

Q1FY26 Analyst Call Opening Remarks

Dear all,

Good evening.

I, Sunil Mehta, Chairman of the Bank welcome you all for this quarterly results call. I am joined by our Committee of Executives Soumitra Sen and Anil Rao, along with the rest of our management team. We will follow a structure similar to the last quarterly call for today's call as well. I will begin by highlighting some of the key developments at the Bank, after which Soumitra and Anil will provide more detailed updates on our business performance and financial results.

We had two main objectives in this quarter – first being restoring trust in the institution as our prime and immediate responsibility, and secondly ensuring continued execution of core businesses of the Bank. The Board and the management remain committed towards these objectives. The Bank has implemented higher standards of transparency and compliance as also reflected through actions taken by us.

I will give further update on some of the key developments for the last quarter:

1. Decisive Action on Legacy Issues:

- During Quarter 1, the Board and the management have spent considerable time and efforts towards resolving the concerns relating to legacy treasury and microfinance issues as identified in the previous quarter.
- In treasury, we have stopped internal deals. We have further began process of upgrading the treasury Calypso system to the latest version with enhanced functionality of Trade Management, Controls and Monitoring.
- The governance framework for the microfinance subsidiary has been significantly improved bringing in greater transparency. We continue to delve deeper to further enhance board and management oversight and operational control over the subsidiary.
- The Bank has set up a dedicated Process Management Office tasked with benchmarking the Bank's internal processes and policies with the best practices and bridging gaps, if any.
- The rigorous exercise which had been conducted in Q4 helped the Bank to absorb these irregularities in Q4FY25 results itself. As you would have seen and in line with our assessment, we have delivered Q1FY26 results

without any carry over of the prior period irregularities. The financial impact of the legacy issues is thus now behind us.

2. Leadership Transition Well On Track:

- The Bank has made significant progress on the CEO appointment. The recommendations were submitted within the prescribed timelines and are currently under regulatory approval process.
- We do want to clarify that there has been no change by the Bank in its CEO recommendations, from what we had initially submitted to the regulator.
- In addition, the Bank is also actively identifying, both internally as well as externally, top quality talent for the wider senior management and we will update you at appropriate time.
- Meanwhile, the Committee of Executives (CoE), operating under the guidance of the Board's Oversight Committee, has done an excellent job ensuring seamless business continuity during this challenging phase. Under their leadership, the Bank is effectively pursuing near-term priorities as well as laying and building on the foundation for sustainable growth.
- We are confident of building a strong management team which will unlock the true potential of this franchise underpinned by robust governance framework.

3. Key focus themes identified for the near term:

- Even as we await the new CEO, the Board along with the Management have aligned on five key focus areas to be actively worked upon.
- These themes include:
 - Profitability First Approach– we have taken measure such as reduction in savings account rates, de-emphasizing growth in lower return businesses through effective fund transfer pricing etc. to restore the profitability of the organisation towards its underlying potential.
 - Stringent Cost Management – A robust cost management plan has been identified and is being implemented by all business units, even as future focused investments continue apace. The Bank had over 20% opex CAGR in last 3 years and we are now working towards containing opex to single digit YoY growth in the foreseeable future.

- Heightened focus on Recoveries – We are scaling up our collection efforts to recover Bank's dues from the accumulated slippages. We are targeting the upgrades and recovery run-rate for the year to be comfortably better than the last couple of years.
- Building the "One IndusInd" franchise – There are immense synergies between our diverse businesses. Management is working actively to ensure that the collective power and service of our whole bank is made available to our customers. We aim to leverage our existing customers leading to better risk adjusted growth as well as improved self-funding proportion across the business units.
- Effective engagement with stakeholders – We have also continued our proactive engagement with all our stakeholders, including regulators, employees, customers, rating agencies and media. The Bank has transparently shared all developments, addressing their concerns and rebuilding the trust in the organisation. We are encouraged by and deeply appreciate their support. I want to express my gratitude to the RBI as well as our 45,000 employees for their support throughout this journey.
- These themes represent the opportunities where we believe meaningful progress can be made, leveraging our existing investments and capabilities. In addition a detailed strategic roadmap will be identified and implemented by the new CEO, once in place.

