Jana Small Finance Bank
A SCHEDULED COMMERCIAL BANK

JSFB/SEC/2025-26/135

18th February 2026

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (East),
Mumbai 400051.

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400001.

Dear Sir/Madam,

Sub: Update on Credit rating

Ref: Regulation 30, 51 and 55 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Please find below credit rating assigned by CARE EDGE Ratings on the Subordinate Debt. The details required pursuant to Regulation 55 of the Listing Regulations read with SEBI Master Circular no. SEBI/HO/DDHS/PoD1/P/CIR/2023/108 dated 30th June 2023 is as follows:

Details of credit rating									
S. No.	**ISIN**	**Name of the credit rating agency**	**Credit rating assigned**	**Outlook**	**Rating action**	**Specify other rating action**	**Date of credit rating**	**Verification status of credit rating agencies**	**Date of verification**
1.	INE953L08329	CARE EDGE Ratings	CARE A	Stable	Reaffirmed	-	17th February 2026	Verified	18th February 2026

The rating rationale has been annexed to this letter and the same will also be uploaded to the Bank's website at www.jana.bank.in.

You are requested to kindly take the same on your record and oblige.

Thank you
Yours faithfully
For Jana Small Finance Bank Limited

LAKSHMI RAJA NARAYANAMURTHY
Digitally signed by LAKSHMI RAJA NARAYANAMURTHY
Date: 2026.02.18 11:56:18 +05'30'

Lakshmi R N
Company Secretary & Compliance Officer

Jana Small Finance Bank Limited

February 17, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Lower tier II	75.00	CARE A; Stable	Reaffirmed

Details of instruments in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to Jana Small Finance Bank Limited (JSFBL) factors in the bank's adequate capitalisation, steady growth in business scale, and increasing diversification of its loan portfolio. The credit profile is supported by the bank's ongoing strategic shift to secured retail and micro, small and medium enterprise (MSME) segments from unsecured microfinance lending, which would enhance portfolio stability in the medium term but would also exert pressure on yields going forward. Share of microfinance loans in the advances book declined to 27% as on December 31, 2025, from 40% as on March 31, 2024, while the proportion of secured advances increased to 73% from 60%, with management targeting a further increase to ~80% in the medium term. Improvement in microfinance asset quality indicators in recent quarters supported a gradual resumption of growth in the unsecured portfolio from Q3FY26.

However, ratings are constrained by deterioration in asset quality and moderation in profitability in FY25 and 9MFY26, primarily due to stress in the microfinance segment, which resulted in elevated credit costs and impacted earnings. Consequently, the bank reported a return on total assets (ROTA) of 1.42% in FY25 and 0.61% in 9MFY26, compared to 2.30% in FY24.

On the liability side, while the bank continued to expand its deposit base and improve its credit-to-deposit ratio, the current account savings account (CASA) ratio remained relatively low at ~20% as on December 31, 2025, with a relatively high dependence on bulk deposits. The rating remains constrained by elevated refinancing and repayment risks at the holding companies, Jana Capital Limited and Jana Holdings Limited.

JSFBL had applied to the Reserve Bank of India (RBI) on June 9, 2025, for voluntary transition into a Universal Bank. However, per the stock exchange disclosure dated October 28, 2025, the RBI returned the application as the bank did not fully meet all eligibility criteria prescribed under the RBI's "on-tap" Universal Bank licensing guidelines. The bank is in the process of updating its application and intends to resubmit it at an appropriate time.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing scale of operations, while maintaining adequate capitalisation levels.
- Improvement in deposits profile, with improvement in the CASA proportion and credit to deposit (CD) ratio on a sustained basis.
- Improvement in the asset quality and profitability on a sustained basis.

Negative factors

- Deterioration in asset quality leading to significant moderation in profitability parameters.
- Deterioration in capital adequacy parameters with capital adequacy ratio (CAR) falling below 17% on a sustained basis.

Analytical approach:

Standalone

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Outlook: Stable
The stable outlook reflects expectations that JSFBL will maintain profitable scale-up in advances and deposits in the medium term, while keeping asset quality under control and maintaining adequate capitalisation.

