January 16, 2026

National Housing Bank: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper	8,000.00	8,000.00	[ICRA]A1+; reaffirmed
Long-term borrowing programme	7,456.33	7,456.33	[ICRA]AAA (Stable); reaffirmed
Total	**15,456.33**	**15,456.33**	

**Instrument details are provided in Annexure I*

Rationale

The ratings factor in National Housing Bank's (NHB) sovereign ownership and its pivotal role in the housing finance industry. NHB enjoys good financial flexibility given its sovereign ownership, with access to low-cost long-term funds. The ratings also consider NHB's comfortable asset quality, with gross non-performing assets (GNPAs) of 0.62% as on September 30, 2025 (0.60% as on June 30, 2025; 0.69% as on June 30, 2024). NHB's capitalisation is adequate with the capital-to-risk weighted assets ratio (CRAR) improving to 47.00% as on September 30, 2025 (43.43% as on June 30, 2025) from 16.38% as on June 30, 2024 as it transitioned to Basel III from July 1, 2024.

NHB's earnings profile is characterised by relatively lower margins, given the development role played by it, though it benefits from low operating expenses due to its wholesale lending model. In FYE6/2025[1], the bank reported stable net interest margins (NIMs) compared to FYE6/2024[2]. However, with the enhanced operating efficiency, its overall earnings improved slightly with a return on assets (RoA) of 1.7%[3] and a return on equity (RoE) of 11.5%[3] in FYE6/2025 (1.6% and 11.4%, respectively, in FYE6/2024). ICRA also takes note of the relatively higher concentration norms and the consequently high credit concentration of NHB. However, the comparatively better credit profile of its top borrowers mitigates the concentration risk to some extent.

The Stable outlook on the long-term rating reflects ICRA's opinion that NHB will continue benefitting from its sovereign ownership and will keep playing a critical role in the development of the housing finance market while maintaining stable earnings and comfortable asset quality.

Key rating drivers and their description

Credit strengths

Sovereign ownership and strategic importance to GoI for development of housing finance sector – NHB is a wholly-owned subsidiary of the Government of India (GoI) and plays a key role in the development of the housing finance sector in the country. It is the key agency for providing refinance for housing loans to housing finance companies (HFCs) and various other primary lending institutions (PLIs; i.e. scheduled banks, regional rural banks, state apex cooperative housing finance societies, and state cooperative agriculture and rural development banks). Moreover, it was one of the Central Nodal Agencies for the implementation of the interest subsidy scheme under the 'Pradhan Mantri Awas Yojana – Urban 2.0'. NHB is also managing the Urban Infrastructure Development Fund (UIDF). With the GoI's thrust on affordable housing, NHB is expected to continue playing a key policy role in the development of the mortgage market. Following the change in ownership, NHB's regulatory

[1] *Financial year for NHB is from July 1 to June 30; FYE6/2025 refers to the year ending June 2025*
[2] *Financial year for NHB is from July 1 to June 30; FYE6/2024 refers to the year ending June 2024*
[3] *As per ICRA's calculations*

role with respect to HFCs was transferred to the Reserve Bank of India (RBI), though it continues to act in a supervisory capacity in this segment.

Good financial flexibility – NHB enjoys good financial flexibility owing to its parentage. It mobilises funds at fairly competitive rates under allocation for the Affordable Housing Fund (AHF; 48% of the borrowing profile as on June 30, 2025) with bonds (46%), UIDF (2%) and other borrowings (4%) accounting for the balance. Funds for AHF are financed from the priority sector lending shortfall of scheduled commercial banks (SCBs). The asset-liability maturity profile also remained comfortable, supported by the long-term nature of the funds (such as the 7-year tenure of AHF deposits), while the lending book mostly constitutes loans with 3-7 year tenures (quarterly amortising).