4. Delivered on Business-as-Usual Agenda:

- Despite the overhang of legacy clean-up, we have collectively ensured that there is continuity in the rest of the Bank's businesses.
- On Assets side, our vehicle and consumer businesses maintained disbursement as per their usual trends. We were cautious on the microfinance business. As regards the corporate banking business, we had calibrated disbursals and they are now picking up.
- On Liabilities, the retail momentum continues apace with share of Retail Deposits as per LCR improving QoQ. We have let go of bulk and certificates of deposits, which has helped in the granularization.
- We had carried excess liquidity during the quarter which we have started deploying in accretive purposes.

5. Financial Outcomes for Q1:

- The Bank has returned to profitability on quarterly basis, with a profit after tax of Rs 604 crores.
- As mentioned earlier, the profits for the quarter are without any one-offs from the prior period.
- We have reported stable operating profitability metrics vs normalised Q4 metrics.
- The CET1 capital improved to 15.48% vs 15.10% QoQ with efficient capital utilisation. This provides enough fuel in the tank for growth in foreseeable future.

Overall, the Bank has demonstrated strong resilience in getting past the unfortunate events in Q4. We believe the financial return metrics are still below their potential due to the developments since March 2025. We have seen a steady recovery in our core businesses and our aim will be to show consistent and predictable improvement every quarter on our financial metrics.

I will now handover to Soumitra to take you through highlights on individual businesses.

1. Vehicle Finance:

- Our vehicle loan book stands at Rs.96,357crores growing 7% YoY and 1% QoQ.
- Disbursements for Q1 were at Rs.11,298 crores, remaining steady on a YoY basis. Q1 has traditionally been a seasonally weak quarter of the year, and the second half of the year contributes a larger share of both disbursements and recoveries, and we expect this trend to continue.
- We witnessed YoY loan growth across most product categories, with Passenger Cars, Construction Equipment, and Light Commercial Vehicles registering double-digit growth. While tractor loans saw a decline YoY, disbursements are now picking up both sequentially and YoY basis, following last year's consolidation and strengthened credit underwriting processes.
- On asset quality, the net slippages for Q1 improved to 0.58% vs 0.62% YoY. We expect slippages to remain rangebound as the year progresses, supported by seasonality benefits and improving economic activity.

- Over the past six months, we have not sold any NPAs to ARCs, choosing instead to focus on internal collections. This however leads to the increase in period end the GNPA ratios for the interim period.
- The restructured book in Vehicle Finance has now come down to immaterial levels at Rs.85cores vs Rs.417cores YoY, with majority of this reduction being a result of upgrades & recoveries.

Looking ahead, overall vehicle demand for the year is expected to be muted. However, we do see some support coming through rural uptick with strong monsoons, government infrastructure spending as well as interest rate cuts. We remain watchful of region-specific weather disruptions, supply-chain constraints and geopolitical uncertainties, which may pose operational challenges. Our diversification across geographies and vehicle categories should also help us in sustaining steady momentum and mitigating risks.

2. Micro-Lending / Micro-finance:

- Total outstanding loan book under microfinance and merchant business now stands at Rs.35,712 crores down 6% QoQ and 16% YoY
- Microfinance
 - We took a cautious stance on microfinance, monitoring industry trends while working on several initiatives aimed at strengthening internal processes through enhanced quality checks such as re-validating all KYCs, improving underwriting standards, and conducting loan utilization checks for all loans etc.
 - While these measures temporarily impacted disbursement growth, they have provided critical validation and process enhancements, and re-instilling confidence in our ability to achieve sustainable growth in this segment, going forward.
 - As a result, microfinance disbursements were down by 36% QoQ and loan book by 8% QoQ. Disbursements followed MFIN guidelines and focused on high-vintage customers with strong bureau & repayment records and high internal behavioural scores.
 - Slippages, though elevated from normalized levels, have declined meaningfully QoQ. We expect slippages to gradually stabilize by H2, as legacy stress subsides, and new disbursements continue to perform steadily.

