June 29, 2026

# The Karur Vysya Bank Limited: Ratings reaffirmed; rated amount enhanced

## Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|---|---|---|---|
| **Certificates of deposit** | 10,000.00 | 12,000.00 | [ICRA]A1+; reaffirmed/assigned for enhanced amount |
| **Issuer Rating** | - | - | [ICRA]AA (Stable); reaffirmed |
| **Total** | **10,000.00** | **12,000.00** | |

**Instrument details are provided in Annexure II*

## Rationale

The ratings continue to factor in the comfortable buffer maintained by The Karur Vysya Bank Limited (KVB) for its Tier I capital ratio. This is largely supported by the advances mix, with the high share of gold loans attracting nil risk weights, and the improved and healthy rate of internal accruals in recent years. KVB's return on average total assets (RoA) increased to 1.96% in FY2026 from 1.73% in FY2025 (<1.0% between FY2020 and FY2022). This was supported by the improvement in the bank's asset quality profile in recent years, with the lower fresh non-performing advances (NPA) generation rate resulting in a decline in credit costs. The headline asset quality metrics have also remained steady with gross NPA (GNPA) and net NPA (NNPA) ratios of 0.75% and 0.19%, respectively, as on March 31, 2026, compared to 0.76% and 0.20%, respectively, as on March 31, 2025, and much lower than the private sector banks' (PVB) average of 1.60% and 0.47%, respectively, as on March 31, 2026.

KVB's current account and savings account (CASA) ratio stood at 26.9% as on March 31, 2026, remaining below the PVB average. The bank's deposit franchise has largely been retail, with retail term deposits and CASA forming 75[1]% of total deposits as on March 31, 2026. However, in recent years, with the focus on the institutional clientele on the liabilities side, the concentration of the top 20 depositors in total deposits increased to 11.21% as on March 31, 2026 and 11.61% as on March 31, 2025 compared to 4.62% as on March 31, 2022.

Nonetheless, the asset quality continues to be a near-term monitorable due to the potential impact of macroeconomic shocks, geopolitical concerns and persisting stress in the micro, small and medium enterprise (MSME) sector. Moreover, since the regional and borrower segment concentration of KVB's operations remains high, its assets and liabilities are exposed to local socio-economic and political risks.

The Stable outlook on the long-term rating reflects ICRA's expectation that the bank will be able to maintain a steady credit profile with healthy earnings, stable asset quality and comfortable capital cushions with the same expected to remain above the negative triggers.

## Key rating drivers and their description

### Credit strengths

**Comfortable capitalisation** – KVB's capitalisation profile remains comfortable with the reported core equity Tier I (CET I) and capital-to-risk weighted assets ratio (CRAR) at 17.72% and 18.76%, respectively, as on March 31, 2026, providing sufficient buffers over the regulatory ask. Healthy internal accretion, which was supported by the bank's profitability in the past few years as reflected by the return on equity (RoE) of 17.79% in FY2026 and 16.28% in FY2025, further enhances the capitalisation profile. The relatively low risk-weighted density of the asset base is driven by the significant share of gold loans (~30% of net

*[1] Proportion of total CASA and retail term deposits, with a ticket size of less than Rs. 1 crore, in the total deposits*

advances including agriculture gold loans), which attract nil risk weight. ICRA expects KVB to maintain comfortable cushions above the regulatory Tier I requirements of 9.5% and the negative triggers.

**Healthy earnings profile** – KVB’s net interest margin (NIM) improved to 3.86% of average total assets in FY2026 from 3.79% in FY2025 mainly due to faster deposit repricing during the low systemic interest rate cycle. This, supported by the marginal improvement in the operating cost to income ratio and benign net credit costs, led to the reported RoA of 1.96% in FY2026 (1.73% in FY2025). While ICRA takes note of the improvement in the RoA, mobilisation of deposits to fund future growth in a rising interest rate scenario may lead to pressure on the bank’s profitability profile. Nonetheless, KVB is expected to maintain healthy profitability with the RoA likely to trend above ICRA's negative trigger of 1% in the near-to-medium term.

