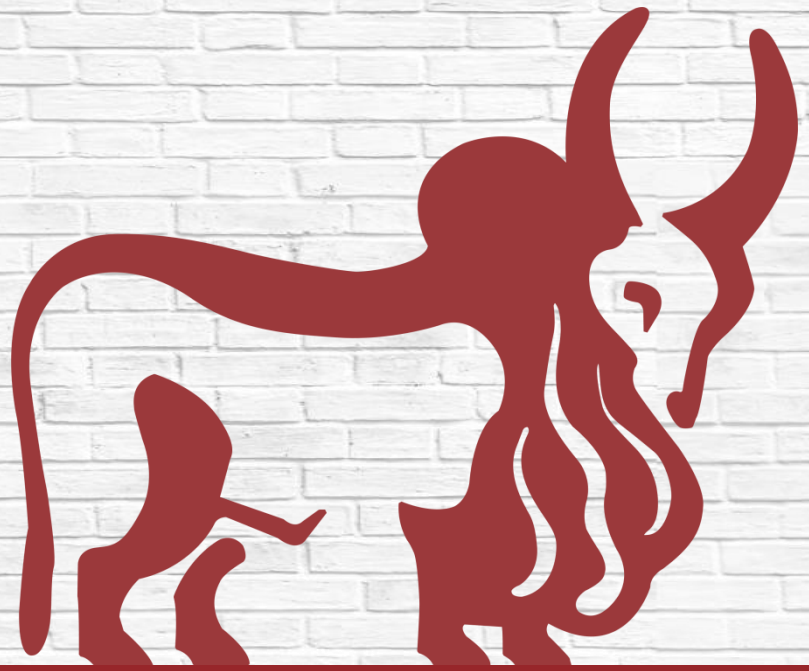

IndusInd Bank
– Investor Day

22nd November 2022

IndusInd Bank – Investor Day

Presentation-1

Bank's Strategy

IndusInd Bank

Presentation Path

1. **Backdrop of the Bank's Strategy**
2. **Building Blocks in Place**
3. **Focused on Sustainable Growth**

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Evolving Operating Environment and Bank's Response / Performance

Macro Developments	Bank's Performance
Tightening Liquidity	*LCR of 125% | Surplus Liquidity of ~47,000cr | Credit Deposit Ratio of 82%*
Competition for Deposits	*Deposit Growth of 15% | Retail Deposit Growth of 16%*
Healthy Credit Growth	*Loan Growth of 18% | Record Disbursements in Domains*
Interest Rate Hikes	*NIMs improved to 4.24% from 4.20% in last 2 Quarters*
Improving Asset Quality	*Consistent Reduction in Gross Slippages and Provisions*

1 Backdrop of the Bank's Strategy

2 Building Blocks in Place

3 Focused on Sustainable Growth

IndusInd Bank

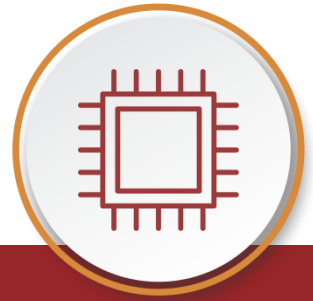
1 *Management Beliefs Driving Our Strategy*

Business Philosophy

- Universal Banking Approach
- Domains Deliver Strong Risk Adjusted Returns

Approach towards Customers

- Branch and Digital to Co-exist and Complement Each Other
- Client Engagement as per Client's Convenience



Technology

- Infrastructure to Support Scale, Security and Reliability benchmarked to new age digital players
- Provide ability to deliver frictionless hyper personalized client experience

Governance

- Quality of Earning More Important than Quantity of Earnings
- Sustainability at the Core of Doing Business

2 *IndusInd Bank: A Differentiated Franchise*

Diversified
Loan Book **with Domain Expertise** in Livelihood Loans

Robust
Liability / Funding Franchise

Strong
Product Groups

Disproportionately Large
Distribution Network with Deep Rural Presence

Customer Centric
Future Ready Digital 2.0 Strategy

Experienced
Management Team

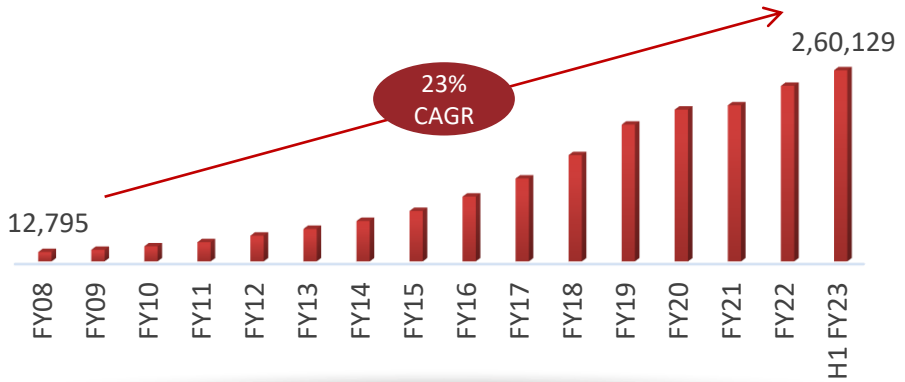
3 Our Core Executive Team Refreshed with Smooth Succession

Mr. Sumant Kathpalia
Managing Director & CEO

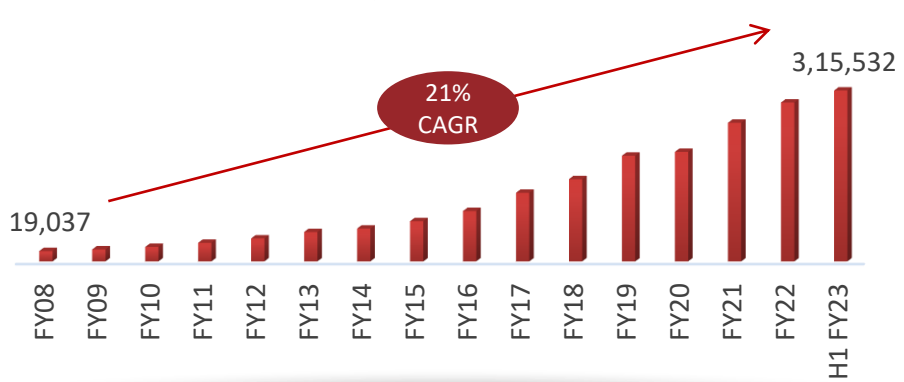
Mr. Arun Khurana *Deputy CEO*	**Mr. Sanjeev Anand** *Head - Corporate, Commercial, Rural & Inclusive Banking*	**Mr. Bijayananda Pattanayak** *Head - Gems & Jewellery*	**Mr. A. G. Sriram** *Head – Consumer Finance*
Mr. Soumitra Sen *Head - Consumer Banking & Marketing*	**Mr. J Sridharan** *Executive Vice Chairman – Bharat Financial Inclusion Ltd*	**Mr. Samir Dewan** *Head - Affluent Banking & International Business*	**Mr. Siddharth Banerjee** *Head - Global Markets and FIG*
Mr. Rana Vikram Anand *Head - Pan Bank Liability Group, Customer Service & Synergy*	**Mr. Gobind Jain** *Chief Financial Officer*	**Mr. Ramaswamy Meyyappan** *Chief Risk Officer*	**Mr. Ramesh Ganesan** *Head - Technology and Corporate & Global Market Operation*
Mr. Zubin Mody *Chief Human Resources Officer*	**Mr. Anil M. Rao** *Head - Consumer Operations & Solution Delivery*	**Mr. Anish Behl** *Head – Wealth & Para Banking*	**Mrs. Charu Sachdeva Mathur** *Head- Digital Banking & Strategy (Existing Business)*
Ms. Roopa Satish *Head - Portfolio Management & CSR*	**Mr. Murlidhar Lakhara** *Chief Compliance Officer*	**Mr. Jyoti Prasad Ratho** *Head - Inspection & Audit*	**Mr. Indrajit Yadav** *Head- Investor Relations & Strategy*

4 The Bank has Delivered Scale with Profitability over the Years

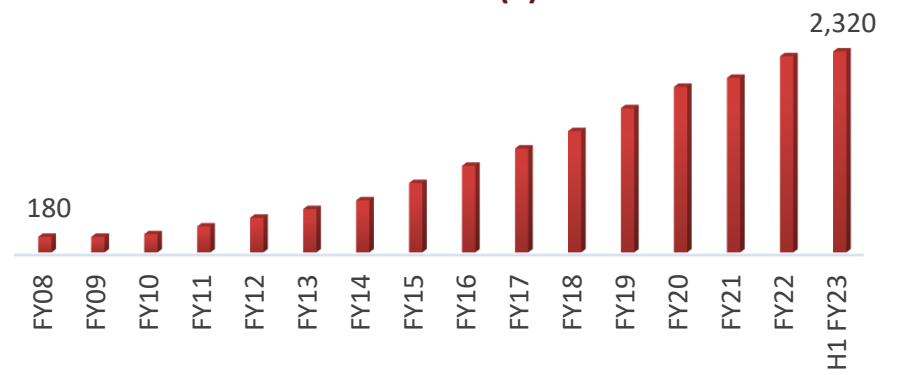
Loan Book (Rs.cr)



