74	6,916.16	768.08	1,110.16	8,816.13	9,318.03
Result										
Unallocated Expenses									7,545.22	7,080.45
Operating Profit									1,270.91	2,237.58
Provisions and Contingencies (excluding tax)					691.03	759.63			691.03	759.63
Income Tax									249.57	465.14
Extraordinary Profit and Loss										
Net Profit									330.30	1,012.81
Other Information										
Segment Assets	20,124.04	18,372.41			47,473.45	44,512.08			67,597.49	62,884.49
Unallocated Assets									4,441.59	4,987.45
Total Assets									72,039.08	67,871.94
Segment Liabilities					55,503.26	52,942.53			55,503.26	52,942.53
Un allocated Liabilities									16,535.82	14,929.41
Total Liabilities									72,039.08	67,871.94

Part B: Geographic segments

(Rs In Lakhs)

	DOMESTIC		INTERNATIONAL		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	8,816.13	9,318.03	-	-	8,816.13	9,318.03
Assets	72,039.08	67,871.94	-	-	72,039.08	67,871.94

6. **Accounting Standard – 18: Related Party Disclosures**

(Rs In Lakhs)

Items / Related Party	*Parent (As per Ownership or control)*	Subsidiaries	Associates / Joint ventures	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Placement of Deposits	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Non –Funded commitments	-	-	-	-	-	-
Leasing /HP arrangement availed	-	-	-	-	-	-
Leasing /HP	-	-	-	-	-	-

arrangement Provided						
Purchase of Fixed Assets	-	-	-	-	-	-
Sale of Fixed Assets	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-
Interest received						
Rendering of Services	-	-	-	-	-	-
Receiving Services	-	-	-	-	-	-
Management Contracts	-	-	-	-	-	-

The details of remuneration of Key Management Persons of the Bank are appended hereunder:

(Rs In Lakhs)

Sl.NO	**NAME**	**Date of Joining**	**Designation**	**Remuneration paid**	
				Current Year	**Previous Year**
1	Mr Donepudi Durga Prasad	06-07-2017	Managing Director	40.70	48.61
2	Mr J Murali Krishna	06-06-2019	Chief General Manager & Chief Financial Officer	22.46	21.53
3	Mr P A Patnaik	01-01-2011	Company Secretary	-	11.63
4	Mr Subir Boity	12-10-2024	Company Secretary & Chief Compliance Officer	13.95	6.01
			Total	**77.11**	**87.78**

7. Accounting Standard – 21: Consolidated Financial Statements:

The Bank does not have any Subsidiaries, Joint Ventures or Associates. Hence, Consolidated Financial Statements are not prepared.

8. Accounting Standard - 22: Accounting for Taxes on Income:

Deferred tax Asset arising on account of timing difference between financial statements and taxation statements have been recognized as per the procedure prescribed in Accounting Standard -22 issued by ICAI. The details of components of Deferred Tax Asset / (Liability) are shown below for the Year ended 31.03.2026.

(Rs In Lakhs)

Particulars	**Amount**
Opening Balance of Deferred Tax Asset/DTL	53.96
Less: Current year Deferred Tax	5.33
Closing Balance Deferred Tax Asset/DTL	59.29

Notes to Accounts

9. **Accounting Standard -23: Accounting for Investments in Associates in Consolidated Financial Statements:**
   This Accounting Standard is not applicable since the Bank has no Associates

10. **Accounting Standard -24: Discontinuing Operations**
    This accounting Standard is not applicable since the Bank did not close any of its branches/activities during the year.

11. **Accounting Standard 25: Interim Financial Reporting:** Since Bank is not a listed entity, this is not applicable

12. **Accounting Standard 26 – Intangible assets:** Bank does not have Intangible assets on 31.03.2026.

13. **Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures:** Bank does not have any joint ventures on 31.03.2026

14. **Accounting Standard – 28: Impairment of Assets**

In the opinion of Bank's Management, there is no impairment to the assets during the year to which Accounting Standard – 28 – Impairment of Assets applies.

15. **Accounting Standard – 29: Description of Contingent Liabilities:**

    1. Claims against the Bank not acknowledged as debts – NIL
    2. Other items – An Amount of Rs.83.11 Lacs is transferred to Depositor Education and Awareness Fund (DEAF) of which Rs.13.26 lacs pertain to the financial year 2025-26.

The previous year's figures have been re-grouped / re-classified wherever necessary to make them comparable with the current year's figures.

Wherever certain items are not relevant or applicable to the Bank, the same have been omitted.

<u>Other Disclosures:</u>

a) Shareholding pattern

Sl.no	Particulars	% of holding	% of holding
		Current Year	**Previous Year**
1	Corporates	21.65	21.65
2	Individuals	78.35	78.35
	Total	**100.00**	**100.00**

b) Net NPAs under the prescribed asset classification categories as on March 31, 2026.