**Granular asset and liability base** – KVB has an operational track record of more than 109 years, and it has established a retail franchise in southern India. Its branch network stood at 901 as on March 31, 2026, with more than 81% in the southern states of Tamil Nadu, Andhra Pradesh, Telangana, Kerala and Karnataka. Over the years, the bank has built a granular asset profile with the share of the top 20 exposures at ~4% of total exposures (3.81% as on March 31, 2025) and 30% of the Tier I capital as on March 31, 2026 (35% as on March 31, 2025). Meanwhile, the deposit base remains granular with limited dependence on wholesale deposits, corroborated by the high share (~75% as on March 31, 2026) of retail term deposits and CASA in total deposits.

## Credit challenges

**Moderate scale and geographically concentrated operations** – As on March 31, 2026, KVB had a modest market share of 0.47% in net advances and 0.46% in deposits. Its operations remain geographically concentrated with more than 81% of its total branches (901) located in South India and ~55% in Tamil Nadu as on March 31, 2026 (55% as on March 31, 2025). These states also accounted for a sizeable share of the bank’s total advances exposure as on March 31, 2026. Moreover, as the liability profile is largely granular in nature, its geographical distribution would be similar. Such concentration exposes the bank’s assets to local socio-economic and political risks. ICRA expects KVB’s operations to remain regionally concentrated with the same unlikely to improve in the near-to-medium term.

**Asset quality remains monitorable** – KVB’s gross and net NPA ratios have improved significantly from the high levels of 8.51% and 3.69%, respectively, as on March 31, 2020 and presently trend comfortably at 0.75% and 0.19%, respectively, as on March 31, 2026, compared to the private bank (PVB) average of 1.60% and 0.47% respectively as on March 31, 2026. However, given the bank’s borrower profile, which comprises a higher share of MSME and small business segments, the exposure to macro-economic shocks remain high. Amid the current geo-political concerns including the West Asia conflict, the sensitivity of the borrowers to demand shocks, input cost volatility and working capital disruptions, remains heightened and poses potential asset quality pressures in a stress scenario. Against this backdrop, KVB’s ability to contain slippages and maintain high recovery rates will remain key for sustaining healthy asset quality in the near-to-medium term. Furthermore, with the high share of gold loans in the overall loan book, the performance of the retail segment will remain exposed to regulatory changes as well as any sharp correction in gold prices.

## Environmental and social risks

While banks like KVB do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, the same could translate into credit risks for banks. However, such risk is not material for KVB as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure. KVB has not faced material lapses over the years. Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce the operating costs. KVB has been making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the underserved segments, its lending practices remain prudent as reflected in the healthy asset quality numbers in this segment compared with its peers.

## Liquidity position: Strong

KVB's liquidity profile remains strong, reflected by its reported liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of 125% and 136%, respectively, for Q4 FY2026 against the regulatory ask of minimum 100%. Moreover, its structural liquidity statement, as on March 31, 2026, depicts a well-matched asset-liability profile with comfortable positive cumulative mismatches for all buckets up to one year. This continues to be supported by excess statutory liquidity ratio (SLR) investments of 5.51% of net demand and time liabilities (NDTL) as on even date. Access to call money markets and the Reserve Bank of India's (RBI) repo and marginal standing facility (MSF), in case of liquidity-related exigencies, further strengthen KVB's liquidity profile.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the rating if the bank continues to maintain healthy asset quality and profitability while increasing the geographical diversification of its assets and liabilities.

**Negative factors** – ICRA could downgrade the ratings if there is a deterioration in the solvency profile with the same remaining weaker than 20% or if the cushion over the regulatory Tier I capital adequacy falls below 3% on a sustained basis. Further, the inability to internally generate growth capital (RoA below 1.0%) on a sustained basis or a deterioration in the liability franchise will be a negative trigger.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | ICRA's Rating Methodology for Banks and Financial Institutions |
| **Parent/Group support** | Not applicable |
| **Consolidation/Standalone** | Standalone |

## About the company

Incorporated in 1916 by the local trader community, The Karur Vysya Bank (KVB) is one of the oldest private sector banks in the country. Based in South India, it was formed to provide financial support to traders and agriculturists in and around Karur, Tamil Nadu. As on March 31, 2026, it had a network of 901 branches with South India constituting more than 81% of the total branches. KVB's net advances stood at Rs. 98,191 crore as on March 31, 2026, with a presence in the corporate, commercial, retail and agriculture segments.

