The South Indian Bank Limited

July 29, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Certificate of Deposit	RBI	7,500.00	CARE A1+	Reaffirmed
Tier-II Bonds	SEBI	-	-	Withdrawn
Tier-II Bonds	SEBI	250.00	CARE AA-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

#Tier-II Bonds under Basel III are characterised by a 'Point of Non-Viability' (PONV) trigger, due to which, the investor may suffer a loss of principal. PONV will be determined by the Reserve Bank of India (RBI) and is a point at which, the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations, and thus, enable it to continue as a going concern. In addition, the difficulties faced by a bank should be such that these are likely to result in the financial losses and raising the Common Equity Tier-I capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable.

Rationale and key rating drivers

Reaffirmation of ratings assigned to the debt instruments of The South Indian Bank Limited (SIBL) factors in improvement in financial risk profile and business performance over the last few years, marked by improving asset quality and profitability while maintaining healthy capitalisation levels.

Ratings continue to factor in long track record of operations, diversified advances portfolio, and established franchise largely in the southern states of India with a dominant share in Kerala.

However, ratings are constrained by regional concentration of its business, and its moderate profitability, asset quality, and scale of operations compared to private sector peers.

CARE Ratings Limited (CareEdge Ratings) expects SIBL's business to grow at par with the industry while maintaining adequate capitalisation and witnessing diversification in the advances mix with increase in proportion of retail and Micro, Small and Medium Enterprises (MSME) advances. The bank's asset quality parameters are expected to remain stable in the near term and sustenance of improved profitability remains a key monitorable.

CareEdge Ratings has withdrawn ratings of 'CARE AA-; Stable' assigned to the Tier-II Bonds (ISIN: INE683A08036) on redemption by exercise of call option and (ISIN: INE683A08028) on redemption with immediate effect. This action has been taken considering full redemption of Tier-II Bonds and confirmation received from the debenture trustee.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors – Factors that could individually or collectively, lead to positive rating action/upgrade:

- Sustained improvement in asset quality and profitability while increasing the scale of operations and maintaining healthy capitalisation levels.

Negative factors – Factors that could individually or collectively, lead to negative rating action/downgrade:

- Deterioration of asset quality levels with gross non-performing assets (GNPA) ratio remaining above 5% on a sustained basis.
- Decline in the capitalisation levels with CET-1 (common equity tier-1) ratio remaining below 11.5% on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority
[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

The Stable outlook factors in the CareEdge Ratings' expectation that SIBL will continue to report healthy business growth while improving profitability and maintaining adequate capitalisation levels.

Detailed description of key rating drivers

Key strengths

Long-standing track record of operations
Established in 1929, SIBL was the first 'scheduled bank' among private banks in Kerala. The bank has a proven track record of over 98 years. SIBL has strong presence in south India, particularly in Kerala. As on June 30, 2026, SIBL had network of 953 branches and 1,274 ATMs.

Established depositor base helping stable and granular deposits
The bank has an established depositor base in southern India, especially in Kerala, which contributed ~63% to total deposits as on March 31, 2026. In FY26, overall deposits grew by ~15% and stood at ₹1,23,346 crore as on March 31, 2026. The bank's current account and savings account (CASA) deposits grew by ~17% in FY26 and constituted 32.12% of total deposits as on March 31, 2026 (March 31, 2025: 31.37%) and 32.98% as on June 30, 2026.

The bank's cost of deposit decreased by 9 bps in FY26 to 5.34% from 5.43% in FY25. The depositor profile is granular with the retail term deposits constituting ~96% of total term deposits as on March 31, 2026. CareEdge Ratings expects SIBL to benefit from its established deposit franchise, which would help the bank raise deposits at competitive rates.

Diversified advances portfolio
Over the last few years, the bank has focused on diversifying its portfolio with increasing the share towards retail and corporate advances. The bank formulated its growth strategy in FY21 by changing the credit underwriting mechanisms which has helped the bank improve diversification and maintain asset quality of its newly originated book (advances generated from October 2020).