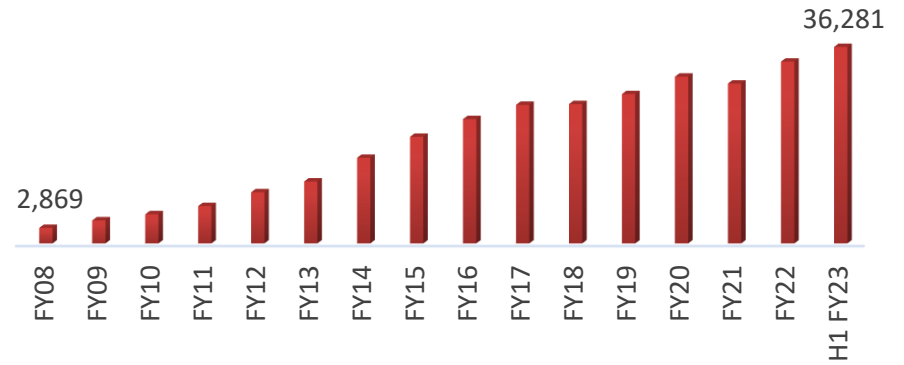
Deposits (Rs.cr)



Branches (#)



Employees (#)



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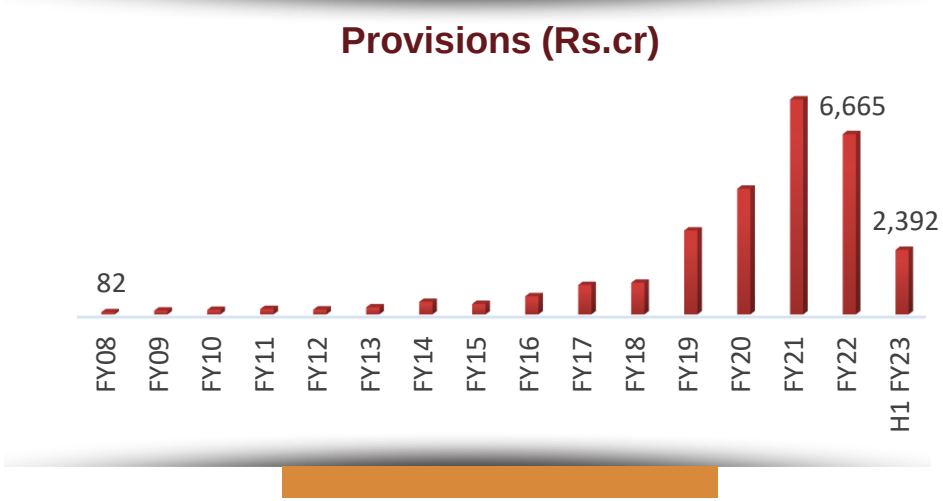
5 *The Bank, however, Faced a Few Internal and External Challenges in Last Couple of Years*

- **Concerns on potential Corporate slippages and chunky exposures**
- **Government Deposit Outflows**
- **Covid-19 outbreak and impact on 'high touch' businesses such as Vehicle Finance & MFI**
- **Adequacy of capital and provisions to see through volatility**
- **Management transition amidst these challenges**



IndusInd Bank

6 *The Bank Responded with Recalibration of Strategy Towards 'Scale with Sustainability'*

Planning Cycle 5 (2020–23)

Strategy → **Scale with Sustainability**

Broad Themes

- *Leapfrog Digital Banking*
- *Fortifying Liabilities*
- *Scaling up Domains of Expertise*
- *Investing in New Growth Engines*
- *Conservative & Robust Practices*

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7 With Strategic Priorities as

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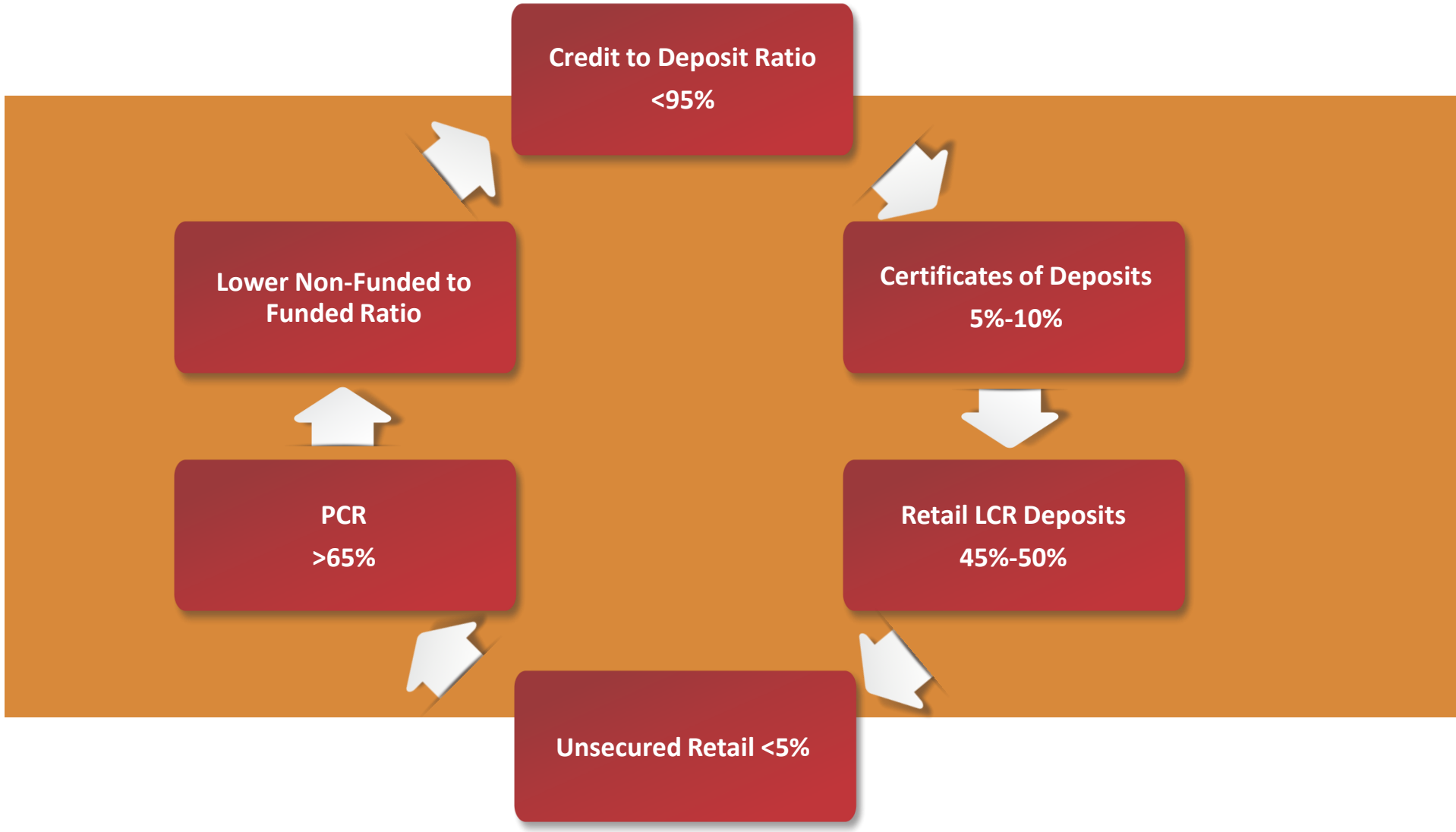
8 *And Well Defined Sustainability Metrics*



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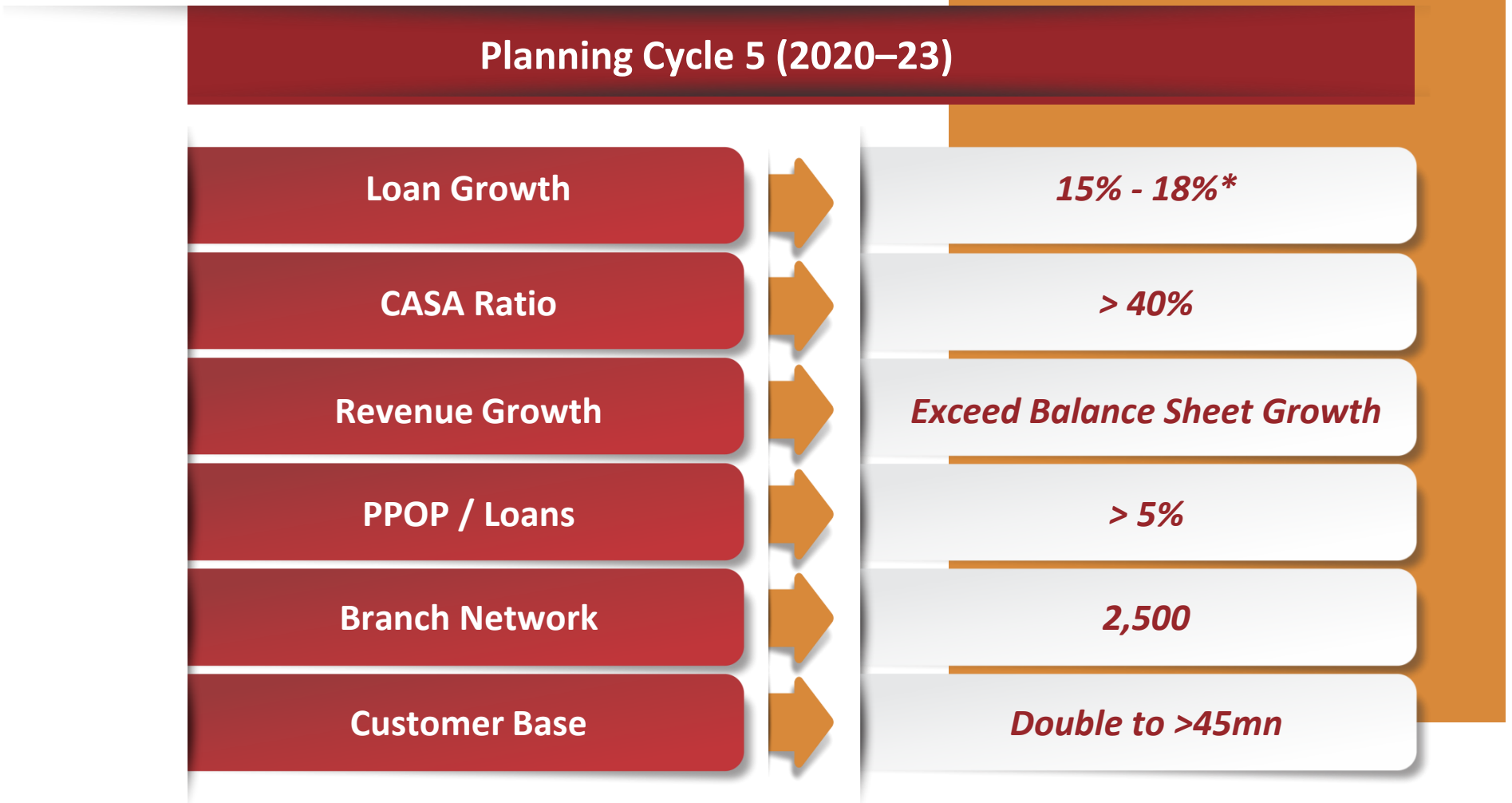
Resulting in



