

Date: May 31, 2016

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

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

**NSE Symbol: INDUSINDBK**

**BSE Scrip Code: 532187**

Dear Sir,

**Subject:** Disclosure under Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

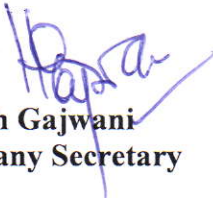
We enclose herewith the Presentation being made to Analysts / Investors today, i.e., May 31, 2016, at Mumbai.

In compliance with the Regulation 46, the Presentation is also being hosted on the Bank's website at [www.indusind.com](http://www.indusind.com).

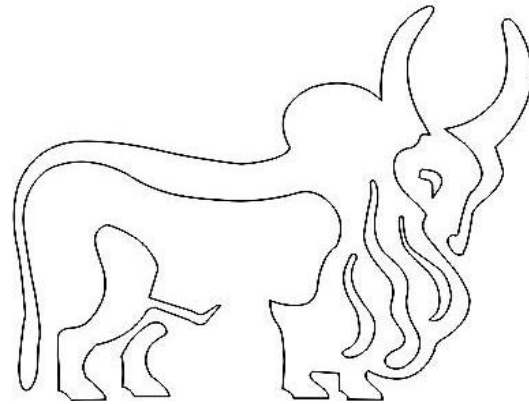
Kindly take the same on record and oblige.

