SEC/201/2025

August 14, 2025

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

National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor,
Bandra-Kurla Complex,
Bandra (E), Mumbai 400051.
Symbol: CSBBANK

Dear Sir/Madam,

Revision in the outlook and Reaffirmation of Rating 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, we wish to inform you that, India Ratings & Research, vide its letter dated August 14, 2025, has revised the outlook on the ₹500 Crore Basel III-compliant Tier II Bonds Issue Programme of CSB Bank Limited (the "**Bank**") from '**Stable**' to '**Positive**', while reaffirming the rating at 'IND A'. The Bank has not yet issued bonds as part of the programme.

The rating rationale provided by India Ratings & Research is enclosed herewith.

Kindly take the same on record.

Thanking You.

Yours faithfully,

SIJO VARGHESE

Digitally signed by SIJO VARGHESE
DN: st=kerala, serialNumber=da67d16a892dbce0f63c24da300ebd6a93ef99e00629fb3f519fd7bc49a7ccee, postalCode=680020, ou=Secretarial Department, o=CSB BANK LTD, c=IN, cn=SIJO VARGHESE
Date: 2025.08.14 18:53:13 +05'30'

Sijo Varghese
Company Secretary

IndiaRatings & Research
A Fitch Group Company

India Ratings Revises Outlook on CSB Bank’s Tier II Bonds to Positive; Affirms ‘IND A’

Aug 14, 2025 | Private Sector Bank

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

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Basel III-complaint Tier II bonds*	-	-	-	INR5,000	IND A/Positive	Affirmed; Outlook Revised to Positive

Analytical Approach

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

Detailed Rationale of the Rating Action

The Outlook revision reflects CSB Bank’s ability to consistently deliver loan and deposit growth at twice the system level, which has led to incremental growth in the market share. This performance is underpinned by robust profitability metrics, notably a net profit/average risk weighted assets (RWA) of 3.3% in FY25, the highest among its peer group. The bank has been actively diversifying its product portfolio, with a larger focus on the corporate vertical and it has been re-orientating its approach towards the retail segment by improving its IT infrastructure. In the medium-to-long term, this would lead to moderation in the share of the gold segment and improve the bank’s diversification. Under its SBS 2030 strategy, CSB bank has invested in next-generation technology platforms, which will enable scalable growth in both advances and deposits, which should be visible from FY27.

The rating also factors in CSB Bank’s strong capitalisation, with a Tier-1 capital ratio of 20.59% as on 31.03.25, and the agency’s expectation that the bank will continue to maintain comfortable asset quality. CSB Bank has been pursuing geographical diversification, though this is likely to be a gradual process, materialising over the medium-to-long term. Despite its moderate franchise size, CSB Bank benefits from a high-yielding and low-risk gold loan portfolio, which constitutes nearly 44% of its loan book. The bank has also calibrated its corporate loan book toward higher-rated entities, with more than 80% rated ‘A’ and above, while rebalancing exposure to MSMEs and maintaining its agriculture gold loan book. These measures have positively impacted the bank’s risk-weighted asset profile. However, the rating is constrained by regional concentration, with Tamil Nadu contributing 27% and Kerala 20% of total advances, highlighting the need for further geographic diversification.

List of Key Rating Drivers

Strengths

- Adequate capitalisation backed by internal accruals
- Fairfax presence a positive
- Profitability remains adequate with minor short-term pressures; asset quality continues to be stable

Weaknesses

- Geographic footprint expanding, reducing concentration

- Deposit base needs to be strengthened
- Developing franchise with a gradually broadening asset mix

Detailed Description of Key Rating Drivers

Adequate Capitalisation Backed by Internal Accruals: CSB Bank's common equity tier 1 (CET1) ratio remained largely stable at 20.59% inFY25 (3QFY25: 19.73%), supported by internal accruals from sustained profitability as evident from Net Profit/ Average RWA of 3.3% in FY25. Given its strong internal capital generation, Ind-Ra does not anticipate any need for significant external capital infusion to support the bank's medium-term growth objectives. In Ind-Ra opinion, the bank should report return on asset of 1.4%-1.5% in FY26 with manageable credit costs, which will support the capital buffers.

