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September 19, 2025

The Manager (Listing) BSE Ltd., 25th Floor, Phiroz Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001	The Manager (Listing) National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Plot No.C/1, G Block, Bandra Kurla Complex, Bandra(E), Mumbai – 400 051
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Dear Sir/Madam,

Re-affirmation of Rating by India Ratings

This is to inform that India Ratings vide its report dated September 19, 2025 has reaffirmed Bank's Long Term Ratings at 'IND AA/Stable' and Short-Term Rating at 'IND A1+'. The detailed report is attached herewith.

You are requested to kindly take the above intimation on record in terms of Regulations 30 & 51 of SEBI (LODR) Regulations, 2015.

Yours faithfully,
For IDBI Bank Ltd.

Company Secretary

India Ratings Affirms IDBI Bank’s Debt Instruments at ‘IND AA’/Stable; Withdraws Basel III Compliant Bonds

Sep 19, 2025 | Private Sector Bank

India Ratings has taken the following rating actions on IDBI Bank Limited’s (IDBI) debt instruments as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Basel III-complaint Tier II bonds#	-	-	-	INR19 (reduced from INR30)	IND AA/Stable	Affirmed
Senior debt#	-	-	-	INR4 (reduced from INR36.31)	IND AA/Stable	Affirmed
Certificate of deposit	-	-	-	INR350	IND A1+	Affirmed
Omni Infrastructure bonds#	-	-	-	INR10 (reduced from INR70)	IND AA/Stable	Affirmed
Fixed deposit	-	-	-	INR0	IND AA/Stable	Affirmed
Basel III compliant bonds*	-	-	-	INR20	WD	Withdrawn

* Ind-Ra has withdrawn the rating as the bank did not proceed with the instrument as envisaged. This is consistent with Ind-Ra’s Policy on Withdrawal of Ratings.

Details in annexure

Analytical Approach

Ind-Ra continues to fully consolidate IDBI’s [subsidiaries](#) while arriving at the ratings. The agency has not factored in capital support from its majority stakeholders - the government of India (GoI) and Life Insurance Corporation of India (LIC) - to arrive at the ratings, owing to their planned strategic divestment in the bank.

Detailed Rationale of the Rating Action

The ratings reflect the bank’s stable operating buffers in FY25, indicating its increasing capacity to sustain market share and absorb any unforeseen rise in credit costs. The ratings are also supported by the bank’s robust capital position, which provides momentum for loan book expansion, and a stable funding base as reflected by the current account saving account (CASA) ratio of about 44.65% in 1QFY26. The rating also factors in the bank’s improving asset quality and operational performance, which Ind-Ra views as sustainable, driven by the continued scaling up of its franchise.

List of Key Rating Drivers

Strengths

- Robust capital position; improving internal profit generation
- Stable funding base supported by high proportion of CASA deposits
- Asset quality remains comfortable
- Strengthening retail focus

- Sustained profitability aided by lower credit cost

Weaknesses

- Home loan business issue unresolved; accommodation extended

Detailed Description of Key Rating Drivers

Robust Capital Position; Improving Internal Profit Generation: IDBI maintains a strong capital base offering resilience for growth and risk absorption. The bank's internal accruals have been improving since FY21, leading to an improvement in its common equity tier 1 (CET1) ratio to 23.71% in 1QFY26 (FY25: 23.51%, FY24: 20.11%; FY23: 18.08%). Ind-Ra expects the bank's internal capital generation to be sufficient to support its medium-term growth plans, with no material need for external capital infusion.

Further supporting its credit profile, the bank had a strong provision coverage ratio (excluding technical write-offs) of 93% in 1QFY26, while slippages were contained at 0.80%. These metrics indicate a lower requirement for incremental provisioning compared to previous years. Ind-Ra believes IDBI's capital buffers will remain well above the regulatory thresholds, positioning it strongly ahead of the implementation of Expected Credit Loss norms; this will remain a key rating monitorable.

Stable Funding Base Supported by High Proportion of CASA Deposits: Despite a moderation in the CASA ratio to 44.65% in 1QFY26 from 46.56% in FY25 (FY24: 50.43%), IDBI maintains a superior CASA profile relative to its peers'. The limited traction in CASA deposits to INR1,325 billion in 1QFY26 against INR1,444 billion in FY25 (FY24: INR1,400.27 billion) reflects the impact of elevated interest rates, which have also led to an increase in bulk deposit share to 20% from 16%. Nevertheless, the bank's total deposits grew 7% yoy to INR3,102 billion in FY25, supported by a granular base across CASA deposits with the top depositors largely comprising of government-affiliated entities.

