

March 23, 2021

National Stock Exchange of India Ltd. (Symbol: INDUSINDBK)

BSE Ltd. (Scrip Code: 532187)

India International Exchange (Scrip Code: 1100027)

Madam / Dear Sir,

Subject: Credit Ratings – Moody’s Investors Service (‘Moody’s’)

We hereby inform that Moody’s has affirmed the following:

- Long-term local and foreign currency deposit ratings of the Bank at Ba1
- Baseline credit assessment (BCA) and adjusted BCA at ba2

The outlook has been changed to ‘Stable’ from ‘Negative’

The communication received from the Agency is attached herewith.

In compliance with SEBI LODR, the above information is also being hosted on the Bank's website at www.indusind.com.

We request you to take the above information on record.

Thanking you,

Yours faithfully,

For IndusInd Bank Limited

Haresh K. Gajwani
Company Secretary

Encl. a/A

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Rating Action: Moody's affirms IndusInd Bank's ratings, revises outlook to Stable

22 Mar 2021

Singapore, March 22, 2021 -- Moody's Investors Service has affirmed the long-term local and foreign currency deposit ratings of IndusInd Bank Limited (IndusInd Bank) at Ba1.

Moody's has also affirmed its baseline credit assessment (BCA) and adjusted BCA at ba2.

At the same time Moody's has revised the outlook to Stable from Negative.

For a detailed list of the affected ratings, please refer to the end of this press release.

RATINGS RATIONALE

The affirmation of the BCA and the deposit ratings takes into consideration the bank's strong capital and core profitability, as well as a relatively modest funding. The change in outlook to stable from negative is driven by improvement in its funding and capital, and marginal asset quality deterioration because of the economic disruptions from the pandemic.

Despite the economic disruption asset quality deterioration was moderate, with gross and net nonperforming loan (NPL) ratios, after including those benefiting from the Supreme Court order on loan classification, being at 2.93% and 0.22% respectively as of the end of December 2020, compared with 2.18% and 1.05%, a year earlier.

The bank raised capital, resulting in a significant increase in the core equity tier 1 ratio to around 15% from 12.1% at the end of 2019.

Profitability deteriorated because of increase in credit costs, but pre-provision remains one of the highest within rated Indian banks. Profitability will gradually improve as credit costs normalize in 2021.

Funding quality has been improving over the past 12 months, with the share of retail deposits in total funding increasing to 27% at end December 2020 from 24% at end March 2020. With management prioritizing improving funding mix over loan growth, we expect further improvement over the next 12-18 months. However, IndusInd's funding quality remains weaker than other large rated Indian private sector banks.

Liquidity remains stable, with liquidity coverage ratio at end December 2020 of 156%.

The bank's ratings benefit from one notch of systemic support, based on Moody's expectation of a moderate level of support from the Indian Government (Baa3 negative). This level of systemic support is in line with its deposit market share in the banking system.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The BCA and ratings could be upgraded if (a) there is a significant improvement in its funding, such that the share of sticky retail deposits in its funding and depositor concentration becomes comparable to that of other large rated private sector banks in India, and (b) credit costs normalize to pre-pandemic levels.

The bank's BCA and ratings could be downgraded if there is a deterioration in its funding or asset quality, such that either NPL ratio or credit costs increase significantly from the current levels.

The principal methodology used in these ratings was Banks Methodology published in November 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1147865. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

LIST OF AFFECTED RATINGS

.... Adjusted Baseline Credit Assessment, Affirmed ba2

... Baseline Credit Assessment, Affirmed ba2
... Short-term Counterparty Risk Assessment, Affirmed NP(cr)
... Long-term Counterparty Risk Assessment, Affirmed Ba1(cr)
... Short-term Counterparty Risk Rating (Foreign and Local Currency), Affirmed NP
... Long-term Counterparty Risk Rating (Foreign and Local Currency), Affirmed Ba1
... Short-term Issuer Rating (Foreign and Local Currency), Affirmed NP
... Long-term Issuer Rating (Foreign and Local Currency), Affirmed Ba1; Outlook, Changed To Stable From Negative
... Short-term Deposit Rating (Foreign and Local Currency), Affirmed NP
... Long-term Deposit Rating (Foreign and Local Currency), Affirmed Ba1; Outlook, Changed To Stable From Negative
... Long-term Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)Ba1
... Long-term Senior Unsecured Bond (Foreign Currency), Affirmed Ba1; Outlook, Changed To Stable From Negative
... Outlook, Changed To Stable From Negative

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody.com.

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