Thanking you,

Yours faithfully,  
**For IndusInd Bank Limited**

  
**Haresh Gajwani**  
Company Secretary





***IndusInd Bank***

New Growth Opportunities

31<sup>st</sup> May 2016

# A Glimpse into Planning Cycle 4 (PC4)

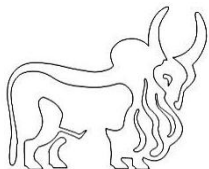
**1. Rural Banking**

**2. Off Balance Sheet**

**3. Digitization**

**4. Niche Portfolios**

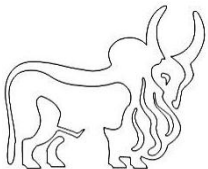
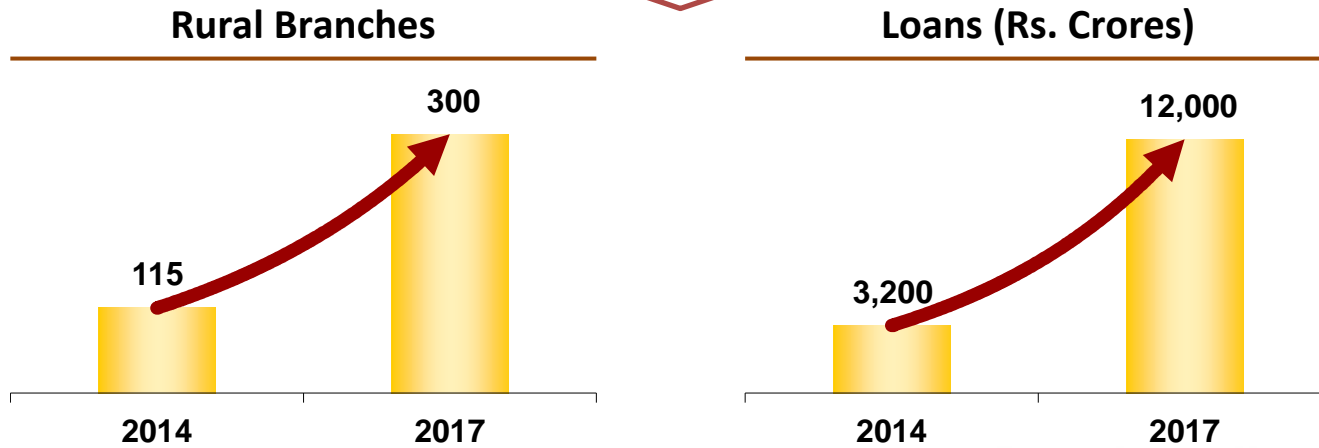
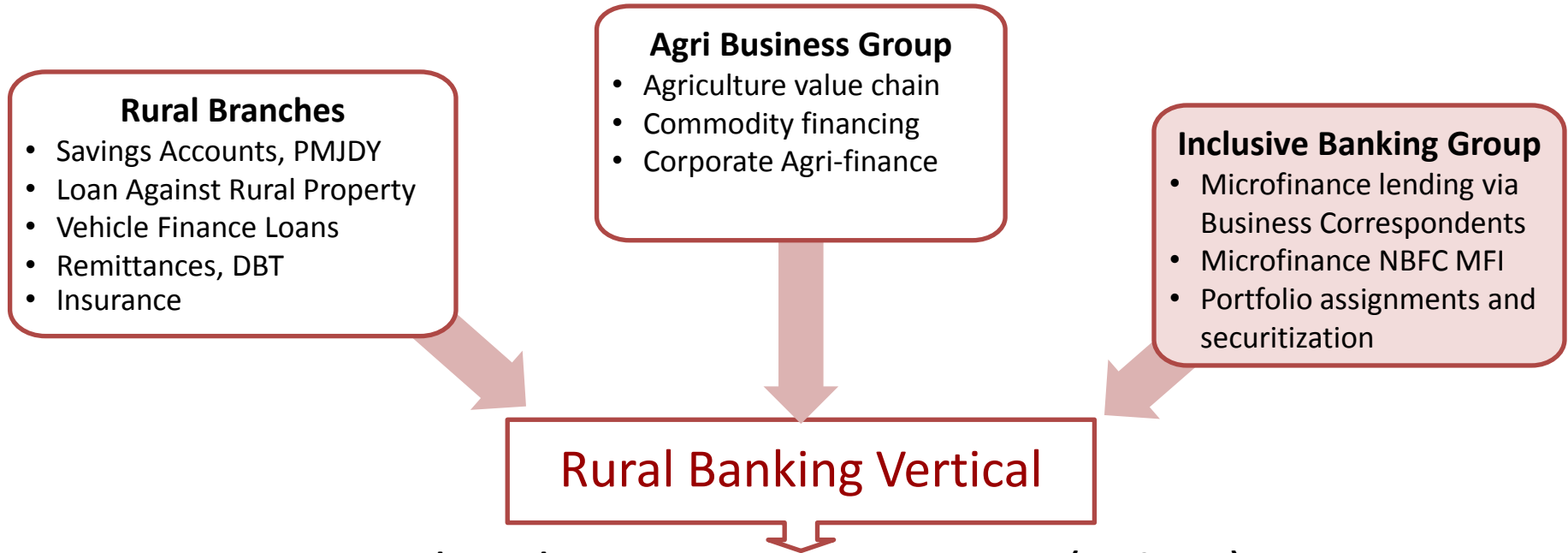
**Each theme to contribute 10% - 15% of profits in PC4**



# **1. Rural Banking**

## **The New Frontier**

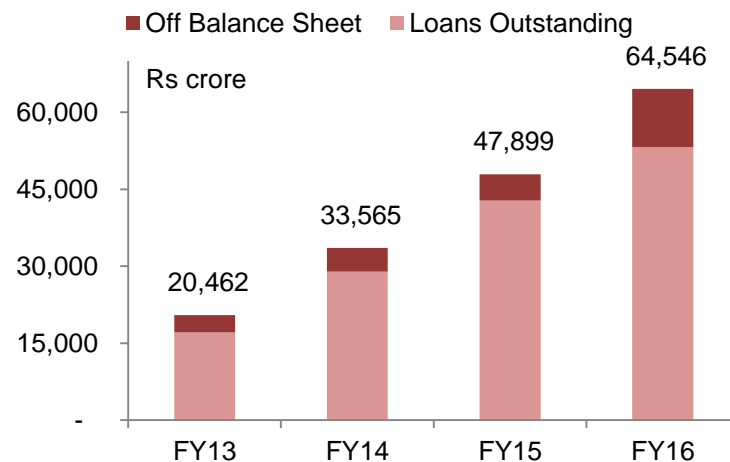
# Rural Banking – Holistic Approach To Serve Market



