

IndusInd Bank

November 10, 2018

**The Asst. Vice President
Listing Department
National Stock Exchange of India Ltd.**
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra-Kurla Complex
Bandra (East), Mumbai -- 400 051

**The Deputy General Manager
Corporate Relationship Dept.
BSE Ltd.**
1st Floor, New Trading Ring
Rotunda Building, P. J. Towers
Dalal Street, Fort
Mumbai -- 400 001

NSE Symbol: INDUSINDBK

BSE Scrip Code: 532187

Madam / Dear Sir,

Sub: Disclosure under Regulation 30 of SEBI (LODR) Regulations, 2015

We are enclosing herewith a copy of the presentation on update on merger of IndusInd Bank Limited and Bharat Financial Inclusion Limited.

We request you to kindly place the aforesaid update on your website for the information of Investors.

A copy of this disclosure, in compliance with Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is being uploaded on the website of the Bank at www.indusind.com.

Thanking you,

Yours faithfully,
For IndusInd Bank Ltd.

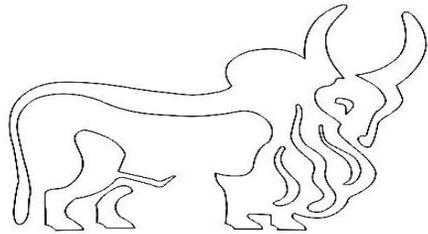


**Haresh K. Gajwani
Company Secretary**

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Mumbai - 400 093, Maharashtra, India Tel: (022) 66412200 Fax: (022) 66412224

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CIN: L65191PN1994PLC076333





IndusInd Bank



BHARAT
Financial Inclusion Ltd

IndusInd Bank and Bharat Financial Inclusion Merger Update

Building A Sustainable Platform for Financing Livelihoods

November 10, 2018

Agenda

- 1 **Merger Status Summary**
- 2 **Transaction Structure**
- 3 **Merger Rationale & Synergies**
- 4 **Update on Approvals**
- 5 **IBL & BFIL Performance since Merger Announcement**
- 6 **Fact Sheet**

1. Merger Status Summary

Corporate Governance Pre-Announcement

July 01, 2016 - IBL
May 01, 2017 - BFIL

September 11, 2017

Sep-Oct 2017

October 14, 2017

Board Authorization to Evaluate Strategic Opportunities

- IBL and BFIL Board authorized the respective senior managements to evaluate various organic and inorganic strategic growth opportunities

Exclusivity Announcement for IBL & BFIL Merger

- IBL and BFIL entered into an exclusivity arrangement to explore potential combination

Due Diligence, Negotiations, Documentation

- Appointment of advisors for legal, financial, tax and operational diligence
- Various rounds of discussion on transaction contours

Board Approval

- Audit Committees and Boards *inter alia* considered business case, fairness opinions, valuation reports, diligence reports, auditor reports etc.
- Respective Boards approved the transaction unanimously

Approval Process and Indicative Timelines

Board Approval

- Valuation / Swap Ratio ✓
- Approval of 'Scheme', matters therein and other legal documents ✓
- Execution of Implementation Agreement ✓

Regulatory Filings & Approvals

- RBI ✓
- CCI ✓
- SEBI and Stock Exchanges (NOC) ✓

NCLT Filings & Approval

- Filing of Scheme ✓
- NCLT approval: Shareholders approval, Creditors approval, other approvals - **Shareholders' and Creditors' meetings Scheduled on Dec 11, 2018**

ROC Filings & Share Issuance

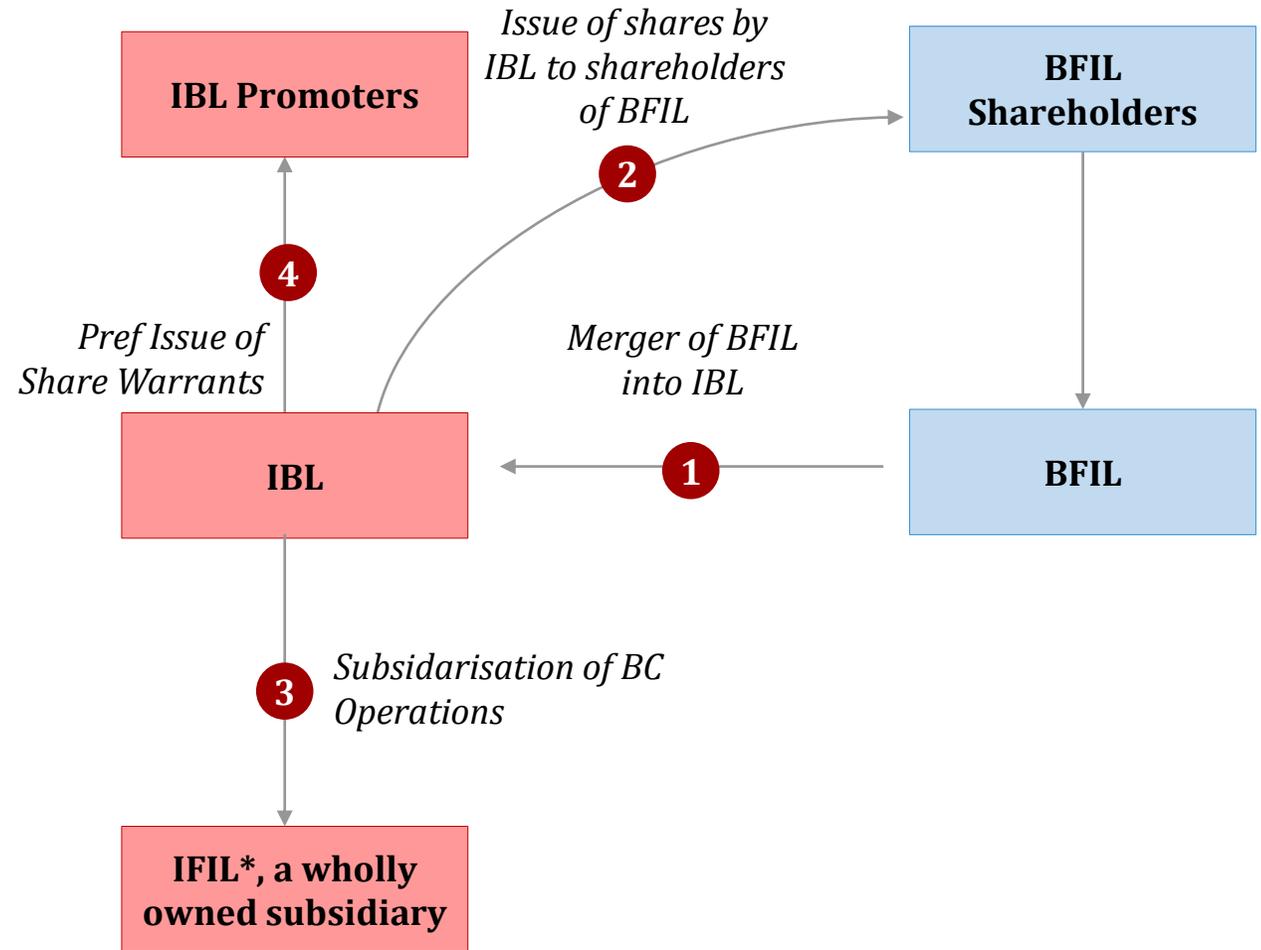
- Final approval of RBI
- ROC Filing
- Allotment of shares to BFIL shareholders
- Preferential Issuance of share warrants to the IBL Promoters

