

1. Background

The Credit Card business enjoyed a steady growth after a planned & calibrated scale-up during FY23, from an ENR of INR 5800 Crores and 1.8 Million client base in March2022 to INR 8500 Crores and 2.2 million cards in March2023. Supported with a smooth on-boarding process, unique product variants, individualized offers & rewards coupled with a relatively stable economic growth, the business has been able to increase the profitability in FY2023 vis-a-vis FY2022. The business closed on a positive-note in FY2023 with lifetime highest number of card issuance during OctDec22 quarter along with one of the highest annual growth in ENR.

The business proactively worked on changing the channel sourcing mix, with 90% of the volumes moving to digital sourcing and with strategic focus on reducing acquisition costs and risk costs. The Key Performance Indicators reflected that the business growth and portfolio quality was on par with industry peers, with the comparative data showing better than industry performance in some of the months.

Cards acquisition growth slowed down marginally during the last quarter of FY23, with the team focusing on reducing physical sourcing, controlling acquisition costs and improving activation rates. Cards business has acknowledged the concerns raised about the 'Gross Flows' across retail lending products at Industry level and is consciously taking efforts to accelerate relevant measures to address the matter appropriately.

1.1 Economic & Market Environment

India's economic growth in FY23 has been principally led by private consumption and capital formation, and they have helped generate formal organized sector employment as seen in the faster net registration in Employee Provident Fund. Agencies worldwide continue to project India as the fastest-growing major economy at 6.5-7.0% in FY23 despite the three shocks of COVID-19, Russian-Ukraine conflict and the Central Banks across economies led by Federal Reserve responding with synchronised policy rate hikes to curb inflation, leading to appreciation of US Dollar and the widening of the Current Account Deficits (CAD) in net importing economies.

As per the Economic Survey (MoF), the credit growth to the MSME sector has been remarkably high, over 30.6% on average during Jan-Nov 2022, supported by the extended ECLG Scheme of the Union government. It adds that the recovery of MSMEs is proceeding apace, as is evident in the amounts of GST they pay, while the Emergency Credit Linked Guarantee Scheme is easing their debt servicing concerns. Apart from this, increase in the overall bank credit has also been influenced by the shift in borrower's funding choices from volatile bond markets where interest and hedging costs have increased, towards banks. The Survey also cautions that the challenge of the depreciating rupee, persists with the likelihood of further increases in policy rates by the US Fed. The widening of the CAD may also continue as global commodity prices remain elevated and the growth momentum of the Indian economy remains strong.

Manufacturing and investment activities consequently gained traction. Private Consumption as a percentage of GDP stood at 58.4 per cent in Q2 of FY23, the highest among the second quarters of all the years since 2013-14, supported by a rebound in contact-intensive services such as trade, hotel and transport, which registered sequential growth of 16 per cent in real terms in Q2 of FY23 compared to the previous quarter.

The Economic Survey also points to another recovery and adds that the "release of pent-up demand" was reflected in the housing market too as demand for housing loans picked up. Consequently, housing inventories have declined, prices are firming up, and construction of new dwellings is picking up pace and this has stimulated innumerable backward and forward linkages that the construction sector is known to carry. Apart from housing, construction

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activity in general has significantly risen in FY23 as the much-enlarged capital budget (Capex) of the central government and its public sector enterprises is rapidly being deployed.

The banking sector in India has also responded in equal measure to the demand for credit as the Year-on-Year growth in credit since the January-March quarter of 2022 has moved into double-digits and is rising across most sectors. The finances of the public sector banks have seen a significant turnaround, with profits being booked at regular intervals and their Non-Performing Assets being fast-tracked for quicker resolution/liquidation by the Insolvency and Bankruptcy Board of India. At the same time, the government has been providing adequate budgetary support for keeping the PSBs well-capitalized, ensuring that their Capital Risk-Weighted Adjusted Ratio remains comfortably above the threshold levels of adequacy.

The narrative of digital payments is changing in India which has traditionally been a debit card market with steep growth in credit card issuance and escalated card spends in the last decade. This growth is further accelerated by the various products and services being offered by FIs and such products are being increasingly used by customers especially the millennial population. Credit card issuance has grown significantly in India at a compound annual growth rate (CAGR) of 20% in the last four years. The number of credit cardholders increased from 29 million in March 2017 to 73 million in March 2023. Similarly, credit card spends grew by 28.2% year-on-year and 15.7% month-on-month to more than Rs.135000 crores in Mar2023.