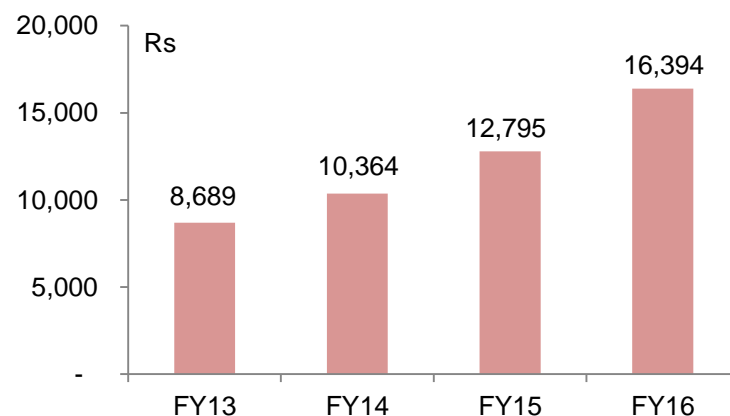
# Microfinance is a Secular Growth Opportunity

- MFIs have grown at a CAGR of high 30s in the last 5 years with high 4% ROAs
- Future growth will be driven by
  - Higher penetration in Rural India – Market Size is 3X current outstanding
  - Growth in ticket sizes – ATS at Rs 16k well below regulatory caps
  - Increasing share of longer duration loans with more than 1 year maturity
  - Technology to lower costs of servicing
- Large opportunity for Banks to cross sell:
  - Savings Accounts
  - Remittances / Benefit transfers
  - Insurance