Transaction to take up to 2-3 months for closure

2. Transaction Structure

Transaction Structure

1. BFIL to merge into IBL under a Scheme of Arrangement
2. BFIL shareholders to receive IBL shares as consideration
3. IBL to transfer the employees and the undertaking in relation to the Business Correspondent operations into IndusInd Financial Inclusion Limited* (IFIL) (a wholly owned subsidiary of IBL), making it a captive Business Correspondent
4. Preferential Issuance of share warrants to the IBL Promoters. The Promoters shareholding would be retained at ~15%.



* To be re-named as Bharat Financial Inclusion Limited post effectiveness of the Scheme

Transaction Structure

Resultant Structure

- BFIL assets and liabilities to merge into IBL's assets and liabilities.
- BFIL operations to be part of IFIL, a wholly owned subsidiary of IBL.
- Subsidiary to act as a Business Correspondent of IBL

Swap Ratio

- BFIL shareholders to receive 639 IBL shares for every 1,000 BFIL shares

Board

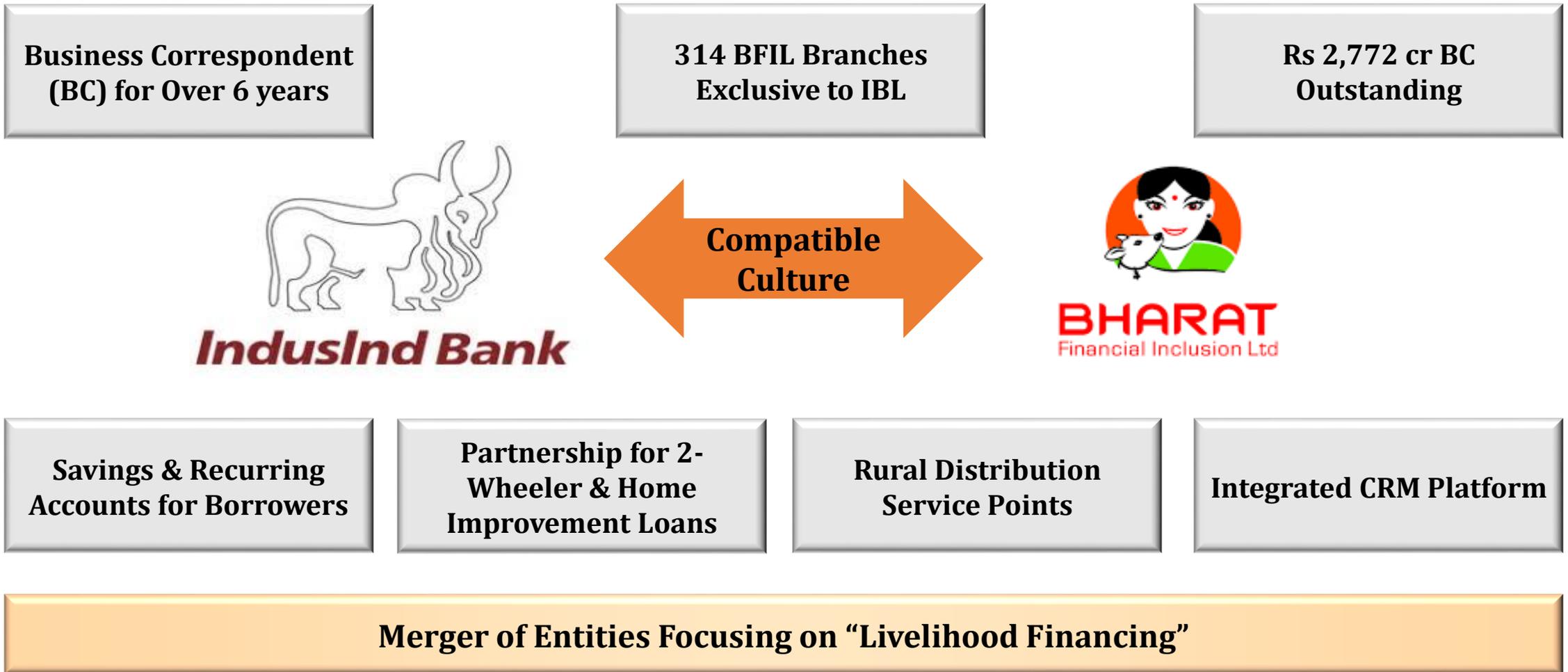
- No change in the Board of IndusInd Bank
- MFI Advisory Committee to be set up for the Wholly Owned Subsidiary

