

SD/LODR/259/2025-26

October 18,2025

<p>The Manager Listing Department The National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051</p>	<p>The Manager Department of Corporate Services BSE Limited Phiroze Jeejeebhoy Towers, Floor 25, Dalal Street, Mumbai – 400 001</p>
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Re: Scrip Symbol: FEDERALBNK/Scrip Code: 500469

Sub: Intimation regarding affirmation of Credit Rating

Dear Sir/Madam,

Pursuant to Regulation 30 of the Listing Regulations, we wish to inform you that India Ratings and Research (Ind-Ra) has affirmed The Federal Bank Limited's (FBL) debt instruments as follows

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating Assigned along with Outlook/Watch	Rating Action
Basel III Tier 2 debt	-	-	-	INR17	IND AA+/Stable	Affirmed
Infrastructure bond	-	-	-	INR15	IND AA+/Stable	Affirmed

Detailed press-release of the aforesaid affirmation of Credit Rating is enclosed herewith.

Kindly take the above information on record.

Thanking you,

Yours faithfully,

For The Federal Bank Limited

Samir P Rajdev
Company Secretary

India Ratings Affirms The Federal Bank's Basel III Tier 2 Bonds at 'IND AA+' / Stable

Oct 17, 2025 | Private Sector Bank

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Details of Instruments

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*Details in Annexure

Analytical Approach

Ind-Ra continues to take a standalone view of FBL for the rating review.

Detailed Rationale of the Rating Action

The ratings reflect the consistent strengthening of FBL's credit profile as evidenced by the scaling up of franchise, a stable liability franchise, improving diversification of its loan portfolio beyond its home state of Kerala and enhanced profitability buffers. The bank's business growth and asset quality metrics remained consistent, indicating strong internal controls and governance depth.

List of Key Rating Drivers

Strengths

- Sizeable franchise with reducing concentration in home state
- Strengthened management team
- Stable and adequately provided asset quality
- Improvement in profitability to be driven by focus on growing medium-yielding book and CASA expansion
- Adequate capital buffers

Weaknesses

- Developing funding profile

Detailed Description of Key Rating Drivers

Sizeable Franchise with Reducing Concentration in Home State: FBL continues to have a large presence in South India with a huge asset and liability franchise. The bank is diversifying beyond Kerala, where its share of the overall advances declined to 30.7% in FY25 (FY15: 42.6%), while the share of Tamil Nadu and Karnataka rose to 14.4% (11.2%) and 9.7% (6.5%), respectively. At FYE25, the bank's loan portfolio was INR2,348 billion (of which 54.8% originated in

Kerala, Tamil Nadu and Karnataka) with a deposit base of INR2,836 billion (Kerala: 57.7%). Also, the bank is taking incremental efforts to expand its share in Maharashtra, whose advance share increased to 20.7% in FY25 (FY15: 19.7%) with deposits rising to 13.9% (8.1%).

Furthermore, the bank has a well-diversified advances portfolio across segments, comprising corporates (1QFY26: 34.1%; FY25: 34.3%; FY24: 36.0%), small and medium-sized enterprises (SMEs; 18.0%; 17.6%; 17.6%), retail (31.8%; 32.2%; 31.6%), agriculture (16.1%; 15.9%; 14.9%). The retail loan book grew 8.2% yoy in 1QFY26, against the overall gross loan growth of 8.9% yoy, largely due to recent elevated slippages in micro finance institutions (MFIs) and cautious stance in the business banking segment (1QFY26 growth: 5.9%), although commercial banking demonstrated 26.9% yoy growth. The gold loan book grew 14.0% yoy to INR312.6 billion in 1QFY26, accounting for 12.7% of the overall gross loan book and the bank expects it to reach 15% in the medium term.

Strengthened Management Team: The bank has had a substantial number of lateral hires across key verticals, who bring extensive experience and knowledge with them, thus enhancing management capabilities. KVS Manian was appointed as the managing director and chief executive officer of FBL by the Reserve Bank of India (RBI) for three years from September 2024. Other notable changes include: the promotion of Venkatraman Venkateswaran (chief financial officer) as executive director, the appointment of Virat Sunil Diwanji as national head of consumer banking, Srinivasan P as executive vice-president and head – business initiatives (wholesale banking) and Virendra Somwanshi as executive vice president and head of wealth and banca. Additionally, many new senior CXOs have joined, enabling the bank to establish a second-layer team under each business vertical head to adapt to any transition at the senior level.