Comparative snapshot of Credit Card issuers as of Mar2023

Ranking	Bank Name	No. of Cards in Millions	%Share
1	HDFC BANK LTD	17.5	21%
2	STATE BANK OF INDIA	16.8	20%
3	ICICI BANK LTD	14.5	17%
4	AXIS BANK LTD	12.1	14%
5	KOTAK MAHINDRA BANK LTD	4.9	6%
6	RATNAKAR BANK LIMITED	4.4	5%
7	INDUSIND BANK LTD	2.2	3%
8	BANK OF BARODA	1.9	2%
9	IDFC FIRST BANK LTD	1.5	2%
10	YES BANK	1.4	2%

Source: rbi.gov.in

Card Spends as of Mar2023

Ranking	Bank Name	Spends (INR Cr)	%Share
1	HDFC BANK LTD	37,763	27%
2	STATE BANK OF INDIA	24,680	18%
3	ICICI BANK LTD	23,997	17%
4	AXIS BANK LTD	16,484	12%

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5	INDUSIND BANK LTD	6,922	5%
6	KOTAK MAHINDRA BANK LTD	5,037	4%
7	RATNAKAR BANK LIMITED	6,057	4%
8	BANK OF BARODA	1,811	1%
9	IDFC FIRST BANK LTD	1,933	1%
10	YES BANK	1677	1%

Source: rbi.gov.in

1.2 Economic Environment

Economic Indicators	FY 2022	FY 2023
Inflation (%p.a.)(year average]	6.9%	5.6%
GDP Growth (% p.a.)	7.0%	6.4%
Average Exchange Rate	1 USD = 75.8 INR	1 USD = 82.21 INR

Source: tradingeconomics.com, Statista.com, exchange-rates.org, RBI MPC, Indian Rating Analysis, as at period end.

2. Product Description

Credit card is a plastic payment instrument that allows the cardholder to make purchases and draw cash up to a prearranged ceiling, with a revolving credit facility. It is considered a lifestyle product especially in the Premium card segment with significant acceptance across merchant establishments globally facilitating ease of payments and convenience.

The Bank has been issuing Credit Cards under franchise agreement with Visa, Master Card and Amex. The target segment is both Salaried and Self-Employed individuals residing in India, at approved geographic locations within India. The Bank Credit Cards are globally valid and accepted at all the Amex, MasterCard or Visa merchant establishments. While the card member can spend globally in foreign currencies, billing for IndusInd Credit card members would be only in local currency i.e., Indian Rupees. The Bank may also, on a selective base issue Credit Cards to NRIs based on their relationship and profile.

Up to 5 Add on cards may be issued to family members viz. spouse, sister, brother, parents, or children above 18 years of age. The primary card must be valid and in 'regular' status for add-on to be issued. The add-on cardholder will not be assigned a separate limit and the usage on the add-on card is within the credit limit assigned to the primary cardholder. The onus of repayment for all outstanding including spends of the add-on cardholder rests with the primary cardholder. The Accounts in Force (AIF) for Credit Cards stands at 2.2 Million as of March2023. The bank has launched several product variants over the years expanding the product suite significantly, catering to both the mass and affluent segments. Some of the popular product variants are:

- ✓ Aura Edge – Master & Visa variant on platinum network
- ✓ Iconia – Dual Card on Visa and Amex platform
- ✓ Indulge- Marquee Product on Infinite platform of Visa

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- ✓ Pinnacle- Focused on Ecom spends on Mastercard World Platform
- ✓ Crest- Master Card World Elite
- ✓ Duo- Debit Credit on Same Plastic
- ✓ Celesta – American express platform premium card
- ✓ Nexxt – Battery powered interactive card
- ✓ Pioneer & Heritage Metal Cards – Exclusive products designed for high net worth clients
- ✓ Legend – Weekend card on Visa & Mastercard platform
- ✓ Vistara Explorer- Premium category travel co-brand credit card
- ✓ Legacy- Super premium card for Pioneer customers ✓ Aura Edge Govt. Card- A card for govt. employees

Operating Platform

The bank has moved to “VisionPlus” for Credit Cards operations to support the planned business growth. VisionPlus product offered by M/s First Data (FISERV) is a proven global software payment solution offering choice for platform, operating system, deployment mode to meet market and business needs.