Employees

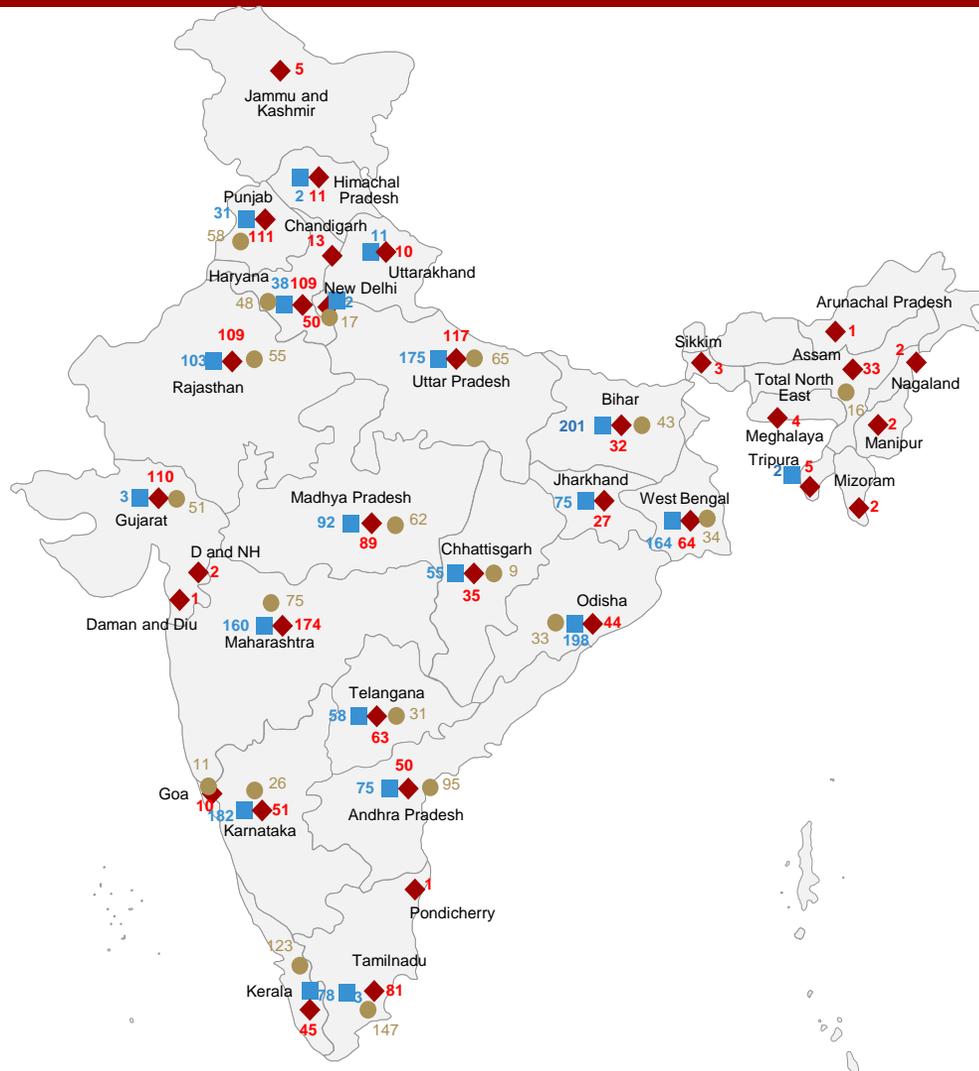
- Continuity of all BFIL Management and Employees in current assignments

3. Merger Rationale and Synergies

Culmination of Existing Long Standing Relationship



Creates Large and Complementary Network

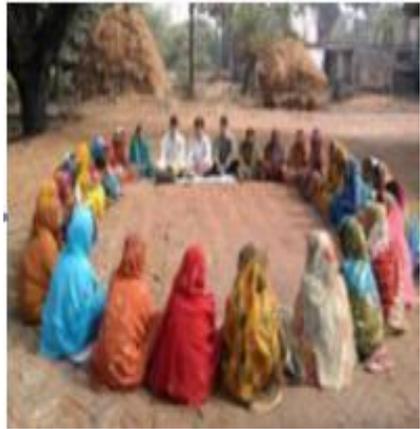


Geographic Reach as of 30th September 2018

- ◆ IBL Presence : 1,466 Branches (includes 250 rural branches)
- BFIL Presence: 1,708 strong MFI Network
- Vehicle Finance Presence: 932 Outlets (excluding Dealer Points)

Merged Entity to have 4,000+ branches and outlets

Financial Inclusion Pilots Showing Encouraging Results



Savings and Recurring Deposits

- 5,10,000+ Savings accounts and 2,70,000+ Recurring deposit accounts opened in 314 BC branches in Q2FY19



Retail Distribution and Service Points (RDSP)

- Pilot is rolled out in ~ 1,500 locations
- Services offered are cash deposit & withdrawal, bill payments and allied financial services