** For FY22-FY23*

IndusInd Bank

1 Backdrop of the Bank's Strategy

2 Building Blocks in Place

3 Focused on Sustainable Growth

IndusInd Bank

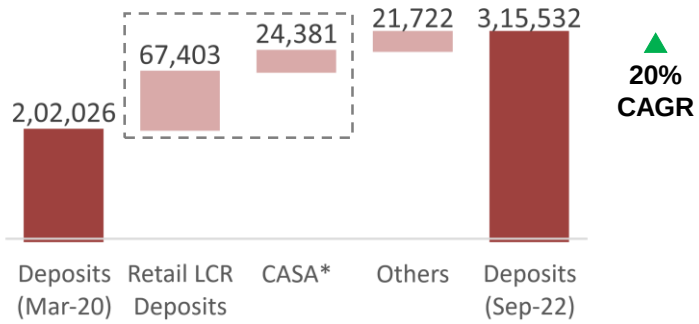
Laying Foundation for Growth

1. **Fortified Liability Franchise with Strong Liquidity Buffers in Place**
2. **Fine-tuned Corporate Bank Approach**
3. **Domains Outperformed Industry**
4. **Maintained Healthy Operating Margins & Improved Stressed Coverage**
5. **Continued Investment in Growth Boosters**
6. **Strengthened Leadership &Talent Base**
7. **Reinforced Risk Management Framework**
8. **Bolstered Support Functions**

1a *Fortified Liability Franchise with Focus on Retailisation of Deposits*

Robust Deposit Growth Driven by Retail & CASA

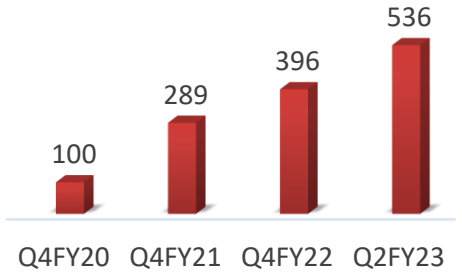
~81% of incremental deposits from retail & CASA (Rs.cr)



*excludes CASA considered as part of Retail LCR Deposits

Ramped up Client Acquisition

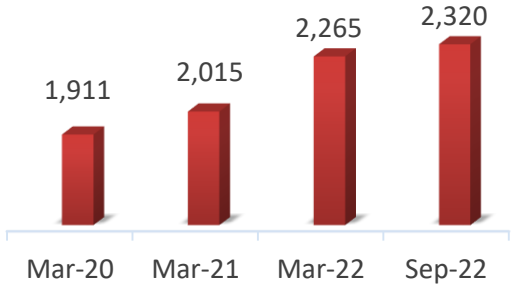
NTB CASA & Retail TD Acquisition (#)



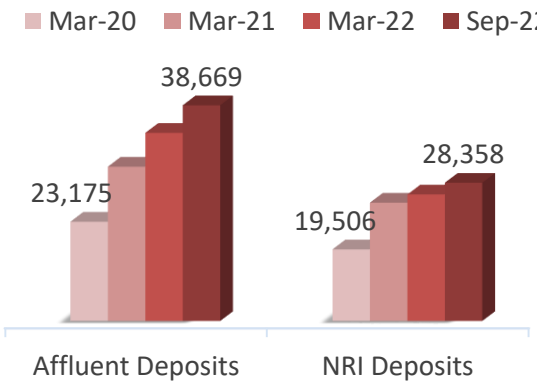
Indexed to Q4FY20

Continue Investment in Distribution Network

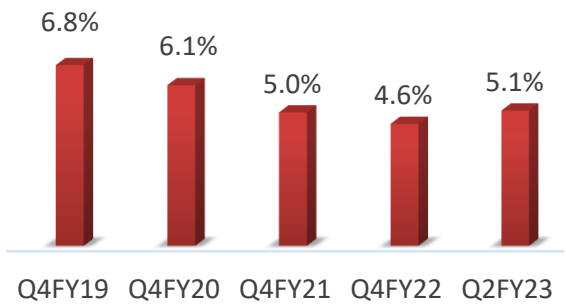
Narrowing Differential with Large Peers



Scaled up New Initiatives (Rs.cr)

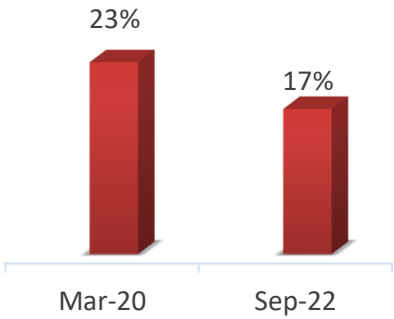


Moderating Cost of Deposits (%)



Reduced Concentration of Deposits

Top-20 Deposits as % of Total Deposits



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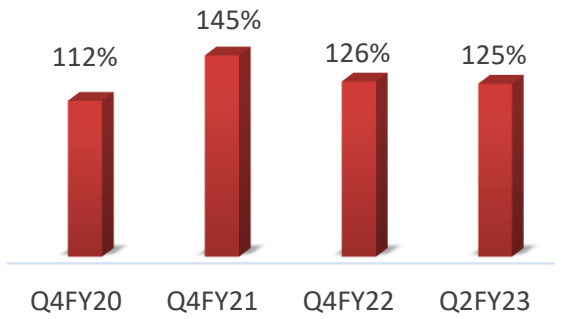
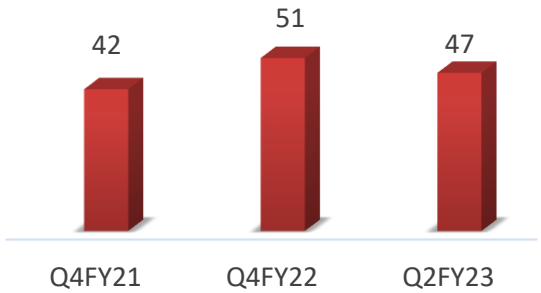
1b Strong Liquidity Buffers with Diverse Sources of Funding

Healthy Liquidity Coverage Ratio (%)



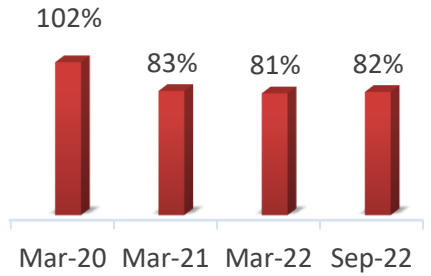
With Buffers in Place

Average Surplus Liquidity (Rs.'000cr)



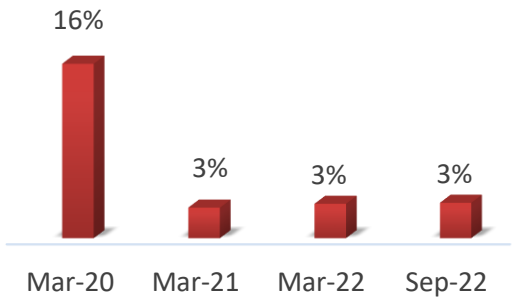
Surplus liquidity including excess SLR

Credit / Deposit Ratio (%)



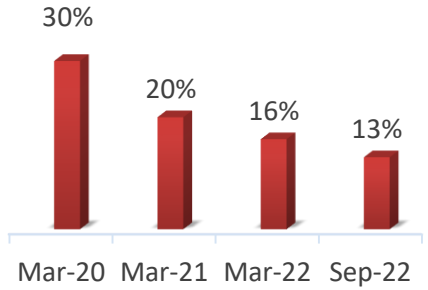
Reduced Dependency on Certificate of Deposits

Certificate of Deposits % of Deposits



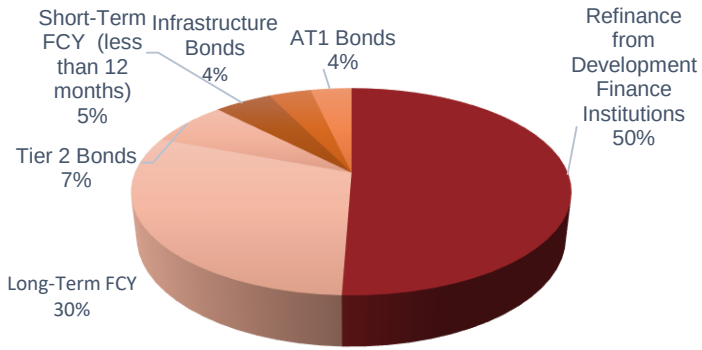
Lowered Share of Borrowings

Borrowings % of Deposits



Borrowing mix Constituted by Long Term Sources

Borrowing Mix as on Sep-22 (%)



