CSB Bank Limited

CIN: L65191KL1920PLC000175
Regd. Office: CSB Bhavan, Post Box No. 502, St. Mary's College Road
Thrissur, Kerala, Pin- 680020, INDIA

Employee Stock Option Scheme 2019

[As last amended vide shareholders' resolution dated August 12, 2021]

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1. Name, Objectives and Term of the Scheme

1.1 This employee stock option scheme shall be called the 'CSB Employee Stock Option Scheme 2019' ("ESOS 2019" / "Scheme").

1.2 The underlying objective of ESOS 2019 is to enable the Employees, present and future, to get a share in the value that they help to create for the organization over a period of time. The Bank strongly believes that an equity component in the compensation goes a long way in aligning the objectives of an individual with those of the Bank. Other key objectives of ESOS 2019 are, among others, to attract and retain critical senior talents with Employee Stock Options as a compensation tool.

1.3 The ESOS 2019 as originally envisaged has come into force on May 04, 2019 on which the shareholders of the Bank have approved the ESOS 2019 by way of a special resolution. Subsequently, pursuant to completion of initial public offering of Shares of the Bank followed by Listing of Shares on 04th December, 2019 on the recognized Stock Exchanges in India, the Bank is required to ensure appropriate compliance under the SEBI SBEB Regulations. For ensuring such compliance, the ESOP 2019 has been aligned with the provisions of SEBI SBEB Regulations vide shareholders' approval by way of a special resolution dated July 20, 2020. The Scheme has been further amended vide special resolution dated August 12, 2021 approved by the shareholders of the Bank as specified in Sub-clause 7.3 of this Scheme .

1.4 The ESOS 2019 is established with effect from May 04, 2019 and shall continue to be in force until (i) its termination by the Bank as per provisions of the Applicable Laws, or (ii) the date on which all of the Employee Stock Options available for issuance under the ESOS 2019 have been issued and exercised, whichever is earlier.

2. Definitions and Interpretations

In this Scheme, unless the context clearly indicates a contrary intention, the following words or expressions shall have the meaning assigned herein:

2.1 Definitions

i. "**Accounting Guidelines**" means Guidance Note on Accounting for Employee Share-based Payments and/ or any relevant Accounting Standard(s) as prescribed by the Institute of Chartered Accountants of India or any other authority from time to time, as applicable to the Bank for financial reporting in connection with transactions in the Employee Stock Options undertaken under the Scheme as required under SEBI SBEB

Regulation and other Applicable Laws from time to time.

ii. "**Applicable Laws**" means every law relating to Employee Stock Options, to the extent applicable, including and without limitation the Companies Act, the Banking Regulations Act, 1949 and all relevant tax, securities, exchange control or corporate laws or amendments thereof including any circular, notification issued thereunder, of India or of any relevant jurisdiction. After listing of Shares of the Bank, SEBI SBEB Regulations read with rules or requirements of any recognized Stock Exchange on which the Shares are to be listed or quoted shall also apply.

iii. "**Bank**" means CSB Bank Limited, a banking company limited by shares, incorporated under the Indian Companies Act, 1913 having Corporate Identification Number U65191KL1920PLC000175 and its registered office at P.B. No. 502, CSB Bhavan, St. Mary's College Road, Thrissur - 680 020, India.

iv. **"Bank Policies/Terms of Employment"** mean the Bank's policies for employees and the terms of employment as contained in the Employment Letter and any other rules / bye-laws issued from time to time including that issued under the Applicable Laws.

v. **"Beneficiary(ies)"** means the eligible Employee who holds the Options granted under the Scheme and includes the person(s) who is/ are legal heirs or nominees of such eligible Employee on his/her eventual death during the continuance of employment or service.

vi. "**Board**" means the Board of Directors of the Bank.

vii. **"Cause"** shall include negligence, fraud, professional misconduct, breach of trust, moral turpitude, committing or abetting any illegal activity, violating any Bank Policies/Terms of Employment or any other applicable code of conduct, absence from office for a substantial period of time without any valid reason or authority, or any other actions or circumstances of similar nature as may be decided by the Committee in its absolute discretion.

vii. "**Committee**" means the Nomination & Remuneration Committee of the Board, as constituted or reconstituted from time to time to administer and supervise the employee stock option schemes of the Bank including this Scheme, comprising of such members of the Board as provided under Section 178 of the Companies Act, 2013 and Regulation 19 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, to act as a compensation committee under Regulation 5 of the SEBI SBEB Regulations.

viii. "**Companies Act**" means the Companies Act, 2013 and rules made thereunder and includes any statutory modifications or re-enactments thereof.

ix. “**Comprehensive Compensation Policy**” means such policy of the Bank being formulated and implemented under the relevant guidelines issued by the Reserve Bank of India for compensation of Directors and other Employees of the Bank.

x. “**Director**” means a member of the Board of the Bank.

xi. “**Eligibility Criteria**” means the criteria as may be determined from time to time by the Committee for granting the Employee Stock Options to the Employees.

xii. “**Employee**” means (i) a permanent employee of the Bank working in or out of India; or (ii) a whole-time or executive Director of the Bank, but excludes:

a) an Employee or Director who is a Promoter or belongs to the Promoter Group;

b) any such Director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Bank; and

c) an Independent Director.

xiii. **“Employee Stock Option”** means an option granted to an eligible Employee, which gives such Employee the right, but not an obligation, to purchase or subscribe at a future date Shares underlying such option at a pre-determined price.

xiv. "**Employment Letter**" means a letter appointing a person as an employee of the Bank and giving out the terms and conditions of such employment.

xv. “**ESOS 2019**” means the CSB Employee Stock Option Scheme 2019 under which the Bank is authorized to grant Employee Stock Options to the Employees.

xvi. “**Exercise**” of an Option means expression of an intention by an Option Grantee to the Trust to purchase the Shares underlying the Options vested in him, in pursuance of the ESOS 2019, in accordance with the procedure laid down by the Bank or the Trust, as the case may be, for Exercise of such Options.

xvii. “**Exercise Period**” means such time period after Vesting within which the Option Grantee should exercise the Options vested in him in pursuance of the ESOS 2019.

xviii. “**Exercise Price**” means the price approved by Committee being payable by an Option Grantee in order to exercise the Options granted to him in pursuance of the ESOS 2019.

xix. “**Fair Market Value**” means and shall refer to the fair market value of a Share of the Bank for the purpose of compliance with the accounting and disclosure requirements in respect of Employee Stock Options administered under the Scheme as determined by a registered valuer or independent valuer as required under the Companies Act.

Provided that in case of any Grant after Listing, the term ‘Fair Market Value’ shall refer to "Market Price" within the meaning of the SEBI SBEB Regulations.

xx. "**Grant**" means issue of Options to the eligible Employees under the ESOS 2019.

xxi. "**Grant Letter**" means the written communication issued by the Bank intimating the Grant under ESOS 2019 and relevant terms and conditions, in the form of letter or through any electronic communication. Unless otherwise decided by the Committee, the form of the Grant Letter shall be similar to the draft as provided in **Annexure A** hereof.

xxii. **"Independent Director"** means an Independent Director within the meaning of Section 149(6) of the Companies Act read with the Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

xxiii. "**Listing**" means listing of the Bank's Share on any recognized Stock Exchange and deems to include the initial public offer ("IPO") of Shares.

xxiv. **"Option"** means an Employee Stock Option within the meaning of this Scheme.

xxv. **"Option Grantee**" means an eligible Employee who has been granted an Employee Stock Option in pursuance of the ESOS 2019 and deems to include a Beneficiary being the legal heir or nominee of such Option Grantee upon his eventual death while in employment or service.

xxvi. "**Permanent Incapacity**" means any disability or incapacitation of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps an Option Grantee from performing any specific job, work or task which the said Option Grantee was capable of performing immediately before such disablement, as determined by the Committee based on a certificate of a medical expert identified by the Committee.

xxvii. **"Scheme"** means ESOS 2019 as herein defined.

xxviii. "**Promoter" includes**:

(a) the person or persons who are in control of the Bank;
(b) the person or persons who are instrumental in the formulation of a scheme or programme pursuant to which specified securities are offered to public;
(c) the person or persons named in the offer document as promoters:

Provided that a director or officer of the issuer or a person, if acting as such merely in his professional capacity, shall not be deemed as a promoter;

Provided further that upon Listing, the term "Promoter" defined hereinabove shall have meaning as defined in the SEBI SBEB Regulations.

xxix. “**Promoter Group**” means (a) an immediate relative of the Promoter (i.e. spouse of that person, or any parent, brother, sister or child of the person or of the spouse); (b) persons whose shareholding is aggregated for the purpose of disclosing ‘shareholding of the promoter group’ in the offer document.

Provided that upon Listing, the term “Promoter Group” defined hereinabove shall have meaning as defined in the SEBI SBEB Regulations.

xxx. “**Retirement**” means retirement as per the rules of the Bank.

xxxi. **“SEBI SBEB Regulations”** means the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 as amended and reenacted from time to time and includes any clarifications or circulars issued thereunder.

xxxii. **“Secondary Acquisition”** means acquisition of existing Shares of the Company by the Trust on the platform of a recognized Stock Exchange for cash consideration.

xxxiii. “**Shares**” means equity shares of the Bank having face value of Rs. 10 each and arising out of the Exercise of Employee Stock Options granted under the ESOS 2019.

xxxiv. **“Stock Exchange”** means the National Stock Exchange of India Ltd., BSE Ltd., or any other recognized Stock Exchange in India on which the Bank’s Shares are listed or to be listed during continuance of this Scheme.

xxxv. “**Trust**” means the ‘CSB ESOS Trust’ set-up by the Bank for the administration of the employee stock option plans/ schemes of the Bank including this Scheme being authorised from time to time, to acquire, hold and transact in cash and Shares of the Bank for the purposes of relevant employee stock option plan/ schemes of the Bank including this Scheme.

xxxvi. “**Trustee**” shall mean the person/ entity appointed as a trustee under the trust deed of the Trust to manage the affairs of the Trust.

xxxvii. “**Unvested Option**” means an Option in respect of which the relevant Vesting Conditions have not been satisfied and as such, the Option Grantee has not become eligible to exercise the Option.

xxxviii. “**Vesting”** means earning by the Option Grantee, of the right to Exercise the Options granted to him in pursuance of the ESOS 2019.

xxxix. **“Vesting Condition”** means the condition prescribed if any subject to satisfaction of which the Options granted would vest in an Option Grantee.

xl. “**Vesting Period**” means the period during which the Vesting of the Option granted to the eligible Employee, in pursuance of the ESOS 2019 takes place.

xli. **"Vested Option"** means an Option in respect of which the relevant Vesting Conditions have been satisfied and the Option Grantee has become eligible to exercise the Option subject to fulfillment of Exercise conditions.

2.2 Interpretation

In this Scheme, unless the contrary intention appears:

a) the clause headings are for ease of reference only and shall not be relevant to interpretation;

b) a reference to a clause number is a reference to its sub-clauses;

c) words in singular number include the plural and vice versa;

d) words importing a gender include any other gender;

e) a reference to a Schedule includes a reference to any part of that Schedule which is incorporated by reference; and

f) the terms defined above shall for the purposes of this Scheme have the meanings herein specified and terms not defined above shall have the meanings as defined in the Companies Act or Applicable Laws, as the context requires. Reference to any Act, Rules, Statute or Notification shall include any statutory modifications, substitution or re-enactment thereof.

3. Authority and Ceiling

3.1 The shareholders of the Bank had originally approved ESOS 2019 by way of a special resolution dated May 04, 2019. Upon ratification and augmentation of Options vide shareholders' special resolutions both dated July 20, 2020, the Committee is authorized to grant not exceeding 1,66,72,791[1] (One Crore Sixty Six Lakh Seventy Two Thousand Seven Hundred and Ninety One) Employee Stock Options under ESOS 2019 to the eligible Employees, in one or more tranches, from time to time, exercisable into not more than same number of Shares out of which 80,00,000 (Eighty Lakh) Shares of face value of Rs.10/- (Rupees Ten) each fully paid up have been contemplated to be primary shares to be administered through Trust. Balance of 86,72,791 (Eighty Six Lakhs Seventy Two Thousand Seven Hundred and Ninety One) Shares have been contemplated to be acquired by the Trust through Secondary Acquisition, in one or more trances and to be transferred by the Trust to the Option Grantee upon Exercise of Options.

3.2 Each Option conferring a right upon the Option Grantee to apply for one Share of the Bank to be transferred by the Trust upon Exercise thereof, in accordance with the terms and conditions as may be determined by the Committee in accordance with the provisions of ESOS 2019 and Applicable Laws.

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[1] *Prior to its amendment effective from July 20, 2020, the Scheme contemplated an Options reserve of not exceeding 50,00,000 (Fifty Lakh) Options.*

3.3 For the purposes of ESOS 2019, the Trust is entitled to subscribe from the Bank, hold or otherwise deal in not more than 80,00,000 (Eighty Lakh) Shares, from time to time, not exceeding the total number of Shares as referred to above.

3.4 The Trust is entitled to acquire, hold or otherwise deal in not exceeding 86,72,791 (Eighty Six Lakh Seventy Two Thousand Seven Hundred and Ninety One) Shares acquired through Secondary Acquisition under the ESOS 2019.

3.5 The maximum number of Options that may be granted to an eligible Employee per such Employee and in aggregate under ESOS 2019 shall vary depending upon the designation, role, criticality and the appraisal process however shall not exceed the ceiling as specified or determined, from time to time as per the Comprehensive Compensation Policy of the Bank.

3.6 If an Employee Stock Option expires or becomes unexercisable due to any other reason, it shall become available for future Grants, subject to compliance with all Applicable Laws.

3.7 Where Shares are issued by the Bank and are transferred by the Trust consequent upon Exercise of an Option under the ESOS 2019, the maximum number of Shares that can be further issued and transferred under ESOS 2019 as referred to in Sub-clause 3.1 above shall stand reduced to the extent of Shares issued and transferred.

3.8 In case of a Share split where the face value of the Shares is reduced below Rs. 10, the maximum number of Options available for being granted under ESOS 2019 shall stand increased accordingly, so as to ensure that the cumulative face value (number of Shares x Face value per share) of the total Shares after such Share split remains unchanged. Similar treatment shall be adopted to the restore the value of Options in case of bonus issue of Shares.

3.9 Prior approval of shareholders of the Bank shall be obtained by way of special resolution in case the Grant of Options to any identified Employee during any one year shall be equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of Grant of Options.

4. Supervision and Administration

4.1 Supervision

4.1.1 This ESOS 2019 shall be supervised by the Committee. All the functions relating to superintendence of this ESOS 2019 shall stand possessed with the Committee in which case the rights, powers, duties or liabilities of the Board to the extent delegated along with that contemplated under the Applicable Laws and Bank's Comprehensive Compensation Policy shall be discharged by the Committee. All questions of interpretation of this ESOS 2019 shall be determined by the Committee and such determination shall be final and binding upon all persons having an interest in this ESOS 2019.

4.1.2 Neither the Committee nor any of its members shall be liable for any actions taken in good faith for the implementation of the Scheme.

4.1.3 The Committee may rely upon the advice and assistance of any professional it deems appropriate in implementation of the Scheme.

4.1.4 The Committee shall in accordance with this ESOS 2019 and Applicable Laws, determine the following:

(a) The Eligibility Criteria of the Employees for Grant of Options under this ESOS 2019;

(b) The quantum of Employee Stock Options to be granted under this ESOS 2019 per Employee, subject to the ceiling as specified in Sub-clause 3.1;

(c) The time and frequency of the Options to be granted and vested;

(d) Prescribe performance measures (in consultation with the Bank's Human Resources Department, if required) for the purpose of identifying the eigible Employees and determining the Grant(s) / Vesting Condition(s)/Vesting Period/Vesting Schedule, as may be required;

(e) Obtaining permissions from, making periodic reports to regulatory authorities, as may be required and ensuring compliance with all guidelines applicable in this regard;

(f) The procedure for making a fair and reasonable adjustment to the entitlement including adjustment to the number of Options and to the Exercise Price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard, the following shall, inter alia, be taken into consideration:

(i) the number and price of Options shall be adjusted in a manner such that total value of the Options in the hands of the Option Grantee remains the same after such corporate action; and

(ii) the Vesting Period and the life of the Options shall be left unaltered as far as possible to protect the rights of the Option Grantees.

(g) Determine the procedure for cashless Exercise, if required;

(h) Prescribe the conditions under which Vested Options or Unvested Options may be withdrawn or reduced or may lapse;

(i) Determine the treatment of the Options held by an Eligible Employee in case of suspension/termination of services or in case of any pending inquiries;

(j) The procedure and terms for the Grant , Vesting and Exercise of Options in case of Option Grantees who are on a long leave;

(k) Any matter relating to the Trust and aspects of administration of ESOS 2019 by the Trust; and

(l) Approve forms, writings and/or agreements for use in pursuance of this ESOS 2019.

4.1.5 The Committee shall ensure that there is no violation of securities laws, as amended from time to time with reference to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 by the Bank and the Option Grantees, as applicable.

4.2 **Administration**

4.2.1 The ESOS 2019 shall be administered by the Trust to the extent aspects of such administration are delegated by the Committee as per requirements of Applicable Laws.

4.2.2 The Trust shall be governed subject to following terms and conditions:

(a) It shall not deal in derivatives and shall undertake only such transactions as permitted under the deed of Trust read with the provisions of the Applicable Laws;

(b) The Trustees appointed or re-appointed from time to time shall be such persons as being not disqualified as prescribed under the Applicable Laws; and

(c) The Trustees shall not vote in respect of the Shares held by the Trust.

4.2.3 The Trustees while administering ESOS 2019 shall abide by the provisions contained therein, terms of the Grant, Vesting and Exercise as decided by the Committee and shall ensure compliance of the provisions of relevant Applicable Laws as prevailing from time to time, in connection with dealing with the Shares of the Bank including but not limited to maintenance of proper books of account, records and documents as prescribed.

5. Eligibility and Applicability

5.1 Only Employees are eligible for being granted Employee Stock Options under ESOS 2019. The specific Employees to whom the Options may be granted and their Eligibility Criteria would be determined by the Committee.

5.2 The Grants to be made to the Directors shall be determined by the Committee and, where appropriate, would be sent to the Reserve Bank of India for its approval.

5.3 Eligibility for Grant of an Option under this Scheme shall not entitle an eligible Employee for any options or benefits under any other plan/scheme of the Bank.

5.4 The Grant of Option(s) to the eligible Employee(s) may not be uniform and may be different on account of the role and performance appraisal of the eligible Employee or any other factors, as may be determined by the Committee from time to time.

5.5 Each Option, upon Exercise, will entitle the Option Grantee to 1 (one) Share. Such Shares issued and allotted by the Bank under the Scheme shall rank *pari passu* in all respects with the existing fully paid equity shares of the Bank of same class.

5.6 The Scheme shall be applicable to the Bank, and any successor company thereof. The Employee Stock Options granted to an Employee shall be subject to the terms and conditions set forth in this Scheme and in the Grant Letter.

6. Grant and Acceptance of Grant

6.1 Grant of Options

Each Grant of Option under the ESOS 2019 shall be made in writing by the Bank to the eligible Employees in such form as may be approved under ESOS 2019 from time to time.

