CSB Bank
Trusted Heritage Smart Future

SEC/195/2026

August 13, 2026

BSE Limited,
Corporate Relationship Department,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400001.
Scrip code: 542867

National Stock Exchange of India Ltd.,
Listing Department,
Exchange plaza, 5th floor,
Bandra-kurla Complex,
Bandra (E), Mumbai 400051.
Symbol: CSBBANK

Dear Sir/Madam,

Revision in Outlook on the Bank's Tier II Bonds Issue Programme by India Ratings & Research

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Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that, India Ratings & Research, vide letter dated August 13, 2026, has revised the Outlook on the Bank's ₹500 Crore, Basel III-compliant Tier II Bonds issue Programme of the CSB Bank Limited (the "**Bank**") from '**Positive**' to '**Stable**', while reaffirming the rating at 'IND A'.

The Bank has not yet issued bonds as part of the programme.

The detailed rationale for the aforesaid revision as released by India Ratings & Research on August 13, 2026, is enclosed herewith.

Kindly take the same on record.

Thanking You.

Yours faithfully,

SIJO VARGHESE
Digitally signed by SIJO VARGHESE
Date: 2026.08.13 17:35:38 +05'30'

Sijo Varghese
Company Secretary

India Ratings Revises Outlook on CSB Bank's Tier II Bonds to Stable; Affirms at 'IND A'

Aug 13, 2026 | CSB Bank Limited | Private Sector Bank

India Ratings and Research (Ind-Ra) has revised the Outlook on CSB Bank Limited's (CSB Bank) Tier II bonds to Stable from Positive while affirming the rating at 'IND A' as follows:

Details of Instruments

Instrument Description	Regulator of Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating Assigned along with Watch/Outlook	Rating Action
Basel III-Compliant Tier II Bonds*	SEBI	-	-	-	5,000	IND A/Stable	Outlook revised to Stable; Affirmed

*Yet to be issued

Analytical Approach

Ind-Ra continues to take a standalone view of CSB Bank to arrive at the rating.

Detailed Rationale of the Rating Action

The Outlook revision reflects CSB Bank's slow traction in diversifying the franchise towards the retail and small and medium enterprises (SME) loan segments in FY26. The revision also factors in the bank's constrained current account savings account (CASA) ratio in FY26, weak retail liability franchise, and continued dependence on bulk deposits to fund its gold and wholesale franchise, which has led to a consistent moderation in profitability ratios. However, with the technology infrastructure stack in place, CSB Bank is re-orientating towards the retail segment to diversify the franchise in the medium to long term. The ability to scale the retail asset and liability segments while maintaining asset quality, improving liability granularity, and sustaining profitability is a key monitorable.

The affirmation reflects CSB Bank's consistent performance in increasing advances and deposits since FY24, comfortable capitalisation, stable profitability, and strong asset quality. Under the SBS 2030 strategy, CSB Bank has invested in technology platforms to boost growth, particularly in retail advances and deposits. However, the bank continues to exhibit geographical concentration. While it is pursuing diversification, this is likely to be gradual and materialise over the medium to long term.

List of Key Rating Drivers

Strengths

- Adequate capitalisation led by internal accruals
- Fairfax presence
- Profitability adequate with stable asset quality

Weaknesses

- Concentrated geographical profile; diversification underway
- Weak liability franchise
- Modest franchise with an aim to improve granularity

Detailed Description of Key Rating Drivers

Adequate Capitalisation Led by Internal Accruals: CSB Bank's common equity Tier 1 (CET1) ratio remained broadly stable at 18.96% in 1QFY27 (FY26: 18.93%; FY25: 20.59%), led by steady internal accruals. Ind-Ra does not expect the bank to require any material capital raise to support its medium-term growth plans. Its gross advances increased 24.05% yoy to INR408.67 billion in 1QFY27, primarily on strong 46.74% and 37.28% yoy growth in the gold and corporate loan portfolios, respectively. The bank's capital position continues to benefit from the sizeable share of gold loans in its portfolio, as these attract lower risk weights. Gold loans accounted for around 54% of the gross advances as of 1QFY27 (1QFY26: 45%), providing meaningful capital efficiencies under the prevailing regulatory framework.

