Federal Bank

Secretarial Department

SEC/LODR/222/2026-27 22.09.2026

To BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400001	National Stock Exchange of India Limited 5th Floor, Exchange Plaza Bandra (East) Mumbai – 400051

Ref.: Scrip Symbol: FEDERALBNK/Scrip Code: 500469

Sub: Intimation regarding affirmation of Credit Rating

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that India Ratings and Research has affirmed The Federal Bank Limited's (FBL) debt instruments as follows:

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (INR Million)	Rating Assigned along with Outlook/Watch	Rating Action
Basel III Tier 2 debt	-	-	-	17,000	IND AA+/Stable	Affirmed
Infrastructure bond	-	-	-	15,000	IND AA+/Stable	Affirmed

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

Kindly take the above information on record.

Thank you.

Yours faithfully,

For The Federal Bank Limited

SAMIR PRAVINCHANDRA RAJDEV Digitally signed by SAMIR PRAVINCHANDRA RAJDEV Date: 2026.09.22 15:45:25 +05'30'

Samir P Rajdev
Company Secretary

Federal Bank | 6th Floor, Federal Towers, Bank Junction, Aluva | Kerala | 683101
Phone: 0484- 2622263| E-mail: secretarial@federalbank.co.in | Website: www.federal.bank.in
CIN: L65191KL1931PLC000368

India Ratings & Research
A Fitch Group Company

India Ratings Affirms The Federal Bank's Debt Instruments at 'IND AA+'/Stable

Sep 21, 2026 | The Federal Bank Limited | Private Sector Bank

India Ratings and Research (Ind-Ra) has affirmed The Federal Bank Limited's (FBL) debt instruments as follows:

Details of Instruments

Instrument Type	Regulator of Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (INR million)	Rating Assigned with Outlook/Watch	Rating Action
Infrastructure bond*	Refer ISIN annexure	-	-	-	15,000	IND AA+/Stable	Affirmed
Basel III Tier 2 debt*	Refer ISIN annexure	-	-	-	17,000	IND AA+/Stable	Affirmed

*refer ISIN details in annexure

Analytical Approach

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

Detailed Rationale of the Rating Action

The rating reflects the continued strengthening of FBL's franchise, supported by the expansion of its product profile across profitable segments, broadening diversification of its loan portfolio beyond Kerala, and improving granularity of its liability profile driving profitability. The bank has maintained calibrated business growth and healthy asset quality indicators, emphasising the effectiveness of its internal controls and governance framework. The rating is constrained by the return ratios remaining lower than the higher-rated peers, along with diversification and scaling across high-yielding products; this is a key monitorable.

List of Key Rating Drivers

Strengths

- Sizeable franchise with reducing concentration in home state
- Experienced management team
- Stable and adequately provided asset quality
- Adequate capital buffers
- Funding profile's increasing granularity

Weaknesses

- Lower profitability than higher-rated peers

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 significant asset and liability franchise. The bank is diversifying beyond Kerala, where its share of the overall advances declined to 27.7% in 1QFY27 (FY25: 30.7%), while the share of Tamil Nadu and Karnataka rose to 15.1% (14.4%) and 9.9% (9.7%), respectively. The bank's loan portfolio was INR2,775 billion in 1QFY27 (of which 52.7% originated in Kerala, Tamil Nadu, and Karnataka), with a deposit base of INR3,201 billion (Kerala: 58.8%). Moreover, the bank is taking incremental efforts to expand its share in Maharashtra, whose advance share increased to 22% in 1QFY27 (FY25: 20.7%), with deposits at 12% (13.9%).

Furthermore, the bank has a well-diversified advances portfolio across segments, comprising corporates (1QFY27: 35.8%; FY26: 35.6%; FY25: 35.9%), small and medium-sized enterprises (SMEs: 18.2%; 18.1%; 16.8%), retail (31%; 31.6%;31.8%), and agriculture (16%; 16.1%; 15.9%). The retail loan book grew 8.4% yoy in 1QFY27, against the overall gross loan growth of 10.9% yoy, largely due to a cautious stance in the business banking segment (up 3.9% yoy), although commercial banking grew 22.4% yoy. The gold loan book grew 32.7% yoy to INR414 billion in 1QFY27, accounting for 14.9% of the overall gross loan book. The gold loan portfolio provides a granular and collateral-backed growth segment, supporting loan yields while containing loss severity.