(Rs in Crore)

Category	Gross NPA	Provision	Net NPA	Provision % of Gross NPA
Sub-standard	19.72	8.32	11.40	42.18
Doubtful – 1	7.39	7.39	-	100.00
Doubtful – 2	1.41	1.41	-	100.00
Grand Total	**28.52**	**17.12**	**11.40**	**60.01**

Notes to Accounts

c) Schedule 5 – Details of Other Liabilities and Provisions

(Rs In Crore)

Particulars	**Current Year**	**Previous Year**
Other Liabilities and Provisions		
Interest payable on Deposits	34.42	23.80
Other Liabilities	2.86	2.97
Employee Welfare Fund	1.61	1.55
Non- KYC Compliant Accounts	0.73	0.77
Provision for Standard Assets	1.50	1.31
Provision for NPA	17.12	12.85
Provision for Taxation	2.50	4.65
Differed Tax	0.59	-
IT Development Reserve	0.35	-
Total	**61.68**	**47.90**

d) Schedule 11- Details of Other Assets

(Rs In Crore)

Particulars	**Current Year**	**Previous Year**
Advance tax for Income Tax and TDS receivable	2.56	4.29
Interest Accrued on Investment, FDRs and Loans	4.52	4.06
Deferred Tax Asset	0.59	0.54
Deposit for Premises and Telephones	0.80	0.76
Stock of Stationery	0.11	0.20
Un-Claimed deposits receivable	0.83	0.70
Other Assets	0.92	0.63
Total	**10.33**	**11.18**

e) Schedule 14 – Details of Other Income

(Rs In Crore)

Particulars	**Current Year**	**Previous Year**
Profit on sale of Assets/Investments/MF	0.50	0.58
Loan Processing Fees	1.15	3.58
ATM Charges	0.45	0.62
Service Charges and Others	6.07	6.74
Total	**8.17**	**11.52**

f) Schedule 16 – Other Expenses

(Rs In Crore)

Particulars	**Current Year**	**Previous Year**
Honorarium Expenses	0.12	0.10
Fee paid to Software vendor, Consultant, concurrent Audit, Rating Agencies, Professionals etc	4.26	3.87
Fee for Business Correspondence operations	0.49	1.29
Staff petrol, Travel, Boarding and Local Conveyance	1.96	2.02
Office Maintenance	1.03	0.82
Other Expenses	0.73	0.58
Corporate Social Responsibility Exp	0.39	0.40
Total	**8.98**	**9.08**

Notes to Accounts

CASH FLOWS STATEMENT **(Amount in Rs.)**

Sl.No	Particulars	31-Mar-26		31-Mar-25	
A	Cash Flow from Operating activities		13,91,97,166		12,52,03,149
B	Cash Flow from Investing activities		23,74,010		(7,42,33,728)
C	Cash Flow from Financial activities		(1,01,46,343)		(30,21,520)
	Net Change in Cash & Cash Equivalents		**13,14,24,834**		**4,79,47,900**
D	Cash & Cash Equivalents at the beginning of the year		94,02,29,544		89,22,81,644
E	Cash & Cash Equivalents at the end of the year		1,07,16,54,377		94,02,29,544
	Net Change in Cash & Cash Equivalents		**13,14,24,833**		**4,79,47,900**
A	***CASH FLOW FROM OPERATING ACTIVITIES***				
I	Net Profit after Taxes	3,30,30,385		10,12,80,999	
	Add : Tax Provision	2,49,57,011		4,65,14,171	
	Sub Total		**5,79,87,395**		**14,77,95,170**
	Less : Amount Transferred to Provision for leave encashment	-	2,96,756	-	-
	Sub Total	-	**5,76,90,639**	-	**14,77,95,170**
	Adjustments :-				
i	Depreciation on Fixed Assets		1,30,86,620		1,23,63,709
ii	Provision for NPAs		6,72,00,000		7,39,80,205
iii	Provision for Standard Assets		19,03,325		9,21,134
iv	Depreciation on Investments		-		(4,07,600)
v	Interest paid on Subordinated Debts		-		-
vi	**Other Provisions**				
	Provision for Retired employee's Medical Bills	-		-	
	Adhoc provision for loan loss & Misce.Items /other provision	-		-	
	Provision for Contingent Liabilities	-		-	
	Floating Provision for Loan Losses	-		-	
	Deferred Tax asset for Current year / DTL	59,29,401	59,29,401	-	-
	Sub Total		**14,58,09,986**		**23,46,52,618**
	Less : Direct Taxes (Actual advance Tax paid)		2,52,50,000		4,25,00,000
	Sub Total		**12,05,59,986**		**19,21,52,618**
I	Increase in Deposits	25,60,73,779		37,00,14,114	
II	Increase /Decrease in Borrowings	-		-	