Retail advances constituted ~29% and advances towards corporates constituted ~38% as on March 31, 2026 against ~26% and ~41%, respectively, as on March 31, 2025. This shift comes from proportion of 24% and 27% as on as on March 31, 2022. The bank focused on gold loans (includes agriculture gold loans), which witnessed a substantial growth of ~46% in FY26 as gold loan increased from ₹16,982 crore in FY25 to ₹24,729 crore in FY26. The bank's MSME advances stood at ₹13,778 crore constituting ~14% of the total advances as on March 31, 2026. As on March 31, 2026, advances portfolio had diversified mix with corporate advances of 38%, retail advances of 29%, agriculture advances of 19% and business advances of 14%. SIBL's advances (net) grew by ~16% and stood at ₹99,260 crore as on March 31, 2026, against ₹85,682 crore as on March 31, 2025, driven largely by retail, agriculture and MSME (RAM) segment.

CareEdge Ratings expects the momentum in growth to continue, with the bank growing its advances in line with the industry. The bank remains focussed towards retail and MSME advances with a view to improve profitability.

Improvement in capitalisation levels supported by internal accruals
SIBL's capitalisation levels remained comfortable over the last four years with adequate cushion over the minimum regulatory requirement. SIBL reported capital adequacy requirements (CAR) of 19.66% and Tier-I CAR (entirely CET I) of 18.76% as on March 31, 2026. In FY26, the bank redeemed Tier-II bonds amounting to ₹790 crore. As on June 30, 2026, CAR stood at 19.62% and Tier-I (entirely CET I) stood at 18.93%.

The bank raised equity capital of ₹1,151 crore in FY24 which boosted the bank's net worth base and the net-worth stood at ₹11,078 crore as on March 31, 2026. The bank's capitalisation levels have been supported by internal accruals considering improved profitability over the years enhancing the bank loss absorption capacity and fund growth in advances in the medium term.

CareEdge Ratings expects the bank's capitalisation levels to remain comfortable and is expected to support growth over the medium term.

Stable profitability levels despite decline in NIM in FY26
The bank has seen improvement in earnings over the last four years with improving operating profit and stable credit costs. While the net advances grew by ~16%, the yield on advances decreased from 9.20% in FY25 to 8.39% in FY26. Along with slower decrease in cost of deposits from 5.43% in FY25 to 5.34% in FY26, impacted the net interest margin (NIM) (net interest income as a percentage of average total assets) as it decreased to 2.59% in FY26 from 2.89% in FY25 due to lag in repricing of deposits considering rate cuts compared to advances getting repriced immediately. Non-interest income increased from ₹1,813 crore in FY25 to ₹2,009 crore in FY26 majorly due to increase in treasury income.

The cost to income improved from 57.16% in FY25 to 56.43% in FY26. As a result, pre-provision operating profit (PPOP) increased to ₹2,373 crore in FY26 from ₹2,270 crore in FY25. The credit cost decreased to 0.31% in FY26 from 0.43% in FY25. Consequently, the bank reported profit after tax (PAT) of ₹1,455 crore in FY26 from ₹1,303 crore in FY25 and return on total assets (ROTA) improved marginally to 1.10% in FY26 from 1.08% in FY25.

In Q1FY27, the bank reported a marginal increase of ~1% in its total income supported by increase in net interest income (NII), which was partially offset by decrease in non-interest income. The bank reported PAT of ₹378 crore in Q1FY27, compared to PAT of ₹322 crore in Q1FY26.

While CareEdge Ratings expects NIMs to remain in pressure in line with the overall banking scenario, the bank's ability to increase its focus on retail and MSME advances and maintain its ROTA will be a key monitorable.

Key weaknesses

Moderate, albeit improving, asset quality
While the bank's GNPA improved over the last three years from 5.14% in FY23 to 1.43% in FY26 (FY25: 3.20%) with slippages reducing from 1.53% in FY25 to 0.85% in FY26, this remained comparable to peer banks. Provision coverage ratio (PCR) improved from 71.77% in FY25 to 79.87%, while net non-performing asset (NNPA) reduced from 0.92% as on March 31, 2025, to 0.29% as on March 31, 2026. The NNPA to net worth ratio also improved from 8.10% as on March 31, 2025, to 2.60% as on March 31, 2026. The improvement was primarily driven by lower slippages and higher write-offs compared to previous year.

The improved recovery has enabled a better asset quality position of the bank. GNPA and NNPA stood at 1.38% and 0.26% as on June 30, 2026.