Two Wheeler Loans

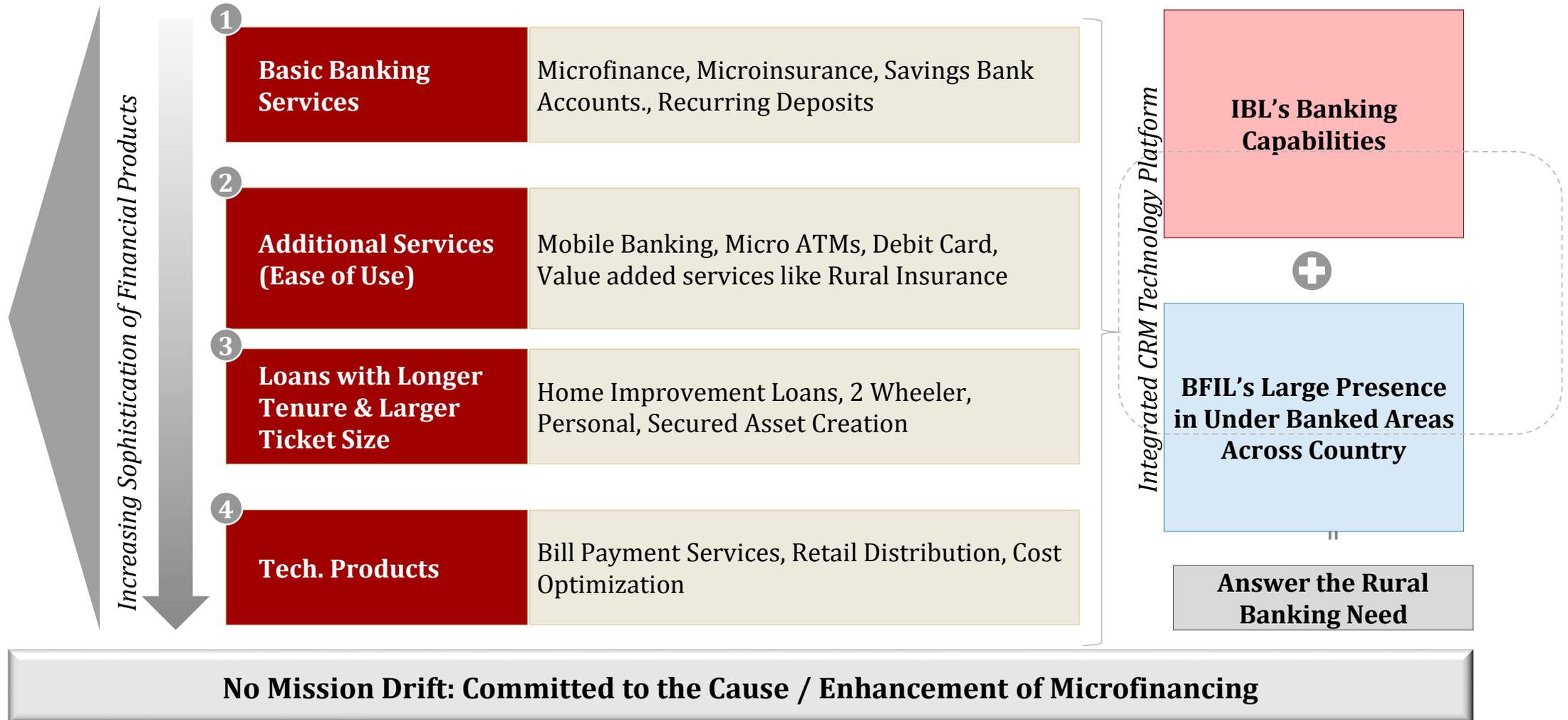
- Pilot is rolled out in 390 BFIL branches with portfolio outstanding of Rs 25.1 cr as of Sep 30, 2018



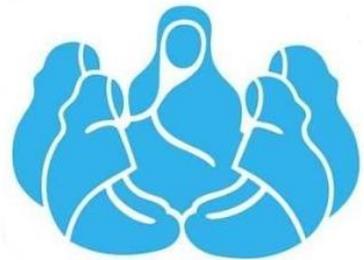
Housing Improvement Loans

- Pilot is rolled out in 55 BFIL branches with portfolio outstanding of Rs 1.9 cr as of Sep 30, 2018

IBL & BFIL together bridging the Financial Inclusion gap



Saving Products Create Multiple Opportunities



8.3 Million
Members spread
across ~100,000
villages

Strong Liability
Franchise

Savings Bank
Accounts

Recurring
Deposits

Fixed Deposits

Loan products
based on
Savings pattern

Enhanced
relationship
with customers

Higher
customer
retention

Cashless
collections to
lead to better
efficiencies

Propensity to
default by
customer
reduces

Lower NPA %

Lower Cost to
Income %

Cross-sell Asset
Products

Key Synergy Estimates

Lower Cost of Funds

Priority Sector Loans

Capital Release

Liabilities

Ancillary Products

Reduction of 2%-3%

100% Eligible as PSL
Fee income of 0.75%-1.5% on excess

75% Risk Weight in Bank

Potential to penetrate >50% Customer Base

2-Wheeler Financing
Home Improvement Loans
Fixed Usage Loans
Micro Insurance

Note: Synergies are management estimates and subject to transaction receiving all approvals

Creating Domain Expertise in Microfinance

Furthering PC 4 Strategic Theme of “Rural Banking and Microfinance”

For IBL

- ✓ Creates “Scale with Profitability” - Faster growth and higher profitability vs IBL
- ✓ Provides access to best-in-class microfinance capabilities
- ✓ Huge increase in outreach with ~1,700 well-spread MFI outlets with 8.3 Mn customers
- ✓ Ability to leverage network, clients and capital
- ✓ Transaction is key driver of “Bharat” Play (currently serving ~100,000 villages)
- ✓ Portfolio eligible for Priority Sector Loans

For BFIL

- ✓ Provides ready banking platform to drive operating synergy
- ✓ Universal product suite for customers
- ✓ Reduces risks and improves competitiveness vis-à-vis recently licensed SFBs
- ✓ Continuation of the business without merger interruption through a “lift and drop” approach
- ✓ Diversification for all stakeholders
- ✓ Access to stable and low-cost of funds at a bank

Transaction Accretive to All Key Vectors on Day 1 !