Notes to Accounts

III	Increase in Advances	(29,61,37,339)		(41,13,62,380)	
IV	Increase in Other Liabilities & Provisions	2,49,76,997		(7,42,40,064)	
V	Increase/ Decrease in Other Assets	3,37,23,743		4,86,38,861	
	Sub Total		**1,86,37,181**		**(6,69,49,469)**
	Net Cash Flow from Operating Activities		**13,91,97,166**		**12,52,03,149**

Sl.No	Particulars	31-Mar-26		31-Mar-25	
B	***CASH FLOW FROM INVESTING ACTIVITIES***				
I	Investment in subsidiaries and /or Joint Ventures	-		-	
II	Income Earned on Such Investment	-		-	
III	Increase in Investments	(11,73,400)		(7,22,67,116)	
III	Fixed Assets				
	Additions during the year	(3,04,46,711)		(80,85,193)	
	Deductions during the year	3,39,94,121		61,18,581	
	Net Cash used in Investing Activities	-	**23,74,010**	-	**(7,42,33,728)**
C	***CASH FLOW FROM FINANCING ACTIVITES***				
I	Share Capital	-		-	
II	Share Premium	-		-	
III	Subordinated Bonds	-		-	
IV	Redemption of Bonds (Series -1)	-		-	
V	Interest paid on Subordinated Bonds	-		-	
VI	Dividend paid	-		-	
VII	Other Reserves	(1,01,46,343)		(30,21,520)	
	Net Cash Provided by (used in) Financing Activities		**(1,01,46,343)**		**(30,21,520)**
D	***CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR***				
I	Cash in Hand (including Foreign Currency Notes)	6,27,13,784		6,72,13,393	
II	Balance with Reserve Bank of India	6,09,34,532		5,03,19,532	
III	Balance with Banks and Money at call and short Notice	81,65,81,228		77,47,48,718	
	Total :		**94,02,29,544**		**89,22,81,644**
E	***CASH & CASH EQUIVALENTS AT THE END OF THE YEAR***				
I	Cash in Hand(including Foreign Currency Notes)	5,75,24,519		6,27,13,784	
II	Balance with Reserve Bank of India	5,00,11,532		6,09,34,532	
III	Balance with Banks and Money at call and short Notice	96,41,18,326		81,65,81,228	
	Total :		**1,07,16,54,377**		**94,02,29,544**

Notes to Accounts

For KVSRY & Associates	**For and on behalf of the Board of Directors**		
Chartered Accountants **Firm Regn. No. 08169S**			
Sd/- **K. Venkateswarlu Partner** **M. No. 207068** **UDIN:26207068LAYCKG 1612**	**Sd/-** **Syed Mohammad Farooque Shahab** Non-Executive Independent Director And Part-Time Chairman DIN: 09214092		**Sd/-** **Narsi Reddy Vangala** Non-Executive Independent Director DIN: 08685359
	Sd/- **Indusekhar Dantu** Non-Executive Independent Director DIN: 08571259	**Sd/-** **Durga Prasad Donepudi** Managing Director DIN: 07031463	**Sd/-** **J.Murali Krishna** Chief General Manager and Chief Financial Officer
Place: Madhapur **Date: June 25, 2026**	Audited Financial Statements as at March 31, 2026		

NOTICE

Notice is hereby given that the 27th Annual General Meeting ("AGM") of the Members of Krishna Bhima Samruddhi Local Area Bank Limited will be held on Wednesday, the 23rd day of September 2026, at 12:00 Noon though Video Conferencing / Other Audio Visual Means (VC/OAVM) to transact the following businesses:

ORDINARY BUSINESS:

Item No. 1 To receive, consider and adopt the audited financial statements of the Company for the financial year ended 31st March 2026 and the reports of the Board of Directors and Auditors thereon

To consider, and if thought fits to pass, with or without modification(s), the following Resolution as **Ordinary Resolution:**

"RESOLVED THAT the audited financial statements of the Company for the financial year ended 31st March 2026 and the reports of the Board of Directors and Auditors thereon as circulated to the Members, be and are hereby considered and adopted.

SPECIAL BUSINESS:

Item No. 2 To Appoint Ms. Vineet Rastogi (DIN: 10777216) as an Independent Director

To consider, and if thought fits to pass, with or without modification(s), the following Resolution as **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152, 161 and other applicable provisions, if any, of the Companies Act, 2013 ("Act"), read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014, and subject to the applicable provisions of the Banking Regulation Act, 1949, the applicable directions, guidelines and regulatory requirements issued by the Reserve Bank of India ("RBI"), and the Articles of Association of the Bank, Ms. Vineet Rastogi (DIN: 10777216), who was appointed as an Additional Director of the Bank with effect from 12th May 2026 and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as an Independent Director of the Bank, not liable to retire by rotation, to hold office for a term of three (3) consecutive years from 12th May 2026 to 11th May 2029, subject to the applicable provisions of the Act, the Banking Regulation Act, 1949, RBI directions and guidelines, and such other approvals, permissions and compliances as may be applicable.