In FY2018, the bank embarked on a business model transformation to centralise its credit functions. In FY2020, it took a strategic initiatives, including KVB Neo (Open Market Channel), to enable business growth by leveraging technology and partnering with fintech companies. KVB reported a net profit of Rs. 2,510 crore in FY2026 on an asset base of Rs. 1,36,604 crore on March 31, 2026, compared to a net profit of Rs. 1,942 crore in FY2025 on an asset base of Rs. 1,19,367 crore as on March 31, 2025.

### Key financial indicators (standalone)

| The Karur Vysya Bank | FY2025 | FY2026 |
|---|---|---|
| **Total operating income^** | 6,018 | 6,841 |
| **Profit after tax** | 1,942 | 2,510 |
| **Total assets (Rs. lakh crore)** | 1.19 | 1.37 |
| | | |
| **Return on average total assets** | 1.73% | 1.96% |
| **CET I** | 17.12% | 17.72% |
| **CRAR** | 18.17% | 18.76% |
| | | |
| **Gross NPAs** | 0.76% | 0.75% |
| **Net NPAs** | 0.20% | 0.19% |

*Source: Bank and ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore unless mentioned otherwise*
*^Includes net interest income and non-interest income net of trading and revaluation gains*

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

## Rating history for past three years

| Instrument | Current rating (FY2027) | | | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Type | Rated amount (Rs. crore) | Jun 29, 2026 | FY2026 | | FY2025 | | FY2024 | |
| | | | | Date | Rating | Date | Rating | Date | Rating |
| **Certificates of deposit** | Short term | 12,000.00 | [ICRA]A1+ | Jun 20, 2025 | [ICRA]A1+ | Jul 17, 2024 | [ICRA]A1+ | Nov 27, 2023 | [ICRA]A1+ |
| | | | | - | - | Nov 29, 2024 | [ICRA]A1+ | - | - |
| | | | | - | - | Dec 11, 2024 | [ICRA]A1+ | - | - |
| **Issuer Rating** | Long term | - | [ICRA]AA (Stable) | Jun 20, 2025 | [ICRA]AA (Stable) | - | - | - | - |
| | | | | - | - | - | - | - | - |
| | | | | - | - | Dec 11, 2024 | [ICRA]AA (Stable) | - | - |
| **Basel III Tier II bonds** | Long term | - | - | - | - | Jul 17, 2024 | [ICRA]AA- (Stable); withdrawn | Nov 27, 2023 | [ICRA]AA- (Stable) |
| | | | | - | - | - | - | - | - |
| | | | | - | - | - | - | - | - |

*Source: Bank and ICRA Research*

**Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026**

**ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:**

| Sr. No. | Instrument | FSR |
|---|---|---|
| 1 | Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities) | SEBI |
| 2 | Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities) | MCA |
| 3 | Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*) | SEBI |
| 4 | Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*) | SEBI |
| 5 | Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*) | RBI |
| 6 | Listed Commercial Paper and NCDs with original maturity less than 1 year | RBI |
| 7 | Unlisted Commercial Paper and NCDs with original maturity less than 1 year | RBI |
| 8 | Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ($) | RBI |
| 9 | External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings | RBI |
| 10 | Certificates of Deposit | RBI |
| 11 | Fixed Deposits raised by NBFCs, Banks, HFCs, FIs | RBI |
| 12 | Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs | MCA |
| 13 | Inter Corporate Deposits/Loans extended by Corporates | MCA |
| 14 | Listed Security Receipts | SEBI |
| 15 | Unlisted Security Receipts | RBI |
| 16 | Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*) | Investor-side Regulator such as IRDAI, PFRDA (%) |

*(*) Includes securitisation transactions involving assignee payout, acquirer's payout.*

