IDFCFIRSTBANK/SD/116/2026-27 **August 13, 2026**

National Stock Exchange of India Limited
Mumbai 400 051
NSE Symbol: IDFCFIRSTB

BSE Limited
Mumbai 400 001
BSE Scrip Code: 539437

Sub: Disclosure under Regulation 30 of the SEBI (LODR) Regulations, 2015.

Re: IDFC FIRST Bank receives Investment Grade rating from S&P Global Ratings with Stable Outlook.

Dear Sir/ Madam,

We are pleased to inform you that S&P Global Ratings today assigned 'BBB-' long-term and 'A-3' short-term issuer credit ratings to IDFC FIRST Bank. The outlook on the long-term rating is stable. The rating is an Investment Grade Rating under the international rating scale.

S&P Outlook mentions "The stable outlook on the long-term rating reflects our view that IDFC First Bank will maintain strong capitalization with a RAC ratio of more than 10% in the next two years. We believe risks to the bank's asset quality will stay manageable, supported by adequate underwriting standards. We expect the bank's funding to continue to benefit from a granular retail deposit base."

The rating report also mentions rationale as follows "Since the 2018 merger between IDFC Bank and Capital First Ltd. that created IDFC First Bank, the lender has transitioned from a wholesale-dependent funding model to a granular, retail-led deposit franchise. As of March 31, 2026, core deposits comprised approximately 89% of the bank's total funding base, with retail deposits accounting for nearly 80% of total deposits.

Underpinning this structural shift is a robust current account and savings account ratio of 50.8% (as of June 30, 2026), which remains above the industry average. While this comes at a higher cost compared with peers, it improves granularity of the bank's deposit base. The bank's deposit concentration--measured by the share of the top 20 depositors in total deposits--declined to 9.4% as of March 31, 2026. This is comparable with similar-size peers, although higher than larger banks in India (4%-5% of total deposits)."

A detailed Rating Rationale issued by S&P Global Ratings is enclosed herewith.

Yours faithfully,

For **IDFC FIRST Bank Limited**

SATISH ASHOK GAIKWAD
Digitally signed by SATISH ASHOK GAIKWAD
Date: 2026.08.13 18:42:08 +05'30'

Satish Gaikwad
General Counsel and Company Secretary

Research Update:

IDFC First Bank Assigned 'BBB-/A-3' Ratings; Outlook Stable

August 13, 2026

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Overview

- IDFC First Bank's capitalization is likely to stay strong over the next 18-24 months, thanks to fresh equity injections and improving profitability.
- The bank's adequate underwriting standards and strong digital capabilities underpin its business stability and creditworthiness, while a modest market share tempers these strengths.
- We assigned our 'BBB-' long-term and 'A-3' short-term issuer credit ratings to IDFC First Bank.
- The stable outlook on the long-term rating reflects our view that the India-based bank will maintain its financial strength over the next two years.

Rating Action

On Aug. 13, 2026, S&P Global Ratings assigned its 'BBB-' long-term and 'A-3' short-term issuer credit ratings to IDFC First Bank. The outlook on the long-term rating is stable.

Rationale

IDFC First Bank will maintain strong capitalization over the next 18-24 months, in our view. We forecast the bank's risk-adjusted capital (RAC) ratio will stay at 10.0%-10.5%, compared with 10.9% as of March 2026. The bank's loan book is likely to grow at 20% per annum over that period, faster than the wider Indian banking industry.

Regular capital raisings, improved profitability, and a low dividend payout should support IDFC First Bank's capitalization. The bank has demonstrated good access to equity markets, raising capital frequently since fiscal 2021.

We expect IDFC First Bank to raise additional capital of up to Indian rupee (INR) 75 billion in fiscal 2027 (ending March 31, 2027) and to conduct further equity infusions as needed to support its growth plans. Management aims to maintain an S&P Global Ratings RAC ratio above 10% on a sustained basis.

We forecast IDFC First Bank's net interest margin will improve by 5 basis points (bps)-10 bps in fiscal 2027 and then stabilize. The bank has by far the highest net interest margins among Indian banks we rate. This is due to a larger share of higher yielding products in its portfolio, such as unsecured retail loans, microfinance, two-wheeler loans, and loans provided for the purchase of consumer durables. Future healthy growth in relatively low yielding corporate loans should balance out the effect of growth in the high yielding microfinance book on the bank's net interest margin.

We expect IDFC First Bank's cost-to-income ratio and credit costs to decline, improving the bank's profitability over the next two years. During this period, we forecast it will have a ratio of core earnings to average adjusted assets of 1.0%-1.2% (1.1% annualized for the first quarter of fiscal 2027). This level is comparable with those of regional peers and the sector average in India, although lower than those of larger private-sector banks.

Sustainable improvement in IDFC First Bank's profitability will hinge on lowering its cost-to-income ratio. In our view, investment in branches, employees, and technology has kept the bank's operating expenses higher than those of peers, weighing on its profitability (return on average assets of 0.7% on average over fiscal 2022-2026). As newer businesses and branches generate higher returns, income growth should continue to significantly outpace operating expense growth.

IDFC First Bank's cost-to-income ratio could improve to 65%-70% over the next two years, compared with 75% in fiscal 2026 as the bank scales up. Growth in operating expenses should be lower than previous years as major investments in technology and branches taper off.

IDFC First Bank's asset quality should stay stable. We expect the bank's nonperforming loans ratio to be range bound at 1.7%-1.8% of total loans and its credit costs to be 1.5%-1.6% of total loans over the next two years.