"RESOLVED FURTHER THAT any Director or Chief general manager & CFO be and are hereby severally authorized to take all necessary steps to give effect to the resolution and also to digitally sign and file the necessary e-forms pursuant to the provisions of the Companies Act, 2013 and the rules made thereunder."

Item No. 3 To Appoint Mr. Srinivasa Rao Tenali (DIN: 10863168) as an Independent Director

To consider, and if thought fit to pass, with or without modification(s), the following Resolution as **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152, 161 and other applicable provisions, if any, of the Companies Act, 2013 ("Act"), read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014, and subject to the applicable provisions of the Banking Regulation Act, 1949, the applicable directions, guidelines and regulatory requirements issued by the Reserve Bank of India ("RBI"), and the Articles of Association of the Bank, Mr. Srinivasa Rao Tenali (DIN: 10863168), who was appointed as an Additional Director of the Bank with effect from 25th June 2026 and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as an Independent Director of the Bank, not liable to retire by rotation, to hold office for a term of three (3) consecutive years from 25th June 2026 to 24th June 2029, subject to the applicable provisions of the Act, the Banking Regulation Act, 1949, RBI directions and guidelines, and such other approvals, permissions and compliances as may be applicable.

"RESOLVED FURTHER THAT any Director or Chief general manager & CFO be and are hereby severally authorized to take all necessary steps to give effect to the resolution and also to digitally sign and file the necessary e-forms pursuant to the provisions of the Companies Act, 2013 and the rules made thereunder."

Item No. 4 To Appoint Mr. Nanduri Murali Krishna (DIN: 08811123) as an Independent Director

To consider, and if thought fit to pass, with or without modification(s), the following Resolution as **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152, 161 and other applicable provisions, if any, of the Companies Act, 2013 ("Act"), read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014, and subject to the applicable provisions of the Banking Regulation Act, 1949, the applicable directions, guidelines and regulatory requirements issued by the Reserve Bank of India ("RBI"), and the Articles of Association of the Bank, Mr. Nanduri Murali Krishna (DIN: 08811123), who was appointed as an Additional Director of the Bank with effect from 25th June 2026 and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as an Independent Director of the Bank, not liable to retire by rotation, to hold office for a term of three (3) consecutive years from 25th June 2026 to 24th June 2029, subject to the applicable provisions of the Act, the Banking Regulation Act, 1949, RBI directions and guidelines, and such other approvals, permissions and compliances as may be applicable.

"RESOLVED FURTHER THAT any Director or Chief general manager & CFO be and are hereby severally authorized to take all necessary steps to give effect to the resolution and also to digitally sign and file the necessary e-forms pursuant to the provisions of the Companies Act, 2013 and the rules made thereunder."

Item No. 5 Appointment of Mr. Sorabh Dhawan as Managing Director & CEO

To consider, and if thought fits to pass, with or without modification(s), the following Resolution as **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, 203 and other applicable provisions, if any, of the Companies Act, 2013 ("Act"), read with Schedule V to the Act, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, and other applicable rules made thereunder, and in accordance with the applicable provisions of the Banking Regulation Act, 1949, the guidelines/directions issued by the Reserve Bank of India ("RBI") from time to time, and pursuant to the recommendation made by the Board of Directors of the Company at its meeting held on 12th May 2026 and the approval accorded by the RBI for the appointment of Mr. Sorabh Dhawan (DIN: 06802161) as the Managing Director & Chief Executive Officer of the Company for a period of three (3) years with effect from 1st July 2026 to 30th June 2029, the consent of the members of the Company be and is hereby accorded to the appointment of Mr. Sorabh Dhawan (DIN: 06802161) as the Managing Director & Chief Executive Officer of the Company for a period of three (3) years with effect from 1st July 2026 to 30th June 2029, on such terms and conditions, including remuneration, as set out in the Explanatory Statement annexed to the Notice convening this Annual General Meeting.

"RESOLVED FURTHER THAT any Director or Chief general manager & CFO be and are hereby severally authorized to take all necessary steps to give effect to the resolution and also to digitally sign and file the necessary e-forms pursuant to the provisions of the Companies Act, 2013 and the rules made thereunder."

Item No. 6 Ratification of Appointment of M/s K V S R Y Associates, Chartered Accountants, as Statutory Auditors of the Company

To consider, and if thought fits to pass, with or without modification(s), the following Resolution as **Ordinary Resolution:**

"RESOLVED THAT pursuant to Sections 139, 142 of the Companies Act, 2013("Act")and other applicable provisions, if any, of the said Act and Companies (Audit and Auditors) Rules, 2014 made thereunder and other applicable rules, if any, under the said Act (including any statutory modification(s) or re-enactment thereof for the time being in force), the appointment of **M/s K V S R Y Associates**, Chartered Accountants of

Hyderabad (Registration No. 008169S), as the Statutory Auditors of the Company approved by the shareholders at the 25th Annual General Meeting (AGM), for a term of three years, i.e. till the conclusion of 28th AGM, be and is hereby ratified to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting to be held in the financial year 2027-28, subject to approval of the Reserve Bank of India on annual basis, at a remuneration to be fixed by the Audit Committee and/or Board of Directors of the Company, apart from re-imbursement of applicable taxes and actual out of pocket and travelling expenses incurred in connection with the audit."