Comfortable asset quality – NHB's asset quality indicators have remained comfortable, with funds primarily extended to banks and HFCs with strong creditworthiness. Apart from a small slippage (~Rs. 12 crore in FYE6/2025), there have been no slippages in the portfolio since FYE6/2021. Nevertheless, the reported asset quality remains comfortable with GNPAs of 0.62% as on September 30, 2025 (0.60% as on June 30, 2025; 0.69% as on June 30, 2024). The bank continues to maintain 100% provision coverage against NPAs and consequently continued to report nil net NPAs as on September 30, 2025. Going forward, NHB's asset quality is expected to remain comfortable. As per the NHB Act, NHB has mandates from scheduled banks for direct debits from their current accounts with the RBI if there is a delay or default in the payment of refinance instalments. Moreover, as NHB functions as a supervisor of HFCs, its asset quality and collection efficiency in this segment remain superior.

Adequate capitalisation – NHB's capitalisation remained adequate with a CRAR of 43.43% as on June 30, 2025 (47.00% as on September 30, 2025) and a net worth of Rs. 16,566 crore[4]. The CRAR improved from 16.38% as on June 30, 2024 with the bank transitioning to Basel III from July 1, 2024. The reported capital adequacy is supported by the relatively lower risk weights on NHB's refinance to high-rated SCBs and HFCs. The capital position is further supported by steady accruals in the absence of dividend payouts. NHB's overall gearing is expected to be maintained below 10 times and sufficient cushion is currently available with the gearing at 5.9 times[4] as on June 30, 2025.

Credit challenges

Relatively higher credit concentration – NHB has a concentrated lending portfolio with the top 20 borrowers accounting for 84% of the total advances in FYE6/2025. The wholesale nature of the loans exposes the bank to lumpy slippages in the asset quality and could consequently impair its profitability ratios. Nevertheless, with a large proportion of the loan book consisting of exposures to higher-rated banks and HFCs, the risk is partially mitigated.

Moderate earnings profile – As NHB plays a developmental role in the growth of the housing finance sector in India and is the primary agency for providing refinance for housing loans to HFCs and various other PLIs, it operates with lower NIMs. Its NIM remained stable at 2.4%[4] in FYE6/2025. However, with the enhanced operating efficiency, the overall earnings improved with the bank reporting a RoA of 1.7%[4] and a RoE of 11.5%[4] in FYE6/2025 (1.6%[4] and 11.4%[4], respectively, in FYE6/2024). Going forward, NHB is expected to continue reporting profitability in line with the historical averages.

Liquidity position: Strong

NHB's liquidity profile remains strong with good financial flexibility, given its sovereign ownership. The bank has a demonstrated track record of raising long-term funds at competitive rates. NHB generated the majority of its funding from deposits (50% of total funding) and bonds (46%) as on June 30, 2025, which helps keep its cost of funding low. The bank reported free on-book liquidity of Rs. 4,066 crore as on September 30, 2025. The asset-liability maturity (ALM) profile also remained comfortable, supported by the long-term nature of the funds (such as the 7-year tenure of AHF deposits), while the lending book mostly constitutes loans with 3-7 year tenures (quarterly amortising). The bank reported positive cumulative mismatches across buckets as per its ALM profile as on September 30, 2025.

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[4] *As per ICRA's calculations*

Rating sensitivities

Positive factors – Not applicable

Negative factors – A dilution in NHB's strategic role and importance to the GoI will be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Banks and Financial Institutions
Parent/Group support	The ratings derive significant strength from NHB's strong parentage owing to its status as a wholly-owned subsidiary of the GoI and the expectation of support, given its strategic importance as a supervisor of HFCs and its developmental role in the mortgage market
Consolidation/Standalone	Standalone

About the company

National Housing Bank (NHB), a financial institution, was established in July 1988 under the National Housing Bank Act, 1987 to function as a principal agency to promote housing finance institutions and provide financial and other support to them. NHB, a wholly-owned subsidiary of the Government of India (GoI), is also the supervisor of HFCs.

NHB's ownership was transferred to the GoI from the Reserve Bank of India (RBI) for Rs. 1,450 crore in March 2019, as per announcements in the Union Budget for FY2020. In July 2019, the GoI transferred the HFC regulatory functions of NHB to the RBI. NHB continues to carry out a supervisory role for HFCs while playing a key policy role in the development of the housing industry.