6.2 Acceptance of the Grant

(a) Any eligible Employee who intends to accept the Grant made under this Scheme must deliver to the Bank a duly signed acceptance of the Grant by way of a letter (“Acceptance Letter”) on or before the specified cut-off date (“Closing Date”) from the date of the Grant as specified in the Grant Letter. Unless otherwise decided by the Committee, the form of the Acceptance Letter shall be similar to draft as provided in **Annexure B** hereof.

(b) On duly receipt by the Bank of the signed Acceptance Letter, the eligible Employee will become an Option Grantee. On failure to deliver such acceptance before the specified date, shall result in rejection of the Grant and lapse of Options unless the Committee determines otherwise.

(c) Upon acceptance of the Grant, it shall be deemed as if the provisions of the Scheme read with terms and conditions specified in the Grant Letter are the entire understandings and an agreement amongst the Bank, Option Grantee and the Trust.

7. Vesting Period and Vesting Conditions

7.1 Vesting Period for any Options granted under this Scheme shall be subject to statutory minimum period of 1 (One) year from the date of Grant during which no Vesting shall be allowed. Subject to this statutory minimum period, any staggered Vesting prescribed for any Grant shall be over a Vesting schedule of **minimum of 3 (Three) years and maximum of 10 (Ten) years** from the date of Grant.

Provided that in case where Options are granted by the Bank under the Scheme in lieu of options held by a person under a similar scheme in another company ("Transferor Company") which has merged or amalgamated with the Bank, the period during which the options granted by the Transferor Company were held by him may be adjusted against the minimum Vesting Period required under this Sub-clause, at the discretion of the Committee.

7.2 The Committee may, at its sole decision, decide the proportion of Options which shall vest each year during the Vesting schedule which may be different for different Employees or any class thereof. However, the specified Vesting Period and Vesting schedule are liable to be modified with a view to comply with any legal or disciplinary actions particularly with reference to malus and clawback requirements of this Scheme read with relevant Guidelines of the Reserve Bank of India.

7.3 Except in case of death, Permanent Incapacity and Retirement[2] of the Option Grantee, the Vesting of Options would be subject to continued employment with the Bank subject to the condition that the Option Grantee has not served any notice of resignation. The Committee in addition to this pre-requisite, may prescribe certain performance criteria subject to achievement of which Vesting may be allowed. In case, any performance criteria are prescribed as Vesting Condition, Vesting shall be allowed only on achievement of such conditions.

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[2] *Prior to its amendment vide special resolution dated August 12, 2021, it was read as under:*

"Except in case of death and Permanent Incapacity of the Option Grantee, the Vesting of Options would be subject to continued employment with the Bank subject to the condition that the Option Grantee has not served any notice of resignation".

7.4 Subject to exceptions specified in Sub-clause 7.3, the Options shall vest subject to performance based Vesting, the criteria being a mix of annual corporate and individual performance with a predefined threshold, achievement below which will result in no vesting for that year. These criteria will include achievement in terms of operational and/ or financial performance parameters of the Bank as specified by the Committee. Vesting in case of personnel whose remuneration and Options entitlement are regulated under relevant RBI Guidelines, shall be subject to additional conditions as to reduction/ clawback of Vesting in line with deterioration in financial performance of the Bank.

7.5 In the event of suspension (not termination/ dismissal) or commencement of any disciplinary proceedings/ enquiry against any Option Grantee, the Vesting of Options shall cease immediately from the date of suspension or date of commencement of such disciplinary proceeding/ enquiry and continue to remain ceased up to the disposal of such proceeding/ enquiry. In case of reinstatement, Vesting shall be allowed as per original Vesting Schedule ignoring any cessation thereof. In case of termination from employment/ service, the provisions of serial number 2 in the table given in Sub-clause 8.2(b) of the Scheme shall apply.

7.6 The specific Vesting Schedule and Vesting Condition shall be intimated to the eligible Employees in the Grant Letter.

7.7 **Vesting of Options in case of Option Grantees on long leave**

The period of leave shall not be considered in determining the Vesting Period in the event the Option Grantee is on a sabbatical. In all other events including approved earned leave and sick leave, the period of leave shall be included to calculate the Vesting Period unless otherwise determined by the Committee as per Sub-clause **Error! Reference source not found.**4.1.4(j) of t he Scheme.

8. Exercise

8.1 **Exercise Price**

(a) The Exercise Price per Option shall be determined by the Committee which shall not be lesser than the face value of Shares as on date of Grant.

(b) Payment of the Exercise Price or any amount under ESOS 2019, if any, shall be made by a demand draft, online payment / wire transfer of funds, drawn in favour of the Bank and/or the Trust, or in such other manner as the Committee may approve from time to time.

8.2 **Exercise Period**

(a) **While in employment/ service**

The Exercise Period in respect of a Vested Option shall be a period commencing from the relevant Vesting date of such Option and shall end with the expiry of **10 (Ten) years** or such other shorter period as approved by the Committee from the date of Grant of such Option. Thus, expiry of Exercise Period in respect of Options granted in a tranche of Grant shall be same for all Options in such tranche of Grant.

(b) **Exercise Period in case of separation from employment/ service**

Subject to Sub-clause 8.3 below, the Vested Options can be exercised subject to treatment of Unvested Options as per provisions outlined herein below:

S. No.	Separations	Vested Options	Unvested Options
1	**Resignation / Termination** (other than due to Cause)	All the Vested Options as on date of submission of resignation/ date of termination shall be exercisable by the Option Grantee immediately after, but in no event later than **2 (Two)** months from the date of such resignation / termination or before the expiry of the Exercise Period, whichever is earlier.	All the Unvested Options on the date of submission of resignation / date of termination shall stand **cancelled** with effect from that date.
2	**Termination due to Cause**	All the Vested Options which were not exercised at the time of such termination shall stand **cancelled** with effect from the date of such termination.	All the Unvested Options on the date of such termination shall stand **cancelled** with effect from the termination date.
3	**Retirement / early Retirement approved by the Bank**	All the Vested Options can be exercised by the Option Grantee immediately after, but in no event later than **12 (Twelve)** months from the date of such Retirement, or before the expiry of the Exercise Period, whichever is later.	All the Unvested Options shall stand **cancelled** as on the date of such Retirement unless otherwise determined by the Committee.
4	**Death**	All the Vested Options may be exercised by the Option Grantee's nominee or legal heir immediately after, but in no event later than **12**	All the Unvested Options as on the date of death shall **vest immediately** and may be exercised in the manner prescribed for Vested Options.

		(Twelve) months from the date of death of the Option Grantee.	
5	**Termination due to Permanent Incapacity**	All the Vested Options may be exercised by the Option Grantee immediately after, but in no event later than **12 (Twelve)** months from the date of incurring of such incapacity by the Option Grantee.	All the Unvested Options shall **vest immediately** with the Option Grantee and may be exercised in the manner prescribed for Vested Options.
6	**Termination due to any other reason apart from those mentioned above**	The Committee shall decide whether the Vested Options as on that date can be exercised by the Option Grantee or not, and such decision shall be final.	All Unvested Options on the date of such termination shall stand **cancelled** with effect from that date.

8.3 Subject to the provision of the Applicable Laws and at the discretion of the Committee, all Unvested Options as on date of Retirement shall vest after such date of Retirement as per original Vesting schedule as specified in the Grant Letter.

8.4 At any time before exercise of the Vested Options, in the event of suspension (but not termination) or commencement of any disciplinary proceedings/ enquiry against any Option Grantee, exercise of the Vested Options held by such Option Grantee shall be kept in abeyance till completion of such disciplinary proceeding/ enquiry. In case of reinstatement, period for which Exercise was kept in abeyance shall be added to the relevant Exercise Period and Exercise shall be allowed as if there was no abeyance. In case of termination from employment/ service, the provisions of serial number 2 in the table given in Sub-clause 8.2(b) of the Scheme shall apply.

8.5 **Process of Exercise**

(a) An Option Grantee intending to exercise Vested Options shall make an application in writing to the Trust in such form as prescribed, from time to time, for the issuance/ transfer of Shares against the Options exercised, subject to payment of Exercise Price, applicable taxes and compliance of other requisite conditions of Exercise. Unless otherwise provided by the Committee, the form shall be similar to the format provided in **Annexure C** ("Exercise Letter").

(b) Options vested in one or more tranches may be exercised in full or in part or in tranches. However, no fraction of a Vested Option shall be exercisable in its fractional form.

8.6 **Lapse of Options**

Vested Options not exercised within the Exercise Period shall lapse and the Employee shall have no right over such lapsed or cancelled Options.

9. Non-transferability of Options

9.1 Options are not transferrable except in case of death or Permanent Incapacity of an Option Grantee in which case, provisions of Sub-clause 8.2 (b) will be referred to for the purpose of Exercise. No person other than the Employee to whom the Employee Stock Option is granted shall be entitled to exercise the Employee Stock Option except in the event of the death of the Option Grantee.

9.2 The Employee Stock Option shall not be transferred, pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

10. Lock-in of Shares (Post Exercise)

10.1 The Shares transferred upon Exercise of Options shall be freely transferable and shall not be subject to any lock-in period restriction after such Exercise.

Provided however that the Shares delivered on Exercise cannot be transferred for such period from the date of allotment as may be required under the Code of Conduct for Prevention of Insider Trading of the Bank, read with Securities and Exchange Board of India (Prohibition of Insider Trading), Regulations, 2015, as amended from time to time.

11. Right as a Shareholder

11.1 Nothing herein is intended to or shall give the Option Grantee any right or status of any kind as a shareholder of the Bank (for example, bonus shares, rights shares, dividend, voting, etc.) in respect of any Shares covered by the Grant until the Option Grantee exercises the Employee Stock Option and becomes a registered holder of the Shares of the Bank.

11.2 If the Bank issues bonus or rights Shares, the Option Grantee will not be eligible for the bonus or rights Shares in the capacity of an Option Grantee. However, an adjustment to the number of Options or the Exercise Price or both would be made in accordance with Sub-clause 4.1.4. (f) of ESOS 2019. Only when the Vested Options are exercised and the Option Grantee has become a valid holder of the Shares of the Bank as on record date for bonus or rights issue of Shares, then such Option Grantee would be entitled for bonus or rights Shares as shareholder of the Bank.

12. Deduction/ recovery of Tax

12.1 The liability of paying taxes, if any, in respect of Employee Stock Options granted pursuant to this Scheme and the Shares issued pursuant to Exercise thereof shall be entirely on Option Grantee and shall be in accordance with the provisions of Income Tax Act, 1961 read with rules issued thereunder and/or Income Tax Laws of respective countries as applicable to eligible Employees working abroad, if any.

12.2 The Bank shall have the right to deduct from the Option Grantee's salary or recover any tax that is required to be deducted or recovered under the Applicable Laws. In case of non–continuance of employment, the outstanding amount of the tax shall be recovered fully on or before full and final settlement.

12.3 The Bank or Trust shall have no obligation to deliver Shares until the Bank's tax deduction obligations, if any, have been satisfied by the Option Grantee in full.

13. Nomination

13.1 An Option Grantee may nominate, from time to time, any Beneficiary(ies) to whom any benefit under the Scheme is to be delivered in case of his death. Each subsequent nomination shall revoke all prior nominations by such Option Grantee. Any such nomination shall normally be allowed in favour of immediate family members only and shall be in a form prescribed by the Bank, substantially provided in **Annexure D** ("Nomination Form") hereof. The nomination will be effective only when filed by the Option Grantee in writing with the Bank before the expiry of the Options held by the Option Grantee and duly acknowledged as received by the Bank. In the event of any dispute with regard to nominations, the last nomination provided by the Option Grantee shall be regarded as final nomination and shall be binding.

14. Authority to vary terms

The Committee may, if it deems necessary, vary the terms of ESOS 2019, subject to the Applicable Laws and the conditions of the shareholders' approval by way of a special resolution in such manner which is not detrimental to the interest of the Option Grantee . However, the Bank shall be entitled to vary the terms of the scheme to meet any regulatory requirements.

15. Malus/ Clawback

15.1 Notwithstanding anything contained elsewhere in this Scheme, the Bank reserves the right of executing malus/ clawback arrangements in respect of Options already granted, vested or exercised, as the case may be. Options granted under the Scheme are always subject to malus and clawback as may be exercised by the Bank in the circumstances specified in the guidelines issued by the Reserve Bank of India.

15.2 A malus arrangement permits the Bank to prevent Vesting of all or part of the Options granted to an Option Grantee. However, the malus arrangement shall not reverse the Vesting of already Vested Options.

15.3 A clawback, on the other hand, is a contractual agreement between the Option Grantee and the Bank, being evidenced on the acceptance of the Grant, in which case the Option Grantee shall relinquish any benefit that accrued to or return any benefit that is received by such Option Grantee to the Bank under circumstances specified at the time of Grant of Options.

16. Miscellaneous

16.1 Government Regulations

This ESOS 2019 shall be subject to all Applicable Laws, and approvals from governmental authorities.

16.2 Inability to obtain authority

The inability of the Bank to obtain authority from any regulatory body having jurisdiction over the Bank, or under any Applicable Laws, for the lawful issuance and sale of any Shares hereunder shall relieve and wholly discharge the Bank of any and all liability in respect of the failure to issue or sell such Shares.

16.3 Unless otherwise intended, the Grant of an Employee Stock Option does not form part of the Option Grantee's entitlement to compensation or benefits pursuant to his contract of employment nor does the existence of a contract of employment between any person and the Bank give such person any right or entitlement to have an Employee Stock Option granted to him in respect of any number of Shares or any expectation that an Employee Stock Option might be granted to him whether subject to any condition or at all.

16.4 Neither the existence of this Scheme nor the fact that an individual has on any occasion been granted an Employee Stock Option shall give such individual any right, entitlement or expectation that he has or will in future have any such right, entitlement or expectation to participate in this Scheme by being granted an Employee Stock Option on any other occasion.

16.5 The rights granted to an Option Grantee upon the grant of an Employee Stock Option shall not afford the Option Grantee any rights or additional rights to compensation or damages in consequence of the loss or termination of his office or employment with the Bank for any reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).

16.6 The Option Grantee shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise an Employee Stock Option in whole or in part.

16.7 Participation in ESOS 2019 shall not be construed as any guarantee of return on equity investment. Any loss due to fluctuations in the market price of the Shares and the risks associated with the investments are that of the Option Grantee alone.

17. Accounting and Disclosures

17.1 The Bank shall follow the laws/regulations applicable to accounting and disclosure related to Employee Stock Options, including but not limited to the Accounting Guidelines.

18. Notices

18.1 All notices of communication required to be given by the Bank to an Option Grantee by virtue of this ESOS 2019 shall be in writing and shall be sent to the address of the Option Grantee available in the records of the Bank; or Delivering the communication(s) to the Option Grantee in person with acknowledgement of receipt thereof; or Emailing the communication(s) to the Option Grantee at the official email address provided, if any, during the continuance of employment or at the email address provided by the Option Grantee after cessation of employment.

18.2 Any communication to be given by an Option Grantee to the Bank in respect of ESOS 2019 shall be sent at the address mentioned below or e - mailed at:

Secretarial Department
CSB Bank Limited
CSB Bhavan, Post Box No. 502, St. Mary's College Road
Thrissur, Kerala, Pin- 680020, INDIA
Email: secretarial@csb.bank.in

19. Governing Laws and jurisdiction

19.1 The terms and conditions of the ESOS 2019 shall be governed by and construed in accordance with the Applicable Laws of India in particular any relevant rules, regulations or guidelines issued by the Reserve Bank of India.

19.2 The Courts in Mumbai, India shall have jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this ESOS 2019.

19.3 Nothing in this Clause shall however limit the right of the Bank to bring proceedings against any Employee in connection with this ESOS 2019:

(i) in any other court of competent jurisdiction; or

(ii) concurrently in more than one jurisdiction.

20. Severability

20.1 In the event any one or more of the provisions contained in this Scheme shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Scheme in which case the Scheme shall be construed as if such invalid, illegal, or unenforceable provisions had never been set forth herein, and the Scheme shall be carried out as nearly as possible according to its original intent and terms.

21. Confidentiality

21.1 An Option Grantee must keep the details of the ESOS 2019 and all other documents in connection thereto strictly confidential and must not disclose the details with any of his peer, colleagues, co-employees or with any employee and/ or associate of the Bank or that of its affiliates. In case Option Grantee is found in breach of this Clause, the Bank shall have undisputed right to terminate any agreement/Grant and all unexercised Options shall stand cancelled immediately. The decision and judgment of the Committee regarding breach of this Clause on confidentiality shall be final, binding and cannot be questioned by Option Grantee. In case of non-adherence to the provisions of this Clause, the Committee shall have the authority to deal with such cases as it may deem fit.

-------------END OF SCHEME-------------

CSB Bank Limited

Employee Stock Option Scheme 2019

Annexure - A

GRANT LETTER

Date: [●]

From
The Nomination & Remuneration Committee,
CSB Bank Limited
P.B. No. 502, CSB Bhavan,
St. Mary's College Road,
Thrissur - 680 020

To
Name of the Employee:
Employee Grade/Code:

Dear Mr./Ms. ____________

The CSB Bank Limited ("**Bank**") is currently at an exciting phase in its endeavor towards sustained and planned growth. We believe that our business has a bright future, and the efforts of our employees will play a key role in helping the Bank realize this potential. At this time, we would like to extend a token of our appreciation and gratitude for your valued present/future contribution in building the Bank.

We are happy to inform that you have been selected to be covered under the CSB Employee Stock Option Scheme 2019 ("**ESOS 2019**" or "**Scheme**"). A copy of the Scheme is enclosed herewith. You are requested to study the same carefully and familiarize yourself with its terms and conditions.

Accordingly, by this Grant Letter, we are pleased to offer you [*insert number of options*] Options by virtue of which you will be eligible to purchase equivalent number of Shares of the Bank, subject to the terms and conditions of the Scheme and Acceptance of Grant. The details of the Grant of Options are as follows:

Number of Options Granted	[●]	
Grant Date	[●]	
Vesting Date(s) and Percentages	[●]	[●]
	[●]	[●]
Vesting Conditions	As may be communicated by the Committee in consultation with the Human Resource Department from time to time.	
Exercise Price per Option	[●]	
Exercise Period	As per Scheme	

This Grant Letter is as per the terms and conditions given in ESOS 2019 and is strictly confidential.

The offer is valid till [•] ("**Closing Date**") and shall lapse if the **Acceptance Letter** is not received by the Bank on or before the close of business on the Closing Date. If the offer is acceptable to you, kindly sign the **Acceptance Letter** as a token of your acceptance. The Acceptance Letter is annexed as Annexure B to the Scheme. Kindly note that you will be required to have an operational dematerialized account at the time of Exercise of your Options and in the event you do not have an existing dematerialized account, we request you to kindly open and maintain the same as on the Exercise Date.

We look forward to working with you under a long term partnership to build a stronger and more profitable Bank in future.

All capitalized terms used herein shall have the same meaning as provided in ESOS 2019.

Yours sincerely,

For **CSB Bank Limited**

[Authorised Signatory]

Annexure - B

ACCEPTANCE LETTER

Date: [●]

To
The Nomination & Remuneration Committee,
CSB Bank Limited
P.B. No. 502, CSB Bhavan,
St. Mary's College Road,
Thrissur - 680 020

Kind attention: Mr./Ms. [*Bank to insert name of the person to whom the communication should be sent*]

Ref: CSB Employee Stock Option Scheme 2019

Dear Sir/ Ma'am,

This is in reference to the Grant Letter dated [•] offering me [•] Options under the CSB Employee Stock Option Scheme 2019 ("**ESOS 2019**"). I hereby accept the Grant of [•] made to me by the Grant Letter under the ESOS 2019.