"RESOLVED FURTHER THAT any Director or Chief general manager & CFO be and are hereby severally authorized to take all necessary steps to give effect to the resolution and also to digitally sign and file the necessary e-forms pursuant to the provisions of the Companies Act, 2013 and the rules made thereunder."

By order of the Board of Directors

Sd/-
Sorabh Dhawan
Managing Director & CEO
DIN: 06802161

Date: 12th August 2026
Place: Hyderabad

NOTES:

1. Pursuant to the provisions of the Companies Act, 2013 and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, the brief profile of the Director seeking appointment/ re-appointment, along with the required disclosures, is provided in Annexure – A to this Notice. Members are requested to refer to the said Annexure for detailed information.

2. The Ministry of Corporate Affairs ("MCA") has, vide its General Circular dated September 22, 2025 read together with circulars dated April 8, 2020, April 13, 2020, May 5, 2020, January 13, 2021, December 8, 2021, December 14, 2021, May 5, 2022, December 28, 2022, September 25, 2023 and September 19, 2024 (collectively referred to as "MCA Circulars"), permitted convening the Annual General Meeting ("AGM" / "Meeting") through Video Conferencing ("VC") or Other Audio Visual Means ("OAVM"), without physical presence of the members at a common venue. In accordance with the MCA Circulars and applicable provisions of the Companies Act, 2013 ("Act") read with Rules made thereunder, the AGM of the Company is being held through VC / OAVM. The deemed venue for the AGM shall be the registered office of the Company.

3. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf. Since this AGM is being held through VC/OAVM as per MCA Circulars, physical attendance of Members has been dispensed with. Accordingly, the option to appoint a proxy is not available and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

4. All documents referred to in accompanying notice are open for inspection by the members at the Registered office of the Company on all working days between 11.00 A.M and 1.00 P.M and will also be available for electronic inspection by the members from the date of circulation of this Notice up to the conclusion of the AGM. Members seeking to inspect such documents can send an e-mail to info@kbsbank.bank.in.

5. Corporate Members intending to appoint their authorised representatives to attend and participate in the Meeting through VC/OAVM, pursuant to Section 113 of the Companies Act, 2013, are requested to send a certified copy of the relevant Board Resolution authorising such representative(s) to attend, participate and vote on their behalf at the Meeting, to the Company at its designated email ID.

6. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID, Folio Number, PAN, mobile number at info@kbsbank.bank.in from 19th September 2026 (11:00 A.M.) to 21st September 2026 (3:00 P.M.). Those members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

7. Since the AGM will be held through VC/OAVM, the Route Map is not annexed to this Notice

8. The cut-off date for AGM Voting - Friday, 18th September 2026.

9. Shareholders holding shares in physical form are requested to immediately notify in writing any change in their address and update their email ID, if any, to the Registrar and Share Transfer Agents, M/s Bigshare Services Pvt Ltd, Hyderabad at their address mentioned below or to the Registered Office of the Bank, quoting their Folio number(s).

   M/s Bigshare Services Pvt Ltd 306, Right Wing, Amrutha Ville,
   Opp. Yasodha Hospital, Somajiguda, Raj Bhavan Road, Hyderabad - 500 082
   Ph. No. 040-23374967, Fax: 23370295 | Web site:www.bigshareonline.com

10. As per the extant provisions of law, unless the shares are in dematerialized form, the request for transfer of shares shall not be accepted and processed. Hence, Shareholders holding shares in Physical form are requested to convert their holdings into D-Mat form.

11. Dispatch of Notice

In compliance with the aforesaid Circulars issued by MCA, the Notice of the AGM is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depository Participants (DPs)/RTA. Members may also note that the AGM Notice will also be available on the Company's website at https://kbsbank.bank.in/

12. Instructions for Participating in the AGM through VC/OAVM

a) Members will be provided with the facility to attend the AGM through VC/OAVM using the Microsoft Teams Platform. The link to join the AGM will be provided in due course to the Members whose names appear in the Register of Members as on the cut-off date, at their registered email addresses.

b) Members are requested to use the link provided to access and join the AGM. First-time users of Microsoft Teams may access the platform through a web browser without downloading the application. However, for a better experience, Members are advised to download and install the Microsoft Teams application in advance.

c) The facility for joining the AGM will open 10 minutes before the scheduled start time.

d) Members attending the AGM through VC/OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

13. Manner of casting vote on resolutions placed before the AGM

a) Where less than 50 Members are present at the AGM through VC/OAVM, the Chairman may decide to conduct the voting on the resolutions by show of hands, unless a poll is demanded by any Member in accordance with Section 109 of the Companies Act, 2013.

b) Where 50 or more Members are present at the AGM through VC/OAVM, the voting on the resolutions shall be conducted through poll by email.

c) For the purpose of voting through poll, the poll form shall be sent to the Members from the designated Company email ID: **info@kbsbank.bank.in**. Members shall duly complete the poll form and send the same from their registered email address to the designated Company email ID during the AGM. Votes received from an email address other than the email address registered with the Company shall not be considered valid.