Positive Market Reception

❑ **CLSA – Acquisition should be earnings accretive and boost capital**

The three key positives for IIB will come from scope to reduce its cost of funds, earn from surplus priority loans & boost capital as BHAFIN's Tier I CAR is 33%, & the risk-weight for micro-loans is lower for banks. This will be partly offset by the need for CRR/SLR & cuts in lending rates. We see c.2-3% upside for merged earnings (FY19) & a +100bp lift to Tier I CAR (warrants will lift it by an additional 100bps). As BHAFIN has been originating microloans for IIB, the merger may be smooth. While IIB expects to leverage BHAFIN's customers for deposits and other retail loans, the opportunity for these among low-income customers may be smaller. Reduced regulatory risk will also be a positive. *(Extract from report dated October 16, 2017)*

❑ **JP Morgan – Bharat Financial merger approved - accretive deal, despite the 11% premium**

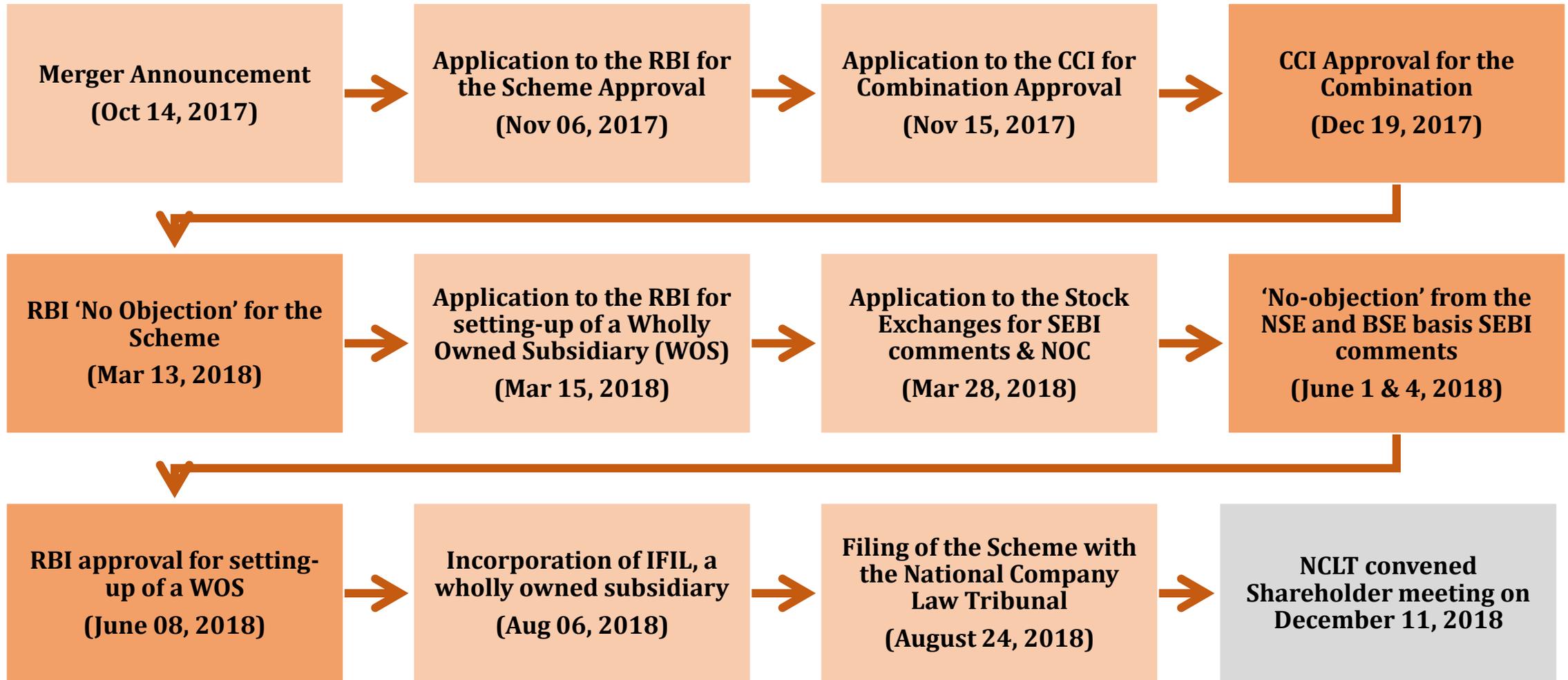
IndusInd Bank and Bharat Financial formally announced a merger today. The ratio of 0.639:1 implies an c.11% premium for BHAFIN on Friday close. We think the merger is a positive for IIB as it enhances the overall growth and profitability profile and provides significant synergies over 1-2 years. *(Extract from report dated October 16, 2017)*

❑ **Motilal Oswal – IIB announces merger with BHAFIN; Gains strong edge in rural distribution; synergies to further boost earnings**

The MFI business can generate higher sustainable RoEs under a banking set-up due to a) elimination of the need to carry excess liquidity (negative carry), which is required in day-to-day operations and first loss margins for off-balance sheet, b) lower cost of funds (difference of ~400bp between IIB and BHAFIN); c) no cap on spreads, d) higher leverage (10x v/s 5x currently), and, e) also addresses political and regulatory overhang. We note that PPOP to average assets is ~6.3% for BHAFIN and ~3.4% for IIB. Furthermore, capitalization of BHAFIN is very high, with a CAR of ~32% (leverage of just ~4.6x). *(Extract from report dated October 15, 2017)*

4. Update on Approvals

Received All Regulatory Approvals Without Any Adverse Comments



NCLT Process Update

- ❑ The Composite Scheme of Arrangement was filed with the Hon'ble National Company Law Tribunal, Mumbai on August 24, 2018 to seek requisite directions under Section 230-232 of the Companies Act, 2013
- ❑ The NCLT issued directive on October 31, 2018 to hold meeting of the equity shareholders for the purpose of considering, and if thought fit, approving the Composite Scheme of Amalgamation
- ❑ In accordance with the NCLT order, meeting of the equity shareholders of the Bank is being held on December 11, 2018. The NCLT dispensed with the meeting of the unsecured creditors of the Bank (notice is being provided in accordance with the NCLT directions).
- ❑ Notice is issued convening the meeting of the equity shareholders and secured creditors of BFIL on December 11, 2018.