I have received a copy of ESOS 2019 and have had an opportunity to review and understand the content thereof. I undertake to be bound by the terms and conditions of ESOS 2019 and understand that acceptance of the Grant results in a mutual agreement to comply with the provisions of the ESOS 2019 with a view to obtain any benefit thereunder.

I undertake that at the time of Exercise, I will have an operational dematerialized account, details of which will be forwarded to the Committee along with the Exercise Letter. I further agree to submit to all decisions of the Committee as may be taken from time to time and confirm that all such decisions pertaining to my Options shall be binding on me.

Yours faithfully

Signature

(Name of Employee)

(Designation of the Employee)

(Employee Code: [•])

CSB Bank Limited

Employee Stock Option Scheme 2019

Annexure - C

EXERCISE LETTER

Date: [●]

To
The Trustees
The CSB ESOS Trust

Ref: CSB Employee Stock Option Scheme 2019

Dear Sir(s),

This is with reference to the Grant Letter dated [•] offering me [•] Options under the ESOS 2019 and my Acceptance Letter dated [•].

[Insert the number] Options have Vested in me on [insert date of Vesting] in accordance with the ESOS 2019. Effective [Insert date] of [Insert month], [Insert year], I hereby Exercise my right to purchase the Shares of the Bank against the Vested Options.

I understand and acknowledge that until the allotment of the Shares (as evidenced by the appropriate entry on the books of the Bank), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Options, notwithstanding the Exercise of the Option.

I understand that I may suffer tax consequences as a result of purchase or disposition of the Shares. I represent that I have consulted / will consult any tax consultants of my choice in connection with the purchase or disposition of the Shares and that I am not relying on the Bank for any tax advice.

I am enclosing herewith a cheque in favour of the Trust with no. [●] dated [●] for INR [●], drawn on [●] bank, towards the payment of Exercise Price and also a cheque in favour of the Bank with no. [●] dated [●] for INR [●], drawn on [●] bank, towards the payment of Exercise Price.

Requisite details for the said allotment/ transfer of Shares are provided in Annexure to this Exercise Letter.

Yours sincerely,

Signature
(Name of Employee)

ANNEXURE TO LETTER OF EXERCISE (ESOS 2019)

Name of Employee	[●]
Employee ID	[●]
IT PAN/GIR No. & Circle/Ward	[●]
Address	[●]

CSB Bank Limited

Employee Stock Option Scheme 2019

Demat Account Details DP ID ____________________ Client ID (Account No.) _______________ Depository Participant (DP)'s :- Name: ____ Address: ____	

Dated:

Instructions: *Please write the names exactly in the same manner as provided in the Demat Account.*

Annexure - D

NOMINATION FORM

Date: [●]

To
The Nomination & Remuneration Committee,
CSB Bank Limited
P.B. No. 502, CSB Bhavan,
St. Mary's College Road, Thrissur - 680 020

Kind Attn.: [*Bank to insert name of the person to whom the communication should be sent*]

Ref: CSB Employee Stock Option Scheme 2019

Dear Sir,

I hereby, nominate the following person(s) as my beneficiary (ies) for claiming the benefits under the terms and conditions of CSB Employee Stock Option Scheme 2019.

Name of Employee in Full
NOMINEE DETAILS
Name in Full *Relationship with the Employee* *Address* *Age* *Guardian (in case nominee is a minor)*
GUARDIAN DETAILS
Name in Full *Relationship with Nominee* *Address*

This nomination form shall be valid unless replaced by me with a new nomination form of a later date. Kindly acknowledge receipt and confirm the recording of the nomination.

Yours sincerely,

Signature

(Name of Employee)/ (Designation of the Employee)

Note: *If more than one person is nominated as beneficiary, the proportion of the benefits to be claimed by each nominee to be provided by the employee.*

Annexure I

Disclosures required to be made under Regulation 16 (2) of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

Part A: Statement of Risks

All investments in shares or employee stock options ("**Options**") in respect of shares are subject to risk as the value of shares may go down or go up. In addition, Options are subject to the following additional risks:

1. **Concentration:** The risk arising out of any fall in value of shares is aggravated if the employee's holding is concentrated in the shares of a single company.

2. **Leverage:** Any change in the value of the share can lead to a significantly larger change in the value of the Options as an Option amounts to a levered position in the share.

3. **Illiquidity:** The Options cannot be transferred to anybody, and therefore the employees cannot mitigate their risks by selling the whole or part of their Options before they are exercised.

4. **Vesting:** The Options will lapse if the employment is terminated prior to vesting. Even after the Options are vested, the unexercised Options shall be forfeited if the employee is terminated for gross misconduct as per terms of the employee stock options Scheme

Part B: Information about the Bank

1. Business of the Bank:

CSB Bank Limited, a company incorporated on November 20, 1920, under the Indian Companies Act, 1913 as 'The Catholic Syrian Bank Limited' and a fresh certificate of incorporation under the Companies Act, 1956 was issued by the Registrar of Companies, Kerala at Ernakulum ("**RoC**") on April 14, 1987. The name of the Bank has been changed from 'The Catholic Syrian Bank Limited' to 'CSB Bank Limited' with effect from June 10, 2019 on receipt of requisites approvals. The Bank is having its registered office at CSB Bhavan, St. Mary's College Road, Thrissur, Kerala-680020.

CSB Bank Limited is a banking company, carrying on the business of banking and other activities as permitted in terms of Section 6 of the Banking Regulation Act, 1949 and as per its Memorandum and Articles of Association.

CSB Bank Limited is one of the oldest private sector banks in India, traditionally having a strong presence in Kerala along with significant presence in Tamil Nadu, Karnataka, Maharashtra and Andhra Pradesh. Bank in FY 2026, expanded its network by opening new branches in many states especially in Tamil Nadu, Jharkhand and Karnataka as part of its plans to build up customer franchise by tapping the opportunities, across. The Bank offers a wide range of products and services to its customers, with particular focus on SME, Retail, and NRI customers. Considering the opportunities and experience, the Bank continued to focus on Gold portfolio. Along with this, there was a strong push on SME loans, Two Wheeler loans, Loans against Property, Small Business loans and Agri & MFI loans.

The Bank delivers its products and services through multiple channels, including 862 branches and 832 ATMs/CRMs spread across the country and various alternate channels such as debit cards, internet banking, mobile banking, point of sale services and UPI.

The Bank has, with a thrust on quality of service & enduring long term customer relationships, established as a well recognized and trusted brand in South India. With further expansion plans, the Bank targets to tap opportunities in building a customer franchise both in terms of assets and liabilities from southern, northern and western markets. The Bank strengthened its capability & leadership in technology, retail distribution, SME, NRI, risk, and digital business verticals for aligning with the larger growth plans.

CSB Bank is listed on both NSE and BSE with effect from December 4, 2019. For further details about business and its objects, please visit www.csb.bank.in.

2. Abridged financial information: Abridged financial information for the last five years for which audited financial information is available as prescribed under clause (b)(i) of Section 26(1) of the Companies Act, 2013 as amended or re-enacted from time to time, are given below :-

Rs. In crore

Year	2021-22	2022-23	2023-24	2024-25	2025-26
Paid up Capital	173.54	173.54	173.54	173.54	173.54
Share Warrants					
Reserves	2477.86	3030.09	3630.11	4324.19	4720.75
Owned funds	2651.40	3203.63	3803.65	4497.73	4894.28
CRAR - Basel II (%)					
Basel III (%)	25.90	27.10	24.47	22.46	20.66
Deposits	20188.30	24505.81	29,718.80	36,861.49	44,245.92

Advances	15814.68	20650.65	24,335.58	31,507.05	39,847.84
Total Business	36002.98	45156.46	54,054.38	68,368.54	84,093.76
Total Income	2285.11	2635.66	3,511.83	4,569.20	5,681.79
Operating Profit	613.72	707.40	779.92	910.24	1,085.39
Net Profit	458.49	547.36	566.82	593.80	633.18
Dividend (%)	-	-	-	-	-
Branches (No.)	609	709	779	829	862
EPS (Rs.)	26.43	31.55	32.67	34.23	36.50
Return on Assets (%)	1.90	2.06	1.79	1.49	1.26
Book Value(Rs.)	152.83	184.66	209.11	249.24	272.27
No of Employees	4663	6841	7863	7616	8187

The Audited financial statements of the Bank for the financial year ended March 31, 2026, is available on the Bank's Website at https://www.csb.bank.in/general-meetings

3. Risk Factors: Management perception of the risk factors of the Bank (i.e., sensitivity to foreign exchange rate fluctuations, difficulty in availability of raw materials or in marketing of products, cost/time overrun etc.).

An investment in the Equity Shares involves a high degree of risk. You should carefully consider all the information including the risks and uncertainties described in **Annexure- B**, before making an investment in the Equity Shares. If any or some combination of the following risks actually occur, our business, prospects, results of operations, and financial condition could materially suffer, the trading price of the Equity Shares could decline, and you may lose all or part of your investment.

We have described the risks and uncertainties that we believe are material, but these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties, including those we are not aware of or deem immaterial, may also result in decreased revenue, increased expenses or other events that could result in a decline in the value of the Equity Shares. In making an investment decision, you must rely on your own examination of the Bank including the merits and risks involved. The risk factors & Management perception of the risk factors is enclosed as **Annexure – B**.

4. Continuing disclosure requirement: The Option Grantee would receive copies of all documents that are sent to the members of the Bank. This shall include the annual accounts of the Bank as well as notices of meetings along with the explanatory statements.

Part C: Brief terms of the 'CSB Employee Stock Option Scheme 2019'

With a view to motivate the key work force seeking their contribution to the corporate growth, to incentivize, to attract new talents and to retain them for ensuring sustained growth, your Bank had implemented an employee stock option Scheme namely 'CSB Employee Stock Option Scheme 2019' **("ESOS 2019"/ "Scheme")** seeking to cover eligible employees of the Bank prior to its initial public offer ("**IPO**") of shares of the Bank ("**Share**").

In the meantime, IPO was made with listing of shares done 4th December, 2019 on the recognized stock exchanges. Pursuant to the Regulation 12(1) of the erstwhile Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, the Bank has ratified the ESOS 2019 by the members of the Bank at the Annual General Meeting of the Bank held on July 20, 2020. The scheme was further amended at the Annual General Meeting of the Bank held on August 12, 2021.

The main features of the ESOS 2019 are as under:

A. Brief Description of the Scheme:

The Bank proposes to implement Scheme primarily with a view to attract, retain, motivate and reward the eligible employees of the Bank and its whole time and executive director(s) (jointly referred to as "Employees"). The Scheme contemplates grant of Options to the eligible Employees, as determined in due compliance with SEBI Regulations, relevant RBI Guidelines and provisions of the Scheme. After vesting of Options, the eligible Employees earn a right (but not obligation) to exercise the vested Options within the exercise period and obtain equity shares of the Bank from the Trust subject to payment of exercise price and satisfaction of any tax obligation arising thereon.

The Trust is administering the Scheme. The Committee of the Bank is supervising the Scheme. All questions of interpretation of the Scheme shall be determined by the Committee and such determination shall be final and binding upon all persons having an interest in Scheme.

B. Total number of options to be granted:

Total number of Options that may be granted under the Scheme shall not exceed 1,66,72,791 (One Crore Sixty Six Lakh Seventy Two Thousand Seven Hundred and Ninety One) out of which 50,00,000 (Fifty Lakh) Options were reserved under the Scheme as originally contemplated.

Each Option upon exercise shall be convertible into one equity share of face value of Rs. 10/- (Rupees Ten Only) fully paid-up. Options lapsed or cancelled due to any reason including the reason of lapse of exercise period or due to resignation of the employees or otherwise, would be available for being re-granted at a future date. The Board is authorized to regrant such lapsed

/ cancelled Options as per the terms of Scheme. However, once underlying shares are delivered upon exercise of Options, the shares reserved for Scheme purposes would reduce.

In case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment will be made to the Options granted. Accordingly, the ceiling of Options/ underlying equity shares shall be deemed to increase to the extent of such additional equity shares issued.

C. Identification of classes of employees entitled to participate in the ESOS 2019:

All permanent employees and whole-time or executive directors (referred to as “Employees”) of the Bank shall be eligible subject to determination or selection by the Committee. However, following classes of employee/ director shall not be eligible who is:

a) An Independent director;
b) A Promoter or person belonging to promoter group; and
c) A director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the Bank.

D. Requirements of Vesting and period of Vesting:

The Options granted shall vest so long as the Employee continues to be in the employment/ service of the Bank as per SEBI Regulations except in case of death, permanent incapacity and retirement. The Committee may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance based vesting, and the proportion in which options granted would vest subject to the minimum and maximum vesting period as specified below. The Options shall vest subject to performance based vesting, the criteria being a mix of annual corporate and individual performance with a predefined threshold, achievement below which will result in no vesting for that year. These criteria will include achievement in terms of operational and/ or financial performance parameters of the Bank as specified by the Committee. Vesting in case of personnel whose remuneration and Options entitlement are regulated under relevant RBI Guidelines, shall be subject to additional conditions as to reduction/ clawback of vesting in line with deterioration in financial performance of the Bank.

Vesting period for any Options granted under this Scheme shall be subject to statutory minimum period of 1 (One) year from the date of grant during which no vesting shall be allowed. Subject to this statutory minimum period, any staggered vesting prescribed for any grant shall be over a vesting schedule of minimum of 3 (Three) years and maximum of 10 (Ten) years from the date of grant.

E. Maximum period within which the options shall be vested:

The Options granted shall vest not later than 10 (Ten) years from the date of grant of such Options.

F. Exercise price or pricing formula:

The exercise price per Option shall be determined by the Committee in accordance with applicable laws and shall not be less than the face value of underlying shares as on date of grant.

G. Exercise period and the process of exercise:

The exercise period in respect of a vested Option shall be a period commencing from the relevant vesting date of such Option and shall end with the expiry of 10 (Ten) years or such other shorter period as approved by the Committee from the date of grant of such Option. Thus, expiry of exercise period in respect of Options granted in a tranche of grant shall be same for all Options in such tranche of grant.

The Options will be exercisable by the grantees by a written application to the Trust along with payment of exercise price and applicable taxes in such manner and on execution of such documents, as may be prescribed from time to time. The Options will lapse if not exercised within the specified exercise period.

H. Cancellation of Vested Options

Cancellation of options granted in the manner as prescribed in 8.2.b and 8.4 of the Scheme.

I. Corporate Actions

The procedure for making a fair and reasonable adjustment to the entitlement including adjustment to the number of Options and to the Exercise Price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard, the following shall, inter alia, be taken into consideration:

(i) the number and price of Options shall be adjusted in a manner such that total value of the Options in the hands of the Option Grantee remains the same after such corporate action; and

(ii) the Vesting Period and the life of the Options shall be left unaltered as far as possible to protect the rights of the Option Grantees.

J. Appraisal process for determining the eligibility of employees under the ESOS 2019:

The Options shall be granted to the eligible Employees as per performance appraisal system of the Bank and the Committee at its discretion may adopt any eligibility criteria for determining eligibility of any Employee or a class thereof on the basis of designation, role and future potential of Employees.

K. Maximum quantum of benefits to be provided per employee under the ESOS 2019:

There is no other benefit except grant of Options which shall be subject to such limitations as mentioned in the point above.

L. Route of ESOS 2019 implementation or Administration:

Scheme is implemented and administered through an irrevocable employee welfare trust known as CSB ESOS Trust ("Trust") already set-up by the Bank.

M. Source of acquisition of shares under the Scheme

The Scheme contemplates use/ acquisition of shares from two sources:

(i) (Up to 80,00,000 (Eighty Lakh) shares from the fresh issue by the Bank. However, from the said quantum of shares, the Bank had already issued 50,00,000 (Fifty Lakh) shares to the Trust prior to its IPO under the Pre-IPO Scheme. Thus, only 30,00,000 (Thirty Lakh) shares are envisaged to be issued through fresh issue to the Trust; and

(ii) Balance up to 86,72,791 (Eighty Six Lakh Seventy Two Thousand Seven Hundred and Ninety One) shares by way of secondary acquisition through the Trust.

N. Amount of loan to be provided for implementation of the scheme by the Bank to the Trust, its tenure, utilization, repayment terms, etc.:

The Bank shall not provide any financial assistance by way of any loan, or guarantee or security in connection with any loan to the Trust. The Trust shall on its own arrange to meet its funding requirement from the sources other than the Bank and on such terms and conditions that are in line with extant market conditions or as negotiated with the lenders.

O. Maximum percentage of secondary acquisition:

The Scheme envisages secondary acquisition of shares up to 5% (Five percent) of the paid-up equity share capital of the Bank as on March 31, 2020, which is as per the statutory ceiling prescribed under the SEBI Regulations.

P. Method of option valuation:

To calculate the employee compensation cost, the Bank shall use intrinsic value method as applicable for the time being. In case the accounting standard IND AS 102 as would be applicable, the Bank shall use the fair value method for valuation of the Options granted and the reporting in the manner as may be prescribed.

Q. Disclosure and Accounting Policies

The Bank and the Trust shall comply with the accounting policies and disclosure requirements prescribed as per prevailing accounting guidelines and the Bank shall adhere to the accounting policies specified in Regulation 15 of the SEBI Regulations and for disclosure requirements, Regulation 14 of the SEBI Regulations.

The accounting of the options shall also be at fair value arrived as per Black-Scholes model in terms of RBI circular of August 30, 2021.

You may refer to the copy of the scheme for detailed provisions.

For CSB Bank Limited

Sijo Varghese
Company Secretary

Annexure- B

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all the information disclosed including the risks and uncertainties described below, before making an investment in the Equity Shares. These risks and uncertainties are not the only issues that we face. These risks and uncertainties along with other unforeseen factors not presently known to us or that we currently believe to be immaterial which may have an adverse effect on our business operations, financial results, financial condition or prospects. You should pay particular attention to the fact that the Bank is incorporated under the laws of India and that the Bank is subject to a legal and regulatory environments in India.

If any of the risks described below, or other risks that are not currently known or are currently deemed immaterial actually occur, our business prospects, results of operations and financial condition could be adversely affected in the declining trading price of the Equity Shares and investors may lose all or part of the value of their investment. The financial and other related implications of the risk factors, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where the financial impact is not quantifiable and, therefore, cannot be disclosed in such risk factors. In making an investment decision, you must rely on your own examination of our Bank and the terms of the grant, including the merits and risks involved. You should consult your tax, financial and legal advisors about the particular consequences of an investment to you.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year.

Risks relating to our business

1. Our financial performance parameters may be affected by fluctuating interest rates.

Our results of operations depend substantially on our Net Interest Income, which is the difference between our interest earned and interest expended. Interest rate risk depends on the nature and extent of gaps in the rate of sensitive assets and rate of sensitive liabilities. Any change or volatility in interest rates would affect our interest expense on our interest-bearing liabilities and interest income from interest-bearing assets including investments, and therefore affect our Net Interest Income and Net Interest Margins. Any increase in our cost of funds may lead to a reduction in our Net Interest Margins, or require us to increase our internal benchmarks (MCLR, Base Rate, BPLR) to maintain our Net Interest Margins. In addition, a portion of the loans we advance are linked to external benchmark rates like Repo Rate and Treasury Bill Yields. The yield on such loans may vary depending on changes in such external benchmarks. In the event the interest rates at which we advance these loans declines due to a decrease in external benchmark rates and there is no corresponding decrease in the interest rates payable by us on deposits and borrowings, resulting in reduced Net Interest Margins.