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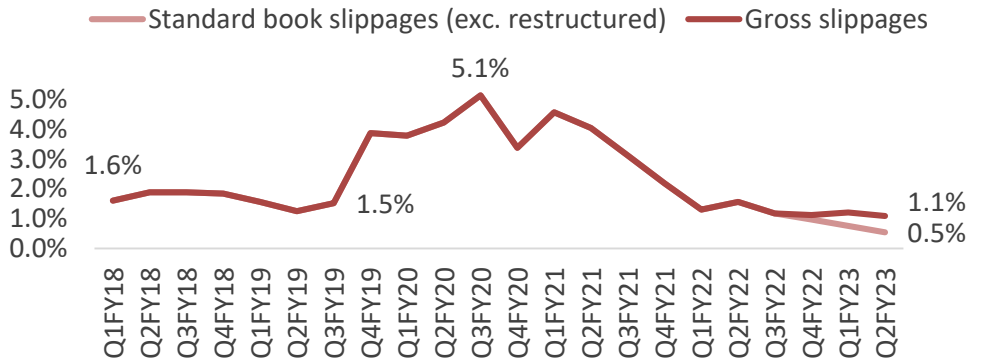
2 *Fine Tuned Corporate Bank Franchise with Focus on Building Granular Low Risk Portfolio*

1. Loan book orientation towards higher rated granular portfolio
2. Portfolio rebalancing done with significant reduction in chunky exposures
3. Building Specialization with re-orientation of coverage groups
4. Robust portfolio monitoring with focus on sharpening overall RORWA
5. Fee Income focused on annuity streams

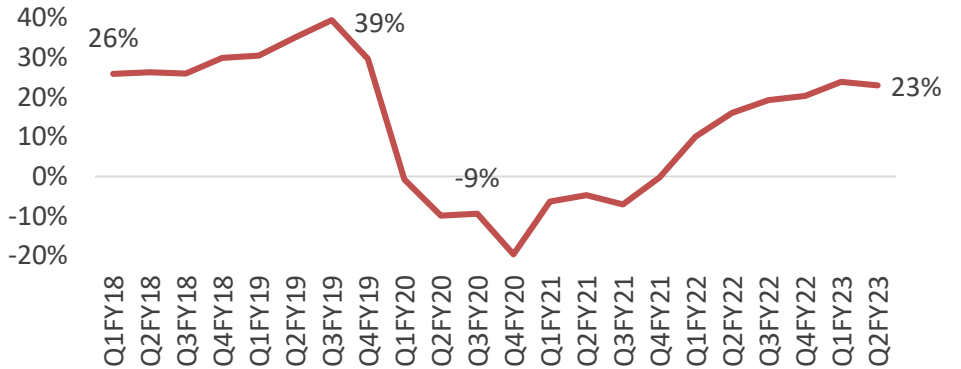
Corporate Book: No New Surprises

Corporate Slippages – Trailing 4 Quarters



Steadily Pivoting towards Growth after Rebalancing

Corporate Loan Growth – YoY%



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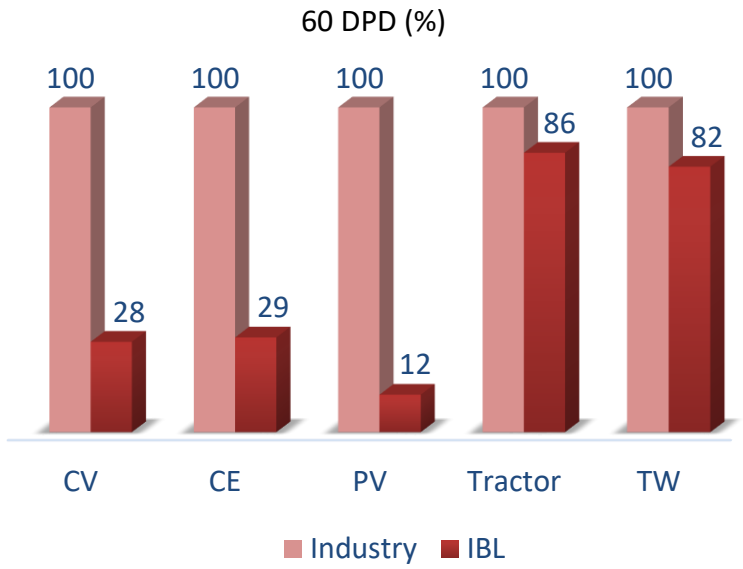
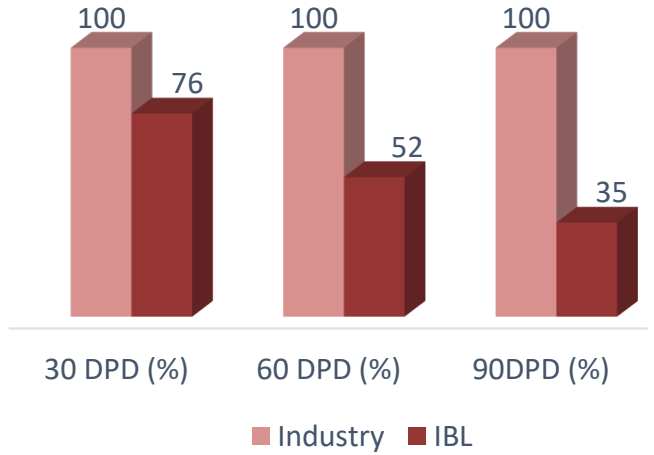
3 *Domains Outperformed Industry Amidst Macro Challenges*

Vehicle Finance



Indexed to 100

Micro Finance



Indexed to 100

Gems & Jewellery

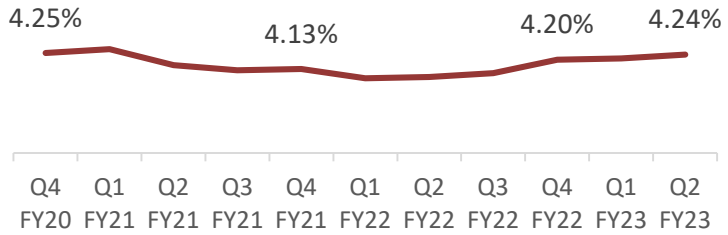
- **No Restructuring**
- **No NPA**
- **No SMA1 & SMA2**

DPD percentages averaged for the period of Jun-20 to Jun-22

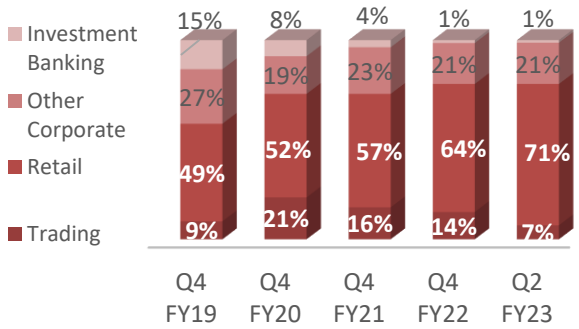
IndusInd Bank

4 Maintained Healthy Operating Margins & Improved Stressed Coverage

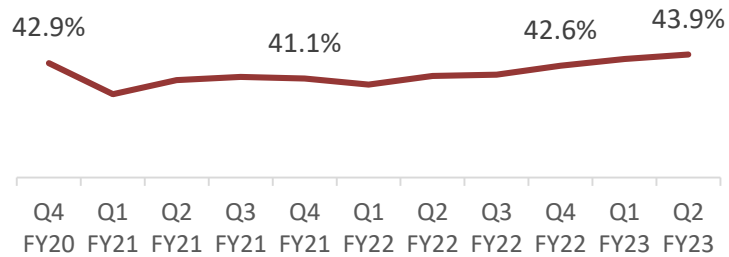
Stable NIMs



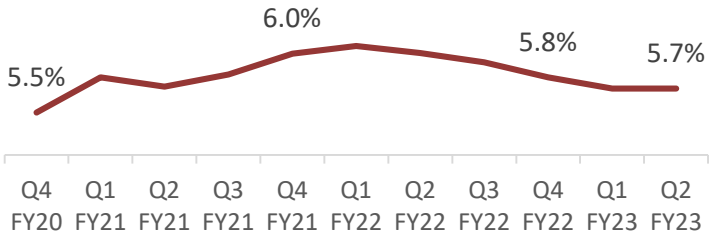
Granular Fee Mix



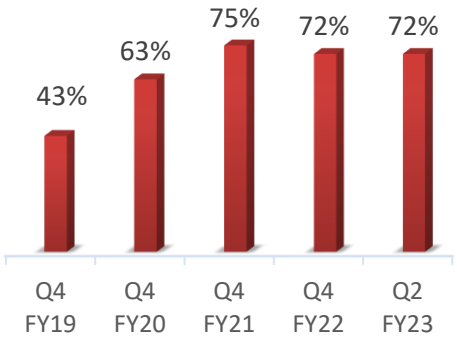
Range-bound Cost to Income Ratio



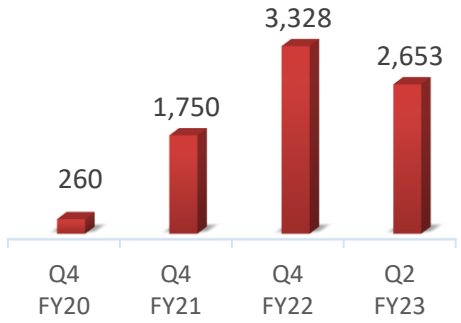
Maintained Amongst the Industry Best PPOP Margin