5. IBL & BFIL Performance since Merger Announcement

Key Pro-forma Parameters

	IBL	BFIL	IBL + BFIL
Customers	13.0mn	6.5mn ⁽¹⁾	19.5mn
Employees	26,341	18,277	44,618
Loans (Rs cr)	1,63,144	10,914 ⁽²⁾	1,74,058
Networth (Rs cr)	25,005	3,602	28,607 ⁽³⁾
Total Assets (Rs cr)	2,48,319	12,001	2,60,320
CRAR	14.28%	31.3%	-

Data as of September 30, 2018

(1) Excludes 1.8 mn customers under BC with IBL

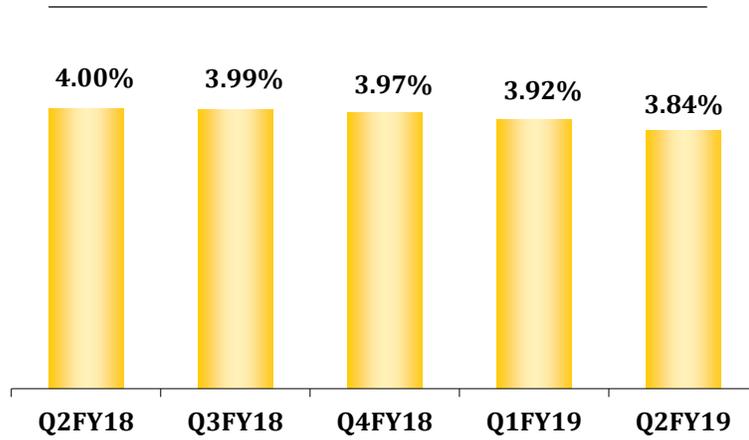
(2) AUM of Rs 15,482 cr

(3) Net worth will be further augmented by preferential allotment of share warrants to IBL promoters

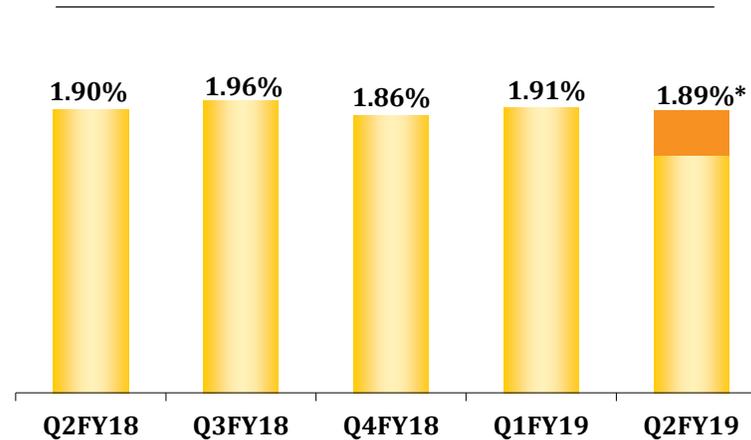
Key Vectors Stable or Improved Since Merger Announcement

IndusInd Bank Limited

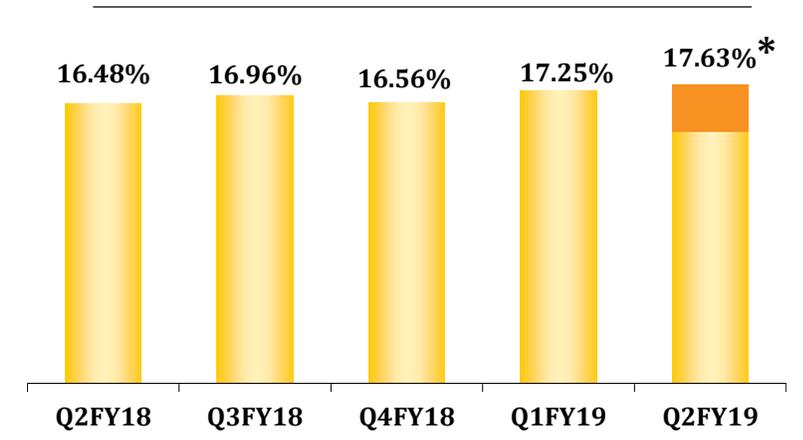
Net Interest Margin (NIM)



