IndusInd Bank

September 23, 2020

National Stock Exchange of India Ltd. (Symbol: INDUSINDBK)

BSE Ltd. (Scrip Code: 532187)

India International Exchange (Scrip Code: 1100027)

Madam / Dear Sir,

Subject: Disclosure under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations)

In Compliance to Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015, we enclose herewith the Presentation on "Macro Environment & Implications" made at Morgan Stanley Virtual Investor Trip held on September 22, 2020.

In compliance with the Regulation 46, the information is being hosted on the Bank's website at www.indusind.com.

Kindly take the above information on record.

Thanking you,

Yours faithfully,
For IndusInd Bank Limited

Haresh Gajwani
Company Secretary

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Macro Environment & Implications to IndusInd

Presentation at Morgan Stanley Virtual Investor Trip

Sep 22, 2020

Current Macro Environment

One of the Most Challenging Operating Environment

- Threat of Covid-19 pandemic spreading wide and deep remains as the country opens up with onset of festive season
- The GDP print for Q1 confirmed severe and deep contraction in two main elements of aggregate demand – private consumption and investment activity
- Key monthly data releases of headline CPI inflation and IIP paint a stagflationary picture of the economy, albeit with some improvement over Q2 compared to the Q1FY21.
- High frequency data suggests that the activity levels stabilized in July and August after a recovery in June, as partial lockdowns continued across major states of the country. Activity levels are expected to improve hereon in H2FY21.
- The speed of economic recovery and the time-period for making up for the output loss of this year, will also depend upon future policy responses.
- Rural economy is expected to perform better with good monsoons and government spending.
- The RBI actions through moratorium helped ease near term issues while Restructuring is likely to alleviate medium term pain. However, the need of the hour will be to use these relaxations judiciously.

Implications to IBL’s Balance Sheet & Profitability

Deposit Growth– Scaling up with Improving Granularity

- **Factors Lowering Deposit Growth:**
  - Physical acquisitions yet to achieve pre-Covid efficiency
  - Conservatively letting go bulky deposits
  - Reduced reliance on Certificates of Deposits and will follow this approach going ahead as well

- **Factors Improving Deposit Growth:**
  - Improving market perception since the volatility in March-April
  - Strong retail acquisition momentum through digital channels
  - Scaling up new segments such as Affluent Banking, NRIs, Merchant Acquisition
  - Maintaining tactically higher deposit rates for retail segment - target Rs 25,000 crores by year end

Loan Growth – Taking a Calibrated Approach

- **Factors Lowering Loan Growth:**

  - Weak overall economic activity with borrowers looking at de-leveraging
  - Covid-19 needs to be incorporated as a constant risk in underwriting
  - Re-aligning our own loan book towards granular exposures, reduction in concentrated exposures

- **Factors Improving Loan Growth:**

  - Vehicle Finance at cyclical lows, especially the MHCV segment
  - Microfinance continues to be underpenetrated, growth to resurface as collections normalise
  - Scaling up retail segments on a lower base
  - Well positioned with Capital & Liquidity to make the growth pivot at the appropriate time

Net Interest Income Faces Multiple Crosswinds

- **Factors Lowering NII Growth:**

  - Cost of Deposits to remain elevated vs. market due to deposit retailisation drive
  - Improving share of higher rated corporate borrowers impacts yields
  - Significant excess liquidity in balance sheet with sub-optimal returns in the near term

- **Factors Improving NII Growth:**

  - Higher share of Retail loans improves overall yield of the Bank
  - Falling bulk deposit rates in line with the market
  - Borrowings getting re-priced at an accelerated rate

Fee Income Proportion to Total Revenues to Come Off in the Near Term

- **Factors Lowering Fee Growth:**

  - Overall weak economic activity to result in lower client fees
  - Corporate fees to move towards higher proportion of flow businesses
  - Evolving regulatory frameworks reducing fee pools

- **Factors Improving Fee Growth:**

  - Retail fee momentum to accelerate once Covid-19 plays out
  - Strong Treasury income with continued potential to realise MTM gains
  - Fee streams supported by Digital acquisition and Wealth Management