Interest rates are highly sensitive to many factors beyond our control, including the Monetary Policies and alignment of Repo Rates by the RBI, various directives issued by the RBI in response to macroeconomic events from time to time, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Our cost of funding is interest rate sensitive and our ability to pass along any increase in interest rates depends on our borrowers' willingness to pay higher rates and the competitive landscape in which we operate. Volatility and changes in interest rates could affect the interest rates we charge on our interest-earning assets in a manner different from the interest rates we pay on our interest-bearing liabilities because of the different maturity periods applying to our assets and liabilities. An increase in interest rates applicable to our liabilities, decrease in low cost deposits without a corresponding increase in interest rates applicable to our assets, will result in a decline in net interest income.

Furthermore, in the event of rising interest rates, our borrowers may not be willing to pay correspondingly higher interest rates on their borrowings and may choose to repay their advances with us if they are able to switch to more competitively priced advances offered by other banks. In the event of falling interest rates, we may face more challenges in retaining our customers if we are unable to switch to more competitive rates as compared to other banks in the market. Decreasing customer retention as a result of changing interest rates may adversely impact our earnings in future periods and as a consequence materially and adversely affect our liquidity mismatch, business, financial condition, cash flows and results of operations resulting in declining Net interest income and Net interest Margin.

2. BASEL III: Capital adequacy norms, maintenance of minimum CRAR required by the RBI for domestic banks.

The Basel III Norms require, among other things, higher levels of Tier 1 capital and common equity, capital conservation buffers, maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier 1 capital for investments in subsidiaries, changes in the structure of non-equity instruments eligible for inclusion in Tier 1 capital, and loss absorbency features for non-equity Tier 1 and Tier 2 capital. The Basel III capital regulation framework has been fully implemented in India effective October 1, 2021. RBI has also notified revised guidelines for Capital Charge for Credit Risk – Standardised Approach which are effective April 1, 2027.

As of March 31, 2026, banks in India are required to maintain a common equity Tier 1 adequacy ratio of 5.50%, minimum Tier 1 capital ratio of 7.00%, minimum total capital ratio of 9.00%, and a capital conservation buffer of 2.50%, i.e. total capital adequacy ratio of 11.5%. As against this regulatory minimum, the Bank maintained a capital adequacy ratio of 20.66% as on 31st March 2026.

Along with increase of size of assets and accordingly the risk weighted assets, there is an impact on the CRAR under the Basel III Norms. Further, any adverse developments could affect our ability to continue to satisfy the capital adequacy requirements, including deterioration in our asset quality, or applicable risk weight for different asset classes. In case the CRAR falls below the minimum prescribed regulatory requirements in future, we may be constrained in further expanding our business.

3. Any increase in our portfolio of NPAs, RBI-mandated provisioning requirements or restructured advances could materially and adversely affect our business.

Asset Quality Performance

As on March 31, 2026, the Bank's Gross NPA and Net NPA ratios stood at 1.66% and 0.40%, respectively, compared to 1.57% and 0.52% as on March 31, 2025. The reduction in Net NPA to 0.40% was on account of good recoveries made from previously slipped accounts.

While Gross Non-Performing Assets (GNPAs) increased by ₹171.32 crore to ₹669.78 crore as on March 31, 2026, from ₹498.46 crore as on March 31, 2025, the increase was largely attributable to stress in specific unsecured retail segments, particularly Credit Cards, Microfinance and Personal Loans and limited number of SME accounts. The Bank was able to contain the impact on overall asset quality through accelerated provisioning, focused recovery efforts and strong collection performance across secured portfolios. As a prudent measure, the Bank maintained an upfront provisioning of 50% against these unsecured accounts, compared to the regulatory requirement of 25%. Additionally, higher provisions were created in select accounts to address deterioration in the value of underlying securities, reflecting the Bank's conservative provisioning approach. The Net Non-Performing Assets (Net NPAs) declined by ₹5.30 crore to ₹158.23 crore from ₹163.53 crore during the same period. Despite the increase in Gross NPAs during the year, the Bank successfully reduced its Net NPA ratio by 0.12 percentage points, demonstrating the effectiveness of its recovery efforts and prudent risk management practices. The Bank's asset quality remained well within its controlled risk parameters. Further, the Provision Coverage Ratio (PCR), inclusive of write offs, improved significantly to 86.33% as on March 31, 2026, from 83.71% in the previous year.

In the corporate & SME portfolio, there remains potential for certain non-performing accounts to be upgraded to performing status through resolution and recovery initiatives, although such upgrades are generally more challenging in the retail segment. The secured retail portfolio, particularly Gold Loans and other collateral-backed lending segments, continued to demonstrate strong asset quality performance with low delinquency and credit cost levels, thereby providing stability to the overall loan portfolio..

Strong Asset Quality

The Bank has consistently maintained asset quality at healthy levels through a disciplined credit underwriting framework, robust credit monitoring mechanisms, and comprehensive risk management and audit practices. Stringent credit appraisal standards, coupled with effective credit control processes, have enabled the Bank to maintain strong oversight over its loan portfolio.

The Bank continues to strengthen its Early Warning Signal (EWS) framework through data-driven monitoring mechanisms, portfolio analytics and account-level supervision which enables proactive identification and resolution of emerging stress.

The Bank continues to closely monitor Special Mention Accounts (SMA) and maintain targeted collection and engagement strategies to prevent slippages into the NPA category. Further, through close monitoring of stressed accounts, timely intervention strategies, and effective recovery and follow-up mechanisms, the Bank has been successful in containing fresh slippages and preventing delinquency migration to the maximum extent possible. These efforts have contributed significantly to sustaining strong asset quality and reinforcing the Bank's risk management capabilities.

Going forward, the Bank expects asset quality trends to remain stable, supported by selective underwriting in higher-risk unsecured segments, strengthening collection infrastructure and continued focus on recoveries and resolutions.

Managing NPAs

The Bank follows a proactive stress management framework involving early identification of potential stressed borrowers through periodic portfolio reviews, early warning signals (EWS) and continuous monitoring of delinquent accounts. Targeted collection and engagement initiatives are undertaken at pre-NPA stages to maximize recoveries and minimize fresh slippages.

The Bank has adopted a focused and proactive approach towards the management and recovery of Non-Performing Assets (NPAs), resulting in sustaining / improving asset quality and optimization of credit costs. Enhanced recovery efforts have facilitated the reversal of provisions and help partially offset the impact of fresh slippages on credit costs.

The Bank's recovery strategy encompasses continuous engagement with borrowers and guarantors, timely follow-up actions, and the initiation of appropriate legal proceedings to maximize recoveries. Leveraging statutory recovery mechanisms such as the SARFAESI Act, the Recovery of Debts and Bankruptcy Act (RDB Act), and other legal remedies, the Bank initiates prompt recovery measures immediately upon accounts being classified as NPAs, thereby accelerating the recovery process and preserving asset value.

In addition, the Bank has effectively utilized government-supported recovery mechanisms, particularly the Revenue Recovery framework in the State of Kerala, which has proven beneficial in recovering dues from small-ticket and unsecured retail loan accounts. The Bank also actively explores opportunities for resolving stressed assets through One-Time Settlement (OTS) schemes, enabling faster resolution of non-performing accounts and expediting cash recoveries.

The Bank also pursues recovery efforts in written-off accounts which contributes to cash recoveries and strengthens overall recovery performance.

Through a combination of robust recovery processes, legal enforcement measures, borrower engagement initiatives, and resolution mechanisms, the Bank continues to strengthen its asset quality, minimize losses, and improve recovery outcomes across its portfolio.

An Overview of Asset Quality

The Bank's asset quality remained resilient during FY 2025-26, supported by strong risk management practices, prudent provisioning policies, and focused recovery efforts. Key asset quality indicators remained healthy, with the Gross NPA (GNPA) ratio at 1.66%, Net NPA (NNPA) ratio at 0.40%, and a Provision Coverage Ratio (PCR) of 86.33% including technical write-offs and 76.38% excluding technical write-offs. While the Gross NPA ratio witnessed a modest increase during the year, the Bank was able to improve its Net NPA ratio and strengthen its Provision Coverage Ratio through accelerated provisioning and effective management of stressed assets.

The Bank continued its practice of maintaining an accelerated provisioning policy by creating provisions above the minimum regulatory requirements prescribed by the Reserve Bank of India (RBI). In addition, the Bank maintained adequate contingent provisions intact created during peak covid period to strengthen its balance sheet and enhance its ability to absorb potential credit losses arising from unforeseen stress scenarios.

For several years, the Bank has consistently adopted a conservative provisioning approach, building provisions beyond the mandated regulatory norms to ensure greater resilience against credit risks. This prudent strategy reflects the Bank's strong commitment to financial discipline, robust risk management, and long-term balance sheet stability.

Looking ahead, the Bank remains focused on preserving asset quality through rigorous credit monitoring, early identification of stress signals, and timely recovery and resolution initiatives. Continuous efforts to contain fresh slippages, strengthen collection mechanisms, and proactively manage stressed assets will remain central to the Bank's strategy for sustaining a healthy and resilient loan portfolio.

Risk Factors

The Bank's business and financial performance are influenced by the quality of its loan portfolio and the evolving economic and regulatory environment. Any significant increase in Non-Performing Assets (NPAs), changes in income recognition and asset classification norms, or enhancements in provisioning requirements prescribed by the Reserve Bank of India (RBI) may adversely impact the Bank's profitability, financial condition, and capital adequacy.

Asset quality may be affected by a range of factors, including adverse macroeconomic conditions, economic slowdowns, inflationary pressures, sector-specific stress, geographic concentration risks, regulatory or policy changes, and unforeseen external events such as natural disasters, pandemics, or geopolitical developments. These factors could impair the repayment capacity of borrowers and potentially lead to higher delinquencies and NPA levels across the Bank's portfolio.

A significant increase in NPAs may necessitate higher provisioning requirements, which could adversely affect the Bank's earnings and financial performance. Additionally, prolonged stress in specific industries or borrower segments could impact recovery prospects and increase credit costs.

To mitigate these risks, the Bank has established a comprehensive credit risk management framework comprising robust underwriting standards, portfolio monitoring mechanisms, early warning signal systems, stress account management processes, and dedicated recovery initiatives. The Bank also conducts periodic portfolio reviews and closely monitors vulnerable sectors and borrower accounts to identify emerging risks at an early stage.

While these measures are designed to strengthen asset quality and minimize credit losses, there can be no guarantee that they will fully prevent future asset quality deterioration arising from adverse economic, regulatory, or external developments. Accordingly, continuous monitoring of the credit portfolio, prudent risk management practices, and timely corrective actions remain critical to maintaining the Bank's asset quality and financial resilience.

4. We could be subject to volatility in income from our investment portfolio.

Income from our investment portfolio is subject to volatility due to, among other things, changes in interest rates and foreign currency exchange rates, equity prices, net asset values (NAV) as well as other market fluctuations. For example, an increase in interest rates may have a negative impact on the value of certain investments such as Government securities and corporate bonds. Although we have operational controls and procedures in place that are designed to mitigate the extent of such losses, there can be no assurance that we will not lose income from investment due to any of the aforementioned factors. Any such losses could adversely affect our business, financial condition and results of operations.

5. Our business and financial performance are dependent on maintaining and building a successful branch network.

We have 862 branches across India as on March 31, 2026. The expansion and effectiveness of our retail banking business is dependent on building our branch network. Pursuant to changes in the RBI’s licensing requirements, banks are now able to open branches under general permission in Tier 1 to Tier 6 cities without obtaining prior licensing approval from the RBI, subject to reporting requirements.

6. We have a regional concentration in southern India, particularly Kerala. A sustained downturn in these economies may adversely affect our business, results of operations and financial performance.

We have a regional concentration in southern India, particularly in Kerala. As on March 31, 2025, out of our total deposits of ₹ 36,861 Crore, Kerala and Tamil Nadu, constitutes 42% and 15% of our total deposits, respectively. Further as on March 31, 2026, out of our total deposits of ₹ 44,246

Crore, Kerala and Tamil Nadu, constitutes 37% and 15% of our total deposits, respectively. As on March 31, 2025, out of total gross advances of ₹ 31,842 Crore, Kerala and Tamil Nadu, respectively, constitutes 20% and 27% of our total gross advances. Further, as on March 31, 2026, out of total gross advances of ₹ 40,359 Crore, Kerala and Tamil Nadu, respectively, constitutes 18% and 25% of our total gross advances.

Our business concentration in South India exposes us more acutely to any adverse economic and/or political circumstances in the southern region of India as compared to other public and private sector banks that have a more diversified national presence. If there is a sustained downturn in the economies of South India, particularly in Kerala, our business, results of operations and financial performance may be adversely affected.

7. Any non-compliance with mandatory AML and KYC policies could expose us to additional liability with and harm our business and reputation risk.

In accordance with the requirements applicable to banks, we are mandated to comply with applicable AML and KYC regulations in India. These laws and regulations require us, among other things, to adopt and enforce AML and KYC policies and procedures. The bank has adopted policies and procedures aimed at collecting and maintaining all AML and KYC related information from our customers as per extant regulations. Further, the bank has put in place appropriate measures to continuously monitor the customer accounts in order to detect and prevent the use of our banking networks for illegal money-laundering activities.

Although we believe that we have adequate internal policies, processes and controls in place to prevent and detect any AML activity and ensure KYC compliance there may instances of potential or attempted violation by other parties and may accordingly be subject to regulatory actions including imposition of fines and other penalties by the relevant government agencies to whom we report. Our business and reputation could suffer if any such parties use or attempt to use the Bank for money-laundering or illegal or improper purposes and such attempts are not detected in time or reported to the appropriate authorities in compliance with applicable legal requirements

8. Indian banking regulations are extensive, and any change in regulations could materially affect our business.

The banking and financial sector in India is highly regulated and extensively supervised by authorities such as the RBI. Our business could be directly affected by any changes in laws, regulations and policies for banks. The Bank is also subject to regular financial inspection by the RBI. In the event that the Bank is unable to meet or adhere to the guidance or requirements of the RBI, the RBI may impose strict enforcement of its observations on the Bank, and the Bank may be subject to monetary fines and other penalties which may have an adverse effect on our business, financial condition and results of operations. The laws and regulations governing the banking sector in India, including those governing the products and services that the Bank provides, could change in future. Such changes may also affect foreign investment limits in the banking industry or our ability to invest in certain businesses. Any such changes may require us to modify our business, which may adversely affect our financial performance. The provisions of the Banking

Regulation Act, 1949 and guidelines issued by the RBI, from time to time, impose/ fullfill certain conditions on/by the Bank's to declare and pay dividends. The RBI also requires banks to maintain certain CRR and SLR, and increases in such requirements could affect our ability to expand credit. Any requirements by the RBI that specify changes in risk weighting and capital adequacy may adversely affect our business, financial condition and results of operations. Further, any action by any regulator to curb fund inflows into India could negatively affect our business.

In addition, the Banking Regulation Act confer powers on the RBI to supersede any decision of the board of directors of a bank and appoint an administrator to manage the bank for a period of up to 12 months. The RBI may exercise such power where it is satisfied, in consultation with the Central Government, that it is in the public interest to do so, to prevent the affairs of any bank from being conducted in a manner that is detrimental to the interest of the depositors, or for securing the proper management of any bank.

9. There are operational risks associated with the banking industry which may have an adverse impact on our results.

We are exposed to various types of operational risks associated with the banking industry, including the risk of fraud or other misconduct by employees, unauthorised transactions by employees or operational errors, such as clerical or record keeping errors. Fraud and other misconduct can be difficult to fully detect and deter. Given our high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk of technical system flaws or tampering or manipulation of these systems by employees resulting in losses. The Bank has implemented a robust system for onboarding outsourced vendors after analysing various risk factors and proper due diligence. The vendor engagement is also being reviewed on a periodic basis. However, there could still be factors some risk that such agencies might not be able to fulfil their contractual obligations to us in a proper manners.
We are also subject to the risk that the design of our controls and procedures may prove to be inadequate or may be circumvented thereby causing delays in detection of errors in information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, we have, in the past, suffered some losses from operational risk and there can be no assurance that we will not suffer losses from operational risks in the future.

10. Deterioration in the performance of any industry sector in which we have significant exposure may materially and adversely affect our business, financial condition and results of operations.

Our exposure to corporate borrowers is dispersed throughout various industry sectors. Despite monitoring our level of exposure to sectors and borrowers, any significant deterioration in the performance of a particular sector driven by events not within our control, such as natural calamities, regulatory action or policy announcements by central or state government authorities, would adversely impact the ability of borrowers within that industry to service their debt obligations to us. As a result, we would experience increased delinquency risk which may materially and adversely affect our business, financial condition and results of operations. The Bank has in place internal sectoral thresholds in order to mitigate risks arising out of concentration in sectoral exposures.

11. We may be unable to foreclose on, or experience delays in enforcing, collateral when borrowers default on their obligations, which could adversely affect our business, result of operations and financial condition.

We may be unable to foreclose on collateral when borrowers default on their obligations to us, which may result in failure to recover the expected value of such collateral security. A substantial portion of our loans to retail and corporate customers is secured by tangible collateral, predominantly property and equipment financed by us. A portion of our loans to corporate customers is secured by assets, including property, plant and equipment. Our loans to corporate customers also include working capital credit facilities that are typically secured by a first lien or charge on inventory, receivables and other current assets. In some cases, we may have taken further security of a first or second lien or charge on fixed assets, a pledge of financial assets (such as marketable securities), corporate guarantees and personal guarantees. While the Bank has in place a robust system for tracking pending perfections of security required as per sanction terms, legal delay in realization of debts and deterioration of collateral securities value are the major impediments in realization of our legitimate dues.

12. If customers or counter parties fail to meet their contracted obligations to us, it could adversely affect our results of operations and financial condition.

While the Bank has a robust credit appraisal process as well as policy safeguards at the time of onboarding of borrowers, some or all of our customers or counterparts may be unable or unwilling to meet their respective contractual commitments in relation to lending, trading, hedging, settlement and other financial transactions. This may materially and adversely affect our operations and may require us to engage in protracted litigation and recovery proceedings, which may not adequately compensate us for losses suffered by us. Such occurrences could adversely affect our results of operations and financial performance.

13. Our contingent liabilities could materially and adversely affect our financial performance and results of operations.

As at March 31, 2026, Contingent liabilities arising out of the ordinary course of business include liability on account of outstanding forward exchange contracts of ₹ 5,680.90 crore, guarantees given on behalf of constituents aggregating to ₹ 2,162.98 crore, and acceptances, endorsements and other obligations aggregating to ₹ 1,796.43 crore. In addition, we have contingent liabilities on account of claims against us that are not acknowledged as debts aggregating to ₹ 54.81 crore and other contingent liabilities aggregating to ₹ 128.18 crore. If these contingent liabilities materialise, fully or partly, our financial condition and results of operations may be materially and adversely affected.

14. Impact on income tax cases, if determined against us could have a material adverse impact on us.

We are involved in certain tax related legal proceedings that are incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various tribunals and appellate authorities. The Bank has filed appeals before various appellate authorities against the disallowances made by the Income Tax Department and Service Tax / GST Authority involving a disputed tax of ₹ 32.72 March 31, 2026. Any adverse outcome in any of these tax proceedings could have a material adverse impact on our financial condition and results of operations.