During FY25, the bank's net advances grew by approximately 30% yoy to INR315.07 billion, while the total risk-weighted assets to gross advances ratio remained stable at 64.1% (FY24: 64%), indicating a consistent risk profile. The bank's healthy capital position is significantly supported by its gold loan portfolio, which carries lower risk weights. CSB Bank intends to maintain over 40% of its loan book in gold loans over the near-to-medium term, which is likely to continue providing capital relief under the current regulatory framework.

Fairfax Presence a Positive: The rating is supported by the presence of FIH Mauritius Investments Limited (FIH; Fairfax Holdings company) as a large investor (40% stake at FYE25). In FY18, FIH had provided CSB Bank with equity of about INR12 billion in FY18, leading to the write-off of legacy non-performing assets mostly by end-FY19. Moreover, its presence enhances the bank's capability to attract talent and improve governance through the implementation of best practices. CSB Bank also benefits from the various forms of support generally available with the backing of large investors with pedigree. The bank has, over the past few years, appointed many senior management personnel and is likely to build upon on teams over the medium term. This, along with a clean balance sheet, enables CSB Bank to expand beyond its comfort zone in terms of geography, scale and products. While Ind-Ra believes CSB Bank might not require capital support from its parent in a normal business scenario, it expects the key shareholder to provide support to the extent possible within the regulatory contours and its dilution commitment to the regulator.

Profitability Remains Adequate, With Minor Short-Term Pressures; Asset Quality Continues To Be Stable: CSB Bank's operating metrics remained steady in FY25, supported by stable yields and ,higher loan book growth, particularly in the retail and gold loan segments. Accordingly, the bank's pre-provisioning operating profit grew at a consistent CAGR of 14% during FY22-FY25. These factors are likely to underpin sustained profitability over the medium term, according to Ind-Ra.

CSB Bank's business model, with gold loans accounting for about 44% of its loan book, is characterised by shorter tenures. This aligns with its funding profile, which is also short-tenure deposits, albeit at a higher cost of borrowings (CoB). This along with foreign currency borrowings, which came at higher rate of interest to fund the wholesale book growth, have resulted in margin compression. The bank has been rebalancing its portfolio by increasing exposure to corporate loans, which typically offers lower yields than gold loans. This shift has led to some suppression of the net interest income (NII). However, due to lower credit costs, CSB Bank managed to report a return on Average Risk-Weighted Assets (RORWA) of 3.3%, and a return on assets (ROA) of 1.53% in FY25, higher than that reported by comparable peers. At FYE25, gross NPAs stood at 1.57% and net NPAs at 0.52%. Ind-Ra expects slippages and credit costs to remain low in FY26. The low net NPA level suggests minimal provisioning needs for legacy NPAs. Overall, Ind-Ra expects asset quality to remain strong, with gross and net NPAs holding steady.

Geographic Footprint Expanding, Reducing Concentration: While CSB Bank continues to exhibit regional concentration, particularly in Kerala and Tamil Nadu—which accounted for 33% and 16% of its total branches inFY25 (35% and 17% in FY24)—this concentration is gradually declining. The share of advances from Kerala and Tamil Nadu reduced to 20% and 27% in 4QFY25, down from 23% and 28%, respectively in FY24. A similar trend has been observed on the deposit side, with Kerala's contribution declining to approximately 42% in FY25 from 47% in FY24. The elevated geographic concentration heightens the bank's risk profile. However, CSB Bank's ongoing efforts to diversify its geographic footprint are viewed positively and Ind-Ra expects the same to enhance the bank's overall risk resilience.