## MFI Loan Portfolio

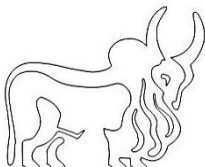


## Loan Outstanding Per Account



Source: MFIN

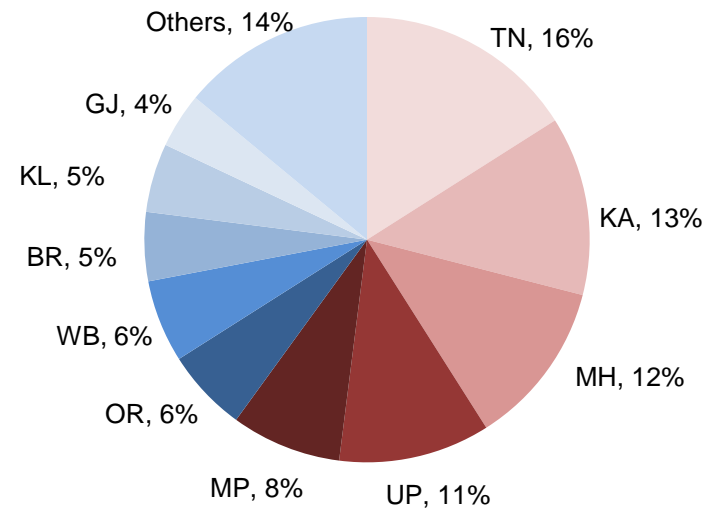
**IndusInd Bank**



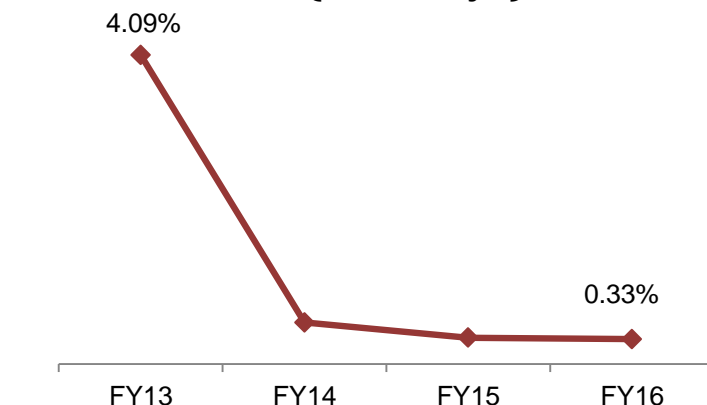
# Risks in Microfinance are Abating

- Credit Cost of small dispersed “Livelihood” loans is very acceptable
- Credit Bureaus have penetrated MFI sector and driving compliant credit behaviour
- MFIs are now diversified geographically across the length and breadth of the country
- Lower monsoon has not materially impacted MFI lending
- Political risk is improving with timely intervention of RBI after the AP crisis
- Small Bank licensees don’t need to operate under the “radar” anymore