*($) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.*

*(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.*

**Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:**

| Sr. No. | Activity Name | FSR |
|---|---|---|
| 1 | Credit Ratings for Capital Protection Oriented Schemes (by Mutal Funds and AIFs) | SEBI |
| 2 | Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs | SEBI |
| 3 | Independent Credit Evaluation (ICE) | RBI |
| 4 | Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs) | RBI |
| 5 | Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities)) | SEBI |
| 6 | Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities)) | MCA |
| 7 | Credit Rating of Borrowing programme | (@) |
| 8 | Issuer Ratings | (#) |
| 9 | Monitoring Agency | SEBI |
| 10 | Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs) | NA |

*(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.*

*(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.*

**Disclosure**: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

## Complexity level of the rated instrument

| Instrument | Complexity indicator |
|---|---|
| **Certificates of deposit** | Very Simple |
| **Issuer Rating** | Not Applicable |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instruments credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

### Annexure II: Instrument details

| ISIN | Instrument name | Date of issuance | Coupon rate | Maturity date | Amount rated (Rs. crore) | Current rating and outlook |
|---|---|---|---|---|---|---|
| **INE036D16JD3** | **Certificates of deposit** | Sep 18, 2025 | 6.70% | Sep 18, 2026 | 500.00 | [ICRA]A1+ |
| **INE036D16JK8** | **Certificates of deposit** | Nov 24, 2025 | 6.75% | Nov 23, 2026 | 250.00 | [ICRA]A1+ |
| **INE036D16JL6** | **Certificates of deposit** | Nov 27, 2025 | 6.75% | Nov 27, 2026 | 250.00 | [ICRA]A1+ |
| **INE036D16JW3** | **Certificates of deposit** | Feb 18, 2026 | 7.20% | Feb 18, 2027 | 500.00 | [ICRA]A1+ |
| **INE036D16JY9** | **Certificates of deposit** | Feb 23, 2026 | 7.20% | Feb 23, 2027 | 500.00 | [ICRA]A1+ |
| **INE036D16KD1** | **Certificates of deposit** | May 07, 2026 | 7.01% | Sep 15, 2026 | 500.00 | [ICRA]A1+ |
| **INE036D16KE9** | **Certificates of deposit** | May 13, 2026 | 7.00% | Aug 12, 2026 | 850.00 | [ICRA]A1+ |
| **INE036D16KF6** | **Certificates of deposit** | May 15, 2026 | 7.00% | Aug 14, 2026 | 750.00 | [ICRA]A1+ |
| **INE036D16KG4** | **Certificates of deposit** | May 27, 2026 | 7.75% | Aug 25, 2026 | 500.00 | [ICRA]A1+ |
| **INE036D16KH2** | **Certificates of deposit** | Jun 05, 2026 | 7.50% | Sep 04, 2026 | 500.00 | [ICRA]A1+ |
| **INE036D16KI0** | **Certificates of deposit** | Jun 11, 2026 | 7.20% | Sep 10, 2026 | 500.00 | [ICRA]A1+ |
| **NA** | **Certificates of deposit** | NA | NA | NA | 6,400.00 | [ICRA]A1+ |
| **NA** | **Issuer Rating** | NA | NA | NA | - | [ICRA]AA (Stable) |

*Source: Bank, ICRA Research; Certificates of deposit (CDs) outstanding as on June 12, 2026*

### Annexure III: List of entities considered for consolidated analysis

Not applicable

## ANALYST CONTACTS


**Karthik Srinivasan**
+91 22 6114 3444
karthiks@icraindia.com

**Anil Gupta**
+91 124 4545 314
anilg@icraindia.com

**Sachin Sachdeva**
+91 124 4545 307
sachin.sachdeva@icraindia.com

**Varun Dhapade**
+91 22 6114 3463
varun.dhapade@icraindia.com

**Sohil Mehta**
+91 22 6114 3449
sohil.mehta@icraindia.com


## RELATIONSHIP CONTACT


**L. Shivakumar**
+91 22 6114 3406
shivakumar@icraindia.com


## MEDIA AND PUBLIC RELATIONS CONTACT


**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com


## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

## ICRA Limited

### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

### Branches