Experienced Management Team: The bank has seen change in strategy after the Reserve Bank of India (RBI) approved KVS Manian's appointment as the managing director and chief executive officer for three years starting September 2024. The management team has established itself across the retail and mid-corporate lending segment, improving the bank's overall fee income. The bank has established 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, 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 the mid-corporate segment in the medium to long term.

Stable and Adequately Provided Asset Quality: The bank's gross non-performing assets (NPAs) slightly decreased to 1.52% in 1QFY27 (FY26: 1.62%; FY25: 1.84%), largely due to reduced slippages in the overall book; the bank reported credit costs of 67bp in 1QFY27, lower than the industry average. The bank's slippages ratio was manageable at 0.6% in 1QFY27 (1QFY26: 1.13%). FBL's provision coverage ratio (excluding technical write-off) was 88.2% in 1QFY27 (FY26: 87.8%; FY25: 76.2%; FY24: 72.3%), leading to a net NPA of 0.18% (0.2%; 0.44%; 0.60%). The low net NPA ratio, high provision coverage, and declining stressed-asset stock provide meaningful protection against incremental credit costs.

In terms of transitioning to the expected credit loss model, as per the management, the overall one-time provision would be around 2% of the net worth; however, the bank is yet to decide whether to recognise the impact upfront or spread it over five years. In the absence of any large, stressed exposure, FBL's credit costs are likely to be stable in the medium term. The concentration risk, measured by the top 20 group exposures as a percentage of its total advances, was largely stable at 9% in 1QFY27 (FY25: 7.6%).

FBL's total stressed book (net NPAs + standard restructured assets + net security receipts) was 0.5% of the loan book as of 1QFY27 (FY26: 0.61%; FY25: 1.05%; FY24: 1.57%), and the net stressed asset/net worth was 3.8% (4.2%; 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.

Adequate Capital Buffers: FBL's capitalisation (1QFY27 Tier 1 ratio: 15.9%; FY26: 13.9%; FY25: 15%) is adequate, and the improved internal accruals and potential receipt of the balance warrant consideration provide additional headroom to support medium-term growth. The bank also has a material stake in its subsidiaries, which can be liquidated during 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%. The capital needs would be catered by the existing warrant amount getting called until August 2027, supporting medium-term growth expectation.

Funding Profile's Increasing Granularity: FBL has a well-diversified granular deposit profile, with a low reliance on bulk deposits. Its granular deposits (deposits below INR30 million) constituted 85% of the total deposits in 1QFY27, with the overall current account saving account balances (CASA) contributing 32.2%. The bank's longstanding retail and non-resident Indian (NRI) franchise supports deposit mobilisation with limited dependence on bulk funding. The management sees room for an improvement in the overall casa levels in the medium term, which may aid margins. The bank's CASA grew 18.2% yoy in 1QFY27 (FY26: 20.5%; FY25: 15.5%).

Kerala is a prominent home state for NRIs, where a significant portion of their bank accounts are maintained. Non-resident external deposits were 29.9% of the total deposits in 1QFY27 (FY26: 29.8%; FY25: 29.4%; FY24: 30.1%), which have remained range bound 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. While competition and geopolitical developments affect incremental flows and keep capital flows volatile, slowing the accretion of NRI deposits and their stickiness, FBL's established NRI customer franchise has supported a stable contribution from non-resident deposits over time.

Lower Profitability Than Higher-rated Peers: FBL's adjusted net interest margin improved 13bp qoq to 3.33% in 1QFY27 (FY26: 3.2%; FY25: 3.13%; FY24: 3.20%), mainly due to lower funding costs and loan-mix recalibration. Sustained improvement in the net interest margin will depend on further CASA gains, seasoning of newer retail products, growth in medium-yielding segments, and continued development of non-interest revenue. The overall profitability in 1QFY27 was supported by its strong low-cost retail liability franchise (CASA + retail term deposits at 85%), a shift in the loan mix towards high-yielding retail loans, and the increased share of gold loans in the overall book. FBL's profitability is adequate on a risk-adjusted basis, with its profit after tax to risk weighted assets at 1.93% in 1QFY27 (FY26: 1.85%; FY25: 1.93%; FY24: 1.96%). The fee income to average total asset improved to 1.21% in FY26 (FY25: 1.12%; FY24: 1.09%), with renewed focus on improving distribution income and driving wealth management product cross selling to existing bank customers leveraging its established NRI franchise.