Explanatory Statement pursuant to Section 102 of the Companies Act, 2013

Item No. 2

Ms. Vineet Rastogi (DIN: 10777216) was appointed as Additional Director of the Bank under Section 161 of the Companies Act, 2013 and would hold office up to the date of this Annual General Meeting.

Ms. Vineet Rastogi MA (English Literature) is professional Banker having with 37 years of experience in State Bank of India in various capacities. She is a seasoned banking professional having retired as General Manager and Director of the State Bank Institute for Innovation and Technology (SBIIIT), the Bank's apex technology training institute.

The Company has received (i) consent from Ms. Vineet Rastogi to act as Independent director of the Company; and (ii) a declaration that she is not disqualified from being appointed as a director of the Company.

The Board recommends for the appointment of Ms. Vineet Rastogi (DIN: 10777216) as Independent Director of the Bank in Non-Executive Professional Category and proposes to pass the resolution as set out in item no.2 of the Notice as an Ordinary Resolution.

Except Ms. Vineet Rastogi, being the appointee, none of the Directors, Key Managerial Personnel of the Company or their respective relatives is concerned or interested, financially or otherwise, in the proposed resolution.

The Brief profile of Ms. Vineet Rastogi is given below:

Particulars	Ms. Vineet Rastogi
Director's Identification Number (DIN)	10777216
Date of Birth	01.11.1961
Qualification	M.A (English literature)
Brief resume and expertise in specific functional area.	She has extensive expertise in banking operations, technology, risk management, compliance, and business administration. During her tenure at SBIIIT and earlier as Deputy General Manager (Marketing & Technology) at the State Bank Staff College, she led executive development programmes in Information Technology and Cyber Security and played a key role in strengthening the Bank's digital learning initiatives. Her assignments as Deputy General Manager (Business & Operations), Mumbai, and Regional Manager, Hyderabad, provided her with significant exposure to large corporate advances, retail and MSME banking, NPA management, recovery under the SARFAESI Act and DRT, accounting, audit, and regulatory compliance. Ms. Vineet also possesses valuable experience in agricultural banking, having handled agricultural finance, Self-Help Groups (SHGs), and allied sectors during her assignments in various locations. In addition, her tenure as Branch Manager in four branches enabled her to gain comprehensive experience in branch management, business development, profitability enhancement, and operational efficiency.
Terms and Conditions of appointment	Non-Executive Director in Professional Category

Details of remuneration	Entitled to sitting fees for attending meetings of the Board/ Committees of Board as Director, reimbursement of expenses relating thereto.
Date of appointment as additional director	12-05-2026
Date of recommendation by Nomination and Remuneration Committee of the Board	18-04-2026
Shareholding in the company	NIL
Relationship with other director/Manager and other KMP	No relationship
Directorships of other Board	NIL

Item No. 3

Mr. Srinivasa Rao (DIN: 10863168) was appointed as Additional Director of the Bank under Section 161 of the Companies Act, 2013 and would hold office up to the date of this Annual General Meeting.

Mr. Srinivasa Rao B.Sc., CAIIB, MBA, Diploma in Treasury & Risk Management is professional Banker having with 37 years of extensive experience, including 29 years with the Reserve Bank of India (RBI) and 8 years in commercial banking.

The Company has received (i) consent from Mr. Srinivasa Rao to act as director of the Company; and (ii) a declaration that he is not disqualified from being appointed as a director of the Company.

The Board recommends the appointment of Mr. Srinivasa Rao (DIN: 10863168) as Independent Director of the Bank in Non-Executive Professional Category and proposes to pass the resolution as set out in item no. 3 of the Notice as an Ordinary Resolution.

Except Mr. Srinivasa Rao Tenali, being the appointee, none of the Directors, Key Managerial Personnel of the Company or their respective relatives is concerned or interested, financially or otherwise, in the proposed resolution.