Asset Quality Remains Comfortable: IDBI's asset quality metrics further improved in 1QFY26 with the gross non-performing assets (NPAs) declining to 2.93% (FY25: 2.98%; FY24: 4.53%) and the net NPAs reducing to 0.21% (0.15%; 0.34%), aligning well with its peers'. The consistent decline in gross NPAs and net NPAs reflects the bank's enhanced risk management framework across corporate and retail segments through centralised loan processing, enhanced monitoring, and exposure controls. Retail credit processes now rely on rule-based filters, with continuous portfolio tracking. The slippage ratio also remained stable at 0.80% in 1QFY26 (FY25: 0.73%; FY24: 1.92%) indicating tighter asset quality controls. The provision coverage ratio, excluding technical write-offs, remained robust at 93% in 1QFY26 (FY25: 95%; FY24: 93%; FY23: 86%).

Additionally, the bank maintained a low special mention account (SMA) portfolio with SMA-1 and SMA-2 together accounting for just 1.2% of the total net advances as of 1QFY26 (1QFY25: 1.3%). Ind-Ra expects the gross and net NPAs to remain stable through FY26 and FY27.

Strengthening Retail Focus: IDBI has strategically pivoted towards building a more granular and retail-centric loan book. This shift is evident in the improvement of its credit risk weighted asset/gross advances ratio to 68.4% in 1QFY26 from 76% in FY20, driven by a substantial increase in the retail loan share to 70% from 56%. The bank, as per its strategy, will maintain 70% of the retail book.

The retail portfolio grew at a 10% CAGR to INR1.57 trillion over FY20-FY25. This growth was led by secured products notably home loans (accounting for 32%), which have contributed towards a more stable asset base and a significant reduction in the slippages to 0.80% in 1QFY26 from 6.35% in FY20.

Additionally, the bank has increased its focus on gold loans, which accounted for 8% of the loan book in FY25, up from 3% in FY20. These loans carry zero capital consumption, thereby enhancing portfolio resilience and improving the overall yields. The combined effect of these strategic shifts has been a more secure, diversified, and cost-efficient retail franchise that supports the bank's sustainable growth and strengthens the asset quality.

Sustained Profitability Aided by Lower Credit Cost: IDBI's profitability trajectory remains positive, underpinned by healthy net interest margins (NIMs), low credit costs, and a stable funding profile. Although the NIMs moderated to 3.68% in 1QFY26 from 4.18% in 1QFY25 on account of the increase in cost of deposits, but it remains in line with peers', driven by a stable cost of deposits of 4.84% in 1QFY26 (FY25: 4.68%; FY24: 4.30%). The bank's operating performance has been supported by steady retail loan growth, improved asset quality, and high provisioning levels.

The return on assets (RoA) improved to 2% in 1QFY26 from 1.83% in 1QFY25 (FY25: 2.1%). The net profit rose to INR20 billion in 1QFY26 (1QFY25: INR17.19 billion; FY25: INR75.15 billion; FY24: INR56.34 billion). Ind-Ra expects the credit costs to remain benign in FY26, aided by a recovery from written-off accounts, further supporting its profitability.

While the cost-to-income ratio increased to 48.8% in 1QFY26 (FY25: 43.3%; FY24: 46.10%), it remains well-contained relative to peers. Ind-Ra anticipates some moderation in NIMs due to rising deposit costs and competitive pressures but the agency expects the RoA to remain at 1.2%-1.5% in FY26, indicating a stable and sustainable profitability outlook.

Home Loan Business Issue Unresolved; Accommodation Extended: When LIC had decided to take up a majority stake in IDBI in FY19, it had to abide by the condition wherein only one of the institutions (either LIC Housing Finance Ltd or IDBI) could carry the home loan business after November 2023, which has been extended.

Ind-Ra understands that there is a possibility of an adverse impact on IDBI's franchise building efforts if it is unable to continue its home loan business beyond the extended timeline. This stems from LIC's ownership of IDBI as a large shareholder with a competing business under the former's subsidiary, LIC Housing Finance. In the event of delayed stake sale by the bank's key shareholders, there could be a workout around by the bank. IDBI is no longer a subsidiary of LIC, with the latter's stake falling below majority to 49.24% in 2021 from 51% at end-September 2019. Ind-Ra, thus, does not expect the lack of clarity on the home loan business to have a significant negative impact on the credit profile of IDBI until the matter is resolved. The agency would continue to monitor the evolving situation and will take an appropriate rating action, as and when warranted.