Detailed description of key rating drivers:

Key strengths

Adequate capitalisation levels

JSFBL's capitalisation profile remains adequate and continues to support business growth. The bank has consistently raised equity capital over the years; most recently, it raised ₹462 crore through an initial public offering (IPO) in February 2024, taking total equity infusions to ₹1,137 crore in FY24. Capitalisation is further supported by adequate internal accruals. The bank also raised Tier II capital of ₹250 crore in Q3FY26, providing additional loss-absorption capacity.

The bank raised Tier II capital of ₹250 crore and reported CAR of 19.17% with Tier-I CAR of 17.19% as on December 31, 2025 (March 31, 2025: 20.68% and 19.75% respectively). CARE Ratings Limited (CareEdge Ratings) expects the bank's capitalisation levels to remain adequate in the medium term and sufficient to support its planned growth.

While promoter entities Jana Holdings Limited and Jana Capital Limited have weak standalone financial metrics, this is not expected to materially impact the bank's credit profile, given JSFBL's listed status and the absence of shareholder holding over 25%.

Scale up of advances with increasing diversification into secured loans

The bank demonstrated strong growth in advances in the post-COVID period, with loan growth of 30% in FY23 and 25% in FY24. Growth moderated to 19% in FY25 and 13% year-to-date in 9MFY26, primarily due to a deliberate reduction in the unsecured microfinance portfolio amid industry-wide stress, even as the secured portfolio continued to expand at a healthy pace.

As a result, share of microfinance loans in the advances portfolio declined to 27% as on December 31, 2025, from 40% as on March 31, 2024, while the proportion of secured advances increased to 73% from 60% in the same period. The management intends to further increase the share of secured advances to ~80% in the medium term. Although the unsecured portfolio has resumed growth from Q3FY26 with improving asset quality, its growth is expected to remain lower than that of the secured portfolio by FY26-end.

As on December 31, 2025, the advances portfolio was well-diversified, with secured loans comprising affordable housing loans (23%), micro loan against property (M-LAP) including micro housing (19%), MSME loans (14%), term loans to NBFCs (6%), gold loans (5%), vehicle loans (5%), and loans against fixed deposits (1%).

The bank also benefits from geographical diversification, with operations across 23 states and two Union Territories. Top three states together accounted for 38% of advances, with no single state contributing over 14% as on December 31, 2025. CareEdge Ratings expects advances growth to remain driven by the secured portfolio, and continued improvement in geographical diversification in the medium term.

Key weaknesses

Moderate asset quality resulting in muted profitability in 9MFY26

JSFBL's asset quality moderated in FY25 and 9MFY26, primarily due to stress in the microfinance portfolio. The bank reported elevated slippages of 8.09% in FY25 and 7.65% (annualised) in 9MFY26. Although slippages were higher, the headline gross non-performing assets (GNPA) and net NPA (NNPA) ratios were maintained below 3% and 1% respectively by writing off GNPA and making accelerated provisions to meet the eligibility criteria for Universal Bank application. JSFBL reported GNPA of 2.71% and 2.59% as on March 31, 2025, and December 31, 2025 respectively compared to 2.11% as on March 31, 2024. Net stressed asset (NNPA + Net restructured assets + Net Security Receipts) stood high at ₹1,348 crore as on December 31, 2025 (March 31, 2024: ₹723 crore and March 31, 2025: ₹984 crore). The microfinance asset quality indicators such as collection efficiency and special mention account (SMA) trend showed gradual improvement in Q3FY26.

The bank's profitability moderated in 9MFY26, primarily due to elevated credit costs arising from asset quality stress. Earnings were further impacted by compression in net interest margins (NIM), driven by a decline in yields following the shift in portfolio mix toward secured loans and a reduction in higher-yielding unsecured loans. Operating expenses increased considering higher collection and recovery costs.

As a result, the bank reported a profit after taxation (PAT) of ₹187 crore in 9M FY26, compared to ₹501 crore in FY25 and ₹670 crore in FY24. The return on total average assets (ROTA) correspondingly declined to 0.61% in 9MFY26 from 1.42% in FY25 and 2.30% in FY24.

Profitability is expected to improve going forward, supported by normalisation of credit costs and a likely reduction in funding costs. The bank's ability to contain operating expenses and restore profitability to earlier levels remains a key monitorable.