RoA



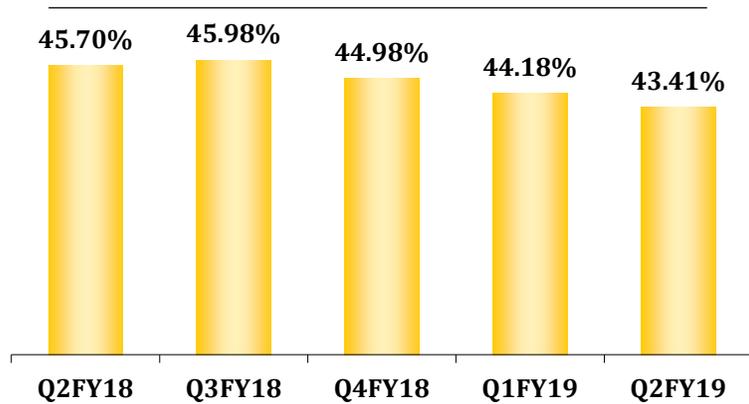
RoE



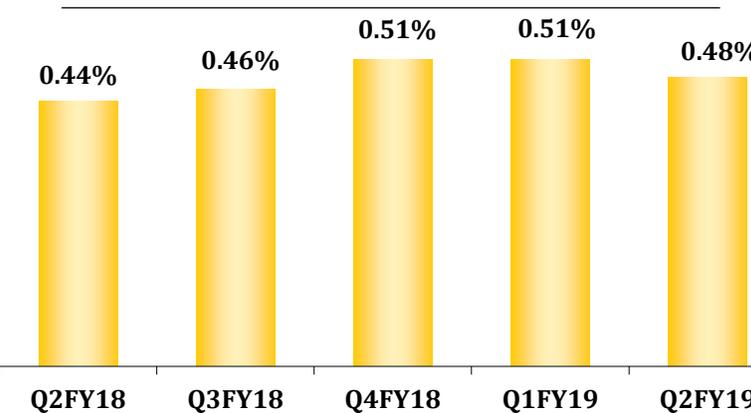
*pre contingent provision

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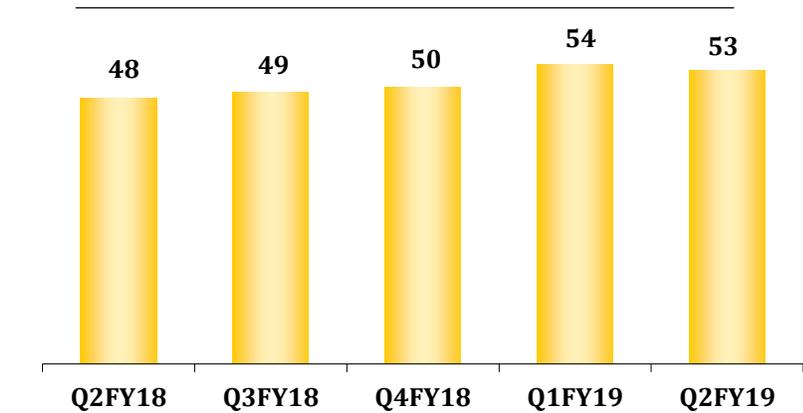
Cost / Income



Net NPA



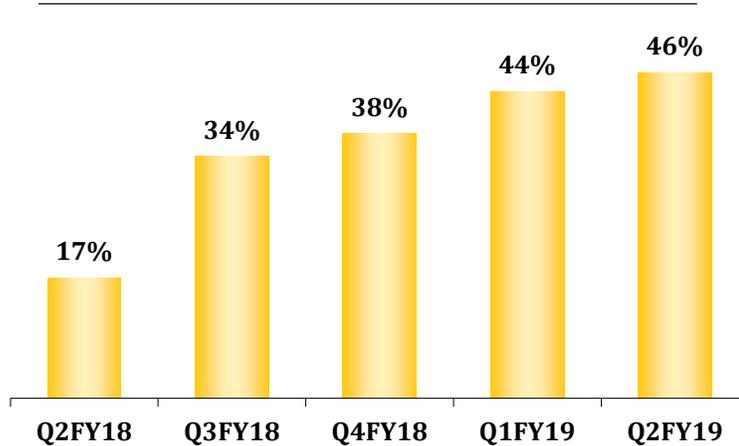
Revenue / Employee (Rs Lakhs)



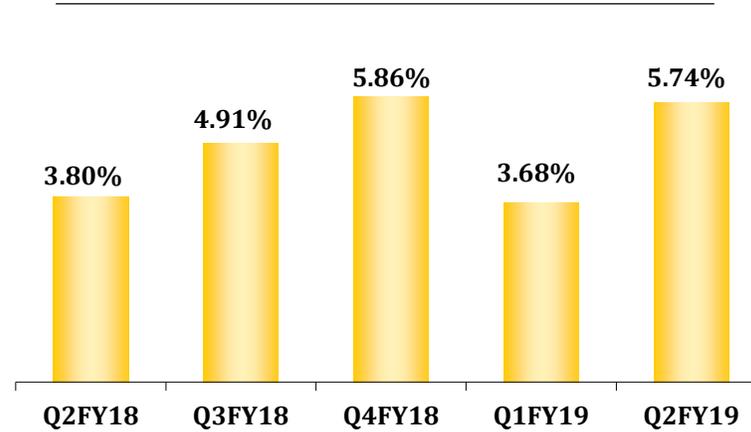
Key Vectors Stable or Improved Since Merger Announcement

Bharat Financial Inclusion Limited

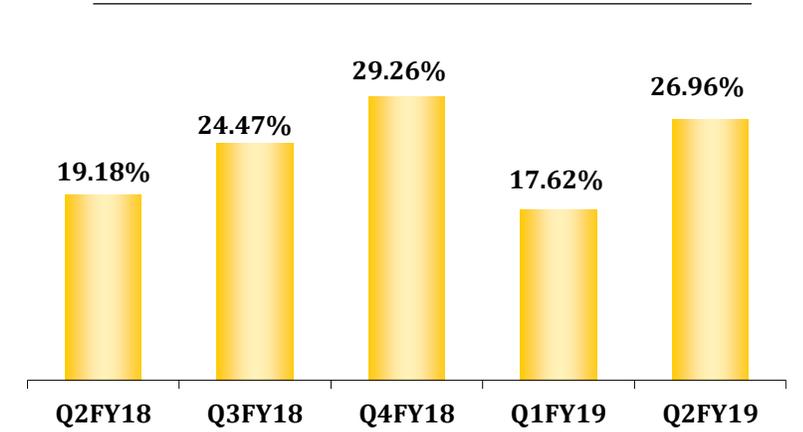
AUM Growth (YoY)