The Brief profile of Mr. Srinivasa Rao Tenali is given below:

Particulars	Mr. Srinivasa Rao Tenali
Director's Identification Number (DIN)	10863168
Date of Birth	30.07.1962
Qualification	B.Sc., CAIIB, MBA, Diploma in Treasury & Risk Management
Brief resume and expertise in specific functional area	He retired from RBI as Chief General Manager and Ombudsman, Hyderabad, where he handled banking supervision, regulatory compliance, consumer protection, and grievance redressal for the States of Andhra Pradesh and Telangana. During his distinguished career at RBI, he held several senior leadership positions in the Departments of Supervision, Regulation, Currency Management, and Human Resource Management. He possesses deep expertise in Risk Based Supervision (RBS), banking regulation, supervision of banks/NBFCs/HFCs, consumer protection, and central banking operations. He also served as RBI Nominee Director on the Boards of two Regional Rural Banks.

Terms and Conditions of appointment	Non-Executive Director in Professional Category
Details of remuneration	Entitled to sitting fees for attending meetings of the Board/ Committees of Board as Director, reimbursement of expenses relating thereto.
Date of appointment as addl. director	25-06-2026
Date of recommendation by Nomination and Remuneration Committee of the Board	12-05-2026
Shareholding in the company	NIL
Relationship with other director/Manager and other KMP	No relationship
Directorships of other Board	Repian Finance Pvt. Ltd

Item No. 4

Mr. Nanduri Murali Krishna (DIN: 08811123) was appointed as Additional Director of the Bank under Section 161 of the Companies Act, 2013 and would hold office up to the date of this Annual General Meeting.

Mr. **Nanduri Murali Krishna** B.Sc., MA, MBA(Finance) LLB, CAIIB is professional Banker having with over 42 years of extensive and diversified experience in the BFSI sector. He possesses rich experience across Public Sector Banks and New Private Sector Banks including State Bank of Patiala, Bank of India, ICICI Bank Ltd. and Kotak Mahindra Bank Ltd.

The Company has received (i) consent from **Mr. Nanduri Murali Krishna** to act as director of the Company; and (ii) a declaration that he is not disqualified from being appointed as a director of the Company.

The Board recommends for the appointment of Mr. **Mr. Nanduri Murali Krishna** (DIN: 08811123) as Independent Director of the Bank in Non-Executive Professional Category and proposes to pass the resolution as set out in item no. 4 of the Notice as an Ordinary Resolution.

Except Mr. Nanduri Murali Krishna, being the appointee, none of the Directors, Key Managerial Personnel of the Company or their respective relatives is concerned or interested, financially or otherwise, in the proposed resolution.

The Brief profile of Mr. Nanduri Murali Krishna is given below:

Particulars	Mr. Nanduri Murali Krishna
Director Identification Number (DIN)	08811123
Date of Birth	16-10-1961
Qualification	B.Sc., MA, MBA(Finance) LLB, CAIIB
Brief resume and expertise in specific functional area	During his distinguished career, he has handled diverse functions including Corporate Banking, Structured Credit, Asset Reconstruction, Treasury and Derivative Sales, Retail Banking, Agri Finance, Risk Management and Corporate Recovery. He has extensive experience in handling stressed assets, restructuring, rehabilitation and recovery of large corporate accounts under various resolution frameworks including IBC proceedings before NCLT/NCLAT and other judicial forums. He served in senior leadership positions at Kotak Mahindra Bank Ltd.,

	including as Senior Executive Vice President and Head – Structured Credit Group under the Asset Reconstruction Division. He played a key role in handling and resolving large stressed corporate portfolios across India and contributed significantly in creating value through strategic restructuring and recovery initiatives. He also played an important role in the integration and stabilization processes during major banking mergers including ING Vysya Bank with Kotak Mahindra Bank and Bank of Madura with ICICI Bank. Mr. Murali Krishna has also been associated as Senior Advisor – Group Risk and Strategy with Samunnati Group, an Agri-focused NBFC, and is presently engaged as a Strategy and Financial Consultant advising corporates on restructuring, turnaround and financial strategy.
Terms and Conditions of appointment	Non-Executive Director in Professional Category
Details of remuneration	Entitled to sitting fees for attending meetings of the Board/ Committees of Board as Director, reimbursement of expenses relating thereto.
Date of appointment as additional director	25-06-2026
Date of recommendation by Nomination and Remuneration Committee of the Board	May 12, 2026
Shareholding in the company	NIL
Relationship with other director/Manager and other KMP	No relationship
Directorships of other Board	Greenpark Hotels and Resorts Ltd

Item No. 5

The Board of Directors of the Company, at its meeting held on 12th May 2026, recommended the appointment of Mr. Sorabh Dhawan (DIN: 06802161) as the Managing Director & Chief Executive Officer of the Company and submitted the proposal to the Reserve Bank of India ("RBI") for its approval.

The RBI, pursuant to its approval DOR.GOV.No.S2778/29.55.001/2026-27 dated 30th June 2026, has approved the appointment of Mr. Sorabh Dhawan as the Managing Director & Chief Executive Officer of the Company for a period of three (3) years.