The bank's risk position is characterized by stabilizing asset quality and declining credit costs (1.6% in the first quarter of 2027 compared with 2.1% in fiscal 2026) following previous microfinance and infrastructure stress.

While the bank maintains sizable exposure to higher-yield, riskier segments, mitigating these are tech-driven underwriting, high government guarantee coverage on microfinance loans, and a diversified portfolio that is gradually pivoting toward lower-risk segments. Nonetheless, the bank’s credit costs are likely to stay higher than our forecast for the sector average of 0.8%-1.0% of loans over the next two years. Even after adjusting for the credit costs, the bank’s margins should stay stronger than the sector.

IDFC First Bank is likely to expand the share of its loan portfolio for corporate lending, which we expect will grow faster than other sectors. Additionally, the microfinance portion of its portfolio could rebound after two years of decline, although it will likely remain below 5% of the total mix.

IDFC First Bank targets higher growth in lower credit cost segments, such as prime mortgages, loans against property, and safer commercial vehicle segments like large fleet operators if the risk-reward balance is good.

We believe the bank has adequate provision coverage at over 90% of nonperforming assets against emerging spillover risks from the Middle East conflict and a weaker-than-normal southwest monsoon in India. These factors pose a risk to smaller businesses, lower income households, and agriculture-linked portfolios. The bank has set aside INR5.1 billion in contingency provisions against these risks.

IDFC First Bank's modest market share could improve over the next two years. The bank holds about 1.3% of loans and 1.1% of deposits in India's banking sector. We believe the bank has good growth prospects and strong digital capabilities back its ability to grow. However, the bank's market position is likely to stay smaller than those of Kotak Mahindra Bank Ltd. and Bank of Baroda Ltd.

IDFC First Bank benefits from experienced and stable management. Management has demonstrated its ability to grow the bank's assets and liabilities while building strong digital capabilities to compete with larger Indian banks. Although the bank has a leaner physical footprint than peers, a robust digital architecture that could drive customer stickiness and scalability augments its pan-India presence.

Granular retail deposits underpin IDFC First Bank's funding stability. Since the 2018 merger between IDFC Bank and Capital First Ltd. that created IDFC First Bank, the lender has transitioned from a wholesale-dependent funding model to a granular, retail-led deposit franchise. As of March 31, 2026, core deposits comprised approximately 89% of the bank's total funding base, with retail deposits accounting for nearly 80% of total deposits.

Underpinning this structural shift is a robust current account and savings account ratio of 50.8% (as of June 30, 2026), which remains above the industry average. While this comes at a higher cost compared with peers, it improves granularity of the bank's deposit base. The bank's deposit concentration--measured by the share of the top 20 depositors in total deposits--declined to 9.4% as of March 31, 2026. This is comparable with similar-size peers, although higher than larger banks in India (4%-5% of total deposits).

Deposit mobilization has been fast, with a historical compound annual growth rate of 31% since the merger. With deposit growth continuing to outpace loan growth, the bank's customer loan-to-deposit (LDR) ratio has gradually improved. The LDR was about 95% as of June 30, 2026, versus over 100% as of March 31, 2024. This is comparable to larger private sector peers in India but significantly higher than the public sector banks.

We expect IDFC First Bank's digital infrastructure and enhanced transaction banking capabilities to sustain this momentum, supplemented by opportunistic growth in nonresident Indian deposits via foreign currency nonresident incentives.

To secure granular retail deposits, the bank uses premium pricing, resulting in a higher cost of funds relative to rated peers. While this strategy builds a resilient and diversified base, it introduces interest rate sensitivity. Management has demonstrated an ability to moderate this cost over the last few years even as it has expanded the bank's deposit base. The ability to balance deposit acquisition costs with preservation of the bank's net interest margin remains a key focus of our analysis.

Outlook

The stable outlook on the long-term rating reflects our view that IDFC First Bank will maintain strong capitalization with a RAC ratio of more than 10% in the next two years. We believe risks to the bank's asset quality will stay manageable, supported by adequate underwriting standards. We expect the bank's funding to continue to benefit from a granular retail deposit base.

Downside scenario

We could lower our ratings by one notch if its RAC ratio declines below 10% on a sustained basis. This could happen if, for example, the bank is unable to raise adequate capital to support its growth plans or it is unable to sustain improved profitability.

We could also lower the rating by a notch if the bank's asset quality deteriorates significantly. This could happen, for example, if it sustains credit losses above 1.5% as a percentage of assets.

Upside scenario

We could raise the rating by a notch if IDFC First Bank's profitable market share improves to be in line with those of larger Indian banks.

Rating Component Scores

Rating Component Scores

Issuer Credit Rating	BBB-/Stable/A-3
SACP	bbb-
Anchor	bbb-
Business position	Moderate (-1)
Capital and earnings	Strong (1)
Risk position	Adequate (0)
Funding and liquidity	Adequate and Adequate (0)
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0
SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.	

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, May 5, 2026
- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- A Weak Monsoon Will Strain India's Rural Sector, July 5, 2026
- Credit Conditions Asia-Pacific Q3 2026 Hormuz Reopens, Fragility Remains, June 25, 2026
- Economic Outlook Asia-Pacific Q3 2026: AI-Exposed Markets To Outperform, June 23, 2026
- India's Strong Fundamentals Would Cushion The Blow Of An Oil Shock, April 13, 2026

Ratings List

Ratings List	
New Rating	
IDFC First Bank Ltd.	
Issuer Credit Rating	BBB-/Stable/A-3