Accounting setup

The entire transaction data is stored in VisionPlus and reports are generated on a daily basis. Post the integration of the Cards business, new GL accounts in Finacle have been opened and mapped to the VisionPlus trial balance to ensure that all financial information from the source system reflects in the reporting system as well.

2.1 Product Features by Card Variants**General Feature of all the Credit Cards of IBL**

- ✓ Global validity
- ✓ Unsecured revolving credit facility with 5% minimum monthly repayment
- ✓ Temporary / Permanent limit enhancement facility available
- ✓ Alerts through mobile SMS and email on pre-determined services & achievement of pre-set behaviors.
- ✓ Dial a draft facility
- ✓ 24hour cash withdrawal facility through ATM's
- ✓ 24hour x 7days customer service facility through phone banking across the country.
- ✓ Reward points
- ✓ Installment / EMI Plans
- ✓ Mobile banking and Net banking facilities.

Main Product Variants & Imp Features

Product	Rewards Earn Rate	Rewards Burn Rate	BookMy Show	Fuel Surcharge	Golf* (on meeting threshold spends)	No PreSet Line
Aura Edge	Shopping Plan	Cash Credit	Not Applicable	1% waiver on Trxn between INR 400 to 4000	Not Applicable	Not Applicable
	Home Plan	1point= 40 paise				
	Travel Plan	Other redemption Options				
	Party Plan	1point= 50 paise				
	(Upto 4 points per INR 100 depending on spends category)					
Platinum	1.5 points on every INR 100	Cash Credit	Buy One Get One offer 2 in a month	1% waiver on Trxn between INR 400 to 4000	Not Applicable	Not Applicable
		1point= 65 paise				
		Other redemption options				
		1point= 85 paise				
Legend-Signature- NFC	Weekday 1 point	Cash Credit	Buy One Get One offer 3 in a month	1% waiver on Trxn between INR 400 to 4000	Not Applicable	1 Golf Game per month
	Weekend 2 points	1point= 75 paise				1 Golf Lesson per month
	On every INR 100	Other redemption options				
		1 point= Re 1				
Pinnacle	Ecom = 2.5 pts	Cash Credit	Buy One Get One offer 3 in a month	1% waivers on Trxn between INR 400 to 4000	Not Applicable	2 Golf Games per month
	Travel Ecom = 1.5 Pt	1 point= 75 paise				4 Golf Lessons per month
	POS = 1Pt	Other redemption options				
	On every INR 100	1 point= Re 1				
Indulge	1.5 Points on every INR 100	1 point= Re 1	Buy One Get One offer 3 in a month	1% waiver on Trxn between INR 400 to 4000	Unlimited Golf Games & Lessons	Applicable
Iconia	Amex Weekday 1.5 points	Cash Credit	Buy One Get One offer 1 in a month	1% waiver on Trxn between	Not Applicable	Not Applicable
	Weekend 2 points	1 point= 75 paise				

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	Visa Weekday 0.75 point Weekend 1 point	Other redemption options 1 point= Re 1	INR 400 to 4000		
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Product	Rewards Earn Rate	Rewards Burn Rate	BookMy Show	Fuel Surcharge	Golf* (on meeting threshold spends)	No PreSet Line
Nexxt Card		Cash Credit	Buy One Get One offer 2 in a month	1% waiver on Trxn between INR 400 to 4000	Not Applicable	Not Applicable
	1 Point on every INR 150	1 point= 75 paise				
		Other redemption options 1 point= Re 1				
Club Vistara IndusInd Bank Explorer			Buy One Get One offer 3 in a month	1% waiver on Trxn between INR 400 to 4000	Not Applicable	Not Applicable
	Up to 8 Club Vistara (CV) points	1 point= 1 CV Point				
Crest	2.5 Points on every INR 100 on international spends	Cash Credit 1 point= 75 paise	Buy One Get One offer 3 in a month	1% waiver on Trxn between INR 400 to 4000	4 Golf Games per month 4 Golf Lessons per month	Not Applicable
	1.5 Points on every INR 100 on domestic spends	Other redemption options				
		1 point= 75paise				
Celesta	3 Points on every INR 100 on international spends	Cash Credit 1 point= 75 paise	Buy One Get One offer 3 in a month	1% waiver on Trxn between INR 400 to 4000	3 Golf Games per month 3 Golf Lessons per month	Not Applicable
	1 Point on every INR 100 on domestic spends	Other redemption options				
		1 point= 75paise				
Legacy	2 Points on every INR 100 weekends	1 point = Re 1	Buy One Get One offer 3 in a month	1% waiver on Trxn between INR 400 to 4000	4 Golf Games per month 4 Golf Lessons per month	Not Applicable
	1 Point on every INR 100 weekdays					