For CSB Bank Limited

Sijo Varghese
Company Secretary

CSB Bank Limited
CIN: L65191KL1920PLC000175
Regd. Office: CSB Bhavan, Post Box No. 502, St. Mary's College Road
Thrissur, Kerala, Pin- 680020, INDIA

CSB Bank Employee Stock Option Scheme 2026

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CSB Bank Limited

CSB Bank Employee Stock Option Scheme 2026

1. Name, Objectives and Term of the Scheme

1.1 This employee stock option scheme shall be called the 'CSB Bank Employee Stock Option Scheme 2026' ("**ESOS 2026**" / "**Scheme**").

1.2 The underlying objective of ESOS 2026 is to enable the Employees, present and future, to get a share in the value they help create for the organization over a period of time. The Bank strongly believes that an equity component in the compensation goes a long way in aligning the objectives of an individual with those of the Bank. Other key objectives of ESOS 2026 are, among others, to attract, retain and motivate critical senior talents with the Employee Stock Options as compensation tool.

1.3 The ESOS 2026 is established with effect from August 21, 2026 being the date of its approval by the shareholders of the Bank by way of a special resolution and shall continue to be in force until (i) its termination by the Bank as per provisions of the Applicable Laws, or (ii) the date on which all of the Employee Stock Options available for issuance under the ESOS 2026 have been issued and exercised, whichever is earlier.

2. Definitions and Interpretations

In this Scheme, unless the context clearly indicates a contrary intention, the following words or expressions shall have the meaning assigned herein:

2.1 **Definitions**

i. "**Accounting Guidelines**" means Guidance Note on Accounting for Employee Share-based Payments and/ or any relevant Accounting Standard(s) as prescribed by the Institute of Chartered Accountants of India or any other authority from time to time, as applicable to the Bank for financial reporting in connection with transactions in the Employee Stock Options undertaken under the Scheme as required under the SEBI SBEB Regulation and other Applicable Laws from time to time.

ii. "**Applicable Laws**" means every law relating to the Employee Stock Options, including and without limitation the Companies Act, the Banking Regulations Act, 1949, the Securities and Exchange Board of India Act, 1992, the SEBI SBEB Regulations read with the rules or requirements of the recognized Stock Exchanges on which the Shares are listed and all relevant tax, securities, exchange control or corporate laws or amendments thereof including any circular, notification issued thereunder, of India or of any relevant jurisdiction.

iii. "**Bank**" means CSB Bank Limited, a banking company limited by shares, incorporated under the Indian Companies Act, 1913 having Corporate Identification Number U65191KL1920PLC000175 and its registered office at P.B. No. 502, CSB Bhavan, St.

Mary's College Road, Thrissur - 680 020, India.

iv. **"Bank Policies/Terms of Employment"** mean the Bank's policies for employees and the terms of employment as contained in the Employment Letter and any other rules / bye-laws issued from time to time including that issued under the Applicable Laws.

v. **"Beneficiary(ies)"** means the eligible Employee who holds the Options granted under the Scheme and includes the person(s) who is/ are legal heirs or nominees of such eligible Employee on his/her eventual death during the continuance of employment or service.

vi. "**Board**" means the Board of Directors of the Bank.

vii. **"Cause"** shall include negligence, fraud, professional misconduct, breach of trust, moral turpitude, committing or abetting any illegal activity, violating any Bank Policies/Terms of Employment or any other applicable code of conduct, absence from office for a substantial period of time without any valid reason or authority, or any other actions or circumstances of similar nature as may be decided by the Committee in its absolute discretion.

vii. "**Committee**" means the Nomination & Remuneration Committee of the Board, as constituted or reconstituted from time to time to administer and supervise the employee stock option schemes of the Bank including this Scheme, comprising of such members of the Board as provided under Section 178 of the Companies Act, 2013 and Regulation 19 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, to act as the compensation committee under Regulation 5 of the SEBI SBEB Regulations.

viii. "**Companies Act**" means the Companies Act, 2013 and rules made thereunder and includes any statutory modifications or re-enactments thereof.

ix. "**Compensation Policy**" means such policy of the Bank being formulated and implemented under the relevant guidelines or master directions issued by the Reserve Bank of India from time to time for governing the compensation of the Directors and other Employees of the Bank.

x. "**Director**" means a member of the Board of the Bank.

xi. "**Eligibility Criteria**" means the criteria as may be determined from time to time by the Committee for granting the Employee Stock Options to the Employees.

xii. "**Employee**" means, (a) an employee as designated by the Bank, who is exclusively working in India or outside India; or (b) a whole-time or executive Director of the Bank, but excluding:

(i) an Employee or Director who is a Promoter or belongs to the Promoter Group;

(ii) any such Director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Bank; and

(iii) an Independent Director.

xiii. “**Employee Stock Option”** means an option granted to an eligible Employee, which gives such Employee the right, but not an obligation, to subscribe at a future date Shares underlying such option at a pre-determined price.

xiv. "**Employment Letter**" means a letter appointing a person as an Employee of the Bank and giving out the terms and conditions of such employment.

xv. “**ESOS 2026**” means the ‘CSB Bank Employee Stock Option Scheme 2026’ under which the Bank is authorized to grant Employee Stock Options to the Employees.

xvi. “**Exercise**” of an Option means expression of an intention by an Option Grantee to the Bank to subscribe the Shares underlying the Options vested in him, in pursuance of the ESOS 2026, in accordance with the procedure laid down by the Bank for Exercise of such Options.

xvii. “**Exercise Period**” means such time period after Vesting within which the Option Grantee should exercise the Options vested in him in pursuance of the ESOS 2026.

xviii. “**Exercise Price**” means the price approved by Committee being payable by an Option Grantee in order to exercise the Options granted to him in pursuance of the ESOS 2026.

xix. “**Grant**” means issue of Options to the eligible Employees under the ESOS 2026.

xx. “**Grant Date**” means the date on which the Committee approves the Grant.

Explanation: For accounting purposes, the Grant Date will be determined in accordance with applicable Accounting Guidelines.

xxi. “**Grant Letter**” means the written communication issued by the Bank intimating the Grant under ESOS 2026 and relevant terms and conditions, in the form of a letter or through any electronic communication.

xxii. **“Independent Director”** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

xxiii. “**Market Price**” means the latest available closing price on a recognised Stock Exchange on which the Shares of the Bank are listed on the date immediately prior to the date of the meeting of the Committee on which the Grant is made.

Explanation: If such Shares are listed on more than one recognised Stock Exchange, then the closing price on the recognised Stock Exchange having higher trading volume shall be considered as the market price.

xxiv. **“Option”** means an Employee Stock Option within the meaning of this Scheme.

xxv. **“Option Grantee**” means an eligible Employee who has been granted an Employee Stock Option in pursuance of the ESOS 2026 and for the limited purposes of this Scheme deems to include a Beneficiary being the legal heir or nominee of such Option Grantee upon his eventual death while in employment or service.

xxvi. “**Permanent Incapacity**” means any disability or incapacitation of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps an Option Grantee from performing any specific job, work or task which the said Option Grantee was capable of performing immediately before such disablement, as determined by the Committee based on a certificate of a medical expert identified by the Committee.

xxvii. “**Promoter”** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

xxviii. **“Promoter Group”** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

xxix. “**Retirement**” means retirement or superannuation as per the rules of the Bank.

xxx. “**Secretarial Auditor**” means a company secretary in practice appointed by the Bank under rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014 to conduct secretarial audit pursuant to regulation 24A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

xxxi. **“Scheme”** means ESOS 2026 as herein defined.

xxxii. **“SEBI SBEB Regulations”** means the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as amended and reenacted from time to time and includes any clarifications, circulars, notifications, or frequently asked questions issued thereunder.

xxxiii. “**Shares**” means equity shares of the Bank having face value of Rs. 10/- (Rupees Ten) each fully paid-up.

xxxiv. **“Stock Exchange”** means the National Stock Exchange of India Ltd., BSE Ltd., or any other recognized Stock Exchange in India on which the Bank’s Shares are listed during continuance of this Scheme.

xxxv. “**Unvested Option**” means an Option in respect of which the relevant Vesting Conditions have not been satisfied and as such, the Option Grantee has not become eligible to exercise the Option.

xxxvi. "**Vested Option**" means an Option in respect of which the relevant Vesting Conditions have been satisfied and the Option Grantee has become eligible to exercise the Option subject to fulfillment of Exercise conditions.

xxxvii. "**Vesting**" means earning by the Option Grantee, of the right to Exercise the Options granted to him in pursuance of the ESOS 2026.

xxxviii. "**Vesting Condition**" means the condition prescribed if any subject to satisfaction of which the Options granted would vest in an Option Grantee.

xxxix. "**Vesting Period**" means the period during which the Vesting of the Option granted to the eligible Employee, in pursuance of the ESOS 2026 takes place.

2.2 Interpretation

In this Scheme, unless the contrary intention appears:

a) the clause headings are for ease of reference only and shall not be relevant to interpretation;
b) a reference to a clause number is a reference to its sub-clauses;
c) words in singular number include the plural and vice versa;
d) words importing a gender include any other gender;
e) a reference to a Schedule includes a reference to any part of that Schedule which is incorporated by reference; and
f) the terms defined above shall for the purposes of this Scheme have the meanings herein specified and terms not defined above shall have the meanings as defined in the Companies Act or Applicable Laws, as the context requires. Reference to any Act, Rules, Statute or Notification shall include any statutory modifications, substitution or re-enactment thereof.

3. Authority and Ceiling

3.1 The shareholders of the Bank have approved the ESOS 2026 vide special resolution dated August 21, 2026 authorizing the Committee to grant not exceeding **20,00,000 (Twenty Lakh)** Employee Stock Options under the ESOS 2026 to the eligible Employees, in one or more tranches, from time to time, exercisable into not more than equal number of Shares of face value of Rs.10/- (Rupees Ten) each fully paid up, with each Option conferring a right upon the Option Grantees to apply for one Share to be issued by the Bank upon Exercise thereof, subject to the terms and conditions as may be determined by the Committee in accordance with the provisions of ESOS 2026 and the Applicable Laws.

3.2 The maximum number of Options that may be granted per Employee per Grant and in aggregate of all Grants taken together for such Employee under ESOS 2026 shall be less than **1% (One**

Percent) of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of Grant of Options.

3.3 If an Employee Stock Option expires or becomes un-exercisable due to any other reason, it shall become available for future Grants, subject to compliance with all Applicable Laws.

3.4 Where a Share is issued by the Bank consequent upon Exercise of an Option under the ESOS 2026, the maximum number of Shares that can be further issued under ESOS 2026 as referred to in Sub-clause 3.1 above shall stand reduced to the extent of Shares issued.

3.5 In case of a Share split where the face value of the Shares is reduced below Rs. 10/-, the maximum number of Options available for being granted under ESOS 2026 specified at Sub-clause 3.1 shall stand increased accordingly, so as to ensure that the cumulative face value (number of Shares x Face value per Share) of the total Shares after such Share split remains unchanged. Similarly, the Options reserved at Sub-clause 3.1 shall undergo an adjustment in case of corporate actions as specified at Sub-clause 4.4(f) of this Scheme.

3.6 Prior approval of the shareholders of the Bank shall be obtained by way of special resolution in case the Grant of Options to any identified Employee during any one year shall be equal to or exceeding 1% (One Percent) of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of Grant of Options.

4. Supervision and Administration

4.1 This ESOS 2026 shall be supervised and administered by the Committee. All the functions relating to superintendence of this ESOS 2026 shall stand possessed with the Committee in which case the rights, powers, duties or liabilities of the Board to the extent delegated along with that contemplated under the SEBI SBEB Regulations and the Bank's Compensation Policy shall be discharged by the Committee. All the questions of interpretation of this ESOS 2026 shall be determined by the Committee and such determination shall be final and binding upon all persons having an interest in this ESOS 2026.

4.2 Neither the Committee nor any of its members shall be liable for any actions taken in good faith for the implementation of the Scheme.

4.3 The Committee may rely upon the advice and assistance of any professional it deems appropriate in implementation of the Scheme.

4.4 The Committee shall in accordance with this ESOS 2026 and Applicable Laws, determine the following:

(a) The Eligibility Criteria of the Employees for Grant of Options under this ESOS 2026;

(b) The quantum of Employee Stock Options to be granted under this ESOS 2026 per Employee, subject to the ceilings as specified in Sub-clauses 3.1 and 3.2;

(c) The time and frequency of the Options to be granted and vested;

(d) Prescribe performance measures (in consultation with the Bank's Human Resources Department, if required) for the purpose of identifying the eligible Employees and determining the Grant(s) / Vesting Condition(s)/Vesting Period/Vesting Schedule, as may be required;

(e) Obtaining permissions from, making periodic reports to regulatory authorities, as may be required and ensuring compliance with all guidelines applicable in this regard;

(f) The procedure for making a fair and reasonable adjustment to the entitlement including adjustment to the number of Options and to the Exercise Price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard, the following shall, inter alia, be taken into consideration:

   (i) the number and Exercise Price of Options shall be adjusted in a manner such that total value of the Options in the hands of the Option Grantee remains the same after such corporate action; and

   (ii) the Vesting Period and the life of the Options shall be left unaltered as far as possible to protect the rights of the Option Grantees.

(g) Determine the procedure for funding of Exercise, if required;

(h) Prescribe the conditions under which Vested Options or Unvested Options may be withdrawn or reduced or may lapse;

(i) Determine the treatment of the Options held by an Eligible Employee in case of suspension/termination of services or in case of any pending inquiries;

(j) The procedure and terms for the Grant, Vesting and Exercise of Options in case of Option Grantees who are on a long leave;

(k) The procedure for buy-back of specified securities issued under the SEBI SBEB Regulations if to be undertaken at any time by the Bank, and the applicable terms and conditions, including:

   (i) permissible sources of financing for buy-back;

   (ii) any minimum financial thresholds to be maintained by the Bank as per its last financial statements; and

(iii) limits upon quantum of specified securities that the Bank may buy-back in a financial year.

(l) Decide all other matters that must be determined in connection with an Option under the Scheme;

(m) Such other acts as permitted under the Companies Act, 2013 and the SEBI SBEB Regulations; and

(n) Frame any byelaws, rules or procedures as it may deem fit including approval of the forms, writings and/or agreements for the effective administration of ESOS 2026.

4.5 The Committee shall frame suitable policies and procedures to ensure that there is no violation of the securities laws including the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003, as amended from time to time, the Bank and the Employees.

5. Eligibility and Applicability

5.1 Only Employees are eligible for being granted Employee Stock Options under ESOS 2026. The specific Employees to whom the Options may be granted and their Eligibility Criteria would be determined by the Committee. Appraisal process for determining the eligibility of the Employees will be based on designation, period of service, loyalty, work ethics, moral, performance linked parameters such as work performance and such other criteria as may be determined by the Committee at its sole discretion, from time to time.

5.2 Every aspect of the Grant to be made to the Directors shall be determined by the Committee alone and, where appropriate, would be sent to the Reserve Bank of India for its approval.

5.3 Eligibility for Grant of an Option under this Scheme shall not entitle an eligible Employee for any options or benefits under any other plan/scheme of the Bank.

5.4 The Grant of Option(s) to the eligible Employee(s) may not be uniform and may be different on account of the role and performance appraisal of the eligible Employee or any other factors, as may be determined by the Committee from time to time.

5.5 Each Option, upon Exercise, will entitle the Option Grantee to 1 (one) Share. Such Shares issued and allotted by the Bank under the Scheme shall rank *pari passu* in all respects with the existing fully paid equity shares of the Bank of same class.

5.6 The Scheme shall be applicable to the Bank, and any successor company thereof. The Employee

Stock Options granted to an Employee shall be subject to the terms and conditions set forth in this Scheme and in the Grant Letter.

6. Grant and Acceptance of Grant

6.1 Grant of Options

Each Grant of Option under the ESOS 2026 shall be made in writing by the Bank to the eligible Employees in such form as may be approved under ESOS 2026 from time to time. Unless otherwise decided by the Committee, the form of the Grant Letter shall be similar to the draft as provided in **Annexure A** hereof.

6.2 Acceptance of the Grant

(a) Any eligible Employee who intends to accept the Grant made under this Scheme must deliver to the Bank a duly signed acceptance of the Grant by way of a letter ("Acceptance Letter") on or before the specified cut-off date ("Closing Date") from the date of the Grant as specified in the Grant Letter. Unless otherwise decided by the Committee, the form of the Acceptance Letter shall be similar to the draft as provided in **Annexure B** hereof.

(b) On duly receipt by the Bank of the signed Acceptance Letter, the eligible Employee will become an Option Grantee. On failure to deliver such acceptance before the specified date, shall result in rejection of the Grant and lapse of Options unless the Committee determines otherwise.

(c) Upon acceptance of the Grant, it shall be deemed as if the provisions of the Scheme read with the terms and conditions specified in the Grant Letter are the entire understandings and an agreement between the Bank and the Option Grantee.

7. Vesting Period and Vesting Conditions

7.1 Vesting Period for any Options granted under this Scheme shall be subject to **statutory minimum of 1 (One) year** from the Grant Date during which no Vesting shall be allowed. Subject to this statutory minimum period, any Vesting prescribed for any Grant shall be over a staggered Vesting schedule of 3 (Three) years and **maximum of 10 (Ten) years** from the Grant Date.

Provided that in case where Options are granted by the Bank under the Scheme in lieu of options held by a person under a similar scheme in another company ("Transferor Company") which has merged or amalgamated with the Bank, the period during which the options granted by the Transferor Company were held by him may be adjusted against the minimum Vesting Period required under this Sub-clause, at the discretion of the Committee.

Provided further that in the event of death or Permanent Incapacity of an Option Grantee, the minimum Vesting Period of 1 (One) year shall not be applicable and in such instances, the Options shall vest on the date of death or date of incurring the Permanent Incapacity.

7.2 The Committee may, at its sole decision, decide the proportion of Options which shall vest each year during the Vesting schedule which may be different for different Employees or any class thereof. However, the specified Vesting Period and Vesting schedule are liable to be modified with a view to comply with any legal or disciplinary actions particularly with reference to malus and clawback requirements of this Scheme read with relevant guidelines of the Reserve Bank of India.

7.3 Except in case of death, Permanent Incapacity and Retirement of the Option Grantee, the Vesting of Options would be subject to continued employment with the Bank subject to the condition that the Option Grantee has not served any notice of resignation or not being served any notice of termination. The Committee in addition to this pre-requisite, may prescribe certain performance criteria subject to achievement of which Vesting may be allowed. In case, any performance criteria are prescribed as Vesting Condition, Vesting shall be allowed only on achievement of such conditions.

7.4 Subject to exceptions specified in Sub-clause 7.3, the Options shall vest subject to performance-based Vesting, the criteria being a mix of annual corporate and individual performance, as applicable, with a predefined threshold, achievement below which will result in no Vesting for that year. These criteria will include achievement in terms of operational and/ or financial performance parameters of the Bank as specified by the Committee. Vesting in case of personnel whose remuneration and Options entitlement are regulated under the relevant RBI guidelines, shall be subject to additional conditions as to reduction/ clawback of Vesting which may be even reduced to zero in line with deterioration in the financial performance of the Bank.