Variability & Strong Control to keep Operating Expenses Under Check

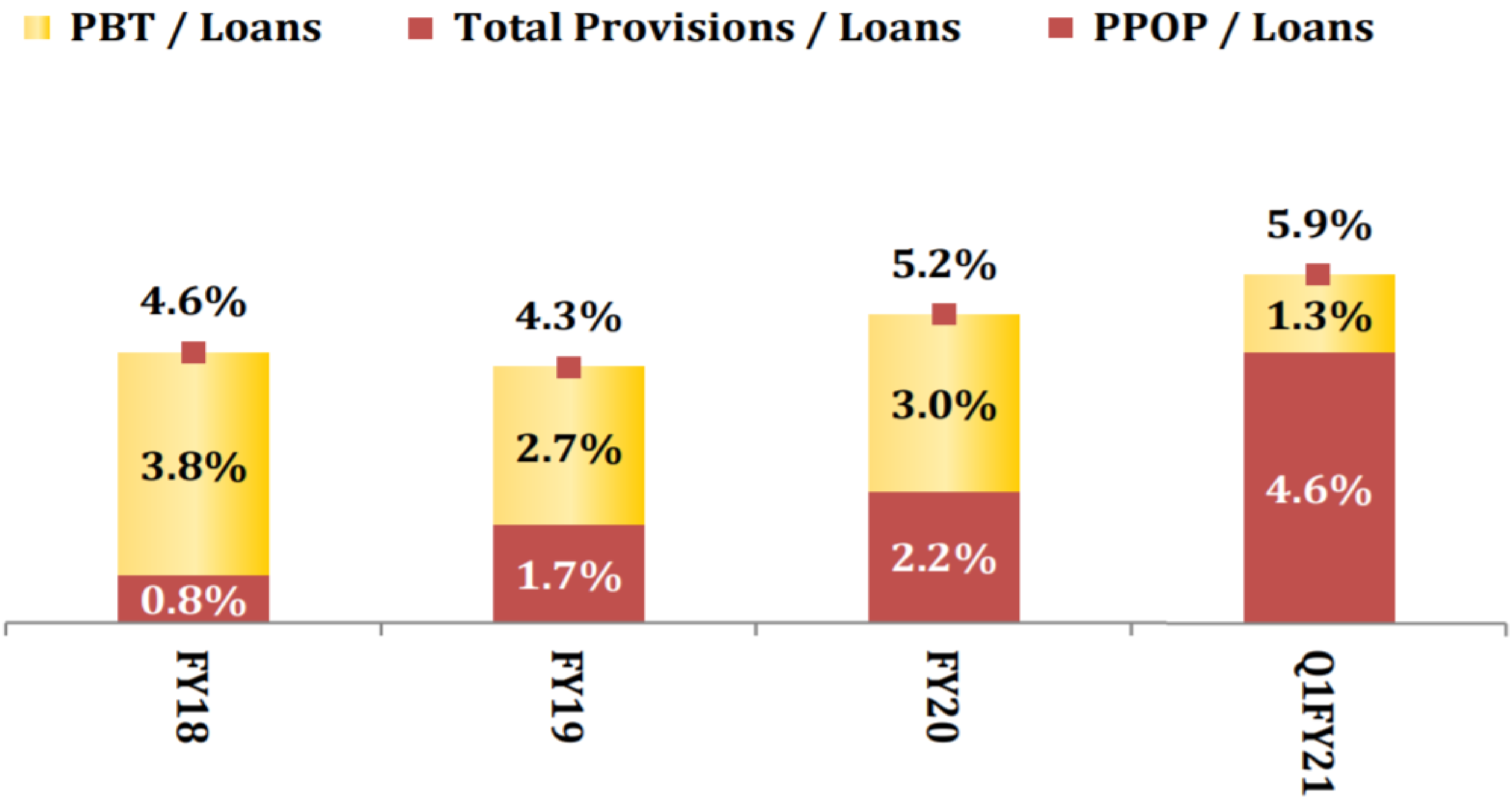
- **Factors Increasing Opex Growth:**

  - Continued investment in distribution & technology
  - Scaling up new businesses such as Affluent, NRI, Merchant Acquisition etc.
  - Marketing push

- **Factors Improving Opex Growth:**

  - Variability of costs playing out due to lower activity levels
  - Digital acquisition with lower opex intensity
  - Operating leverage to kick in as the branch network matures

Aim to Protect PPOP Margin – A Core Strength of the Bank



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Provisions to Remain Elevated to Strengthen the Balance Sheet

- **Factors Increasing Provisions Growth:**
  - Uncertainty around Covid-19 implications
  - Second order impact from lower economic activity may play-out
  - Conservative provisioning approach on GNPAs as well as likely restructured book

- **Factors Improving Provisions Growth:**
  - Large recognitions / provisioning in the Corporate Book in Q4 & Q1
  - A few potential stressed exposures seeing favourable traction
  - Regulatory and government initiatives for borrowers who were otherwise good credit pre-Covid

Conclusion

- **Near Term Focus on Strengthening the Balance Sheet**
    - Strong Capital Adequacy and Provision Coverage
    - Maintaining Excess Liquidity
    - Deposit Growth Ahead of Loan Growth
    - De-risking Loan Book
- **Businesses to Pivot Back to Growth once the Operating Environment Improves**
    - Focus on Areas of Domain Expertise
    - Scaling Up Sub-scale Businesses
    - Corporate Bank to grow slower than Retail. Within Corporate, Commercial to grow > Corporate & Institutional
    - Focus on digital journeys in Retail & MSME

Thank You

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