Deposit Base Needs To Be Strengthened: CSB Bank's total deposits grew by 24% yoy to INR368.61 billion in FY25 (FY24: INR297.19 billion; FY23: INR245 billion), which has led to higher incremental market share at system level, though the CASA profile at 24% remains weak and a key monitorable. Furthermore, the bank term deposits contributed 75% to the total deposits, with the top 20 term deposits contributing 22%. This signals continued higher deposit concentration (FY24: 23%), and the granularity of its funding base remains limited. The combined share of CASA and retail term deposits (RTD) stood at 67% in FY25 and remains low in comparison to peers. This indicates a reliance on higher cost funding sources, including foreign currency borrowings, which have been used to support the corporate loan book but come at elevated interest rates. To increase the liability franchise, CSB Bank aims to expand its distribution network to improve reach and customer acquisition, and it also plans to leverage business correspondent (BC) partnerships to enhance deposit mobilisation and improve the granularity and cost-efficiency of its funding base. The bank opened 56 new branches in FY25 and plans to establish an additional 60- 70 branches in FY26. These new branches, once operationally mature, are likely to contribute to more granular deposit mobilisation and to broaden the bank's funding base.

Developing Franchise with a Gradually Broadening Asset Mix: CSB Bank operates a modest franchise, with its share in overall advances and deposits remaining below 0.4%. The bank's franchise is primarily concentrated in the southern states of India. In FY25, the bank's portfolio composition included 44% gold loans (FY24: 42%), 33% small and medium enterprises and retail loans (FY24: 34%), and 23% corporate loans. Over the past two to three years, CSB Bank has broadened its product offerings and revised credit policies across multiple segments. The bank has also articulated a long-term strategic roadmap— 'Sustain, Build, Scale 2030'—approved by the board, with a vision extending to FY30.

CSB Bank is actively scaling up its presence across various retail lending segments, including home loans, loans against property, personal and consumer loans, and auto loans. While these segments currently represent a small portion of the overall portfolio, they are likely to gain traction over time. In the medium term, the bank will continue to prioritise gold loans, leveraging their higher yields, lower credit costs, and favorable risk weights. Over the long term, CSB Bank aspires to evolve into a mid-sized, pan-India bank with a well-diversified loan portfolio.

Liquidity

Adequate: CSB Bank's one-year cumulative surplus (assets less liabilities maturing in one year) was about 15% of the total inflow at FYE25. This also factors in above 85% renewal rate of their term deposits, which is higher than that of some of the larger banks. The liquidity coverage ratio (average) stood at 124% at FYE25 (FYE24: 118%) , well above the regulatory prescriptions. CSB Bank has excess statutory liquidity ratio investments of about INR47.9 billion (mostly in liquid investments where modified duration is less than one year) for liquidity support. The bank's deposit rates are comparable to those of higher rated banks despite its savings account rates being lower than that of even some of the higher rated banks.

Rating Sensitivities

Positive: A positive rating action could result from significant growth in the franchise while maintaining ROAs of above 1.3%, supported by the maintenance of adequate capital buffers, an improvement in geographical diversification, and an improved liability franchisee

Negative: The bank's CET1 falling below 13%, equity erosion or slippages in 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 829 branches at 4QFYE25.

Key Financial Indicators

Particulars	FY25	FY24
Total assets (INR billion)	478.3	360.5
Total net worth (INR billion)	44.9	38.0
Net profit (INR billion)	5.94	5.67
Return on assets (%)	1.53	1.79
Common equity tier 1 ratio (%)	20.6	23.1
Capital adequacy ratio (%)	22.5	24.5
Source: CSB Bank		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Ratings	Historical Rating/Outlook		
				16 August 2024	17 August 2023	18 August 2022
Basel III-complaint Tier II bonds	Long-term	INR5.0	IND A/Positive	IND A/Stable	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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About India Ratings

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

The Rating Process

Financial Institutions Rating Criteria

Rating Bank Subordinated and Hybrid Securities