Healthy Provision Coverage Ratio



With Significant Contingent Provisions

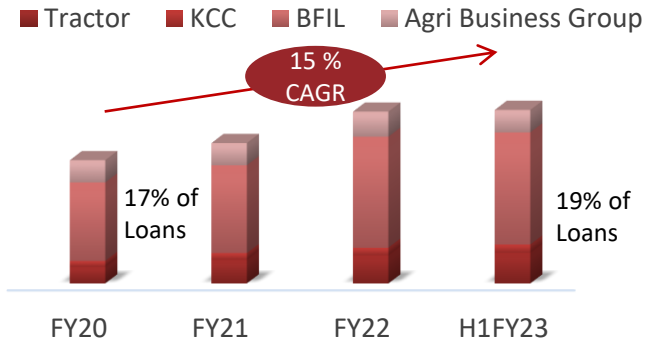


Total Loan Related Provisions
@140% of GNPA
@3.0% of loans

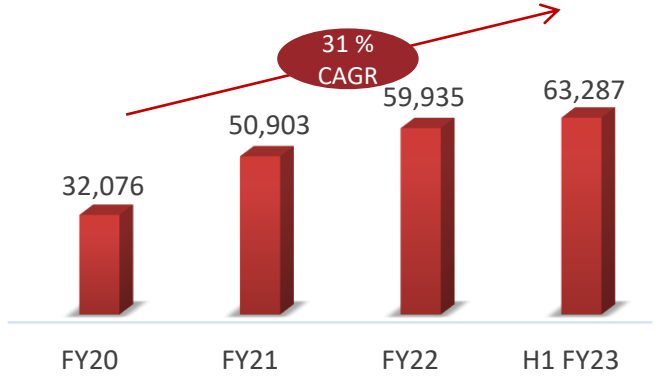
IndusInd Bank

5 Continue Investment in New Initiatives to Boost Growth

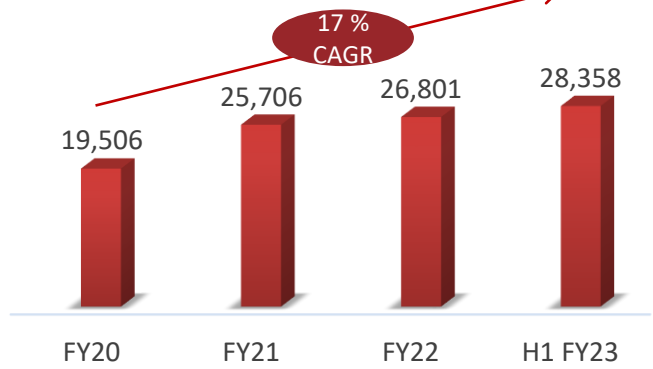
Holistic Rural Banking



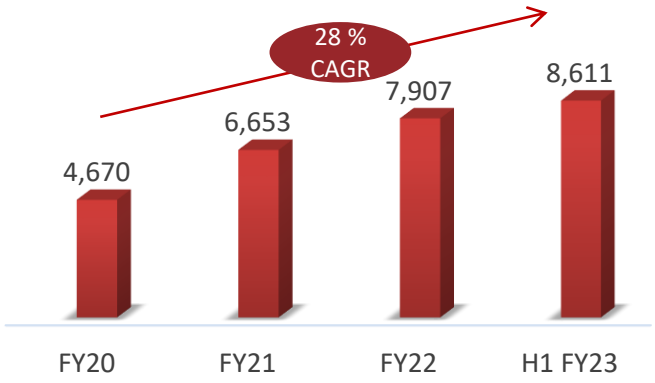
Affluent Banking



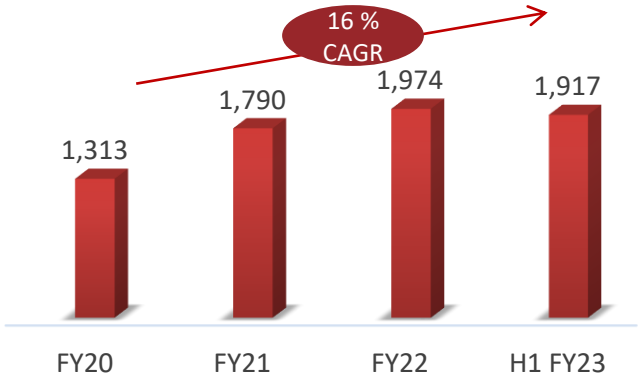
NRI Banking



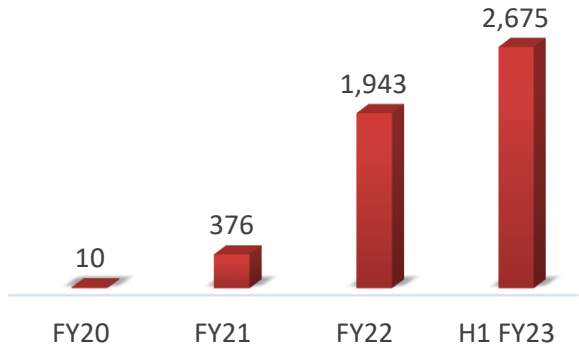
Tractor Finance (Rs cr)



Affordable Housing (Rs cr)



Merchant Advances – BFIL (Rs.cr)



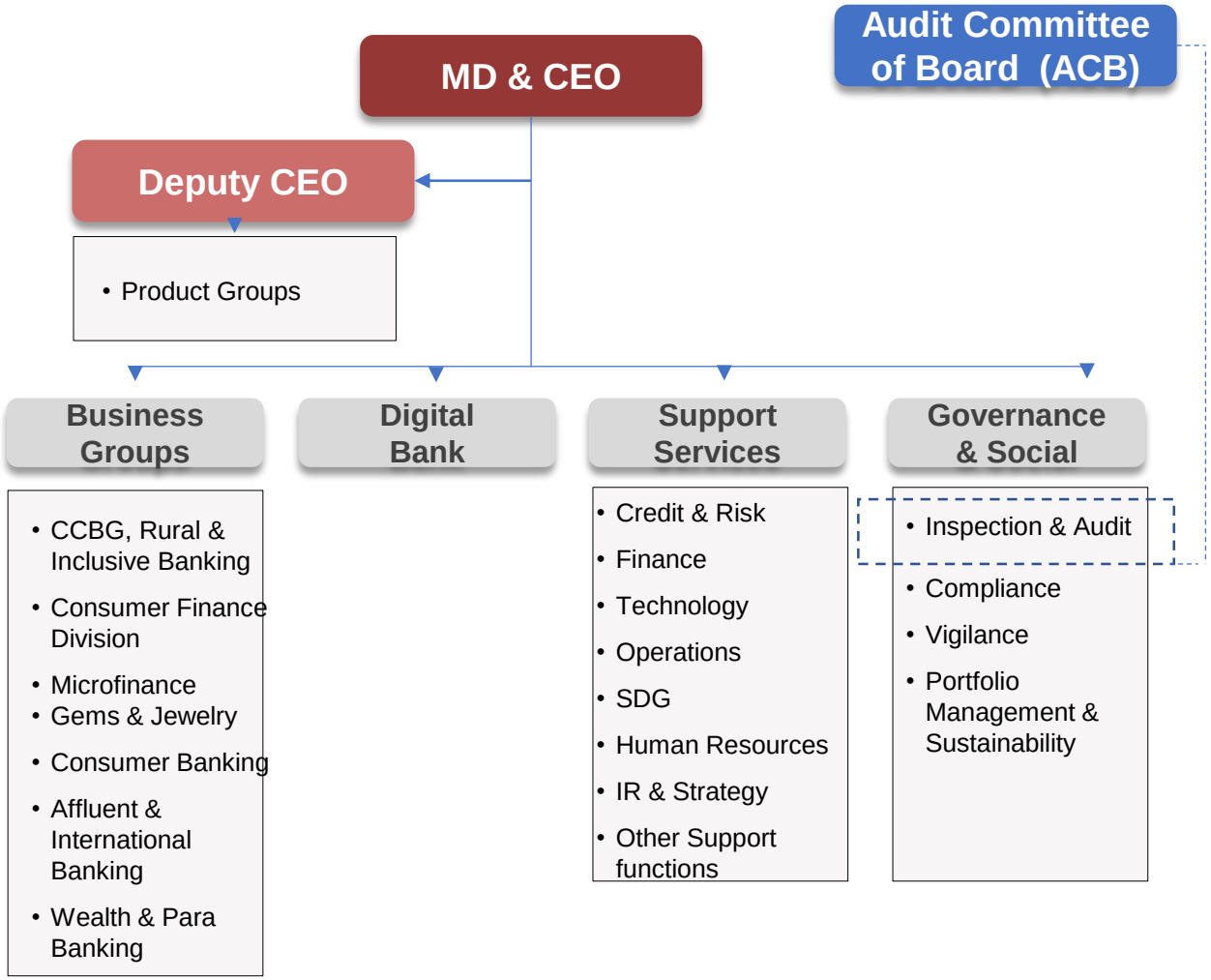
IndusInd Bank

6 *Strengthened Leadership and Talent Base*

Continue to Strengthen Human Capital

1. Smooth succession planning across leadership positions
2. Reorganised Corporate Banking Unit with Lateral Hiring and Internal Reallocations
3. Carved out dedicated Digital Banking Unit with focus on attracting best talent
4. Fortified Assurance Functions
5. Strengthened Staff Accountability; Re-aligned with Compensation

Organisation Structure



IndusInd Bank

7

Reinforced Risk Management Framework Incorporating Past Learnings & Evolving Macro Environment