As part of its strategy, the management continues to focus on retailisation of the loan book with controlled risk underwriting, adoption of digitisation to improve branch-level productivity and increasing the wallet share with customers. The management stated that the unsecured lending would be capped at 10% of the overall assets under management (AUM), which could be achieved over the next two financial years. Under large corporates, the bank aims to lend to higher-rated entities with reasonable yields while focusing on driving growth through mid-corporate segment in the medium- to long term.

Stable and Adequately Provided Asset Quality: The bank's gross non-performing assets (NPAs) slightly increased to 1.91% in 1QFY26 (FY25: 1.84%; FY24: 2.13%), largely due to elevated slippages in the retail segment at 1.9% (4QFY25: 1.32%), owing to its MFI exposure. However, the bank still reported credit costs of 65bp as of 1QFY26, lower than the industry average. The bank's slippages ratio stood at 1.13% in 1QFY26, remaining within manageable limits. FBL's provision coverage ratio (excluding technical write-off) stood at 75.2% in 1QFY26 (FY25: 76.2%; FY24: 72.3%), leading to a net NPA of 0.48% (0.44%; 0.60%). The absence of any large, stressed exposure and the likely normalisation of slippages in the MFI segment are likely to stabilise credit costs in the medium term. Concentration risk, measured by the top 20 group exposures as a percentage of its total advances, remained almost stable at 7.64% in FY25 (FY24: 7.73%).

FBL's total stressed book (net NPAs + standard restructured assets + net security receipts) stood at 1.03% of the loan book as of 1QFY26 (FY25: 1.05%; FY24: 1.57%), and the net stressed asset/net worth stood at 7.2% (7.4%; 11.3%). Ind-Ra expects the impaired book to stabilise in the medium term, along with incremental loan growth in better-rated borrowers and increased focus on retail growth.

Improvement in profitability to be driven by focus on growing medium-yielding book and CASA expansion: FBL's net interest margin declined 16bp qoq to 2.94% in 1QFY26 (FY25: 3.13%; FY24: 3.20%), largely driven by asset and term deposit repricing following a recent 100bp cut in the repo rate, higher slippages in unsecured segment and higher flows towards term deposits. However, the overall profitability was supported by its strong low-cost retail liability franchise (CASA + retail term deposits at 82% in 1QFY26), a shift in loan mix towards high-yielding retail loans and the increase in the share of gold loan in the overall book. FBL's profitability remains adequate on risk-adjusted basis; where profit after tax to risk weighted assets stood at 1.59% for 1QFY26 (FY25: 1.93%; FY24: 1.96%), lower qoq, largely due to the higher credit cost and lower loan book growth compared to those of its peers.

Furthermore, while the bank expects the retail/wholesale share to remain intact at 56:44, and the bank continues to rebalance the book towards higher yielding book (excluding gold loans), which includes credit cards, personal loans, micro, small and medium enterprises (MSME; business loan + commercial banking), commercial vehicle/commercial

equipment and MFI to 24.7% in 1QFY26 (1QFY25: 23.3%, 1QFY24: 22.7%). The bank sees opportunities in secured MSME, business banking, gold-backed lending, and the other medium-yielding segments such as loan against property (LAP) and commercial vehicle and construction equipment over the medium term.

The bank's pre-provision operating profit buffer (FY25: 1.86% of average assets; FY24: 1.84%; FY23: 1.99%) and return on assets (ROA) of 1.23% (1.31%; 1.25%) has largely remained stable. However, the pre-provision operating profit buffer stood lower than that of higher rated banks. The bank's pensionable employees share in the total employees has been moderating. The management expects the share of pensionable employees to further moderate in the medium term, due to increased seasoning, thereby moderating the volatility in employee costs with movements in interest rates. The bank has guided for maintaining a cost/income ratio of about 55% in the medium term.

Adequate Capital Buffers: FBL's capitalisation (1QFY26 Tier 1 ratio: 14.7%; FY25: 15.0%; FY24: 14.6%) was adequate, due to higher internal accruals and the bank raising capital worth INR9.59 billion in July 2023 from International Finance Corporation and INR30.40 billion through a qualified institutional placement. The bank also has a material stake in its subsidiaries, which can be liquidated in the event of stress. According to Ind-Ra's stress test, FBL is likely to maintain a common equity tier-1 (CET1) ratio above the regulatory minimum and system average, and the management has guided that it will maintain the floor threshold of CET1 ratio at 12%.

