

March 8, 2022

**National Stock Exchange of India Ltd. (Symbol: INDUSINDBK)  
BSE Ltd. (Scrip Code: 532187)  
India International Exchange (Scrip Code: 1100027)  
Singapore Stock Exchange  
Luxembourg Stock Exchange**

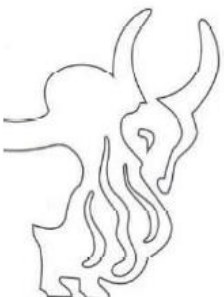
Dear Madam / Sir,

**Subject: Update on Bharat Financial Inclusion Limited**

This is in furtherance of our press releases issued on November 6, 2021 and November 29, 2021, whereby we had informed the stock exchanges about allegations made by anonymous individuals related to our wholly owned subsidiary and business correspondent for microfinance loans, Bharat Financial Inclusion Limited (“**BFIL**”). As also stated during our earnings call dated January 29, 2022, on receipt of the complaints, we had taken immediate corrective steps, including conducting internal audit, IT audit and discontinuation of OTP-based authentication. Subsequently, Deloitte Touche Tohmatsu India LLP (“**Deloitte**”) was appointed to conduct an independent review.

Broadly, the scope of Deloitte’s review consisted of: a) examining the details of the technical glitch resulting in disbursement of loans without biometric authentication and OTP validation, b) examining product design and implementation of products rolled out during the 1<sup>st</sup> and 2<sup>nd</sup> wave of Covid-19 pandemic, i.e. between March 2020 and October 2021, c) review of the overall loan portfolio and the NPA identification process followed by BFIL and, d) assessment of accounting impact on income accrual and income recognition, if any. The review focused on transactions for microfinance loans managed by BFIL between the period of March 1, 2020 to October 31, 2021. On this basis, Deloitte conducted a review and the final report was submitted by Deloitte on March 7, 2022. Deloitte’s assessment and findings were discussed by the Board. The following key points were noted by the Board:

- The technical glitch leading to disbursement of loans without recording of client consent was as a result of IT change management and process gap. The portfolio, net of provisions, where consent recording was an issue amounted to Rs 8.87 crores as of December 31, 2021 (0.03% of the microfinance portfolio).
- As regards the product design, no adverse findings were made in respect of compliance with the extant regulatory guidelines.
- Bank’s microfinance products require full collection of arrears or repayment of overdue loan outstanding prior to fresh disbursement to a customer. Certain operational issues were highlighted in product roll out. In one of the products, introduced to provide liquidity support to customers during Covid-19 pandemic, the sequencing of collections and disbursements could not be established as both happened on the same day. This product was discontinued in September 2021 and the



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CIN: L65191PN1994PLC076333

# IndusInd Bank

Bank has on a prudent basis fully provided for the exposure from this product as of December 31, 2021.

- Some areas for improvement in process and oversight of the banking correspondent activities of the subsidiary, especially in technology and control, are highlighted.
- The potential implications of the review findings, including the lapses in product execution and the client consent recording, in terms of income recognition and provisioning requirement is Rs 13.5 crores.

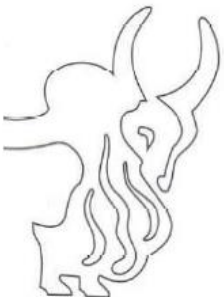
The Bank on a prudent basis carries a contingent provisions of Rs 3,328 crores outside of provision coverage ratio, including Rs 368 crores towards standard microfinance portfolio, as of December 31, 2021. Further, the Bank will make an additional provisions of Rs 13.5 crores in Q4FY22 based on the findings of the review. The Board has constituted a committee to assess staff accountability, if any, arising out of the findings of the report.

The Bank wishes to reiterate that there is a strong risk management and control framework in place, which will be further strengthened basis the findings of independent review.

You are requested to take the same on record and bring this to the notice of all concerned.

For **IndusInd Bank Ltd.**

**Girish Koliyote**  
**Company Secretary**  
**ACS 14285**



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