1. Reduced corporate exposure Concentration; Increased focus on granular high rated working capital loans
2. Conservative Capping of Sensitive Sector Exposures; Tightened overall Concentration Exposure norms
3. Enhanced usage of Data for Risk analytics; Enriched Early Warning Signal (EWS) with AI based set of algorithms
4. Updated policies & risk models in line with evolving macro environment & learnings from past
5. Launched Digital Policy Management Module ensuring timely review & update of policies across the business units

8a

IT Strategic Priorities Aligned to Bank's Strategic Objectives

Building Highly Scalable and Performance oriented environment

- Enhancing Core Banking System Architecture
- Hybrid Cloud & Infrastructure as a Service model
- On-Premise Software Defined Data Center
- Auto Scalable applications using modularization

Customer Experience is at Centerpiece of our initiatives

- Future ready enterprise solution CRM NEXT
- End-to-end paperless, presence-less, cashless real-time journeys for PL & CC (Straight-Through-Processing)
- Banking on WhatsApp & Alexa with Natural Language Processing

Top Class IT Security & Risk Management

- Embedded end-to-end security architecture
- Strict adherence with data related compliances & standards
- Holistic cyber security & threat detection
- Risk Engine using AI and machine learning techniques to profile the end user behavior

Enhancing Convenience via Product Innovation

- Unified Cash, Payment and Trade Portal
- Enterprise Payments Hub moving entire real time payments stack to a cloud based environment
- UPI based retail product offering
- Cloud based platform for simplified open banking
- First bank to be certified on Account Aggregator (AA)

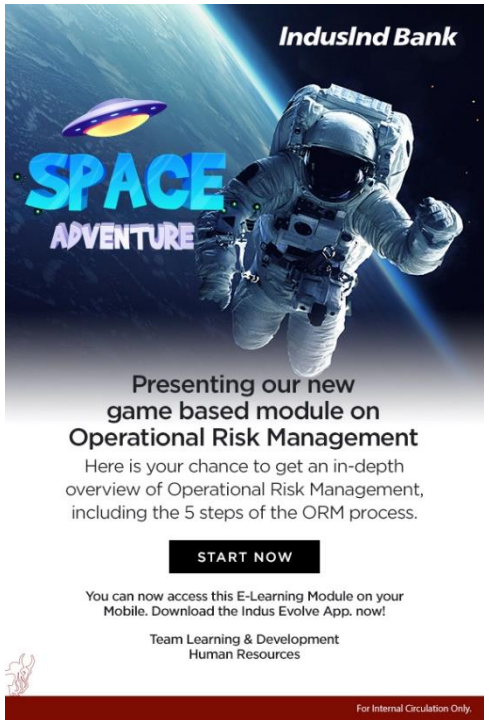
8b *Multiple HR Initiatives for Enhanced Employee Experience & Engagement*

HR Mobile App: One Stop Solution for all Employee needs

Curated and Rolled out Multiple Activities and Programs for Women Employees under ELEVAT

ELEVATE

Gamified Learning Modules



AI based Chat Bot with 24x7 Support

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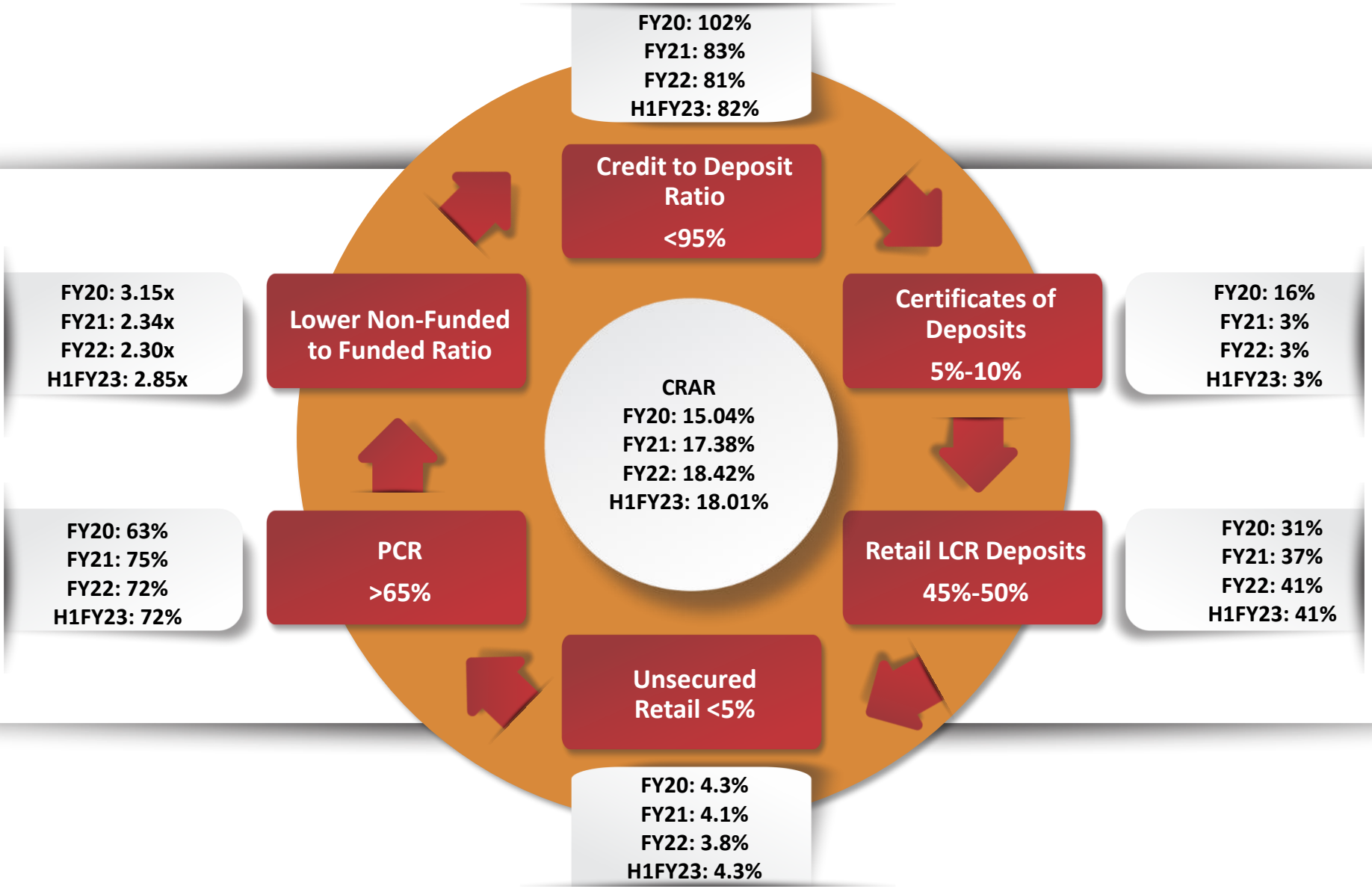
Overall, We have moved towards Improving Sustainability of Organisation



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1 Backdrop of the Bank's Strategy

2 Building Blocks in Place

3 Focused on Sustainable Growth

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Themes for the Coming Years: Growth with Sustainability

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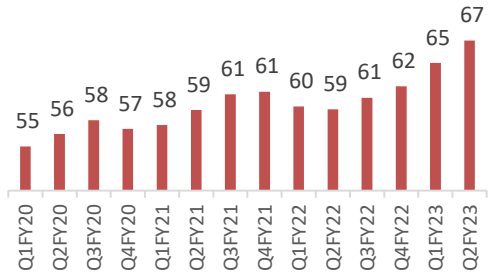
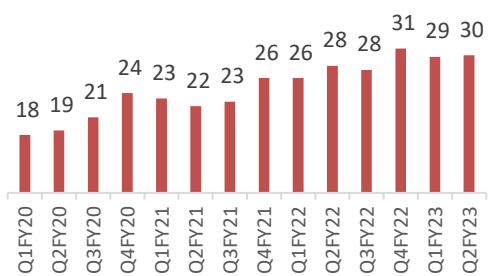
1 *Acceleration in Loan Growth Led by Areas of Domain Expertise*

Steadily Pivoting towards Loan Growth

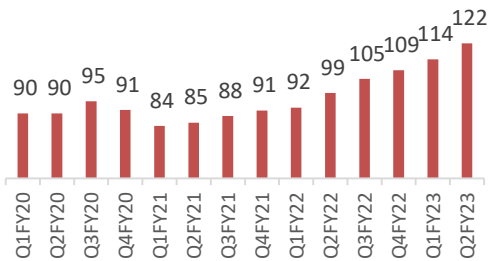
Vehicle Finance Loan Book (Rs.'000cr)



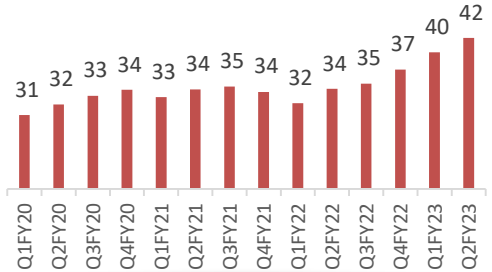
MFI Loan Book (Rs.'000cr)



Corporate Loan Book (Rs.'000cr)



Non-Vehicle Retail Loan Book (Rs.'000cr)



All Businesses are Poised for Loan Growth Acceleration

1. **Domains Poised for Loan Growth with Cyclical Recovery**
2. **Growing Corporate Book under Revised Risk Framework**
3. **Scaling up Sub-scale Businesses**

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2 *Deposit Mobilization to Continue Apace; Multiple Initiatives in Place*

Multipronged Strategy in Place with Data Intelligence Driven Client Engagement Approach

Best-in-Class Experience at "PIONEER" Branches

Doorstop Banking with Bharat Money Stores across 7,000+ villages

BHARAT™ MONEY

1 Strengthening the Core Business

- Branch Network Expansion
- Market Share Gain in Home Markets
- SKY (Digital) Branches to boost productivity
- Leveraging Inter BU Synergies

2 Continue Scaling New Initiatives

- Affluent Banking
- NRI Banking
- SME Banking/Business Owner Segment
- Rural Banking

3 Invest to Boost Growth

- Merchant Acquisition (Digitally enabled offering for enterprise merchants)
- Agency Business
- Digital initiatives focused on individuals, SMEs etc.