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Metal Heritage	2.5 Points on every INR 100 on international spends	1 point = Re 1	4 in a quarter	1% waiver on Trxn between INR 400 to 4000	Unlimited Golf Games & Lessons	
	1 Point on every INR 100 on domestic spends					Not Applicable
Aura Edge Govt. Card	1% cashback (up to INR 100 in a month)	1% cashback (up to INR 100 in a month)	1 in 6 months	1% waiver on Trxn between INR 400 to	Not Applicable	Not Applicable

Interest Rates

Balances on credit cards will attract an interest rate in the range of 12% to 48% dependent on revolving balances, loans/EMI spend and product variant.

The structure for the Bank is currently prevalent and changes will be determined and approved by the Cards Business Head, Retail Head Unsecured Lending and Head – Consumer Banking as appropriate

2.2 Applicant Categories and Acquisition Programs

All Credit Card applications will be categorized into one of the following segments for appropriate policy rule application and tracking:

- ✓ Salaried Individuals
- ✓ Self Employed Professionals/ Business Individuals
- ✓ Retired/Housewife

2.3 Credit Programs

General Policy Guidelines:

Parameter	Guidelines
Age	<ul style="list-style-type: none"> • Minimum: 18 years • Maximum: 75 years
Serviceable Location	<ul style="list-style-type: none"> • Residence pin codes to be within the banks sourcing list • In case of secured card & high network clients, non-serviceable location is acceptable

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Contact Information	<input type="checkbox"/> Mobile Number and Email ID is mandatory <input type="checkbox"/> Landline , either at Office or Residence desirable
KYC	<input type="checkbox"/> As per extant KYC norms of the Bank
Credit Bureau Norms	<ul style="list-style-type: none"> • Currently CIBIL CIR is being used for assessment & decision making • Acceptable CIBIL Score: >=700 including 0/-1 (New to Credit)
Documents	<ul style="list-style-type: none"> • Income Documents to be collected as per program norms • For existing IBL customers, account number to be mentioned • PAN number to be documented for all applicants • All supporting documentation to be self-attested by the applicant, in case of digital sourcing original photo of document to be captured
Credit Limit	<ul style="list-style-type: none"> • Minimum: INR 15,000 • Maximum : INR 50,00,000
Other Norms	<p><u>Foreign National person</u></p> <ul style="list-style-type: none"> • 100% auto pay from IBL account or 100% ECS mandatory • Permanent address details and contact numbers mandatory <p><u>Non Residence Indian (NRI)</u></p> <ul style="list-style-type: none"> • Undertaking confirming adherence with FEMA regulations should be obtained • Client should have existing relationship and must be holding NRE/NRO account with IBL • 100% auto pay from IBL account

The Bank will acquire target customers through the following programs:

Income Based Program

- ✓ Acquisition from Salaried, Self-employed & retired customer segments
- ✓ Underwriting basis income documents viz. Pay Slip/Form16/IT Returns/ Salary Credits into Indusind Bank a/c.
- ✓ Customer debt servicing capability factored into for fixing Credit Limits
- ✓ Minimum gross monthly income for Salaried customer at INR 20,000 and INR 40,000 for Self-employed
- ✓ Credit limits fixed as a multiplier of disposable monthly income post consideration of all deductions and debts being serviced. Current Multipliers – Minimum 1.5X and Maximum 5X
- ✓ Compliance requirements and non-derogatory behavior in Credit Bureau

Cross Sell Program targeting existing relationship customers

Credit cards will also be issued with pre-qualified Credit Limits for existing Bank customers based on:

- ✓ Customer's relationship with Bank: Net worth, Average Monthly Balance, Loan Size, Vintage etc.

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- ✓ Type of relationship: CASA, FD, Other loan products viz. LAP, Home Loans, CFD etc.
- ✓ Credit Limit multipliers basis AMB – Minimum of 1.0X and Maximum of 3.5X for CASA. Fixed limit for FD and Mortgage/LAP relationships basis value of deposit and loan size.
- ✓ Good track in market as evidenced by credit bureau reports and other databases.

In addition, all customers of the Bank form part of the target segment for Cards acquisition and sourced through the Branch/In-house sales channels using the available acquisition programs. Cross-sell will continue to be the focus segment leveraging on the lower risk associated with relationship customers.