Fairfax Presence: The rating continues to be supported by the presence of FIH Mauritius Investments Limited (FIH; Fairfax Holdings company) as a large investor (1QFY27: 40% stake). FIH's presence enhances CSB Bank's capability to attract talent and improve governance through best practices. CSB Bank also benefits from the various forms of support generally available from large investors with pedigree. The bank has, over the past few years, appointed senior management personnel and is likely to continue building upon the teams over the medium term. This enables CSB Bank to expand in terms of geography, scale, and products. Ind-Ra believes CSB Bank is unlikely to require capital support from its parent under normal operating conditions in the medium term. However, it expects the key shareholder to extend support, within regulatory limits, if required.

Profitability Adequate with Stable Asset Quality: CSB Bank's earnings profile benefits from the significant contribution of its gold loan portfolio, which has a higher yield and constituted about 54% of the total advances as of 1QFY27. Given its established franchise and expertise in this segment, coupled with prudent risk management controls such as loan-to-value monitoring, the bank has maintained a favourable risk-adjusted return profile. CSB Bank's operating metrics remained steady in FY26, supported by stable yields and loan book growth, particularly in the gold and corporate loan segments. Accordingly, the bank's pre-provisioning operating profit grew 19.3% yoy in FY26.

However, the increased cost of borrowings, particularly in bulk term deposits (TD) and foreign currencies with high interest rates, to fund advance growth have led to margin compression. The bank has recently been rebalancing its portfolio by increasing exposure to corporate loans, which typically offer lower yields than gold loans, suppressing margins. However, due to lower credit costs, CSB Bank managed to report a return on average risk-weighted assets (RORWA) of 2.83% in FY26 (FY25: 3.28%) and a return on average assets (ROA) of 1.29% (1.53%). The gross non-performing assets (NPAs) stood at 1.75% in 1QFY27 (FY26: 1.66%) and net NPAs at 0.39% (0.40%). The low net NPA level suggests minimal provisioning needs for legacy NPAs. The bank also had a contingent provision buffer of INR1.05 billion as of 1QFY27 accumulated through the bank's conservative and accelerated provisioning, and forms part of the overall excess provisions of INR1,980 million held above regulatory requirements. Overall, Ind-Ra expects CSB Bank's asset quality to remain under control in the medium term, with steady gross and net NPAs. Moreover, the bank is likely to derive operating leverage benefits from investments in its technology infrastructure.

Concentrated Geographical Profile; Diversification Underway: While CSB Bank continues to exhibit regional concentration, particularly in Kerala and Tamil Nadu, which accounted for 31% and 16% of its total branches in 1QFY27 (35% and 17% in FY24), this concentration is gradually declining. The share of advances from Kerala and Tamil Nadu reduced to 17% and 25% in 1QFY27 (FY24: 23% and 28%), respectively. A similar trend has been observed on the deposit side, with Kerala's contribution declining to around 37% in 1QFY27 (FY25: 42%; FY24: 47%). CSB Bank continues to diversify its geographic footprint.

Weak Liability Franchise: CSB Bank's total deposits grew 26.38% yoy to INR454.15 billion in 1QFY27 (FY26: 20.03% yoy; FY25: 24.03% yoy) with its CASA growing 4.43% yoy and the CASA ratio at 19.41%, which is below its peers and is a key monitorable. The growth was largely led by TDs, which grew 33.12% yoy and contributed 80.59% to the overall deposits in 1QFY27, of which bulk deposits contributed 52% (FY26: 50%; FY25: 43%), up 69% yoy (47%; 68%). The top 20 largest deposit providers contributed 23% to the total deposits at FYE26, which signals continued higher deposit concentration and the limited granularity of its funding base. The share of retail deposits in the TD mix reduced to 48% in 1QFY27 (1QFY26: 59%), indicating a reliance on higher-cost funding sources, including foreign currency borrowings, to support the loan growth.