7.5 In the event of suspension (not termination/ dismissal) or commencement of any disciplinary proceedings/ enquiry against any Option Grantee, the Vesting of Options shall cease immediately from the date of suspension or date of commencement of such disciplinary proceeding/ enquiry and continue to remain ceased up to the disposal of such proceeding/ enquiry. In case of reinstatement, Vesting shall be allowed as per original Vesting schedule ignoring any cessation thereof. In case of termination from employment/ service, the provisions of serial number 2 in the table given in Sub-clause 8.2(b) of the Scheme shall apply.

7.6 The specific Vesting schedule and Vesting Condition shall be intimated to the eligible Employees in the Grant Letter.

7.7 **Vesting of Options in case of Option Grantees on long leave**

The period of leave shall not be considered in determining the Vesting Period in the event the

Option Grantee is on a sabbatical. In all other events including approved earned leave and sick leave, the period of leave shall be included to calculate the Vesting Period unless otherwise determined by the Committee as per Sub-clause 4.4 (j) of the Scheme.

8. Exercise

8.1 Exercise Price

(a) The Exercise price per Option shall be equal to the market price as on date of grant.

(b) Payment of the Exercise Price or any amount under ESOS 2026, if any, shall be made by a demand draft, online payment / wire transfer of funds, drawn in favour of the Bank, or in such other manner as the Committee may approve from time to time.

8.2 Exercise Period

(a) **While in employment/ service**
The Exercise Period in respect of a Vested Option shall be a period commencing from the relevant Vesting date of such Option and shall end with the expiry of **10 (Ten) years** or such other shorter period as approved by the Committee from the Grant Date of such Option.

(b) **Exercise Period in case of separation from employment/ service**
The Vested Options and Unvested Options shall be subject to treatment as per provisions outlined hereinbelow:

S. No.	Separations	Vested Options	Unvested Options
1	**Resignation / Termination** (other than due to Cause)	All the Vested Options as on date of submission of resignation/ date of termination shall be exercisable by the Option Grantee immediately after, but in no event later than **2 (Two)** months from the date of such resignation / termination, or the expiry of the Exercise Period, whichever is earlier.	All the Unvested Options on the date of submission of resignation / date of termination shall stand **cancelled** with effect from that date.
2	**Termination due to Cause**	All the Vested Options which were not exercised at the time of such termination shall stand **cancelled** with effect from	All the Unvested Options on the date of such termination shall stand **cancelled** with effect from the termination date.

		the date of such termination.	
3	**Retirement / early Retirement approved by the Bank**	All the Vested Options as on date of such Retirement/ early Retirement can be exercised by the Option Grantee immediately after, but in no event later than **12 (Twelve)** months from the date of such Retirement/ early Retirement, or the expiry of the Exercise Period, whichever is later.	All the Unvested Options as on date of such Retirement/ early Retirement shall continue to vest in his / her hands as per the vesting schedule and be exercised within the Exercise Period provided in the grant letter. For this purpose, the individual performance is deemed to have been met for the remaining period (i.e., after Retirement/ early Retirement), but will be subject to meeting the criteria of Bank's performance. Further, the Vesting shall be conditional upon he / she not being in employment of or being associated in any advisory or any other capacity (contractual or otherwise) with any other entity in the banking or financial services sector and their regulators, in India or abroad, as on the date of Vesting of Options, unless specifically approved by the Committee.
4	**Death**	All the Vested Options as on the date of death may be exercised by the deceased Option Grantee's nominee or legal heir immediately after, but in no event later than **12 (Twelve)** months from the date of death of the Option Grantee.	All the Unvested Options as on the date of death shall **vest immediately** and may be exercised in the manner prescribed for Vested Options. Such Options may be exercised by the deceased Option Grantee's nominee or legal heir immediately after, but in no event later

			than **12 (Twelve)** months from the date of death of the Option Grantee.
5	**Termination due to Permanent Incapacity**	All the Vested Options as on the date of Permanent Incapacitation may be exercised by the Option Grantee immediately after, but in no event later than **12 (Twelve)** months from the date of such incapacitation.	All the Unvested Options as on date of Permanent Incapacitation shall **vest immediately** with the Option Grantee and may be exercised in the manner prescribed for Vested Options. Such Options as on the date of Permanent Incapacitation may be exercised by the Option Grantee immediately after, but in no event later than **12 (Twelve)** months from the date of such incapacitation.
6	**Termination due to any other reason apart from those mentioned above**	The Committee shall decide whether the Vested Options as on that date can be exercised by the Option Grantee or not, and such decision shall be final.	All Unvested Options on the date of such termination shall stand **cancelled** with effect from that date.

8.3 At any time before the Exercise of the Vested Options, in the event of suspension (but not termination) or commencement of any disciplinary proceedings/ enquiry against any Option Grantee, exercise of the Vested Options held by such Option Grantee shall be kept in abeyance till completion of such disciplinary proceeding/ enquiry. In case of reinstatement, period for which Exercise was kept in abeyance shall be added to the relevant Exercise Period and Exercise shall be allowed as if there was no abeyance. In case of termination from employment/ service, the provisions of serial number 2 in the table given in Sub-clause 8.2(b) of the Scheme shall apply.

8.4 **Process of Exercise**

(a) An Option Grantee intending to exercise Vested Options shall make an application in writing to the Bank in such form as prescribed, from time to time, for the issuance of the Shares against the Options exercised, subject to payment of the Exercise Price, applicable taxes and compliance of other requisite conditions of Exercise. Unless otherwise provided by the Committee, the form shall be similar to the format provided in **Annexure C** (“Exercise Letter”).

(b) Exercise Price is payable at the time of Exercise and not at the time of Grant or Vesting. In case Vested Options are not exercised, the Exercise Price received if any, shall be refunded.

(c) An Option Grantee can exercise all Vested Options at one time or at various points of time within the prescribed Exercise Period. However, no fraction of a Vested Option shall be exercisable in its fractional form.

8.5 **Lapse of Options**

Vested Options not exercised within the prescribed Exercise Period shall lapse and the Employee shall have no right over such lapsed or cancelled Options.

9. Non-transferability of Options

9.1 Options are not transferrable except in case of death of an Option Grantee in which case, relevant provisions of Sub-clause 8.2 (b) will be referred to for the purpose of Exercise. No person other than the Employee to whom the Employee Stock Option is granted shall be entitled to exercise the Employee Stock Option except in the event of the death of the Option Grantee.

9.2 The Employee Stock Option shall not be transferred, pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

10. Lock-in of Shares (Post Exercise)

10.1 The Shares transferred upon Exercise of Options shall be freely transferable and shall not be subject to any lock-in period restriction after such Exercise.

Provided however that the Shares issued upon Exercise cannot be transferred for such period from the date of allotment as may be required under the Code of Conduct of the Bank for Prevention of Insider Trading, read with the Securities and Exchange Board of India (Prohibition of Insider Trading), Regulations, 2015, as amended from time to time.

11. Right as a Shareholder

11.1 Nothing herein is intended to or shall give the Option Grantee any right or status of any kind as a shareholder of the Bank (for example, bonus shares, rights shares, dividend, voting, etc.) in respect of any Shares covered by the Grant until the Option Grantee exercises the Employee Stock Option and becomes a registered holder of the Shares of the Bank.

11.2 If the Bank issues bonus or rights Shares, the Option Grantee will not be eligible for the bonus or rights Shares in the capacity of an Option Grantee. However, an adjustment to the number of Options or the Exercise Price or both would be made in accordance with Sub-clause 4.4(f) of ESOS 2026. Only when the Vested Options are exercised and the Option Grantee has become a valid holder of the Shares of the Bank as on record date for bonus or rights issue of Shares, then such Option Grantee would be entitled for bonus or rights Shares as shareholder of the Bank.

12. Deduction/ recovery of Tax

12.1 The liability of paying taxes, if any, in respect of Employee Stock Options granted pursuant to this Scheme and the Shares issued pursuant to Exercise thereof shall be entirely on the Option Grantee and shall be in accordance with the provisions of Income Tax Act, 2025 read with the rules issued thereunder and/or Income Tax Laws of respective countries as applicable to eligible Employees working abroad, if any.

12.2 The Bank shall have the right to deduct from the Option Grantee's salary or recover any tax that is required to be deducted or recovered under the Applicable Laws. In case of non-continuance of employment, the outstanding amount of the tax shall be recovered fully on or before full and final settlement.

12.3 The Bank shall have no obligation to issue the Shares until the Bank's tax deduction obligations, if any, have been satisfied by the Option Grantee in full.

13. Nomination

13.1 An Option Grantee may nominate, from time to time, any Beneficiary(ies) to whom any benefit under the Scheme is to be delivered in case of his death. Each subsequent nomination shall revoke all prior nominations by such Option Grantee. Any such nomination shall normally be allowed in favour of immediate family members only and shall be in a form prescribed by the Bank, substantially provided in **Annexure D** ("Nomination Form") hereof. The nomination will be effective only when filed by the Option Grantee in writing with the Bank before the expiry of the Options held by the Option Grantee and duly acknowledged as received by the Bank. In the event of any dispute with regard to nominations, the last nomination provided by the Option Grantee shall be regarded as final nomination and shall be binding.

14. Authority to vary terms

14.1 The Committee may, if it deems necessary, vary the terms of ESOS 2026, subject to the Applicable Laws and the condition of the shareholders' approval by way of special resolution in such manner which is not detrimental to the interest of the Option Grantees.

14.2 However, the Bank shall be entitled to vary the terms of the Scheme to meet any regulatory requirements without seeking shareholders' approval by way of special resolution.

15. Malus/ Clawback

15.1 Notwithstanding anything contained elsewhere in this Scheme, the Bank reserves the right of executing malus/ clawback arrangements in respect of Options already granted, vested or exercised, as the case may be. Options granted under the Scheme are always subject to malus and clawback as may be exercised by the Bank in the circumstances specified in the guidelines issued by the Reserve Bank of India.

15.2 A malus arrangement permits the Bank to prevent Vesting of all or part of the Options granted to an Option Grantee. However, the malus arrangement shall not reverse the Vesting of already Vested Options.

15.3 A clawback, on the other hand, is a contractual agreement between the Option Grantee and the Bank, being evidenced on the acceptance of the Grant, in which case the Option Grantee shall relinquish any benefit that accrued to or return any benefit that is received by such Option Grantee to the Bank under certain circumstances.

16. Miscellaneous

16.1 Government Regulations

This ESOS 2026 shall be subject to all Applicable Laws, and approvals from governmental authorities.

16.2 Inability to obtain authority

The inability of the Bank to obtain authority from any regulatory body having jurisdiction over the Bank, or under any Applicable Laws, for the lawful issuance and sale of any Shares hereunder shall relieve and wholly discharge the Bank of any and all liability in respect of the failure to issue or sell such Shares.

16.3 Unless otherwise intended, the Grant of an Employee Stock Option may not form part of the Option Grantee's entitlement to compensation or benefits pursuant to his contract of employment nor does the existence of a contract of employment between any person and the Bank give such person any right or entitlement to have an Employee Stock Option granted to him in respect of any number of Shares or any expectation that an Employee Stock Option might be granted to him whether subject to any condition or at all.

16.4 Neither the existence of this Scheme nor the fact that an individual has on any occasion been granted an Employee Stock Option shall give such individual any right, entitlement or expectation that he has or will in future have any such right, entitlement or expectation to participate in this Scheme by being granted an Employee Stock Option on any other occasion.

16.5 The rights granted to an Option Grantee upon the grant of an Employee Stock Option shall not afford the Option Grantee any rights or additional rights to compensation or damages in consequence of the loss or termination of his office or employment with the Bank for any reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).

16.6 The Option Grantee shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise an Employee Stock Option in whole or in part.

16.7 Participation in ESOS 2026 shall not be construed as any guarantee of return on equity investment. Any loss due to fluctuations in the market price of the Shares and the risks associated with the investments are that of the Option Grantee alone.

17. Certificate from the Secretarial Auditors

17.1 The Board shall shall at each annual general meeting place before the shareholders a certificate from the Secretarial Auditors of the Bank that the Scheme has been implemented in accordance with the SEBI SBEB regulations and in accordance with the resolution of the Bank in the general meeting.

18. Accounting and Disclosures

18.1 The Bank shall follow the laws/regulations applicable to accounting and disclosure related to Employee Stock Options, including but not limited to the Accounting Guidelines as per Regulations 14 and 15 of the SEBI SBEB Regulations.

19. Notices

19.1 All notices of communication required to be given by the Bank to an Option Grantee by virtue of this ESOS 2026 shall be in writing and shall be sent to the address of the Option Grantee available in the records of the Bank; or Delivering the communication(s) to the Option Grantee in person with acknowledgement of receipt thereof; or Emailing the communication(s) to the Option Grantee at the official email address provided, if any, during the continuance of employment or at the email address provided by the Option Grantee after cessation of employment.

19.2 Any communication to be given by an Option Grantee to the Bank in respect of ESOS 2026 shall be sent at the address mentioned below or e - mailed at:

The Company Secretary

CSB Bank Limited
CSB Bhavan, Post Box No. 502, St. Mary's College Road
Thrissur, Kerala, Pin- 680020, INDIA
Email: secretarial@csb.bank.in / sijovarghese@csb.bank.in

20. Governing Laws and jurisdiction

20.1 The terms and conditions of the ESOS 2026 shall be governed by and construed in accordance with the Applicable Laws of India in particular any relevant rules, regulations or guidelines issued by the Reserve Bank of India.

20.2 The Courts in Mumbai, India shall have jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this ESOS 2026.

20.3 Nothing in this Clause shall however limit the right of the Bank to bring proceedings against any Employee in connection with this ESOS 2026:

(i) in any other court of competent jurisdiction; or

(ii) concurrently in more than one jurisdiction.

21. Severability

21.1 In the event any one or more of the provisions contained in this Scheme shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Scheme in which case the Scheme shall be construed as if such invalid, illegal, or unenforceable provisions had never been set forth herein, and the Scheme shall be carried out as nearly as possible according to its original intent and terms.

22. Confidentiality

22.1 An Option Grantee must keep the details of the ESOS 2026 and all other documents in connection thereto strictly confidential and must not disclose the details with any of his peer, colleagues, co-employees or with any employee and/ or associate of the Bank or that of its affiliates. In case Option Grantee is found in breach of this Clause, the Bank shall have undisputed right to terminate any agreement/Grant and all unexercised Options shall stand cancelled immediately. The decision and judgment of the Committee regarding breach of this Clause on confidentiality shall be final, binding and cannot be questioned by Option Grantee. In case of non-adherence to the provisions of this Clause, the Committee shall have the authority to deal with such cases as it may deem fit.

22.2 On acceptance of the Grant of Option offered by the Bank, it shall be deemed that as if the

Option Grantee has authorized the Bank to disclose information relating to the Option Grantee during the process of implementation and administration of the Scheme or while availing any consulting or advisory services thereof or any other incidental services to its officers, professional advisors, agents and consultants on a need-to-know basis.

-------------END OF SCHEME-------------

CSB Bank Limited

CSB Bank Employee Stock Option Scheme 2026

Annexure - A

GRANT LETTER

Date: [●]

From
The Nomination & Remuneration Committee,
CSB Bank Limited
P.B. No. 502, CSB Bhavan,
St. Mary's College Road,
Thrissur - 680 020

To
Name of the Employee:
Employee Grade/Code:

Dear Mr./Ms. ____________

The CSB Bank Limited ("**Bank**") is currently at an exciting phase in its endeavor towards sustained and planned growth. We believe that our business has a bright future, and the efforts of our employees will play a key role in helping the Bank realize this potential. At this time, we would like to extend a token of our appreciation and gratitude for your valued present/future contribution in building the Bank.

We are happy to inform that you have been selected to be covered under the CSB Bank Employee Stock Option Scheme 2026 ("**ESOS 2026**" or "**Scheme**"). A copy of the Scheme along with SEBI Disclosure is enclosed herewith. You are requested to study the same carefully and familiarize yourself with its terms and conditions.

Accordingly, by this Grant Letter, we are pleased to offer you [●*number of options*] Options by virtue of which you will be eligible to subscribe equivalent number of Shares of the Bank, subject to the terms and conditions of the Scheme and Acceptance of Grant. The details of the Grant of Options are as follows:

Number of Options Granted	[●]	
Grant Date	[●]	
Vesting Date(s) and Percentages	[●]	[●]
	[●]	[●]
Vesting Conditions	As may be communicated by the Committee in consultation with the Human Resource Department from time to time.	
Exercise Price per Option	[●]	
Exercise Period	[●]	

This Grant Letter is as per the terms and conditions given in ESOS 2026 and is strictly confidential.

The offer is valid till [●] ("**Closing Date**") and shall lapse if the **Acceptance Letter** is not received by the Bank on or before the close of business on the Closing Date. If the offer is acceptable to you, kindly sign the **Acceptance Letter** as a token of your acceptance. The Acceptance Letter is annexed as Annexure B to the Scheme. Kindly note that you will be required to have an operational dematerialized account at the time of Exercise of your Options and in the event you do not have an existing dematerialized account, we request you to kindly open and maintain the same as on the Exercise Date.

We look forward to working with you under a long term partnership to build a stronger and more profitable Bank in future.

All capitalized terms used herein shall have the same meaning as provided in ESOS 2026.

Yours sincerely,
For **CSB Bank Limited**

[Authorised Signatory]

CSB Bank Limited

CSB Bank Employee Stock Option Scheme 2026

Annexure - B

ACCEPTANCE LETTER

Date: [●]

To
The Nomination & Remuneration Committee,
CSB Bank Limited
P.B. No. 502, CSB Bhavan,
St. Mary's College Road,
Thrissur - 680 020

Kind attention: Mr./Ms. [*Bank to insert name of the person to whom the communication should be sent*]

Ref: CSB Bank Employee Stock Option Scheme 2026

Dear Sir/ Ma'am,

This is in reference to the Grant Letter dated [●] offering me [●] Options under the CSB Bank Employee Stock Option Scheme 2026 (**"ESOS 2026"**). I hereby accept the Grant of [●] made to me by the Grant Letter under the ESOS 2026.

I have received a copy of ESOS 2026 and have had an opportunity to review and understand the content thereof. I undertake to be bound by the terms and conditions of ESOS 2026 and understand that acceptance of the Grant results in a mutual agreement to comply with the provisions of the ESOS 2026 with a view to obtain any benefit thereunder.

I undertake that at the time of Exercise, I will have an operational dematerialized account, details of which will be forwarded to the Committee along with the Exercise Letter. I further agree to submit to all decisions of the Committee as may be taken from time to time and confirm that all such decisions pertaining to my Options shall be binding on me.

Yours faithfully

Signature

(Name of Employee)

(Designation of the Employee)

(Employee Code: [●])

CSB Bank Limited

CSB Bank Employee Stock Option Scheme 2026

Annexure - C

EXERCISE LETTER

Date: [●]

To
The Nomination & Remuneration Committee,
CSB Bank Limited
P.B. No. 502, CSB Bhavan,
St. Mary's College Road,
Thrissur - 680 020

Kind attention: Mr./Ms. [*Bank to insert name of the person to whom the communication should be sent*]

Ref: CSB Bank Employee Stock Option Scheme 2026

Dear Sir(s),

This is with reference to the Grant Letter dated [●] offering me [●] Options under the ESOS 2026 and my Acceptance Letter dated [●].