Accordingly, the appointment of Mr. Sorabh Dhawan as the Managing Director & Chief Executive Officer of the Company for a period of three (3) years with effect from 1st July 2026 to 30th June 2029 is being placed before the Members for their approval at the Annual General Meeting, in accordance with the applicable provisions of the Companies Act, 2013 and the applicable regulatory requirements.

The **terms and conditions of appointment, including remuneration**, are as follows:

- **Designation:** Managing Director & Chief Executive Officer
- **Tenure:** Three (3) years commencing from 1st July 2026 and ending on 30th June 2029.
- **Remuneration:** At a fixed pay of Rs. 0.50 Crore per annum and variable pay. (Total Compensation)

The appointment and terms of appointment of Mr. Sorabh Dhawan are in accordance with the applicable provisions of **Sections 196, 197, 198 and 203 of the Companies Act, 2013, read with Schedule V thereto**, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the applicable provisions of the Banking Regulation Act, 1949, and the applicable guidelines/directions issued by the RBI from time to time.

The Board of Directors is of the opinion that the appointment of Mr. Sorabh Dhawan as Managing Director & Chief Executive Officer is in the best interests of the Company and recommends the resolution set out at Item No. 5 of the Notice for approval of the Members by way of an Ordinary Resolution.

Except Mr. Sorabh Dhawan, being the appointee, none of the Directors, Key Managerial Personnel of the Company or their respective relatives is concerned or interested, financially or otherwise, in the proposed resolution.

The Brief profile of Mr. Sorabh Dhawan is given below:

Particulars	Mr. Sorabh Dhawan
Director Identification Number (DIN)	06802161
Date of Birth	27-09-1984
Qualification	MBA from the University of Aberdeen
Brief resume and expertise in specific functional area	Mr. Sorabh Dhawan is a seasoned banking and financial services professional with over 19 years of experience in banking, NBFCs, corporate finance, SME lending, supply chain finance, and digital financial services. He has demonstrated strong leadership in building and scaling financial institutions, driving business growth, strengthening profitability, and implementing technology-driven financial solutions. Prior to joining Krishna Bhima Samruddhi Local Area Bank Ltd., he served as CEO-PSB Xchange, an initiative promoted by 12 Public Sector Banks to develop a digital multi-lender platform for providing working capital finance to MSMEs. Before that, he was the Chief Executive Officer of SG Finserve Limited, where he established and successfully scaled the NBFC's supply chain finance business, achieving significant growth in assets under management, loan disbursements, and profitability. Earlier in his career, Mr. Dhawan held senior leadership positions with Kotak Mahindra Bank, Aditya Birla Finance Limited, Bank Dhofar, and HDFC Bank, where he managed corporate and SME portfolios, structured finance, investment banking relationships, and large corporate accounts. He has extensive experience in P&L management, business expansion, risk management, fundraising, regulatory compliance, and corporate governance.
Terms and Conditions of appointment	Managing Director & Chief Executive Officer
Details of remuneration	As set out in Explanatory Statement
Date of appointment	1st July 2026
Shareholding in the company	NIL
Relationship with other director/Manager and other KMP	No relationship

Directorships of other Board	NA

Item No. 6

M/s KVSRY Associates, Chartered Accountants (Firm Registration No.008169S), Hyderabad, were appointed as the Statutory Auditors of the Bank for a period of three consecutive years at the 25th Annual General Meeting held on September 26, 2024, subject to prior approval from the Reserve Bank of India (RBI) at the time of first appointment and for each subsequent year thereafter. As per this requirement, their appointment must be ratified by the shareholders at each Annual General Meeting and an application for approval must be submitted to the RBI annually.

Pursuant to RBI Circular No. RBI/2021-22/25 Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021- 22 dated April 27, 2021, Commercial Banks (excluding RRBs) and Urban Cooperative Banks (UCBs) are required to obtain prior approval from RBI's Department of Supervision for appointment or reappointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) on an annual basis. Accordingly, the Bank is required to apply to the RBI on or before July 31 of the relevant year.

The Board of Director accordingly recommends the ordinary Resolution set out at Item No. 6 of the accompanying notice for approval of the members for the appointment of M/s K V S R Y Associates, Chartered Accountants, as Statutory Auditors of the Bank for the third year, i.e., for the Financial Year 2026–27, subject to approval of the Reserve Bank of India.

None of the Directors or Key Managerial Personnel of the Company or their relatives is/are concerned or interested, in any manner in the passing of proposed Resolution set out at Item No. 6 of the Notice.

By order of the Board of Directors

Sd/-
Sorabh Dhawan
Managing Director & CEO
DIN: 06802161

Date: 12th August 2026
Place: Hyderabad

Glimpses of Bank operations

Reaching the Unreached

REGISTERED & CORPORATE OFFICE

Krishna Bhima Samruddhi Local Area Bank Limited

1-98/8 to 11/FC/501 & 502, 5th Floor, Fortune Chambers,

Image Garden Function Hall Lane, Silicon Valley, Madhapur,

Hyderabad - 500081

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