IDBI BANK
CIN: L65190MH2004GOI148838.

आईडीबीआई बैंक लिमिटेड
पंजीकृत कार्यालय : आईडीबीआई टॉवर,
डब्ल्यूटीसी कॉम्प्लेक्स, कफ परेड,
मुंबई - 400 005.
टेलिफोन : (+91 22) 6655 3355, 2218 9111
फैक्स : (+91 22) 2218 0411
वेबसाइट : www.idbi.com

IDBI Bank Limited
Regd. Office : IDBI Tower,
WTC Complex, Cuffe Parade,
Mumbai - 400 005.
TEL.: (+91 22) 6655 3355, 2218 9111
FAX : (+91 22) 2218 0411
Website : www.idbi.com

अप्रैल ०१, २०२०

The Manager (Listing) BSE Ltd., 25th Floor, Phiroze 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

Dear Sir,

Revision in Ratings by Fitch Ratings

This is to inform that Fitch Ratings has released Ratings on April 01, 2020, wherein it has affirmed the Bank's existing Long Term Issuer Default Rating at "BB+" with revised outlook of 'Negative' from 'Stable'. The Support Rating Floor and Viability Rating of the Bank has been kept unchanged. Their rationale for rating is attached herewith.

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

भवदीय,
कृते आईडीबीआई बैंक लिमिटेड

01/04/2020

[पवन अग्रवाल]
म. प्र. एवं कंपनी सचिव

FitchRatings

RATING ACTION COMMENTARY

Fitch Revises Outlook on IDBI Bank's IDR to Negative; Affirms IDR and VR

Wed 01 Apr, 2020 - 4:29 AM ET

Fitch Ratings - Singapore/Mumbai - 01 Apr 2020: Fitch Ratings has revised the Outlook on India-based IDBI Bank Limited's (IDBI) Long-Term Issuer Default Rating (IDR) to Negative from Stable, while affirming the IDR at 'BB+'. The agency has simultaneously affirmed the bank's Viability Rating (VR) at 'ccc'. A full list of rating actions is at the end of this commentary.

The Negative Outlook reflects our expectation that the state's propensity to provide extraordinary support to IDBI Bank may diminish following the government's proposal to sell its stake in the bank and partial stake in IDBI Bank's majority shareholder, state-owned Life Insurance Corporation of India (LIC).

IDBI Bank's Support Rating Floor and IDR are unchanged, as support prospects have not materially altered since our last review. However, these could shift over time in line with the government's proposed stake sale.

The VR affirmation factors in the bank's more stable core capitalisation and slightly improved asset quality. The bank received nearly USD5 billion in fresh capital from both the state and LIC in the financial year ended March 2018 (FY18) and FY19, which contributed to a higher common equity Tier 1 (CET1) ratio of 10% by end-December 2019, from 5.6% at end-March 2017. However, IDBI Bank's financial profile remains weak and its performance is not immune to the worsening operating environment (see our "Coronavirus Worsens Indian Banks' Already Weak Operating Conditions", published 26 March 2020). That said, Fitch believes the risk of the bank failing has not increased.

RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
IDBI Bank Limited	LT IDR	BB+	Affirmed	BB+
	ST IDR	B	Affirmed	B
	Viability	ccc	Affirmed	ccc
	Support	3	Affirmed	3
	Support Floor	BB+	Affirmed	BB+

ENTITY/DEBT	RATING			PRIOR
• senior unsecured	LT	BB+	Affirmed	BB+

VIEW ADDITIONAL RATING DETAILS

KEY RATING DRIVERS

IDR, SUPPORT RATING AND SUPPORT RATING FLOOR

IDBI Bank's Long-Term IDR is driven by its Support Rating and Support Rating Floor, which is many notches higher than its VR. They reflect Fitch's expectation of a moderate probability of extraordinary state support due to the bank's market position, systemic importance and linkages to the state. We believe the bank's moderate size and its significant deposit base remain important considerations in assessing systemic importance, and ultimately the prospect of extraordinary support for the bank.

The Negative Outlook reflects our expectation that the state's propensity to provide extraordinary support to IDBI Bank will diminish as its shareholding in the bank drops, especially below 51%. The state directly owns 47% of IDBI Bank and holds another 51% indirectly through LIC, India's largest life insurer. The state announced its intention to sell its 47% stake in IDBI Bank and dilute part of its 100% shareholding in LIC through a market listing in its budget in February 2020. The Reserve Bank of India also expects LIC to gradually reduce its shareholding in IDBI Bank, although over a 12-year period.

However, we do not think the sale is an imminent risk due to the sharp correction in the equity index and IDBI Bank's share price. The government's immediate priority is to address the consequences of the coronavirus on the broader economy, which raises execution risk on the proposed share sale. This implies that a Negative Outlook is appropriate instead of a Rating Watch.

VR

IDBI's VR continues to reflect high fundamental credit risk. The bank's capital position has improved, thanks to substantial equity injections from the state and LIC in recent years, while absolute impaired loans have been declining and loan-loss cover has been rising (9M20: 86%; FY19: 70%; FY18: 48%). However, Fitch believes asset-quality pressures remain a risk for the banking sector, including for IDBI Bank, in light of the weakening operating environment. This is because retail loan growth has been high at IDBI Bank - similarly to most other banks - which, together with SME loans, can erode the bank's already weak income buffers as the environment deteriorates.