## State-wise Disbursals (FY16)



## PAR (> 30 Days)

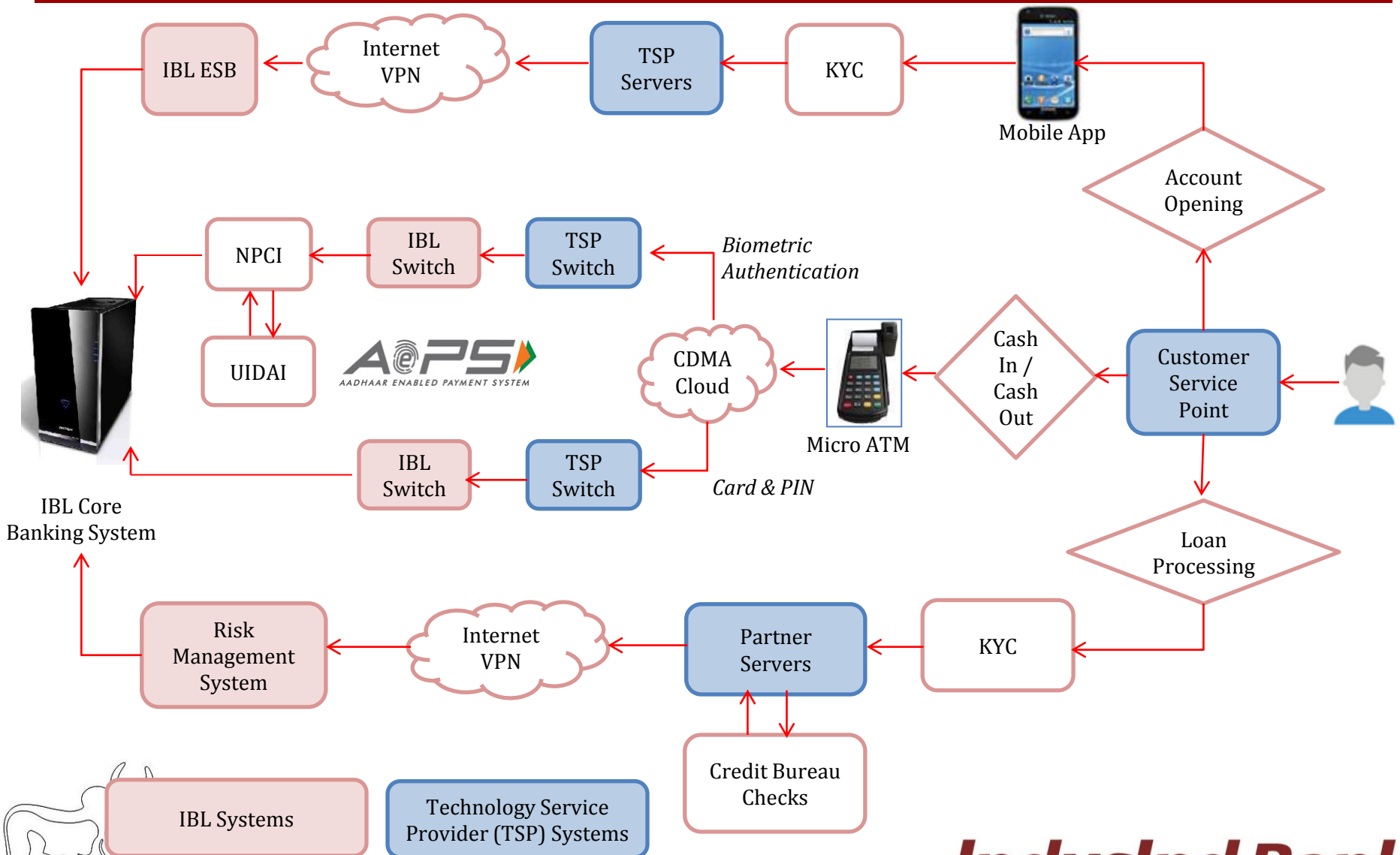


Source: MFIN

**IndusInd Bank**



# Technology is Efficiently Serving Remote Geographies



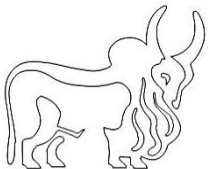
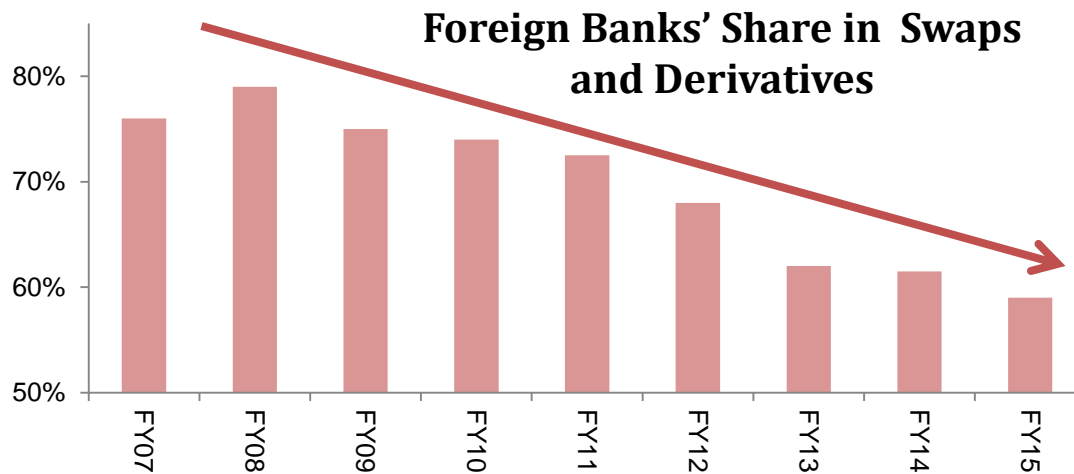


## **2. Off Balance Sheet**

### **Facts & Myths**

# Foreign Banks Played this Segment Best

- MNC Banks are withdrawing from India !
- Ratio of off balance sheet exposure to on balance sheet is 10 X for MNC Banks compared to < 2 X for Indian Banks.
- Off balance sheet is a measure of success !
- Requires investment in People, Products and Technology.
- Adjacent opportunities in Trade & Cash Management.
- IndusInd Bank's MNC relationship team has been reinforced



# Off Balance Sheet is Key Driver of Corporate (and Consumer) X Sell

Client Segments	Transaction Banking	Global Markets Group
Corporate & Institutional Banking	✓	✓
Commercial Banking Group	✓	✓
Agri Finance Group	✓	
Inclusive Banking Group	✓	
Public Sector Group	✓	✓
Financial Services Group	✓	✓
Financial Institutions Group	✓	✓
Real Estate Group	✓	
Gems & Jewellery	✓	✓
Business Banking	✓	✓
Emerging Corporate Group	✓	✓