NHB reported a net profit of Rs. 1,909 crore in FYE6/2025 on an asset base of Rs. 1,18,258[5] crore as on June 30, 2025 compared to a net profit of Rs. 1,664 crore in FYE6/2024 on an asset base of Rs. 1,12,153[5] crore as on June 30, 2024.

The gross non-performing assets (GNPAs) stood at 0.60% while net NPAs were nil as on June 30, 2025 compared to GNPAs of 0.69% and nil net NPAs as on June 30, 2024. NHB's capital adequacy ratio was 43.4% as on June 30, 2025 (16.4% as on June 30, 2024). Its portfolio (gross loans) stood at Rs. 1,09,029 crore as on June 30, 2025 and consisted of refinancing to HFCs (79% of total loan book) and scheduled commercial banks (16%). The balance (5%) consisted of refinancing to regional rural banks, small finance banks, project financing and the portfolio under the Urban Infrastructure Development Fund (UIDF).

Key financial indicators

National Housing Bank	FYE6/2023	FYE6/2024	FYE6/2025
Total income	4,868	6,510	7,704
Profit after tax	1,262	1,664	1,909
Total assets	1,00,253	1,12,153	1,18,258
CET I	14.14%	15.13%	42.49%
CRAR	15.17%	16.38%	43.43%
Return on average total assets	1.40%	1.57%	1.66%
Gross NPAs	0.77%	0.69%	0.60%
Net NPAs	0.00%	0.00%	0.00%

Source: NHB, ICRA Research; Amount in Rs. crore; All figures and ratios as per ICRA's calculations

[5] *As per ICRA's calculations*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023	
				Jan 16, 2026	Jan 17, 2025	May 17, 2024	Jan 19, 2024	Jan 24, 2023	Jun 28, 2022
1	Commercial paper	Short term	8,000.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Long-term borrowing programme	Long term	7,456.33	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
3	Long-term borrowing programme	Long term	-	-	-	[ICRA]AAA (Stable); withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)

Source: ICRA Research

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term borrowing programme*	Simple
Commercial paper	Simple

** Assuming the new instruments issued will be similar in terms of complexity as the previous non-convertible debentures raised; Indicator will be changed once they are placed, if required*

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE557F07074	**Tax-free bonds**	Aug-30-2013	8.46%	Aug-30-2028	883.00	[ICRA]AAA (Stable)
INE557F07090	**Tax-free bonds**	Jan-13-2014	8.63%	Jan-13-2029	407.16	[ICRA]AAA (Stable)
INE557F07108	**Tax-free bonds**	Jan-13-2014	8.76%	Jan-13-2034	713.43	[ICRA]AAA (Stable)
INE557F07124	**Tax-free bonds**	Jan-13-2014	8.88%	Jan-13-2029	85.73	[ICRA]AAA (Stable)
INE557F07132	**Tax-free bonds**	Jan-13-2014	9.01%	Jan-13-2034	665.72	[ICRA]AAA (Stable)
INE557F07157	**Tax-free bonds**	Mar-24-2014	8.68%	Mar-25-2029	421.99	[ICRA]AAA (Stable)
INE557F07165	**Tax-free bonds**	Mar-24-2014	8.65%	Mar-26-2034	73.56	[ICRA]AAA (Stable)
INE557F07181	**Tax-free bonds**	Mar-24-2014	8.93%	Mar-28-2029	332.61	[ICRA]AAA (Stable)
INE557F07199	**Tax-free bonds**	Mar-24-2014	8.90%	Mar-29-2034	48.35	[ICRA]AAA (Stable)
INE557F08FP2	**Bonds**	Mar-23-2023	7.77%	Apr-02-2026	1,900.00^	[ICRA]AAA (Stable)
NA	**Long-term borrowing programme***	NA	NA	NA	1,924.78	[ICRA]AAA (Stable)
INE557F14FM7	**Commercial paper**	Nov-28-2025	5.87%	Feb-27-2026	2,000.00	[ICRA]A1+
NA	**Commercial paper***	NA	NA	7-365 days	6,000.00	[ICRA]A1+

*Source: NHB, ICRA Research; ^ outstanding as on December 31, 2025 is Rs. 1,675 crore * Yet to be placed*

Annexure II: List of entities considered for consolidated analysis

Not applicable

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