Fitch therefore believes IDBI Bank's CET1 ratio of 10% at 9MFYE20 is less commensurate with its balance sheet risks, as its capital buffers can be vulnerable to even moderate shocks. We also expect the bank's earning potential to remain weak, even though loan-impairment charges (8% of loans) will probably decline in FY21. Pre-provision profits at 2% of loans are inadequate if bad loan recoveries in FY21 (2% of loans) fall short of management expectations, which looks increasingly likely in the weaker macroeconomic environment. We expect the bank to preserve capital and calibrate its risk appetite and loan growth accordingly if the overall risk environment is unconducive, although there is still a risk of the government pressing the bank to lend once regulatory restrictions are lifted.

The bank's impaired-loan ratio of 28.7% has remained elevated due to a contraction in loans, the growth of which should remain subdued in the near term. The ratio is well above the industry average, although we think the lower concentration risk may limit the prospect of further large negative asset-quality surprises relative to earlier years. However, a moderate downturn is still likely to pressure special-mention loans (30 and 60 days overdue), currently at around 3% of total loans, and hamper efforts to improve net non-performing loans (NPL)/equity (9MFYE20: 20%).

We expect funding to remain stable, which may provide support for the bank. Fitch believes funding will be underpinned by depositor perception of implicit government support, although this will be tested once the government lowers its majority holding in the bank. The bank reported further improvement in its low-cost deposit ratio, which stood at 48% at 9MFYE20, while its reliance on volatile bulk deposits fell further to 17% of total deposits.

SENIOR DEBT

IDBI Bank's senior debt rating is at the same level as its IDR, as the debt represents its unsecured and unsubordinated obligations.

ESG - Governance: IDBI Bank has an ESG Relevance Score of '4' for Governance Structure. It reflects our assessment that key governance aspects, such as board independence and effectiveness, ownership concentration, protection of creditor or stakeholder rights and related-party transactions, affect support prospects that drive the long-term ratings due to the state's high influence.

ESG - Financial Transparency: IDBI Bank has an ESG Relevance Score of '4' for Financial Transparency. It reflects our assessment that the quality and frequency of financial reporting and the auditing process have an effect on the VR. These factors have become more prominent in the past few years because of the sharp financial deterioration at state banks as well as the wide reported divergences in NPL recognition between the banks and the regulator.

RATING SENSITIVITIES

IDRS, SUPPORT RATING, SUPPORT RATING FLOOR AND SENIOR DEBT

The Support Rating and Support Rating Floor are most sensitive to the agency's assessment of the government's propensity and ability to support the bank, based on its size, systemic importance and linkage to the state.

Should Fitch perceive any reduction in the government's propensity to extend timely support, the agency will reassess the Support Rating and Support Rating Floor, and in turn, the bank's IDRs and senior debt ratings. The Support Rating Floor and IDR could be downgraded if the government's stake in IDBI Bank is diluted or if the bank ultimately becomes privatised. Weakening of the government's ability to provide extraordinary support - reflected by a downgrade in India's sovereign ratings or Outlook (BBB-/Stable) - would be likely to also lead to further negative action on IDBI Bank's IDR.

That said, we see IDBI Bank as systemically important, though less so than the larger state banks and large private banks, meaning support will continue to be a factor in the ratings. Fitch believes its Support Rating Floor is likely to remain in the 'BB' category, assuming no change in the government's ability to provide support.

An upgrade of the sovereign rating appears less likely in the near term, although the sovereign's stronger ability to offer support may lead to positive action on IDBI Bank's ratings.

VR

The VR is most sensitive to changes in IDBI Bank's asset quality and profitability, both of which will affect capitalisation. A VR upgrade is less probable in the near term, but a move to the 'b' category will be predicated on sustained improvement in the impaired-loan ratio to below 20% through meaningful progress in NPL resolution and more stable earnings, such as a positive return on assets for a few quarters, as that would support the bank's core capitalisation and reduce capital vulnerability.

The VR could be downgraded if poor earnings and weak asset quality compromise the bank's progress in improving its core capital position and increases the need for extraordinary support on a last-resort basis. However, we see less risk of that occurring in the near term, despite the negative outlook for the operating environment. The VR could also be affected if there are funding difficulties after the change of ownership, although this is not our base case.

BEST/WORST CASE RATING SCENARIO

Ratings of financial institutions issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit www.fitchratings.com/site/re/10111579.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

IDBI Bank has an ESG Relevance Score of 4 for Governance Structure. It reflects our assessment that key governance aspects, such as board independence and effectiveness, ownership concentration, protection of creditor or stakeholder rights and related-party transactions, affect support prospects that drive the long-term ratings due to the state's high influence.

IDBI Bank also has an ESG Relevance Score of 4 for Financial Transparency. It reflects our assessment that the quality and frequency of financial reporting and the auditing process have an effect on the VR. These factors have become more prominent in the past few years because of the sharp financial deterioration at state banks as well as the wide reported divergences in NPL recognition between the banks and the regulator.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity(ies), either due to their nature or to the way in which they are being managed by the entity(ies).

For more information on our ESG Relevance Scores, visit www.fitchratings.com/esg.

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

Bank Rating Criteria (pub. 29 Feb 2020) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

IDBI Bank Limited	EU Endorsed

DISCLAIMER

%203%20May%202019%20v3%206-11-19.pdf DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

READ LESS

COPYRIGHT

rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.
For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001
Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

READ LESS

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Structured Finance Banks Asia-Pacific India