Corporate Banking

Consumer Banking

**IndusInd Bank**

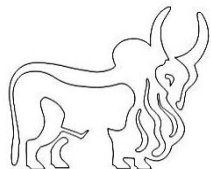


# Our approach to Off Balance Sheet Products

- Key component of client RAROC plan, transactions approved individually
- Need to work different segments of client organization to generate business
- Risk evaluation & approval in exactly the same manner as balance sheet products
- All products have defined transaction expiry, unlike revolving credit facilities
- Focus is on working capital related off balance sheet similar to our loan portfolio

Product	Sub-product	Credit Conversion Factor *	Typical Duration
Letter of Credit	Sight LC	20%	1 Months
	Usance LC	100%	6 Months
Bank Guarantee	Performance Guarantee	50%	1 year
	Payment Guarantee	100%	1 year
IR Derivatives	Short Term	0.5%	< 1 Year
	Medium Term	1%	1 to 3 Years
FX Contracts	Short Term	2%	< 1 Year
	Medium Term	10%	1 Year to 3 Years

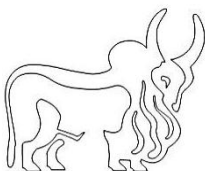
\* External corporate ratings are applied on CCF (e.g. 20% for AAA) to arrive at RWA



# Deconstructing notional principals

Notional FX Contract	USD 100mn
Potential Future Exposure (2% CCF for < 1year FX contract)	Client Limit of USD 2 mn
Credit RWA (for AAA counterparty)	USD 4,00,000
Capital Required (10% CET I)	USD 40,000
Income Required (at 25% RoE)	USD 10,000
Customer Pricing	1 bip or 0.0001 over FX rate

- RWA to Total Assets a misnomer; consider Credit RWA to Gross Credit Exposure
- Large notional values, low risk weights.
- Low capital requirements, higher ROE.
- Multiple checks and balances with no incidence of losses
  - Unadvised and dynamic limit setting; evaluated similar to funded facility
  - Daily MTM monitoring; maximum daily settlement stipulations
  - Client suitability testing and based on underlying hedging requirement



### **3. Digitization**

# Digitization – Our Beliefs; Looking Beyond the “Noise”

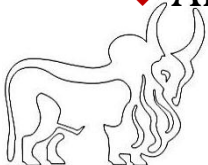
- Exponential increase in digital penetration – 3rd largest internet user base in India, smart phones outselling laptops, tablets
- Ingredients of a successful digital strategy:
  - ❑ Mobile first strategy
  - ❑ Focus on “digital” channels as core across lifecycle and not as alternate
  - ❑ Recognition that Digitization can both enhance and replace delivery models
  - ❑ Technology focused on “finding”, “serving” and “engaging” customers
  - ❑ Creating different “dining experiences” from one kitchen menu
  - ❑ Convenience does not imply faceless banking; human connect remains critical
  - ❑ Partnerships will provide the “context” or “application” for frictionless banking
  - ❑ Strategy must generate productivity, profitability and efficiency
  - ❑ Human Resource is a crucial pillar for the success of skills intensive Digital