CSB Bank has, over the past few years, invested in strengthening its liability franchise by developing products and processes, enhancing technology systems, establishing specialised business verticals, and augmenting its management and employee base. With much of this foundational build-out in place, the agency believes the bank's strategic focus has shifted towards execution and scaling up the franchise in FY27. The bank's ability to translate these investments into sustained business growth, particularly in improving CASA and retail TDs, and stronger profitability metrics is a key monitorable.

Modest Franchise with an Aim to Improve Granularity: CSB Bank operates a modest franchise, with its share in the overall advances and deposits each at around 0.2% at FYE26. The bank's franchise is primarily concentrated in the southern states of India. The bank's portfolio included 54% gold loans in 1QFY27 (1QFY26: 45%), 26% wholesale loans (23%), 11% SME loans (13%), and the rest retail loans. The bank has articulated a long-term strategic roadmap—'Sustain, Build, Scale 2030'—approved by the board, with a vision extending to FY30, wherein gold and corporate loans would together constitute 60%-65% with an equal share and the rest contributed by the SME and retail verticals.

CSB Bank has largely completed its technology transformation initiatives and is now focused on leveraging the enhanced platform to expand its retail franchise. The bank's strategy centres on establishing deeper liability relationships with target customer segments before cross-selling asset products, which could support customer acquisition and improve relationship profitability over time. As part of its diversification strategy, the bank intends to gradually increase the share of retail advances through growth in products such as home loans, loans against property, personal and consumer loans, and auto loans. While these initiatives should aid franchise expansion and reduce portfolio concentration over the medium term, the pace of scale-up and the bank's ability to maintain asset quality and profitability across the newer segments are key monitorables.

Liquidity

Adequate: CSB Bank's asset-liability management (ALM) profile is comfortable. While certain mismatches exist in the shorter-tenor buckets in its ALM, liquidity risks are mitigated by the bank's sizeable gold loan portfolio, which is characterised by a short contractual tenor. The bank also has a comfortable liquidity position, with an average liquidity coverage ratio of 109.27% as of March 2026, above the regulatory requirement. Furthermore, the bank held excess statutory liquidity ratio investments of around 37.78% over the prescribed requirement as of March 2026. Overall, Ind-Ra views the bank's liquidity and funding profile as adequate, supported by available liquidity reserves.

Rating Sensitivities

Positive: A positive rating action could result from an expansion in the franchise with product diversification while maintaining profitability (ROA above 1.3%) and capital buffers, improvement in geographical diversification, and improved granularity in the liability franchisee.

Negative: The bank's CET1 below 13%, equity erosion or slippages in the non-gold portfolio, and restructured assets exceeding 5% on a sustained basis could lead to a negative rating action.

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on CSB Bank, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

CSB Bank was established in 1920 as The Catholic Syrian Bank Limited. It is the oldest private sector bank in Kerala with 868 branches at end-1QFY27.

Key Financial Indicators

Particulars (INR billion)	FY26	FY25
Total assets	577.3	478.4
Total net worth	48.9	44.9
Net profit	6.33	5.94
Return on assets (%)	1.29	1.53
Common equity tier 1 ratio (%)	18.9	20.6
Capital adequacy ratio (%)	20.7	22.5
Source: CSB Bank		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (INR million)	Current Rating	14 August 2025	16 August 2024	17 August 2023
Basel III-Compliant Tier II bonds	Long-term	5,000	IND A/Stable	IND A/Positive	IND A/Stable	IND A/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Basel III-Complaint Tier II Bonds	Moderate

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Rating Bank Subordinated and Hybrid Securities

The Rating Process

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