Liquidity

Adequate: An analysis of the structural liquidity statement at end-June 2025 showed positive cumulative mismatches (excess of inflows over outflows) in all the buckets in the up-to-one-year period. IDBI's liquidity coverage ratio stood at 128.11% in 1QFY26, against the regulatory requirement of 100%. Ind-Ra believes the bank's liquidity position has improved significantly from FY21 and it could continually benefit from the strategy of increasing granularisation and retailisation of its deposits.

Rating Sensitivities

Positive: Substantial, demonstrated growth in franchise delivering consistent market share gains, consistency in the profitability while maintaining capital buffers at materially higher levels than the regulatory requirements and an improvement in deposit profile hereon could result in a positive rating action.

Negative: Deterioration in the funding profile due a fall in low-cost deposits, a rise in operating expenses, or a prolonged decline in the profitability buffers, driven by asset quality pressures, any material impact on Tier I capitalisation levels, with CET1 capital falling below 12% on a sustained basis, a significant increase in the net NPAs or discontinuation of the home loan business could lead to a negative rating action.

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 IDBI, 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

IDBI is a private sector bank in India with pan-India presence. The bank had 2,130 branches and 3,045 ATMs across India as of June 2025.

Key Financial Indicators

Particulars	FY25	FY24
Total assets (INR billion)	4,116.6	3,631.9
Total equity (INR billion)	602.5	498.8
Net profit (INR billion)	75.15	56.34
Return on assets (%)	1.9	1.7
Common equity tier 1 ratio (%)	23.51	20.1
Capital adequacy ratio (%)	25.05	22.3
Source: IDBI; Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Rating/Outlook	History Rating/Outlook					
				20 September	15 March 2024	21 December 2023	22 September 2023	21 July 2023	25 July 2022
Issuer rating	Long-term		-		-	-	WD	IND A+/Positive	IND A+/Stable/IND A1+
Basel III compliant bonds	Long-term	INR20	WD	IND AA/Stable	IND AA-/Stable	IND AA-/Stable		IND A+/Positive	IND A+/Stable
Omni infrastructure bonds	Long-term	INR10	IND AA/Stable	IND AA/Stable	IND AA-/Stable	IND AA-/Stable		IND A+/Positive	IND A+/Stable
Basel III compliant Tier II bonds	Long-term	INR19	IND AA/Stable	IND AA/Stable	IND AA-/Stable	IND AA-/Stable		IND A+/Positive	IND A+/Stable
Fixed Deposit	Long-term		IND AA/Stable	IND AA/Stable	IND AA-/Stable	IND AA-/Stable		IND A+/Positive	IND A+/Stable
Senior debt	Long-term	INR4	IND AA/Stable	IND AA/Stable	IND AA-/Stable	IND AA-/Stable		IND A+/Positive	IND A+/Stable
Certificate of deposit	Short-term	INR350	IND A1+	IND A1+	IND A1+	IND A1+		IND A1+	IND A1+

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Omni Infrastructure bonds	Low
Basel III compliant bonds	Low
Basel III-complaint Tier II bonds	Low
Certificate of deposit	Low

Fixed deposit	Low
Senior debt	Low

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

Annexure

Instrument Type	ISIN	Date of Allotment	Tenor (years)	Maturity Date	Issue size (billion)	Amount outstanding (billion)	Coupon rate (%)	Put/Call option	Rating/Outlook
IDBI Omni Bonds 2008-09 Sr.XVII	INE008A08Q98	14 March 2009	20	14 March 2029	INR0.02	INR0.02	11.25	-	IND AA/Stable
IDBI Omni Bonds 2009-10 Sr.IV	INE008A08R71	26 September 2009	20	26 September 2029	INR0.02	INR0.02	9.67	-	IND AA/Stable
		Total				INR0.04			
Omni 2014-2015 Infrastructure Bond Series III	INE008A08U92	21 January 2015	10	21 January 2025	INR30.00	INR30.00	8.725	-	WD (paid in full)
Omni Infrastructure Bond 2015-2016 Series III	INE008A08V26	9 February 2016	10	9 February 2026	INR10.00	INR10.00	8.8	-	IND AA/Stable
		Total				INR10*			
*Total does not include withdrawn ISIN									
Omni Tier 2 2015-2016 Series I	INE008A08V00	31 December 2015	15	31 December 2030	INR10.00	INR10.00	8.62	Call – 31 December 2025	IND AA/Stable
Omni Tier 2 2015-2016 Series II	INE008A08V18	2 January 2016	10	2 January 2026	INR9.00	INR9.00	8.62	None	IND AA/Stable
		Total				INR19			
Source: IDBI, NSDL									

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About India Ratings

India Ratings and Research (Ind-Ra) is India's most respected 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

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Rating Bank Subordinated and Hybrid Securities

The Rating Process

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