Significant growth in deposits; however, CASA proportion remains moderate
The bank's liability mix has undergone substantial change as deposits as a percentage of total liabilities has been increasing with reduction in dependence on borrowings, which is evident from the improving credit to deposit ratio, which stood at 93% as on December 31, 2025 (December 31, 2024: 103%). The bank's resource profile mainly consists of deposits (78% of the total liabilities as on December 31, 2025), followed by borrowings in the form of refinance from financial institutions and inter-bank participation certification (IBPC). JSFBL's deposits have grown 30% y-o-y and stood at ₹33,733 crore as on December 31, 2025, with CASA proportion remaining relatively modest at 20% as on December 31, 2025. The bank's CASA proportion remains lower compared to its peers in the small finance banking industry.

The bank's retail deposits consisting of CASA plus retail term deposits (up to ₹3 crore) constituted 65% of total deposits as on December 31, 2025. Its dependence on wholesale term deposits is high at 35% as on December 31, 2025. CareEdge Ratings expects the bank to focus on raising CASA deposits, which would provide a stable depositor base and reduce cost of funding in the medium term.

Liquidity: Adequate

JSFBL's liquidity profile remained adequate with no negative cumulative mismatches in time buckets up to two months per asset liability maturity (ALM) statement as on December 31, 2025. JSFBL's average liquidity coverage ratio (LCR) stood at 120% and Net Stable Funding Ratio (NSFR of 133%) for the quarter-ended December 31, 2025, against the regulatory requirement of 100%. The bank maintained excess statutory liquidity ratio (SLR) of 5.6% as a percentage of net demand and time liabilities (NDTL), which can be readily used for repo or liquidated in the secondary market. The bank can also resort to Rupee borrowing as CDs, term money, portfolio securitisation, and re-finance from domestic financial institutions in case of liquidity need. The bank also has access to facilities such as liquidity adjustment facility (LAF), marginal standing facility (MSF), and call money market to meet liquidity requirements.

Environment, social, and governance (ESG) risks

Given JSFBL's service-oriented nature of business, its direct exposure to environmental risks remains low. However, it faces implicit environmental risks through its portfolio of assets. The bank targeted reduction in energy consumption, preserve water quality, and availability apart from tree plantation. Customer data privacy and security remain the key social risk-related vulnerabilities for JSFBL as breaches could attract regulatory attention and damage the bank's reputation. While digital banking offers many benefits to the bank, poor execution of IT strategies and failure to adequately meet customer needs could lead to high costs. On a positive note, JSFBL is enhancing financial inclusion by offering products and services aimed at marginalised sections of society, addressing social concerns. Prudent lending to these underserved segments could create growth opportunities, which must be weighed in the context of asset quality risks, including borrower creditworthiness, economic vulnerabilities, and regulatory uncertainties. JSFBL's Board comprises 11 Directors, of which eight are Independent Directors, including one female Director.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Banks
Financial Ratios - Financial Sector
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	Other bank

JSFBL (formerly Janalakshmi Financial Services Limited) commenced operations as an non-banking financial company (NBFC) in 2008 and later operated as an NBFC-microfinance institution (NBFC-MFI). T It received a licence to set up a small finance bank on April 28, 2017, and commenced banking operations on March 28, 2018.

JSFBL is a Bengaluru-based SFB focused on retail banking, with emphasis on microfinance, housing loans, micro housing/M-LAP, and micro and small enterprise lending. As on December 31, 2025, the bank operated through 816 branches and reported deposits of ₹33,733 crore and advances of ₹33,324 crore.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total income	4,684	5,486	4,697
Profit after tax (PAT)	670	501	187
Total assets	32,555	38,279	43,137
Net interest margin (NIM) (%)	7.31	6.76	6.19
ROTA (%)	2.30	1.42	0.61
Gross non-performing assets (NPA) (%)	2.11	2.71	2.59
Net non-performing assets (NPA) (%)	0.56	0.94	0.94
Capital adequacy ratio (CAR) (%)	20.31	20.68	19.17

A: Audited UA: Unaudited; Note: these are latest available financial results

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

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	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-Lower Tier II	INE953L08329	22-Dec-2015	13.80	07-Jul-2027	75.00	CARE A; Stable

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 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Bonds-Lower Tier II	LT	75.00	CARE A; Stable	-	1)CARE A; Stable (18-Feb-25)	-	-

LT: Long term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Lower Tier II	Simple

Annexure-5: 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.

Contact us

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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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