Secured Credit Card Program

Secured Credit card is issued to customer segments basis their deposits with the Bank.

- ✓ Customers with a fixed deposit account with a minimum Credit limit of INR 15,000
- ✓ FDs are placed under lien with customer consent. Credit limit is a factor of the underlying deposit and presently fixed at 90% of the deposit principal value.
- ✓ Maximum Age limit is not applicable for secured credit cards
- ✓ All product variants are available for sourcing subject to meeting the defined credit norms

Employee/Staff Card Program

The Bank employees above a certain grade will be issued a pre-qualified Card wherein the credit limits are fixed basis the employee grade.

- ✓ Maximum limit fixed at INR 50,00,000
- ✓ Employee cards expected to be used for all official and personal spending.
- ✓ 50% additional temporary limit for a period of max 60 days can be offered on staff cards

Card for Card surrogate program

- ✓ Card can be sourced basis other bank credit card meeting pre-defined norms like other bank card limit, vintage.
- ✓ Limit on the card would be a multiplier ranging 1.1X to 1.3X of the other bank card limit based on bureau conduct.
- ✓ Being a surrogate program with higher risk propensity, maximum limit is capped at INR 10,00,000
- ✓ Minimum other bank limit required at INR 75,000. This can be reviewed basis business requirement

Challenger (Test) Programs

In addition, the Bank will also run challenger programs to target specific customer segments to understand opportunity simultaneously evaluating risk thresholds

- ✓ Programs will be monitored and evaluated for benefits basis which a decision will be taken to convert into a regular program

Test programs can be approved by the Unsecured Credit Committee with concurrence from business stakeholders.

Credit Cards Policy Product Program- June2023**SURROGATE PROGRAMS**

The Bank also runs other surrogate programs focusing on the target customer group leveraging on established low risk acquisition programs like Visiting Card Surrogate, Charter Member program or leveraging on Co Brand/Alliance partners.

Visiting Card Program

- ✓ Applicant must be an employee from the approved companies for this program ✓ Employees in Managerial Cadre would be offered credit cards under this program.
- ✓ No income document will be required under this program.
- ✓ Fixed Credit Limit based on grade / level
 - Senior Management - limits of INR 1,00,000
 - Cat C1000 super senior management – limit of INR 1,50,000
 - CEO/MD of cat C1000 - limits of INR 250,000
 - CEO/MD of Cat A & B - limits of INR 7,00,000

Charter Member Program

- ✓ Restricted acquisition from very high profile and top industry leaders
- ✓ Senior Management of leading corporates
- ✓ Socially acclaimed and eminent personalities from all walks of life including Sports, Arts, Media etc. ✓ Fixed Credit limits basis client requirement
- ✓ Most of the credit checks including Verifications waived given customer profile

Pre-approved Cards

- ✓ Pre-approved cards are issued basis IBL relationship maintained – CASA, LAP, FD and CFD cross sell.
- ✓ Basis existing relationship and bureau conduct, customers are qualified for pre-approved cards
- ✓ Though Verification is waived for this program, specific verifications can be initiated on need basis ✓ Max credit limit cap is INR 5,00,000

Bureau Surrogate Programs

- ✓ Assessment is basis the bureau conduct and limit allocated up to 1.2X of the other bank card limit
- ✓ Where other bank card limits are not available, fixed limits are assigned basis sanction amount on products (credit card/personal loan/auto loan/housing loan) as seen in bureau

INSTALLMENT BASED CREDIT PLANS

The Bank offers a facility of making payments in monthly installments for purchases, balance transfers, utility and insurance plans. The payment can be made in 3 to 48 months. To make the scheme attractive and incentivize card members to make purchases, these schemes will be offered at relatively lower interest rates.

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All exceptions/overrides to policy are as per Credit authorities for the product. Any modification to the Credit limit multiplier or minimum income criteria for the income based program are done with the approval of the respective stakeholders from risk and business functions.

All program norms covering the broad product specifications including new acquisitions through various income based surrogate and cross-sell programs, CLI/ALOP/LOP multipliers, exposure limits, underlying credit policy, applicable credit processes/checks etc. are subject to change basis trends, opportunity and market dynamics. Such changes will form part of the program level credit bulletins and the same is delegated to be approved by the Unsecured Risk Committee (UCC) as defined in the approved DOP for Credit Cards and Personal Loan products.