[●number] Options have Vested in me on [● date of Vesting] in accordance with the ESOS 2026. Effective [●date] of [● month], [● year], I hereby Exercise my right to subscribe the Shares of the Bank against the Vested Options.

I understand and acknowledge that until the allotment of the Shares (as evidenced by the appropriate entry on the books of the Bank), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Options, notwithstanding the Exercise of the Option.

I understand that I may suffer tax consequences as a result of subscription or disposition of the Shares. I represent that I have consulted / will consult any tax consultants of my choice in connection with the subscription or disposition of the Shares and that I am not relying on the Bank for any tax advice.

I am enclosing herewith a cheque in favour of the Bank with no. [●] dated [●] for INR [●], drawn on [●] bank, towards the payment of Exercise Price and also a cheque in favour of the Bank with no. [●] dated [●] for INR [●], drawn on [●] bank, towards the payment of Exercise Price.

Requisite details for the said allotment of Shares are provided in Annexure to this Exercise Letter.

Yours sincerely,

Signature
(Name of Employee)

ANNEXURE TO LETTER OF EXERCISE (ESOS 2026)

Name of Employee	[●]
Employee ID	[●]
IT PAN/GIR No. & Circle/Ward	[●]

Address	[•]
Demat Account Details DP ID ______________________ Client ID (Account No.) ________________ Depository Participant (DP)'s :- Name: ____ Address: ____	

Dated:

Instructions: *Please write the names exactly in the same manner as provided in the Demat Account.*

CSB Bank Limited

CSB Bank Employee Stock Option Scheme 2026

Annexure - D

NOMINATION FORM

Date: [●]

To
The Nomination & Remuneration Committee,
CSB Bank Limited
P.B. No. 502, CSB Bhavan,
St. Mary's College Road, Thrissur - 680 020

Kind Attn.: [*Bank to insert name of the person to whom the communication should be sent*]

Ref: CSB Bank Employee Stock Option Scheme 2026

Dear Sir,

I hereby, nominate the following person(s) as my beneficiary (ies) for claiming the benefits under the terms and conditions of CSB Bank Employee Stock Option Scheme 2026.

Name of Employee in Full
NOMINEE DETAILS
Name in Full *Relationship with the Employee* *Address* *Age* *Guardian (in case nominee is a minor)*
GUARDIAN DETAILS
Name in Full *Relationship with Nominee* *Address*

This nomination form shall be valid unless replaced by me with a new nomination form of a later date. Kindly acknowledge receipt and confirm the recording of the nomination.

Yours sincerely,

Signature

(Name of Employee)/ (Designation of the Employee)

Note: *If more than one person is nominated as beneficiary, the proportion of the benefits to be claimed by each nominee to be provided by the employee.*

Annexure I

Disclosures required to be made under Regulation 16 (2) of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

Part A: Statement of Risks

All investments in shares or employee stock options ("**Options**") in respect of shares are subject to risk as the value of shares may go down or go up. In addition, Options are subject to the following additional risks:

1. **Concentration:** The risk arising out of any fall in value of shares is aggravated if the employee's holding is concentrated in the shares of a single company.

2. **Leverage:** Any change in the value of the share can lead to a significantly larger change in the value of the Options as an Option amounts to a levered position in the share.

3. **Illiquidity:** The Options cannot be transferred to anybody, and therefore the employees cannot mitigate their risks by selling the whole or part of their Options before they are exercised.

4. **Vesting:** The Options will lapse if the employment is terminated prior to vesting. Even after the Options are vested, the unexercised Options shall be forfeited if the employee is terminated for gross misconduct as per terms of the employee stock options Scheme

Part B: Information about the Bank

1. Business of the Bank:

CSB Bank Limited, a company incorporated on November 20, 1920, under the Indian Companies Act, 1913 as 'The Catholic Syrian Bank Limited' and a fresh certificate of incorporation under the Companies Act, 1956 was issued by the Registrar of Companies, Kerala at Ernakulum ("**RoC**") on April 14, 1987. The name of the Bank has been changed from 'The Catholic Syrian Bank Limited' to 'CSB Bank Limited' with effect from June 10, 2019 on receipt of requisites approvals. The Bank is having its registered office at CSB Bhavan, St. Mary's College Road, Thrissur, Kerala-680020.

CSB Bank Limited is a banking company, carrying on the business of banking and other activities as permitted in terms of Section 6 of the Banking Regulation Act, 1949 and as per its Memorandum and Articles of Association.

CSB Bank Limited is one of the oldest private sector banks in India, traditionally having a strong presence in Kerala along with significant presence in Tamil Nadu, Karnataka, Maharashtra and Andhra Pradesh. Bank in FY 2026, expanded its network by opening new branches in many states especially in Tamil Nadu, Jharkhand and Karnataka as part of its plans to build up customer franchise by tapping the opportunities, across. The Bank offers a wide range of products and services to its customers, with particular focus on SME, Retail, and NRI customers. Considering the opportunities and experience, the Bank continued to focus on Gold portfolio. Along with this, there was a strong push on SME loans, Two Wheeler loans, Loans against Property, Small Business loans and Agri & MFI loans.

The Bank delivers its products and services through multiple channels, including 862 branches and 832 ATMs/CRMs spread across the country and various alternate channels such as debit cards, internet banking, mobile banking, point of sale services and UPI.

The Bank has, with a thrust on quality of service & enduring long term customer relationships, established as a well recognized and trusted brand in South India. With further expansion plans, the Bank targets to tap opportunities in building a customer franchise both in terms of assets and liabilities from southern, northern and western markets. The Bank strengthened its capability & leadership in technology, retail distribution, SME, NRI, risk, and digital business verticals for aligning with the larger growth plans.

CSB Bank is listed on both NSE and BSE with effect from December 4, 2019. For further details about business and its objects, please visit www.csb.bank.in.

2. Abridged financial information: Abridged financial information for the last five years for which audited financial information is available as prescribed under clause (b)(i) of Section 26(1) of the Companies Act, 2013 as amended or re-enacted from time to time, are given below :-

Rs. In crore

Year	2021-22	2022-23	2023-24	2024-25	2025-26
Paid up Capital	173.54	173.54	173.54	173.54	173.54
Share Warrants					
Reserves	2477.86	3030.09	3630.11	4324.19	4720.75
Owned funds	2651.40	3203.63	3803.65	4497.73	4894.28
CRAR - Basel II (%)					
Basel III (%)	25.90	27.10	24.47	22.46	20.66
Deposits	20188.30	24505.81	29,718.80	36,861.49	44,245.92

Advances	15814.68	20650.65	24,335.58	31,507.05	39,847.84
Total Business	36002.98	45156.46	54,054.38	68,368.54	84,093.76
Total Income	2285.11	2635.66	3,511.83	4,569.20	5,681.79
Operating Profit	613.72	707.40	779.92	910.24	1,085.39
Net Profit	458.49	547.36	566.82	593.80	633.18
Dividend (%)	-	-	-	-	-
Branches (No.)	609	709	779	829	862
EPS (Rs.)	26.43	31.55	32.67	34.23	36.50
Return on Assets (%)	1.90	2.06	1.79	1.49	1.26
Book Value(Rs.)	152.83	184.66	209.11	249.24	272.27
No of Employees	4663	6841	7863	7616	8187

The Audited financial statements of the Bank for the financial year ended March 31, 2026, is available on the Bank's Website at https://www.csb.bank.in/general-meetings

3. Risk Factors: Management perception of the risk factors of the Bank (i.e., sensitivity to foreign exchange rate fluctuations, difficulty in availability of raw materials or in marketing of products, cost/time overrun etc.).

An investment in the Equity Shares involves a high degree of risk. You should carefully consider all the information including the risks and uncertainties described in **Annexure- B**, before making an investment in the Equity Shares. If any or some combination of the following risks actually occur, our business, prospects, results of operations, and financial condition could materially suffer, the trading price of the Equity Shares could decline, and you may lose all or part of your investment.

We have described the risks and uncertainties that we believe are material, but these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties, including those we are not aware of or deem immaterial, may also result in decreased revenue, increased expenses or other events that could result in a decline in the value of the Equity Shares. In making an investment decision, you must rely on your own examination of the Bank including the merits and risks involved. The risk factors & Management perception of the risk factors is enclosed as **Annexure – B**.

4. Continuing disclosure requirement: The Option Grantee would receive copies of all documents that are sent to the members of the Bank. This shall include the annual accounts of the Bank as well as notices of meetings along with the explanatory statements.

Part C: Salient Features of the Schemeof the 'CSB Bank Employee Stock Option Scheme 2026 ("ESOS 2026" or "Scheme")'

The Bank believes in rewarding employees who contribute to its long-term growth, profitability and value creation. Accordingly, the Bank follows a compensation philosophy that seeks to attract, retain, motivate and reward talent by aligning employees' interests with the long-term interests of the shareholders.

Share-based employee benefit schemes have played an important role in fostering an ownership culture and encouraging long-term commitment by the employees. Such schemes enable the Bank to attract and retain talent while rewarding employees for their sustained contribution towards achieving the Bank's strategic and business objectives.

As the Bank continues on its growth trajectory and its workforce expands, the requirement for employee stock options ("**Options**") is also expected to increase. Share-based employee benefit schemes will continue to be an important tool for attracting, retaining and motivating critical talent and key growth drivers, including existing employees and future hires, and rewarding them in line with the long-term value created for the Bank, subject to applicable annual corporate and individual performance-based vesting conditions.

Further, the Reserve Bank of India ("**RBI**"), under its applicable guidelines, requires a prescribed portion of variable pay to be awarded in the form of share-linked instruments, including Options, to specified categories of employees, subject to appropriate performance and vesting conditions. Accordingly, maintaining an adequate Option reserve would enable the Bank to meet its regulatory obligations while continuing to support its talent retention and compensation objectives.

Given the objective and background above, the Bank proposes to introduce **CSB Bank Employee Stock Option Scheme 2026 ("ESOS 2026" / "Scheme")**, through a simplified framework with administration directly by the Bank through the Nomination and Remuneration Committee ("**Committee**") of the Board of Directors ("**Board**").

The Committee and the Board, at their respective meetings held on June 25, 2026, approved the ESOS 2026. Pursuant to Regulation 6 of the SEBI SBEB Regulations, the Bank sought the approval of members for the introduction and implementation of ESOS 2026 for the benefit of eligible employees and obtained approval through a special resolution passed at the 105th Annual General Meeting of the Bank.

The main features of the **ESOS 2026**are as under:

(a) Brief description of the Scheme:
The Bank proposes to implement ESOS 2026 primarily with a view to attract, retain, motivate and reward the employees of the Bank. The Scheme contemplates grant of Options to the employees, as determined in due compliance with SEBI SBEB Regulations, relevant RBI guidelines and

provisions of the ESOS 2026. After vesting of Options, the employees earn a right (but not obligation) to exercise the vested Options within the exercise period and obtain equity shares (“**Shares**”) of the Bank, subject to payment of exercise price and satisfaction of any tax obligation arising thereon.

The Committee of the Bank shall supervise and administer the Scheme. All questions of interpretation of the Scheme shall be determined by the Committee as per the terms of the Scheme read with SEBI SBEB Regulations and such determination shall be final and binding upon all persons having an interest in the Scheme.

(b) Total number of Options to be granted:
The total number of Options to be granted under ESOS 2026 shall not exceed **20,00,000 (Twenty Lakh)** Options. Each Option when exercised would be converted into one Share of face value of Rs. 10/- (Rupees Ten) each fully paid-up.

The SEBI SBEB Regulations require that in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the Options granted. In this regard, the Committee shall adjust the number and price of the Options granted in such a manner that the total value of the Options granted under the Scheme remains the same after any such corporate action. Accordingly, if any additional Options are required to be issued by the Bank to the Option grantees for making such fair and reasonable adjustment, the aforesaid ceiling of Options and Shares shall be deemed to increase to the extent of such additional Options issued.

Options lapsed or cancelled due to any reason including the reason of lapse of exercise period or due to resignation of the employees or otherwise, would be available for being re-granted at a future date. The Committee is authorized to re-grant such lapsed / cancelled Options as per the terms of Scheme. However, once the underlying Shares are issued upon exercise of Options, the Shares reserved under the Scheme would reduce.

(c) Identification of classes of employees entitled to participate in the Scheme:
An employee who may participate in the Scheme subject to his/her eligibility determined as per point (h) below shall be:

(a) an employee as designated by the Bank, who is exclusively working in India or outside India; or
(b) a whole-time or executive director of the Bank, but excluding: (i) an employee or director who is a promoter or belongs to the promoter group; (ii) any such director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Bank; and (iii) an independent director.

(d) Requirements of vesting and period of vesting
All the Options granted on any date shall be subject to **statutory minimum of 1 (One) year** from the grant date during which no vesting shall be allowed. Subject to this statutory minimum period,

any vesting prescribed for any grant shall be over a staggered vesting schedule of 3 (Three) years and **maximum of 10 (Ten) years** from the grant date.

Provided that the requirement of minimum vesting period shall not be applicable in the event of death or permanent incapacity of an employee, and in such instances, all the unvested Options shall vest with effect from the date of death or permanent incapacity, as the case may be.

Options shall vest essentially based on continuation of employment as per requirements of SEBI SBEB Regulations, subject to the condition that the employee has not served any notice of resignation or not being served any notice of termination.

Apart from this aforesaid condition, the Options shall vest subject to performance-based vesting, the criteria being a mix of annual corporate and individual performance, as applicable, with a predefined threshold, achievement below which will result in no vesting for that year. These criteria will include achievement in terms of operational and/ or financial performance parameters of the Bank as specified by the Committee. Vesting in case of personnel whose remuneration and Options entitlement are regulated under the relevant RBI guidelines, shall be subject to additional conditions as to reduction/ clawback of vesting which may be even reduced to zero in line with deterioration in the financial performance of the Bank.

The vesting dates, vesting percentages, and vesting conditions in respect of the Options granted under the Scheme shall be determined by the Committee and may vary from an employee to employee or any class thereof subject to the provisions stated above.

(e) Maximum period within which the Options shall be vested:
All the Options granted on any date shall vest not later than the maximum vesting period of **10 (Ten) years** commencing from the date of grant of Options as may be determined by the Committee.

(f) Exercise price or pricing formula:
The Exercise price per Option shall be equal to the market price as on date of grant.

(g) Exercise period and the process of Exercise:
Exercise period in respect of a vested Option shall be a period commencing from the relevant vesting date of such Option and shall end with the expiry of **10 (Ten) years** or such other shorter period, as determined by the Committee, from the date of grant of such Option.

An Option grantee intending to exercise vested Options shall make an application in writing to the Bank in such form as prescribed, from time to time, for the issuance of the Shares against the Options exercised, subject to payment of the exercise price, applicable taxes and compliance of other requisite conditions of exercise. Exercise price is payable at the time of exercise and not at the time of grant or vesting. In case vested Options are not exercised, the exercise price received if any, shall be refunded. An Option grantee can exercise all vested Options at one time or at various points of time within the prescribed exercise period. However, no fraction of a vested Option shall be exercisable in its fractional form.

(h) Appraisal process for determining the eligibility of employees under the Scheme:
Appraisal process for determining the eligibility of the employees will be based on designation, period of service, loyalty, work ethics, moral, performance linked parameters such as work performance and such other criteria as may be determined by the Committee at its sole discretion, from time to time.

(i) Maximum number of Options to be issued per employee and in aggregate, if any:
Maximum number of Options that may be granted per employee per grant and in aggregate of all grants taken together for such employee under the Scheme shall be less than 1% (One Percent) of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of grant of Options.

(j) Maximum quantum of benefits to be provided per employee under the Scheme:
There is no other benefit except grant of Options which shall be subject to such limitations as mentioned in point above.

(k) Route of Scheme implementation:
The Scheme shall be implemented and administered directly by the Bank.

(l) Source of acquisition of Shares under the Scheme:
The Scheme involves only new issue of Shares by the Bank.

(m) Amount of loan to be provided for implementation of the Scheme to the Trust, its tenure, utilization, repayment terms, etc:
This is not applicable.

(n) Maximum percentage of secondary acquisition:
This is not applicable.

(o) A statement to the effect that the Bank shall conform to the accounting policies specified in Regulation 15:
The Bank shall conform to the applicable accounting policies prescribed under the SEBI SBEB Regulations or as may be prescribed under any other law with respect to accounting for Options, including by the RBI or any other regulatory authority.

(p) Method of Option valuation:
The Bank shall adopt fair value method as per the Black-scholes model for valuation of Options as prescribed under the relevant Accounting Standard / Guidance Note as notified by appropriate authorities from time to time. The fair value thus arrived at shall be recognised as an expense beginning with the accounting period for which the approval has been granted

(q) Declaration:
In case the Bank opts for expensing of share-based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the Options and the impact of this difference on profits and on Earning Per Share ("EPS") of the Bank shall also be disclosed in the directors' report.

(r) Period of Lock-in:
The Shares issued pursuant to exercise of Options shall not be subject to any lock-in period restriction except such restrictions as may be prescribed under the applicable laws including that under the code of conduct framed, if any, by the Bank under the Securities and Exchange Board of India (Prohibition of Insider Trading), Regulations, 2015, as amended.

(s) Terms & conditions for buyback, if any, of specified securities/ Options covered granted under the Scheme:
Subject to the provisions of the then prevailing applicable laws, the Committee shall determine the procedure for buy-back of Options granted under the Scheme if to be undertaken at any time by the Bank, and the applicable terms and conditions thereof.

You may refer to the copy of the scheme for detailed provisions.

For CSB Bank Limited

Sijo Varghese
Company Secretary

<u>**Annexure- B**</u>

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all the information disclosed including the risks and uncertainties described below, before making an investment in the Equity Shares. These risks and uncertainties are not the only issues that we face. These risks and uncertainties along with other unforeseen factors not presently known to us or that we currently believe to be immaterial which may have an adverse effect on our business operations, financial results, financial condition or prospects. You should pay particular attention to the fact that the Bank is incorporated under the laws of India and that the Bank is subject to a legal and regulatory environments in India.

If any of the risks described below, or other risks that are not currently known or are currently deemed immaterial actually occur, our business prospects, results of operations and financial condition could be adversely affected in the declining trading price of the Equity Shares and investors may lose all or part of the value of their investment. The financial and other related implications of the risk factors, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where the financial impact is not quantifiable and, therefore, cannot be disclosed in such risk factors. In making an investment decision, you must rely on your own examination of our Bank and the terms of the grant, including the merits and risks involved. You should consult your tax, financial and legal advisors about the particular consequences of an investment to you.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year.

Risks relating to our business

1. Our financial performance parameters may be affected by fluctuating interest rates.

Our results of operations depend substantially on our Net Interest Income, which is the difference between our interest earned and interest expended. Interest rate risk depends on the nature and extent of gaps in the rate of sensitive assets and rate of sensitive liabilities. Any change or volatility in interest rates would affect our interest expense on our interest-bearing liabilities and interest income from interest-bearing assets including investments, and therefore affect our Net Interest Income and Net Interest Margins. Any increase in our cost of funds may lead to a reduction in our Net Interest Margins, or require us to increase our internal benchmarks (MCLR, Base Rate, BPLR) to maintain our Net Interest Margins. In addition, a portion of the loans we advance are linked to external benchmark rates like Repo Rate and Treasury Bill Yields. The yield on such loans may vary depending on changes in such external benchmarks. In the event the interest rates at which we advance these loans declines due to a decrease in external benchmark rates and there is no corresponding decrease in the interest rates payable by us on deposits and borrowings, resulting in reduced Net Interest Margins.