transformation

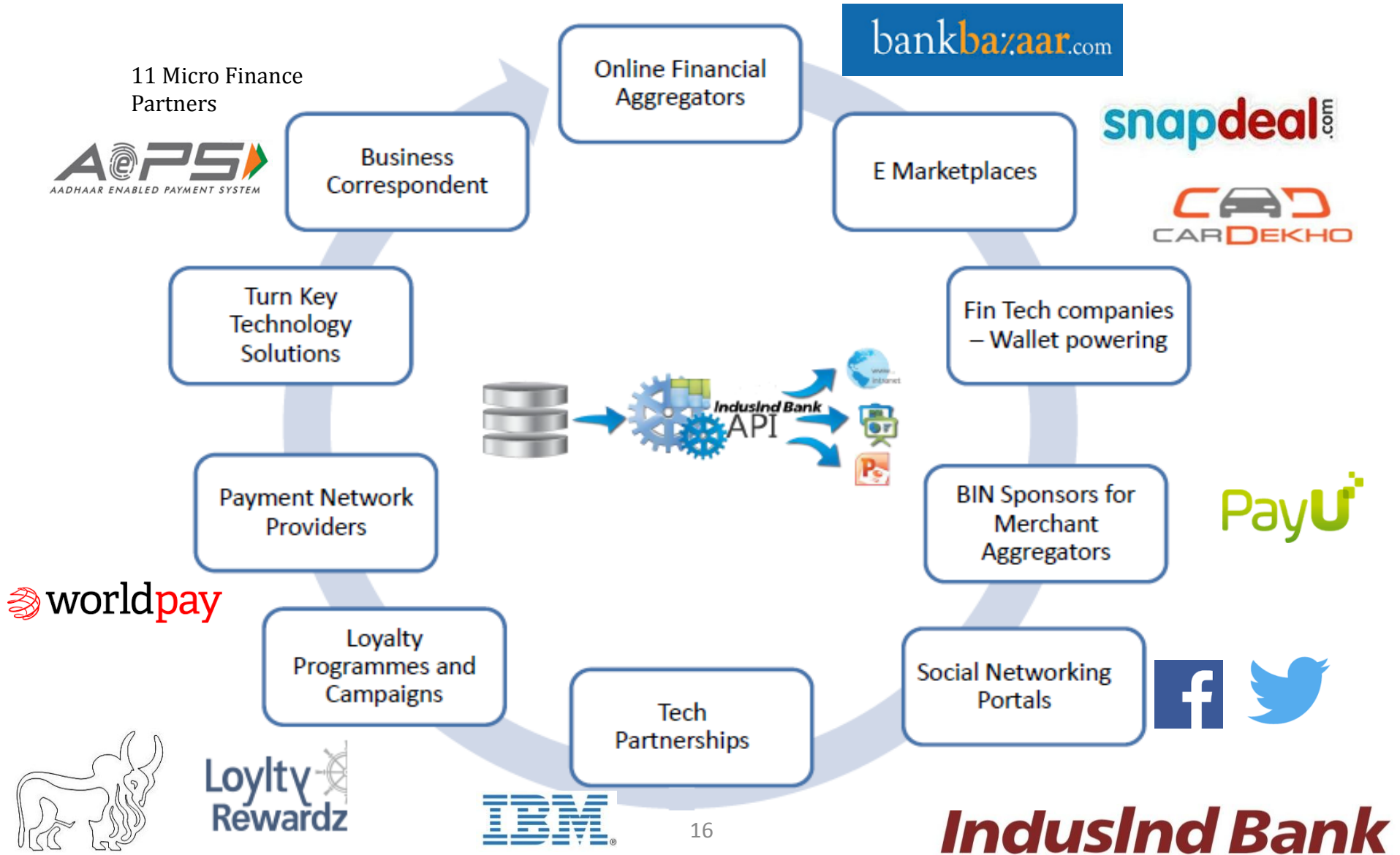
# Digitization – Strategy More Important than Technology

- An integrated Digital Strategy can extract significant value via:
  - ❑ Innovation as Service Differentiator
  - ❑ Transformation to Online Offerings
  - ❑ Partnering with the Digital Ecosystem
  - ❑ Evolution to Online and Digital Channels
  - ❑ Improved Decision Making & Analytics
  - ❑ Operating Efficiency in Front & Back Office
- ❖ A cross functional Digital Team is in place
- ❖ An action plan for each strategic initiative is already underway





# Digitization – Partnering with Digital Ecosystem



# Digitization – Latest IBL Offering

**IndusInd Bank**

Password \* \* \* \* \* \* \* \*

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INTRODUCING

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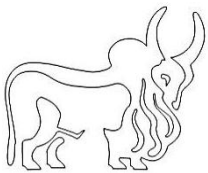
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TIME IN  
INDIA**