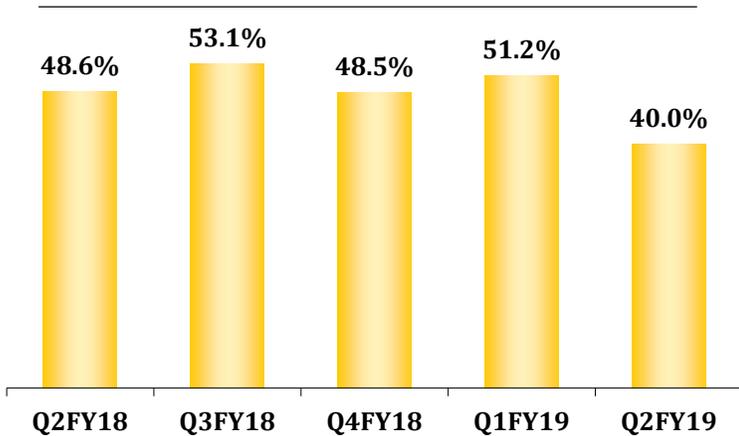
RoA



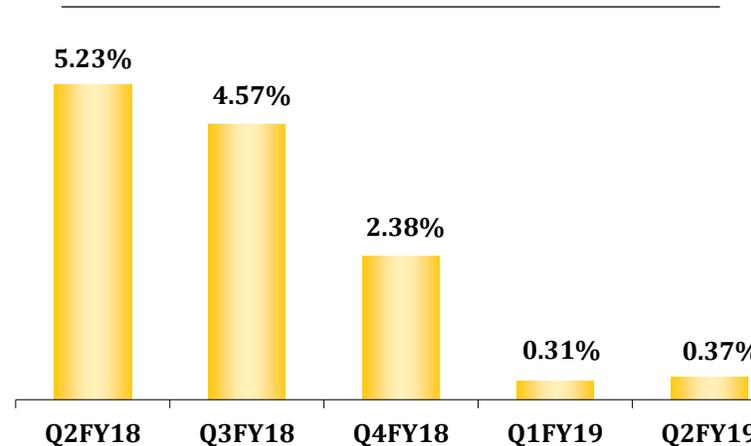
RoE



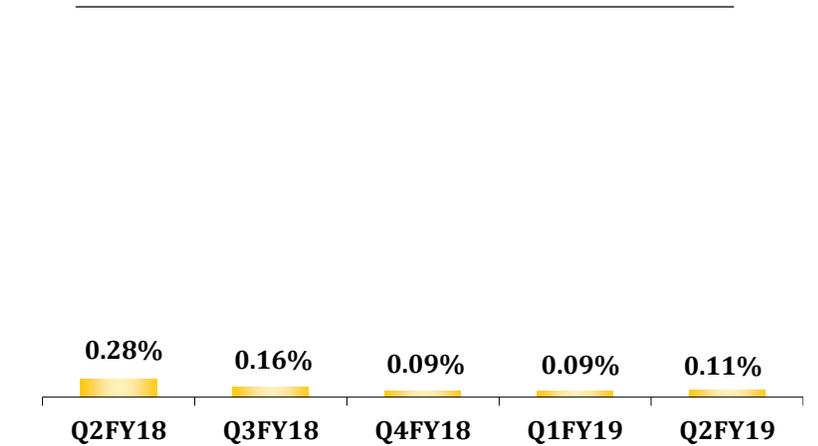
Cost / Income



Gross NPA



Net NPA



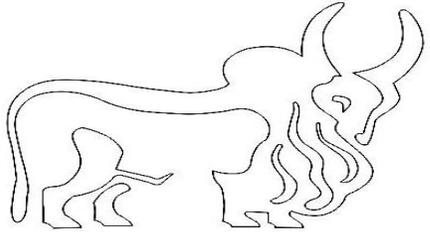
8. Fact Sheet

Transaction Advisors

	IBL	BFIL
Financial Advisors	Morgan Stanley, Arpwood	Credit Suisse
Business & Tax Diligence	KPMG	E&Y
Tax Advisors	E&Y	-
Legal Advisors	Cyril Amarchand Mangaldas	AZB & Partners
Joint Valuation Report	Deloitte Haskins & Sells	S. R. Batliboi & Co
Auditors' Certificate	Price Waterhouse	BSR & Associates LLP

Transaction Summary

	IBL	BFIL
Ticker:	NSE: INDUSINDBK; BSE: 532187	NSE: BHARATFIN; BSE: 533228
Valuation:		
Transaction Terms	639 IBL Shares for Every 1,000 BFIL Shares	
Type of Consideration	Stock – Fixed Exchange Ratio	
Premium at Announcement	-	12.6% to 2 week VWAP
Process:		
Announcement Date	October 14, 2017	
Unaffected Date	October 13, 2017	
Board Support	Unanimous	Unanimous



IndusInd Bank



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Thank You

Disclaimer

The proposed transaction is subject to approval of various regulatory and other authorities, including without limitation, the Reserve Bank of India and the National Company Law Tribunal as well as the shareholders and creditors of BFIL and IndusInd Bank. Estimates, expectations, and business plans in this presentation are forward-looking statements based on currently available information and the management's current views and assumptions. Such statements are naturally subject to risks and uncertainties. In addition to statements which are forward-looking by reason of context, the words "will", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Factors such as changes in applicable laws and regulations, including in regard to the banking and NBFC sector, the development of general economic conditions, future market conditions, unusual catastrophic loss events, changes in the capital markets and other circumstances may cause the actual events or results to be materially different from those anticipated by such statements. IndusInd Bank Limited and Bharat Financial Inclusion Limited ("Parties") do not make any representation or warranty, express or implied, as to the accuracy, completeness or updated status of the statements contained in this release. Therefore, in no case whatsoever will the Parties be liable to anyone for any decision made or action taken in conjunction with the information and/or statements in this presentation or for any related damages.

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