Furthermore, the bank expects the retail/wholesale share to remain at 55:45 in the medium term and continues to rebalance the book towards high-yielding segments. These high-yielding segments (including credit cards, personal loans, micro, small, and medium enterprise loans (MSME; business loan and commercial banking), but excluding gold loans), along with the commercial vehicle/commercial equipment and microfinance segments together accounted for 24.6% of the total loan book in 1QFY27. The bank sees opportunities in secured MSME, business banking, gold-backed lending, and other medium-yielding segments such as loan against property, commercial vehicles, and construction equipment over the medium term.

The bank's pre-provision operating profit buffer (1QFY27: 2.01%; FY26: 1.97%; FY25: 1.86% of average assets) and return on assets (1.18%; 1.13%; 1.20%; 1.25%) have largely remained stable. However, the pre-provision operating profit buffer remains lower than that of higher-rated peer banks. The bank's pensionable employees' share in the total employees has been moderating. The bank guides for a cost/income ratio of 52%-54% in the medium term.

Liquidity

Adequate: FBL maintained a cumulative funding deficit of 7.1% in the cumulative one-year bucket as a percentage of the total assets at 1QFYE27. FBL also maintains 12.3% 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 119.87% in 1QFY27, 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 in 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, and a prolonged decline in the profitability buffers driven by asset quality pressures
- any material impact on Tier I capitalisation levels with CET1 capital below 12% on a sustained basis, and
- a significant erosion of the franchise (sustained reduction of market share in advances or deposits).

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 1,650 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 2026, FBL's deposits were INR3.2 trillion and advances were INR2.77 trillion. The bank operates through 1,650 banking outlets and 2,135 ATMs/recyclers across India.

Key Financial Indicators

Particulars (INR billion)	FY26	FY25
Total assets	3,875.2	3,490
Total net worth	387.1	334.2
Net profit	41.2	40.5
Return on assets (%)	1.13	1.20
Tier 1 ratio (%)	13.9	15
Capital adequacy ratio (%)	17.3	16.4
Gross non-performing asset ratio (%)	1.62	1.84
Impaired asset (net non-performing assets + standard restructured assets + net SR) as percentage of advances (%)	0.55	1.05
Source: FBL, 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 (INR million)	Current Rating	17 October 2025	21 October 2024	9 February 2024
Infrastructure bond	Long-term	15,000	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	-
Basel III Tier 2 debt	Long-term	17,000	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable

Disclosure on instruments / activities and names of regulators:

A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by Ind-Ra on its website. A link to the same has been provided below for ready reference:

Rating Activities

Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

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	Regulator of Instruments	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating/Outlook
Basel III Tier 2 Debt	INE171A08032	SEBI	20 January 2022	8.20	20 January 2032	7,000	IND AA+/Stable
Basel III Tier 2 Debt	INE171A08040	SEBI	29 March 2023	8.84	29 March 2033	9,950	IND AA+/Stable
Infrastructure bond	INE171A08057	SEBI	12 November 2024	7.76	12 November 2034	15,000	IND AA+/Stable
					Total Utilised	31,950	
		SEBI			Total Unutilised Basel III Tier 2 Debt	50	
					Total	32,000	
Source: NSDL, Federal Bank							

Contact

Primary Analyst
Jinay Gala
Director
India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East,Mumbai - 400051
+91 22 40356138
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst
Ankit Jain
Associate Director
+91 22 4035 6160

Media Relation
Ameya Bodkhe
Marketing Manager
+91 22 40356121

About India Ratings

India Ratings and Research (Ind-Ra) is India's SEBI registered 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.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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APPLICABLE CRITERIA AND POLICIES

Financial Institutions Rating Criteria

Rating Bank Subordinated and Hybrid Securities

The Rating Process

Evaluating Corporate Governance

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