

Press Release**Fitch Upgrades IndusInd Bank's National Long-Term Rating to 'AA-(ind)' from 'A+ (ind)'**

Mumbai, February 24, 2010: Fitch Ratings has today upgraded India's IndusInd Bank Ltd's (IBL) National Long-Term (LT) Rating to 'AA-(ind)' from 'A+(ind)' with a Stable Outlook, and its National Short-Term (ST) Rating to 'F1+(ind)' from 'F1(ind)'. The agency has also affirmed IBL's Individual Rating at 'D' and Support Rating at '5'. A list of all rated instruments is given at the end of this release.

The upgrade in IBL's National LT Rating reflects its strong capitalisation, proven track record of asset quality management and profitability that is driven by its strong fees income profile and above systemic average interest margins. Fitch expects the Bank's funding to benefit from a rapid expansion of its branch network over the next three to five years. This will enable IBL to garner more retail deposits, which will partly off-set its relatively greater reliance on less sticky wholesale deposits. IBL's Support Rating factors in its small size and deposit base (less than 1% of banking system deposits) due to which support to government banks and larger private banks would gain precedence.

IBL's net interest margins (NIM) are above the banking system average of around 2.5%, and improved to 3.89% (annualised) over the nine months ended 31 December 2011 (9MFY11) on account of the Bank's renewed focus on its high-yielding consumer finance segment (41% of gross loans at 9MFY11), which includes commercial vehicle loans, auto loans and equipment finance loans. High yields from the consumer finance segment allowed the Bank to increase its yields on loans by a greater quantum compared to cost of deposits. IBL's profitability was also aided by its strong fees income profile (30% of operating income at 9MFY11), as the Bank seeks to expand and strengthen its investment advisory and insurance distribution network. Profitability would remain under pressure over the near to medium term, as IBL is vulnerable to rising interest rate environment due to its reliance on large-ticket bulk deposits. This would be mitigated by IBL's asset liability mix, which would allow the Bank to transmit increased deposit costs to its loan segment. In addition, its branch expansion plans would necessitate greater operating expense, which would prevent any substantial reduction in its moderately high cost to income ratio (9MFY11: 48.5%).

IBL's gross NPL ratio declined in 9MFY11 to 1.21% (FY10: 1.23%, FY09: 1.61%) on account of the denominator effect of high loan growth (9MFY11: 29%) and low fresh slippages. IBL's asset quality benefits from its proven track record of managing the riskier consumer finance segment. That said, the asset quality may deteriorate over the medium term, as the Bank plans to expand its loan book in newer segments like mortgage loans, small industry loans among others. The Bank's mortgage loan segment will be

sufficiently collateralised. IBL's NPL provision coverage ratio (excluding technical write-offs) was 70.27% at 9MFY11 which is above the regulatory minimum of 70%.

IBL received INR11.7bn of equity capital, which enabled it to increase its Tier 1 ratio to 11.67% at 9MFY11 (FY10: 9.65%). The Bank's entire Tier 1 capital consists of core equity, and it has ample scope to raise fresh common equity along with Tier 2 capital from the markets. IBL's capital adequacy ratio was 15.6% at 9MFY11.

IBL's funding profile is oriented towards large-ticket bulk deposits due to its limited branch network. Although the share of low-cost, stable current and savings account (CASA) deposits is increasing in the funding mix (CASA for 9MFY11: 26.8%, FY10: 23.7%), large-ticket bulk deposits still contribute over 30% to IBL's total liabilities and funding, which is above the systemic average levels of 9%-10%. That said, the Bank's relatively weak albeit improving funding profile is mitigated by the diversification of its corporate deposit base and availability of refinance lines of around INR20bn from financial institutions like National Housing Bank ('AAA(ind)'/Stable), National Bank For Agriculture and Rural Development ('BBB-'/Stable) and Small Industries Development Bank of India ('BBB-'/Stable) .

IBL's lower Tier 2 subordinated bonds have been rated at the same level as its National LT rating based on Fitch's "Criteria for Indian National Ratings of Bank Hybrids and Subordinated Debt".

IBL:

- INR4.85bn lower Tier 2 subordinated debt: upgraded to 'AA-(ind)' from 'A+(ind)'; and
- INR 3.08bn upper Tier 2 subordinated debt; upgraded to 'A(ind)' from 'A-(ind)'.

About IndusInd Bank

IndusInd Bank, which commenced its operations in 1994, caters to the needs of both consumer and corporate customers. It has a robust technology platform supporting multi-channel delivery capabilities. As on date, IndusInd Bank has 258 branches and 565 ATMs spread across 192 geographic locations of the country. The Bank also has 2 Representative offices, one each in London and Dubai.

The Bank believes in driving its business through technology. It has multi-lateral tie-ups with other banks providing access to their ATMs for its customers. It enjoys clearing bank status for both major stock exchanges - BSE and NSE - and three major commodity exchanges in the country - MCX, NCDEX, and NMCE. It also offers DP facilities for stock and commodity segments. The Bank has been bestowed with the mandate of being a Settlement Banker for six tea auction centres.

During the third quarter FY 11, the Bank received a series of accolades commencing with 2010 Global Awards for Excellence in BPM and Work flow from Pacific Rim (Asia and

Australia) for Design Comprehensiveness, Implementation speed and Process coverage of the I-works platform. The Bank also ranked 2nd in the fastest growing Bank (mid-size) category – published in “India’s Best Banks” report by Business World and PWC. The State Forum of Bankers Clubs, Kerala bestowed on the Bank ‘Excellence Award’ as the 2nd best New Generation Bank in Kerala for the second consecutive year.

Recently, CRISIL has reaffirmed its P1+ rating of IndusInd Bank's fixed deposits and certificates of deposit program. Credit rating agency ICRA Ltd. has upgraded Lower Tier II Bonds rating of the Bank to LAA- (pronounced L double A minus) rating with stable outlook from LA+ (pronounced L A plus) rating with stable outlook. ICRA has also upgraded the Upper Tier II Bonds rating of IBL to LA+ rating with stable outlook from LA (pronounced L A) rating with stable outlook.

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