The bank's net stressed assets (net standard restructured asset + net security receipts outstanding + NNPA) as a percentage of net worth improved to 5.17% as on March 31, 2026, against 12.11% as on March 31, 2025, and stressed assets (standard restructured asset + security receipts outstanding + GNPA) as a percentage of gross advances stood at 1.74% as on March 31, 2026, against 3.78% as on March 31, 2025. CareEdge Ratings expects the bank's asset quality parameters to remain stable in the near term.

Regional concentration
The bank's operations remain mainly concentrated in South India, especially in Kerala. In terms of advances, Kerala accounted for 30% of total advances, whereas South India accounted for 63% of advances as on March 31, 2026. In terms of deposits, Kerala accounted for 63% of total deposits.

Liquidity: Adequate

The liquidity profile of the bank remained adequate with no negative cumulative mismatches in the time buckets up to one year per asset liability maturity (ALM) statement as on March 31, 2026. SIBL had excess Statutory Liquidity Ratio (SLR) investments of ~₹1,977 crore as on June 30, 2026 (1.56% of net demand and time liabilities). SIBL's liquidity coverage ratio and net stable funding ratio (NSFR) remained comfortable at ~132% and 145%, respectively, for the quarter ended June 30, 2026, against the minimum regulatory requirement of 100%. The bank also has access to systemic liquidity by way of RBI's liquidity adjustment facility (LAF) and marginal standing facility (MSF) schemes.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

While SIBL's business model limits its direct exposure to environmental risks, credit risk may arise if operations of asset class of the portfolio are adversely impacted by environmental factors.

Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect the bank's regulatory compliance and reputation and hence remains a key monitorable.

SIBL's Board comprises 10 Directors, with six Independent Directors, and one female Director.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Banks
Financial Ratios - Financial Sector
Withdrawal Policy
Short Term Instruments
Rating Basel III - Hybrid Capital Instruments issued by Banks

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Private sector bank

Established in 1929, SIBL was the first 'scheduled bank' among the private banks in Kerala. SIBL has no identifiable promoter, and the shareholding pattern is well diversified. It has strong presence in south India, particularly in Kerala. As on June 30, 2026, SIBL had a network of 953 branches and 1,274 ATMs across the country. As on June 30, 2026, the bank's net total business stood over ₹2.29 lakh crore.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total income	11,227	11,856	3,007
Profit after tax (PAT)	1,303	1,455	378
Total assets	124,313	141,418	144,451^
Net interest margin (NIM) (%)	2.89	2.59	2.86#
Gross non-performing assets (NPA) (%)	3.20	1.43	1.38
Net NPA (%)	0.92	0.29	0.26
Capital adequacy ratio (CAR) (%)	19.31	19.66	19.62

A: Audited; UA: Unaudited; Note: these are latest available financial results, ^reported, #annualised

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Tier II Bonds	SEBI	Complex	INE683A08036	28-Nov-2017	9.50%	28-May-2028	0.00	Withdrawn
Bonds-Tier II Bonds (proposed)	SEBI	Complex	-	-	-	-	250.00	CARE AA-; Stable
Bonds-Tier II Bonds	SEBI	Complex	INE683A08028	30-Sep-2015	10.25%	31-Oct-2025	0.00	Withdrawn
Certificate Of Deposit (proposed)	RBI	Simple	-	-	-	-	7500.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2026-2027	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024
1	Certificate Of Deposit	ST	7500.00	CARE A1+	-	1)CARE A1+ (31-Jul-25)	1)CARE A1+ (25-Sep-24)	1)CARE A1+ (28-Sep-23)
2	Bonds-Tier II Bonds	LT	-	-	-	1)CARE AA-; Stable (31-Jul-25)	1)CARE A+; Stable (25-Sep-24)	1)CARE A+; Stable (28-Sep-23)
3	Bonds-Tier II Bonds	LT	-	-	-	1)CARE AA-; Stable (31-Jul-25)	1)CARE A+; Stable (25-Sep-24)	1)CARE A+; Stable (28-Sep-23)
4	Bonds-Tier II Bonds	LT	250.00	CARE AA-; Stable	-	1)CARE AA-; Stable (31-Jul-25)	1)CARE A+; Stable (25-Sep-24)	1)CARE A+; Stable (28-Sep-23)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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