First Time, end-to-end



## **4. Niche Portfolios**

**As a Growth Strategy**

# Niche Portfolios versus big bang mergers

## Acquiring a Bank

## Portfolio Acquisition

### Positives

- ✓ Creates scale upfront

- ✓ Selective portfolio acquisition to align with strategy
- ✓ Immediate synergies
- ✓ Lift and drop approach
- ✓ Build a Bank via multiple niche portfolios

### Negatives

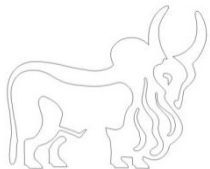
- ✗ Integration costs, distraction
- ✗ Overlaps & Redundancies
- ✗ Differences between what you pay for and what you get
- ✗ Long wait to realise synergies
- ✗ Limited potential targets leading to scarcity premiums

- ✗ Scale over longer duration



# Niche Portfolios – what do we look for?

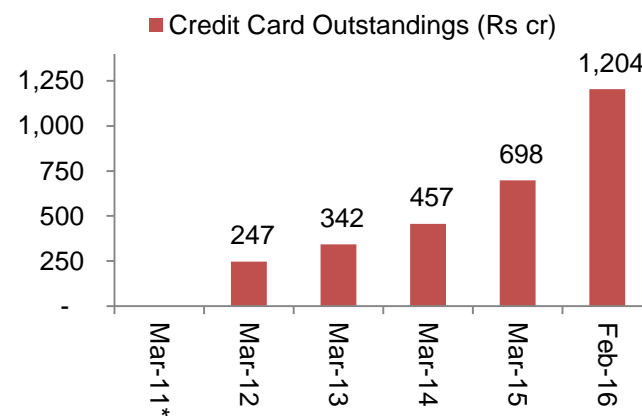
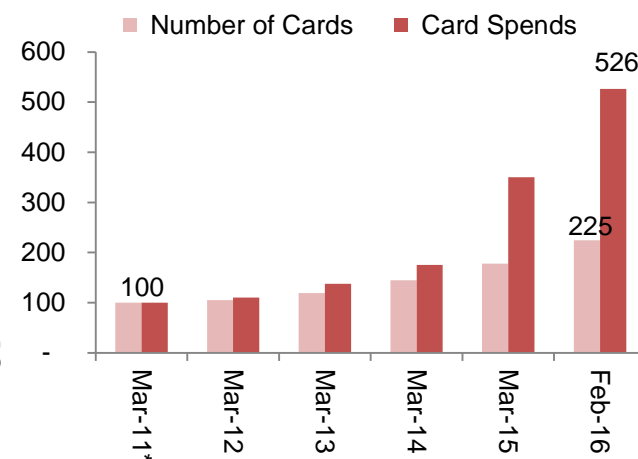
- Specialist and differentiated businesses
- Existing proven leadership & team
- Un-penetrated customer base
- Complementary distribution, capability, product or service
- Good asset quality
- Accretive to financial metrics in Year 1
- Ability to scale with profitability



# Recent Transactions

- 200 crore Credit Card portfolio from Deutsche Bank
  - ❑ Turned around a loss making business in 1 month
  - ❑ Adjacencies in Personal Loans & Commercial Cards.
  - ❑ Brand accretive – our plastic in our client wallets
  - ❑ Attractive ROA driven by “spend proposition”
- 4,100 crore Gems & Jewellery Financing portfolio from RBS
  - ❑ A portfolio that IndusInd management knew well
  - ❑ Short term Export Trade Finance (95% of portfolio)
  - ❑ Quality client base with low credit costs historically
  - ❑ Integration from day of acquisition with attractive ROA
- The evolving Bank and Non Bank segments will present interesting opportunities. We will have an acquisitive stance, but intensely guided by strategic principles.

## Credit Cards Performance



\* Acquired in April 2011. Mar-11 numbers for Deutsche Bank



**Thank You**