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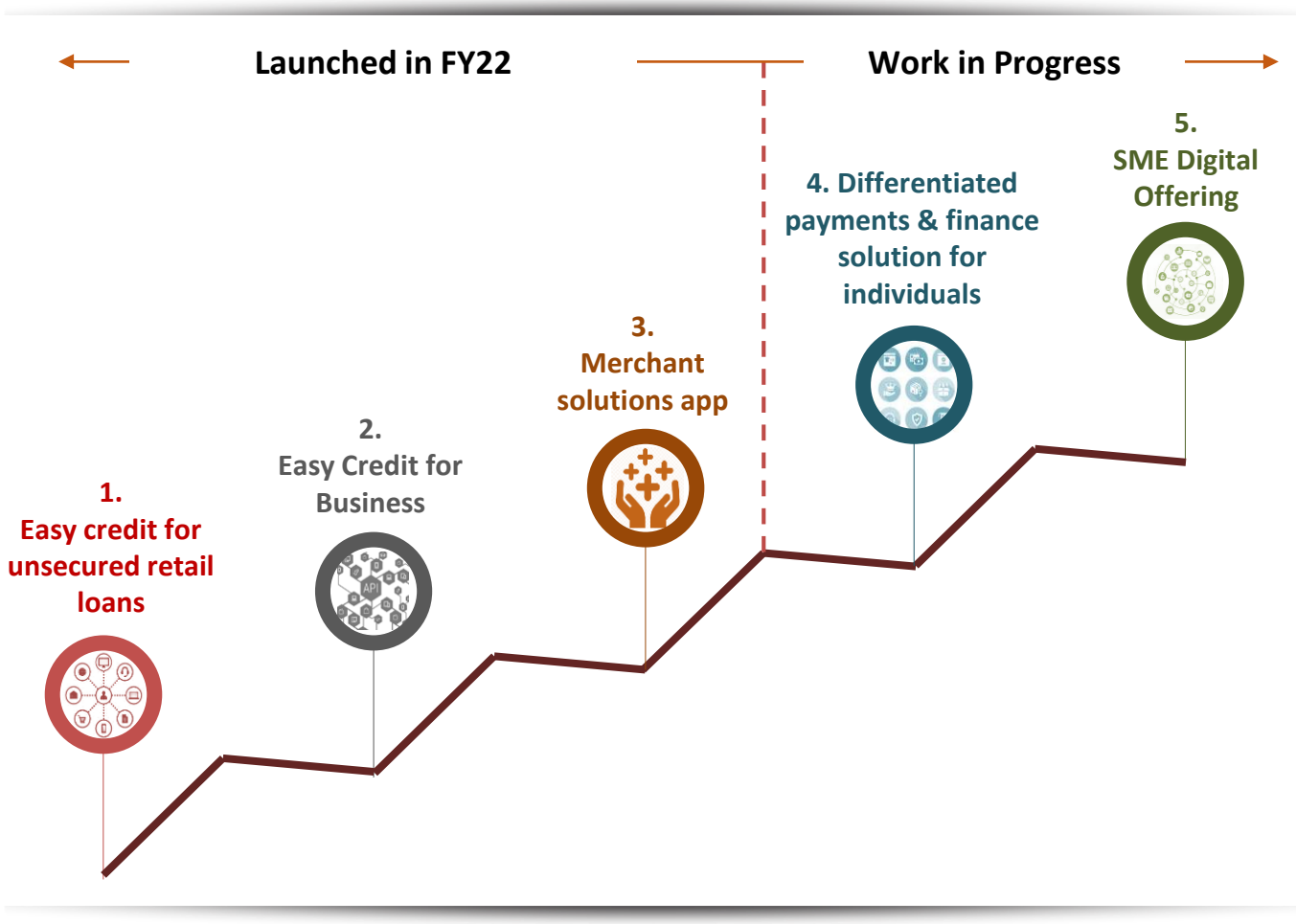
3 *Leapfrogging Digital 2.0*

Digital 2.0 Strategy to drive 3 main objectives across business lines

1. **Build Enriched Digital Value Proposition Stacks**
2. **Build new digital business models**
3. **Transform existing lines of businesses**

Continued Execution on Our Digital 2.0 Initiatives



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4 Scaling-up New Growth Boosters

Scaling Up Existing Initiatives…

Affluent Banking
- Pioneer" offering well accepted in the market
- Product & customer segment expansion to boost growth

NRI Banking
- Ramping-up NR branches, international presence
- End to end digital offerings

Tractor Finance
- Continue dominance with market leadership
- New market expansion

Affordable Housing
- Leveraging vehicle finance distribution network
- Geography focused policies to capitalize on demand

MSME
- Full stack digital offerings across spectrum
- Launch of new product & programs for small businesses

Merchant Acquisition
- Diversifying BFIL asset Book
- Doorstep banking solutions micro retailers generating daily cash-flows

…Adding New Boosters

- Home Loans
- Investment Banking
- Para Banking

5 *Becoming Employer of Choice*

Work

Work Environment

1. Recognition & Autonomy
2. Work environment – quality infrastructure
3. Continuous evaluation and feed-forward

Opportunities

Advancement

1. Continuous learning at work
2. Career development
3. Role advancement (horizontal / lateral)
4. Fast-track careers for Hi-PO's

Rewards

Pay & Benefits

1. Market-linked compensation
2. Increments and promotion : linked to role and job-size
3. Fair and Transparent
4. Timeliness

Culture

Affiliation

1. Pride & Trust
2. Collaboration & team spirit
3. Social responsibility
4. Open-door and meritocracy

6 *Sustainable Banking : Integrating ESG with Business, Risk & Operations*

2022 Highlights

- Integration of ESG Risk with Credit Risk
- Launch of ESG Theme Products
  - Green Fixed Deposit
  - Risk Sharing with Multilateral Agencies
  - NR Home Coming with Akshay Patra Foundation
- GHG Intensity down from 3.8 to 3.1 MT of CO_2e / Rs crore revenue in 2 years
- Growth in Climate Finance book from 2.85% to 3.26 % of Bank's book*
- Only Indian Bank to be included in Dow Jones Sustainability Year Book
- Highest rating amongst Indian Banks in Refinitiv ESG Rankings

2023 New Initiatives

- Planning for Carbon Neutrality by 2032
- Launch ESG Theme Products
  - Women Entrepreneurship - Focus in Retail Banking
  - Finance for Water Sector - SME & Corporate Bank
  - EV Car Finance – Vehicle finance
  - Solar Rooftop Finance – Personal Loan
- Diversity & Inclusion

Accorded 'Market leaders in ESG' status by Euromoney for FY 2022

*Assurance Certification Underway

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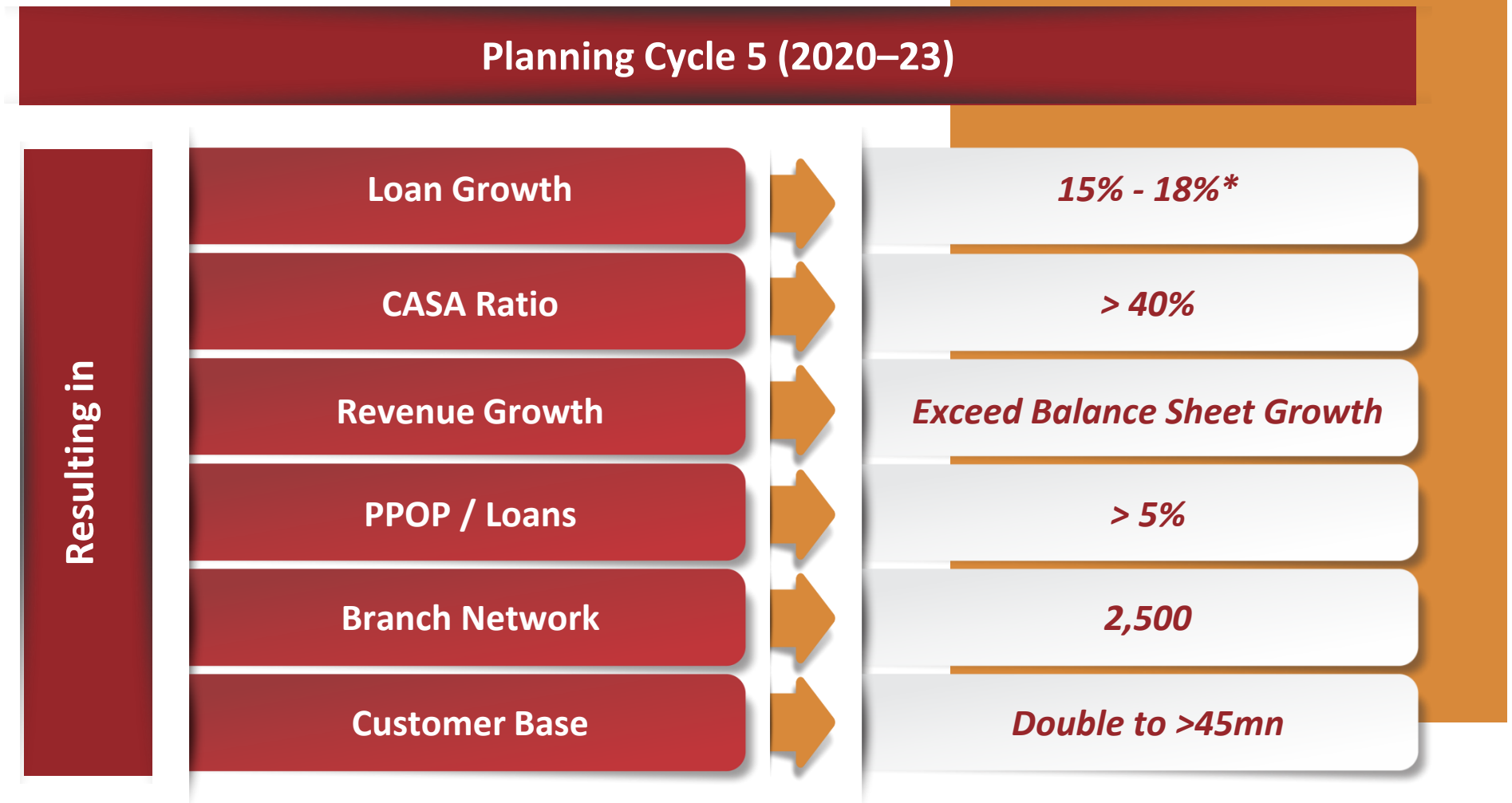
We are thus Committed to the PC-5 Ambitions