Interest rates are highly sensitive to many factors beyond our control, including the Monetary Policies and alignment of Repo Rates by the RBI, various directives issued by the RBI in response to macroeconomic events from time to time, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Our cost of funding is interest rate sensitive and our ability to pass along any increase in interest rates depends on our borrowers' willingness to pay higher rates and the competitive landscape in which we operate. Volatility and changes in interest rates could affect the interest rates we charge on our interest-earning assets in a manner different from the interest rates we pay on our interest-bearing liabilities because of the different maturity periods applying to our assets and liabilities. An increase in interest rates applicable to our liabilities, decrease in low cost deposits without a corresponding increase in interest rates applicable to our assets, will result in a decline in net interest income.

Furthermore, in the event of rising interest rates, our borrowers may not be willing to pay correspondingly higher interest rates on their borrowings and may choose to repay their advances with us if they are able to switch to more competitively priced advances offered by other banks. In the event of falling interest rates, we may face more challenges in retaining our customers if we are unable to switch to more competitive rates as compared to other banks in the market. Decreasing customer retention as a result of changing interest rates may adversely impact our earnings in future periods and as a consequence materially and adversely affect our liquidity mismatch, business, financial condition, cash flows and results of operations resulting in declining Net interest income and Net interest Margin.

2. BASEL III: Capital adequacy norms, maintenance of minimum CRAR required by the RBI for domestic banks.

The Basel III Norms require, among other things, higher levels of Tier 1 capital and common equity, capital conservation buffers, maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier 1 capital for investments in subsidiaries, changes in the structure of non-equity instruments eligible for inclusion in Tier 1 capital, and loss absorbency features for non-equity Tier 1 and Tier 2 capital. The Basel III capital regulation framework has been fully implemented in India effective October 1, 2021. RBI has also notified revised guidelines for Capital Charge for Credit Risk – Standardised Approach which are effective April 1, 2027.

As of March 31, 2026, banks in India are required to maintain a common equity Tier 1 adequacy ratio of 5.50%, minimum Tier 1 capital ratio of 7.00%, minimum total capital ratio of 9.00%, and a capital conservation buffer of 2.50%, i.e. total capital adequacy ratio of 11.5%. As against this regulatory minimum, the Bank maintained a capital adequacy ratio of 20.66% as on 31st March 2026.

Along with increase of size of assets and accordingly the risk weighted assets, there is an impact on the CRAR under the Basel III Norms. Further, any adverse developments could affect our ability to continue to satisfy the capital adequacy requirements, including deterioration in our asset quality, or applicable risk weight for different asset classes. In case the CRAR falls below the minimum prescribed regulatory requirements in future, we may be constrained in further expanding our business.

3. Any increase in our portfolio of NPAs, RBI-mandated provisioning requirements or restructured advances could materially and adversely affect our business.

Asset Quality Performance

As on March 31, 2026, the Bank's Gross NPA and Net NPA ratios stood at 1.66% and 0.40%, respectively, compared to 1.57% and 0.52% as on March 31, 2025. The reduction in Net NPA to 0.40% was on account of good recoveries made from previously slipped accounts.

While Gross Non-Performing Assets (GNPAs) increased by ₹171.32 crore to ₹669.78 crore as on March 31, 2026, from ₹498.46 crore as on March 31, 2025, the increase was largely attributable to stress in specific unsecured retail segments, particularly Credit Cards, Microfinance and Personal Loans and limited number of SME accounts. The Bank was able to contain the impact on overall asset quality through accelerated provisioning, focused recovery efforts and strong collection performance across secured portfolios. As a prudent measure, the Bank maintained an upfront provisioning of 50% against these unsecured accounts, compared to the regulatory requirement of 25%. Additionally, higher provisions were created in select accounts to address deterioration in the value of underlying securities, reflecting the Bank's conservative provisioning approach. The Net Non-Performing Assets (Net NPAs) declined by ₹5.30 crore to ₹158.23 crore from ₹163.53 crore during the same period. Despite the increase in Gross NPAs during the year, the Bank successfully reduced its Net NPA ratio by 0.12 percentage points, demonstrating the effectiveness of its recovery efforts and prudent risk management practices. The Bank's asset quality remained well within its controlled risk parameters. Further, the Provision Coverage Ratio (PCR), inclusive of write offs, improved significantly to 86.33% as on March 31, 2026, from 83.71% in the previous year.

In the corporate & SME portfolio, there remains potential for certain non-performing accounts to be upgraded to performing status through resolution and recovery initiatives, although such upgrades are generally more challenging in the retail segment. The secured retail portfolio, particularly Gold Loans and other collateral-backed lending segments, continued to demonstrate strong asset quality performance with low delinquency and credit cost levels, thereby providing stability to the overall loan portfolio..

Strong Asset Quality

The Bank has consistently maintained asset quality at healthy levels through a disciplined credit underwriting framework, robust credit monitoring mechanisms, and comprehensive risk management and audit practices. Stringent credit appraisal standards, coupled with effective credit control processes, have enabled the Bank to maintain strong oversight over its loan portfolio.

The Bank continues to strengthen its Early Warning Signal (EWS) framework through data-driven monitoring mechanisms, portfolio analytics and account-level supervision which enables proactive identification and resolution of emerging stress.

The Bank continues to closely monitor Special Mention Accounts (SMA) and maintain targeted collection and engagement strategies to prevent slippages into the NPA category. Further, through close monitoring of stressed accounts, timely intervention strategies, and effective recovery and follow-up mechanisms, the Bank has been successful in containing fresh slippages and preventing delinquency migration to the maximum extent possible. These efforts have contributed significantly to sustaining strong asset quality and reinforcing the Bank's risk management capabilities.

Going forward, the Bank expects asset quality trends to remain stable, supported by selective underwriting in higher-risk unsecured segments, strengthening collection infrastructure and continued focus on recoveries and resolutions.

Managing NPAs

The Bank follows a proactive stress management framework involving early identification of potential stressed borrowers through periodic portfolio reviews, early warning signals (EWS) and continuous monitoring of delinquent accounts. Targeted collection and engagement initiatives are undertaken at pre-NPA stages to maximize recoveries and minimize fresh slippages.

The Bank has adopted a focused and proactive approach towards the management and recovery of Non-Performing Assets (NPAs), resulting in sustaining / improving asset quality and optimization of credit costs. Enhanced recovery efforts have facilitated the reversal of provisions and help partially offset the impact of fresh slippages on credit costs.

The Bank's recovery strategy encompasses continuous engagement with borrowers and guarantors, timely follow-up actions, and the initiation of appropriate legal proceedings to maximize recoveries. Leveraging statutory recovery mechanisms such as the SARFAESI Act, the Recovery of Debts and Bankruptcy Act (RDB Act), and other legal remedies, the Bank initiates prompt recovery measures immediately upon accounts being classified as NPAs, thereby accelerating the recovery process and preserving asset value.

In addition, the Bank has effectively utilized government-supported recovery mechanisms, particularly the Revenue Recovery framework in the State of Kerala, which has proven beneficial in recovering dues from small-ticket and unsecured retail loan accounts. The Bank also actively explores opportunities for resolving stressed assets through One-Time Settlement (OTS) schemes, enabling faster resolution of non-performing accounts and expediting cash recoveries.

The Bank also pursues recovery efforts in written-off accounts which contributes to cash recoveries and strengthens overall recovery performance.

Through a combination of robust recovery processes, legal enforcement measures, borrower engagement initiatives, and resolution mechanisms, the Bank continues to strengthen its asset quality, minimize losses, and improve recovery outcomes across its portfolio.

An Overview of Asset Quality

The Bank's asset quality remained resilient during FY 2025-26, supported by strong risk management practices, prudent provisioning policies, and focused recovery efforts. Key asset quality indicators remained healthy, with the Gross NPA (GNPA) ratio at 1.66%, Net NPA (NNPA) ratio at 0.40%, and a Provision Coverage Ratio (PCR) of 86.33% including technical write-offs and 76.38% excluding technical write-offs. While the Gross NPA ratio witnessed a modest increase during the year, the Bank was able to improve its Net NPA ratio and strengthen its Provision Coverage Ratio through accelerated provisioning and effective management of stressed assets.

The Bank continued its practice of maintaining an accelerated provisioning policy by creating provisions above the minimum regulatory requirements prescribed by the Reserve Bank of India (RBI). In addition, the Bank maintained adequate contingent provisions intact created during peak covid period to strengthen its balance sheet and enhance its ability to absorb potential credit losses arising from unforeseen stress scenarios.

For several years, the Bank has consistently adopted a conservative provisioning approach, building provisions beyond the mandated regulatory norms to ensure greater resilience against credit risks. This prudent strategy reflects the Bank's strong commitment to financial discipline, robust risk management, and long-term balance sheet stability.

Looking ahead, the Bank remains focused on preserving asset quality through rigorous credit monitoring, early identification of stress signals, and timely recovery and resolution initiatives. Continuous efforts to contain fresh slippages, strengthen collection mechanisms, and proactively manage stressed assets will remain central to the Bank's strategy for sustaining a healthy and resilient loan portfolio.

Risk Factors

The Bank's business and financial performance are influenced by the quality of its loan portfolio and the evolving economic and regulatory environment. Any significant increase in Non-Performing Assets (NPAs), changes in income recognition and asset classification norms, or enhancements in provisioning requirements prescribed by the Reserve Bank of India (RBI) may adversely impact the Bank's profitability, financial condition, and capital adequacy.

Asset quality may be affected by a range of factors, including adverse macroeconomic conditions, economic slowdowns, inflationary pressures, sector-specific stress, geographic concentration risks, regulatory or policy changes, and unforeseen external events such as natural disasters, pandemics, or geopolitical developments. These factors could impair the repayment capacity of borrowers and potentially lead to higher delinquencies and NPA levels across the Bank's portfolio.

A significant increase in NPAs may necessitate higher provisioning requirements, which could adversely affect the Bank's earnings and financial performance. Additionally, prolonged stress in specific industries or borrower segments could impact recovery prospects and increase credit costs.

To mitigate these risks, the Bank has established a comprehensive credit risk management framework comprising robust underwriting standards, portfolio monitoring mechanisms, early warning signal systems, stress account management processes, and dedicated recovery initiatives. The Bank also conducts periodic portfolio reviews and closely monitors vulnerable sectors and borrower accounts to identify emerging risks at an early stage.

While these measures are designed to strengthen asset quality and minimize credit losses, there can be no guarantee that they will fully prevent future asset quality deterioration arising from adverse economic, regulatory, or external developments. Accordingly, continuous monitoring of the credit portfolio, prudent risk management practices, and timely corrective actions remain critical to maintaining the Bank's asset quality and financial resilience.

4. We could be subject to volatility in income from our investment portfolio.

Income from our investment portfolio is subject to volatility due to, among other things, changes in interest rates and foreign currency exchange rates, equity prices, net asset values (NAV) as well as other market fluctuations. For example, an increase in interest rates may have a negative impact on the value of certain investments such as Government securities and corporate bonds. Although we have operational controls and procedures in place that are designed to mitigate the extent of such losses, there can be no assurance that we will not lose income from investment due to any of the aforementioned factors. Any such losses could adversely affect our business, financial condition and results of operations.

5. Our business and financial performance are dependent on maintaining and building a successful branch network.

We have 862 branches across India as on March 31, 2026. The expansion and effectiveness of our retail banking business is dependent on building our branch network. Pursuant to changes in the RBI's licensing requirements, banks are now able to open branches under general permission in Tier 1 to Tier 6 cities without obtaining prior licensing approval from the RBI, subject to reporting requirements.

6. We have a regional concentration in southern India, particularly Kerala. A sustained downturn in these economies may adversely affect our business, results of operations and financial performance.

We have a regional concentration in southern India, particularly in Kerala. As on March 31, 2025, out of our total deposits of ₹ 36,861 Crore, Kerala and Tamil Nadu, constitutes 42% and 15% of our total deposits, respectively. Further as on March 31, 2026, out of our total deposits of ₹ 44,246

Crore, Kerala and Tamil Nadu, constitutes 37% and 15% of our total deposits, respectively. As on March 31, 2025, out of total gross advances of ₹ 31,842 Crore, Kerala and Tamil Nadu, respectively, constitutes 20% and 27% of our total gross advances. Further, as on March 31, 2026, out of total gross advances of ₹ 40,359 Crore, Kerala and Tamil Nadu, respectively, constitutes 18% and 25% of our total gross advances.

Our business concentration in South India exposes us more acutely to any adverse economic and/or political circumstances in the southern region of India as compared to other public and private sector banks that have a more diversified national presence. If there is a sustained downturn in the economies of South India, particularly in Kerala, our business, results of operations and financial performance may be adversely affected.

7. Any non-compliance with mandatory AML and KYC policies could expose us to additional liability with and harm our business and reputation risk.

In accordance with the requirements applicable to banks, we are mandated to comply with applicable AML and KYC regulations in India. These laws and regulations require us, among other things, to adopt and enforce AML and KYC policies and procedures. The bank has adopted policies and procedures aimed at collecting and maintaining all AML and KYC related information from our customers as per extant regulations. Further, the bank has put in place appropriate measures to continuously monitor the customer accounts in order to detect and prevent the use of our banking networks for illegal money-laundering activities.

Although we believe that we have adequate internal policies, processes and controls in place to prevent and detect any AML activity and ensure KYC compliance there may instances of potential or attempted violation by other parties and may accordingly be subject to regulatory actions including imposition of fines and other penalties by the relevant government agencies to whom we report. Our business and reputation could suffer if any such parties use or attempt to use the Bank for money-laundering or illegal or improper purposes and such attempts are not detected in time or reported to the appropriate authorities in compliance with applicable legal requirements

8. Indian banking regulations are extensive, and any change in regulations could materially affect our business.

The banking and financial sector in India is highly regulated and extensively supervised by authorities such as the RBI. Our business could be directly affected by any changes in laws, regulations and policies for banks. The Bank is also subject to regular financial inspection by the RBI. In the event that the Bank is unable to meet or adhere to the guidance or requirements of the RBI, the RBI may impose strict enforcement of its observations on the Bank, and the Bank may be subject to monetary fines and other penalties which may have an adverse effect on our business, financial condition and results of operations. The laws and regulations governing the banking sector in India, including those governing the products and services that the Bank provides, could change in future. Such changes may also affect foreign investment limits in the banking industry or our ability to invest in certain businesses. Any such changes may require us to modify our business, which may adversely affect our financial performance. The provisions of the Banking

Regulation Act, 1949 and guidelines issued by the RBI, from time to time, impose/ fullfill certain conditions on/by the Bank's to declare and pay dividends. The RBI also requires banks to maintain certain CRR and SLR, and increases in such requirements could affect our ability to expand credit. Any requirements by the RBI that specify changes in risk weighting and capital adequacy may adversely affect our business, financial condition and results of operations. Further, any action by any regulator to curb fund inflows into India could negatively affect our business.

In addition, the Banking Regulation Act confer powers on the RBI to supersede any decision of the board of directors of a bank and appoint an administrator to manage the bank for a period of up to 12 months. The RBI may exercise such power where it is satisfied, in consultation with the Central Government, that it is in the public interest to do so, to prevent the affairs of any bank from being conducted in a manner that is detrimental to the interest of the depositors, or for securing the proper management of any bank.

9. There are operational risks associated with the banking industry which may have an adverse impact on our results.

We are exposed to various types of operational risks associated with the banking industry, including the risk of fraud or other misconduct by employees, unauthorised transactions by employees or operational errors, such as clerical or record keeping errors. Fraud and other misconduct can be difficult to fully detect and deter. Given our high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk of technical system flaws or tampering or manipulation of these systems by employees resulting in losses. The Bank has implemented a robust system for onboarding outsourced vendors after analysing various risk factors and proper due diligence. The vendor engagement is also being reviewed on a periodic basis. However, there could still be factors some risk that such agencies might not be able to fulfil their contractual obligations to us in a proper manners.
We are also subject to the risk that the design of our controls and procedures may prove to be inadequate or may be circumvented thereby causing delays in detection of errors in information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, we have, in the past, suffered some losses from operational risk and there can be no assurance that we will not suffer losses from operational risks in the future.

10. Deterioration in the performance of any industry sector in which we have significant exposure may materially and adversely affect our business, financial condition and results of operations.

Our exposure to corporate borrowers is dispersed throughout various industry sectors. Despite monitoring our level of exposure to sectors and borrowers, any significant deterioration in the performance of a particular sector driven by events not within our control, such as natural calamities, regulatory action or policy announcements by central or state government authorities, would adversely impact the ability of borrowers within that industry to service their debt obligations to us. As a result, we would experience increased delinquency risk which may materially and adversely affect our business, financial condition and results of operations. The Bank has in place internal sectoral thresholds in order to mitigate risks arising out of concentration in sectoral exposures.

11. We may be unable to foreclose on, or experience delays in enforcing, collateral when borrowers default on their obligations, which could adversely affect our business, result of operations and financial condition.

We may be unable to foreclose on collateral when borrowers default on their obligations to us, which may result in failure to recover the expected value of such collateral security. A substantial portion of our loans to retail and corporate customers is secured by tangible collateral, predominantly property and equipment financed by us. A portion of our loans to corporate customers is secured by assets, including property, plant and equipment. Our loans to corporate customers also include working capital credit facilities that are typically secured by a first lien or charge on inventory, receivables and other current assets. In some cases, we may have taken further security of a first or second lien or charge on fixed assets, a pledge of financial assets (such as marketable securities), corporate guarantees and personal guarantees. While the Bank has in place a robust system for tracking pending perfections of security required as per sanction terms, legal delay in realization of debts and deterioration of collateral securities value are the major impediments in realization of our legitimate dues.

12. If customers or counter parties fail to meet their contracted obligations to us, it could adversely affect our results of operations and financial condition.

While the Bank has a robust credit appraisal process as well as policy safeguards at the time of onboarding of borrowers, some or all of our customers or counterparts may be unable or unwilling to meet their respective contractual commitments in relation to lending, trading, hedging, settlement and other financial transactions. This may materially and adversely affect our operations and may require us to engage in protracted litigation and recovery proceedings, which may not adequately compensate us for losses suffered by us. Such occurrences could adversely affect our results of operations and financial performance.

13. Our contingent liabilities could materially and adversely affect our financial performance and results of operations.

As at March 31, 2026, Contingent liabilities arising out of the ordinary course of business include liability on account of outstanding forward exchange contracts of ₹ 5,680.90 crore, guarantees given on behalf of constituents aggregating to ₹ 2,162.98 crore, and acceptances, endorsements and other obligations aggregating to ₹ 1,796.43 crore. In addition, we have contingent liabilities on account of claims against us that are not acknowledged as debts aggregating to ₹ 54.81 crore and other contingent liabilities aggregating to ₹ 128.18 crore. If these contingent liabilities materialise, fully or partly, our financial condition and results of operations may be materially and adversely affected.

14. Impact on income tax cases, if determined against us could have a material adverse impact on us.

We are involved in certain tax related legal proceedings that are incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various tribunals and appellate authorities. The Bank has filed appeals before various appellate authorities against the disallowances made by the Income Tax Department and Service Tax / GST Authority involving a disputed tax of ₹ 32.72 March 31, 2026. Any adverse outcome in any of these tax proceedings could have a material adverse impact on our financial condition and results of operations.

For CSB Bank Limited

Sijo Varghese
Company Secretary