Developing Funding Profile: FBL has a well-diversified granular deposit profile with a low reliance on bulk deposits. Its granular deposits (deposits lower than INR30 million) constituted 82% of the total deposits as of 1QFY26 with the overall CASA constituting 30.4% of the total deposits. Kerala is a prominent home state for non-resident Indians (NRIs) where a significant portion of their bank accounts are maintained. Non-resident external deposits stood at 29.4% of the total deposits in 1QFY26 (FY25: 29.4%; FY24: 30.1%), which has moderated over the years. However, granular funding is helping FBL to maintain lower funding costs than that of its large peers. The bank has shown stability in maintaining and gaining the share of NRI remittances in Kerala. However, rising competition and impact of inflation across capital flows could slowdown accretion of NRI deposits, which remains a rating monitorable.

The bank is using its relationships on the wholesale side to bring in corporate salary customers and open current account deposits. The bank has a tie-up with Jupiter, Epifi and IND Money on the liability side, and it plans to tap the customer base of these fintechs for credit cards and personal loan products.

Liquidity

Adequate: FBL maintained a cumulative funding deficit of 7.7% in the cumulative one-year bucket as a percentage of the total assets at FYE25. FBL also maintains 17.7% of its total assets in government securities and balances with the RBI. More than adequate liquidity buffers are maintained to meet its short-term funding requirements. The bank also had a comfortable consolidated quarterly average liquidity coverage ratio of 141.95% in FY25, higher above the regulatory requirement of 100%.

Rating Sensitivities

Positive: FBL's improved visibility on the diversification of asset profile outside its core geographies, sustained market share gains on both assets and liabilities, traction in the new retail products with adequate seasoning, build-up of other non-interest revenue streams, along with a sustained diversification in operating geographies comparable to peers will lead to a positive rating action.

Negative: Events that could, individually or collectively, lead to a negative rating action are:

- deterioration in the funding profile due a fall in low-cost deposits, a rise in operating expenses, a prolonged decline in the profitability buffers driven by asset quality pressures and any deviation from the aforementioned positive rating sensitivities above Ind-Ra's expectations,
- any material impact on Tier I capitalisation levels with CET1 capital falling below 12% on a sustained basis,
- a significant increase in net non-performing assets or a decline in CET1,
- a significant erosion of the franchise (sustained reduction of market share in advances or deposits),

- a weakening of the bank's competitiveness in the industry.

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 FBL, 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

FBL was established in 1931 in Aluva (Kerala) and is classified as an old private sector bank by the RBI. FBL is the second-largest bank and the largest private sector bank in Kerala, with nearly 39% of its 1,591 banking outlets located in the state. The bank has a strong retail funding franchise, including a stable base of NRI deposits, largely contributed by remittances from the expatriate Indian community in the Middle East. As on 30 June 2025, FBL's deposit stood at INR2.87 trillion and advances at INR2.41 trillion. The bank operates through 1,591 banking outlets and 2,041 ATMs/recyclers across India.

Key Financial Indicators

Particulars	FY25	FY24
Total assets (INR billion)	3,490.0	3,083.1
Total net worth (INR billion)	334.2	290.9
Net profit (INR billion)	40.5	37.2
Return on assets (%)	1.23	1.32
Tier 1 ratio (%)	15.0	14.6
Capital adequacy ratio (%)	16.4	16.1
Gross non-performing asset ratio (%)	1.84	2.13
Impaired asset (net non-performing assets + standard restructured assets + net SR) as percentage of advances (%)	1.05	1.57
Source: Federal Bank, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (billion)	Rating	21 October 2024	9 February 2024	27 February 2023	8 July 2022
Basel III Tier 2 debt	Long-term	INR17	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA/Positive	IND AA/Positive
Infrastructure bond	Long-term	INR15	IND AA+/Stable	IND AA+/Stable	-	-	-

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Basel III Tier 2 Debt	Moderate
Infrastructure Bond	Low

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

Annexure

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Basel III Tier 2 Debt	INE171A08032	20 January 2022	8.20	20 January 2032	INR7	IND AA+/Stable
Basel III Tier 2 Debt	INE171A08040	29 March 2023	8.84	29 March 2033	INR9.95	IND AA+/Stable
				Total unutilised	INR0.05	
				Total	INR17.00	

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Infrastructure bond	INE171A08057	12 November 2024	7.76	12 Nov 2034	INR15.0	IND AA+/Stable
				Total	INR15.00	

Source: NSDL; Federal Bank

Contact

Primary Analyst

Ankit Jain

Associate Director

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 4035 6160

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Jinay Gala

Director

+91 22 40356138

Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

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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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Solicitation Disclosures

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Evaluating Corporate Governance

Financial Institutions Rating Criteria

Rating Bank Subordinated and Hybrid Securities

The Rating Process

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