* For FY22-FY23

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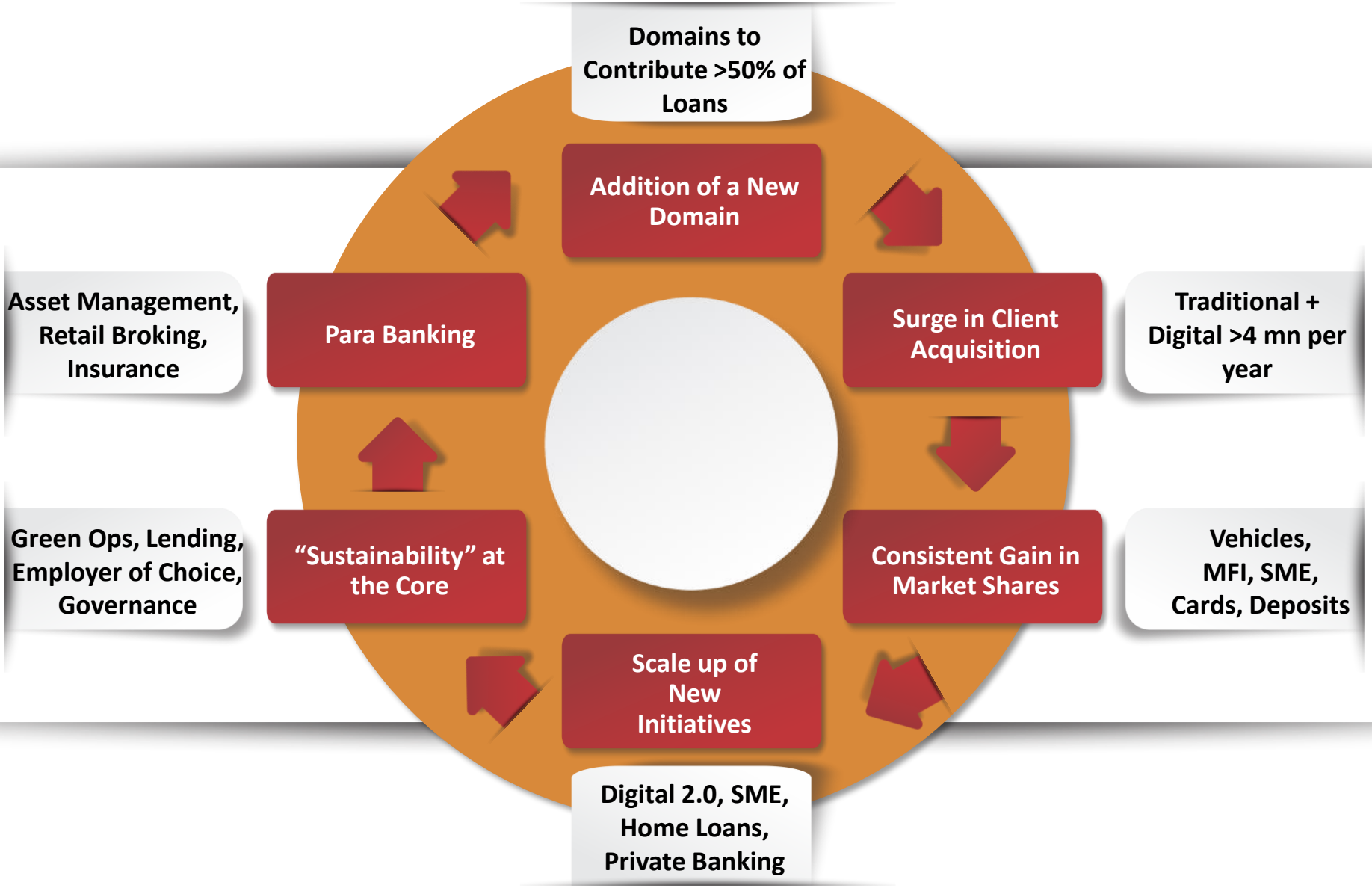
A Peep Into Potential "Planning Cycle 6"



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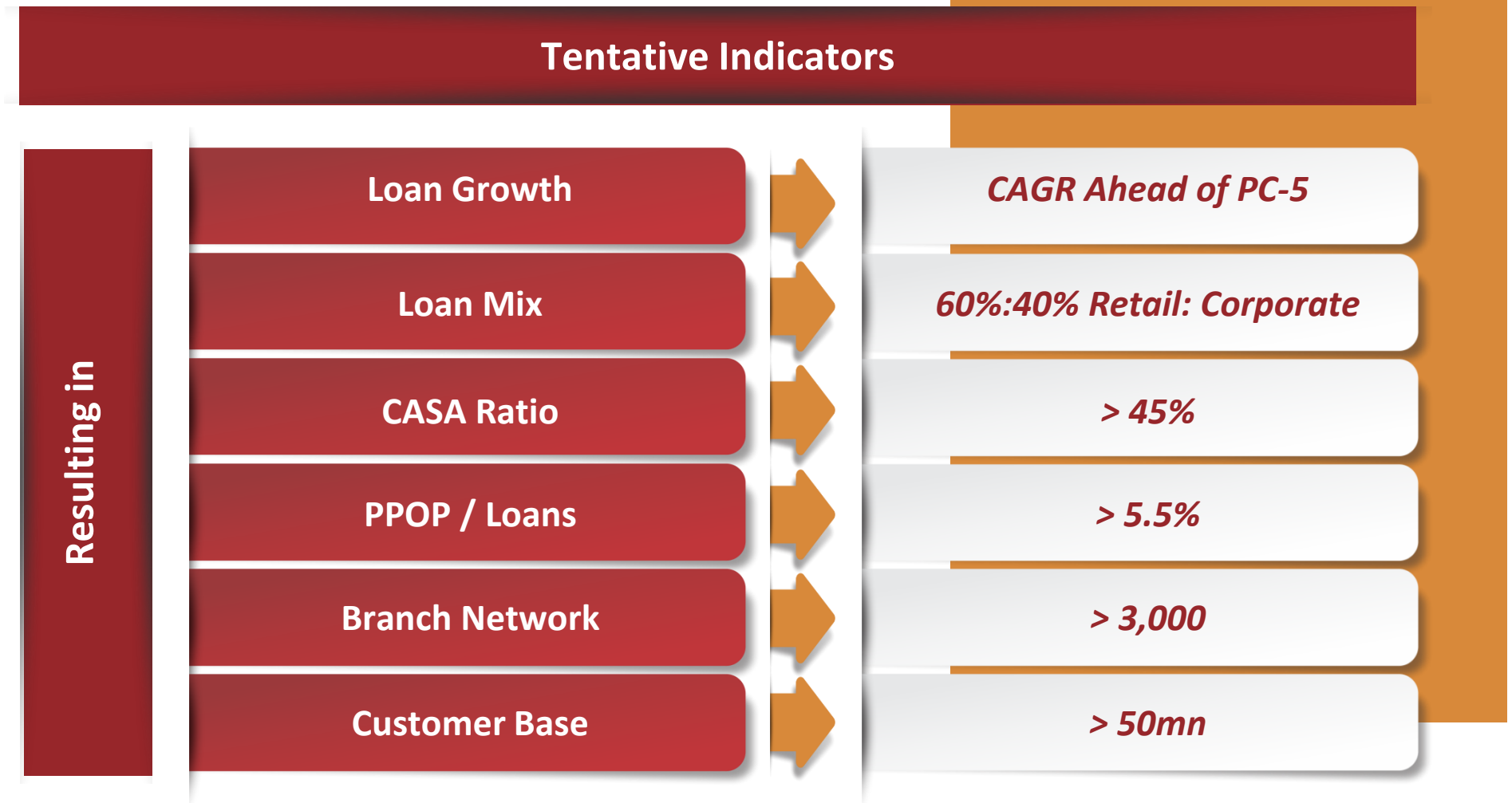
Potential Initiatives to Drive the Themes

Ramping up Secured Retail Assets	Micro Banking in Rural India	Used Vehicles Scale-up
INDIE Launch & Scale-Up	Investment in Distribution	Doubling of Affluent & NRI Business
Driving SME & MSME Penetration	Imbibing ESG in Business	Addition of 4th Domain / Para Banking Opportunities

Potential "Planning Cycle 6" Outcomes



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THANK YOU

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