- The 31-90 Days Past Due book was steady at 2.2% in Jun-25 vs 2.3% in Mar-25.
- Bharat Super Shop i.e. the merchant acquiring business
 - We have now around 649k merchant borrowers under this program.
 - Our merchant loan book at Rs.7,304crores, grew by 38% YoY.
- The share of non-MFI book now stands at 20% vs 13% YoY.
- Total liabilities sourced through BFIL now stand at Rs.2,160 crores.

Overall, we are seeing improvements in terms of microfinance stress and slippages from the elevated levels of last year. We continue to remain cautious on growth as well as asset quality trends. Our diversification efforts continue apace, with steady scale-up in the merchant business. We remain confident in the long-term rural opportunity and believe that our deep distribution network and calibrated diversification strategy will help us achieve and maintain sustainable growth.

3. Corporate Bank:

- We continued our tactical approach of efficient balance sheet management for most of the quarter. This resulted in moderate corporate disbursements during the quarter. However, with the liquidity concerns now behind us, we have resumed disbursement growth from July.
- As a result, our corporate loan book has come down by 8% QoQ and 16% YoY.
- The proportion of A and above rated customers at 77% has been steady QoQ. The weighted average rating was at 2.60 vs 2.57 QoQ.
- The Gems & Jewellery portfolio continues to reflect strong asset quality, with no accounts in SMA1 or SMA2. However, growth continues to remain muted, amidst industry level slowdown.
- Gross slippages in the corporate book stood at 17bps or Rs.245crores, mainly contributed by one manufacturing account of Rs.118crores which we had already provided 50% for and a few other granular slippages.
- Looking ahead, corporate slippages are expected to improve, supported by a healthier early delinquency profile. Our combined SMA1 and SMA2 book has declined to 14 bps from 24 bps QoQ.
- Corporate Restructured book has reduced to Rs.132crores vs Rs.569crores YoY.

- Overall, while we have temporarily moderated corporate book, our long-term strategy of scaling up the granular mid and small corporate portfolio, along with selective exposure to large corporates, continues to be actively pursued. The same should reflect in the coming quarters.

4. Other Retail Assets:

- Our other retail assets grew by 18% YoY and 2% QoQ.
- MSME book under business banking is at Rs.17,973crores growing by 8% YoY.
- Scale-up of home loan book continues with outstanding now at Rs.4,996crores growing by 113% YoY and 11% QoQ
- LAP book maintained steady traction with 12% YoY and 1% QoQ growth.
- Credit card spends at Rs.26,900 crores grew 15% YoY while moderating on QoQ basis. Our market share in credit cards spends was at 4.78% based on latest available data.
- The asset quality trends have been rangebound in all the segments. We don't have large exposure towards unsecured business loans. The credit card stress remains elevated but stable. The secured side asset quality trends have been comfortable.
- Overall, we continue to scale our other retail asset segment, with a clear focus on diversifying the loan book and increasing the share of retail secured assets, particularly through home loans and MSME lending.

5. Now coming to Liabilities:

- Our deposit franchise has demonstrated resilience after being put to test in early March. The deposit accretion improved during the quarter after the dip in March, albeit it has not yet reached similar levels prior to the March disclosure.
- The retail deposits as per LCR at Rs.1,84,634crores grew by 6% YoY while remaining steady QoQ. The share of retail deposits now stands at 46.5% vs 43.7% YoY and 45.1% QoQ.
- During the quarter, we consciously exited certain non-accretive wholesale deposits, leveraging our comfortable liquidity position. As a result, total deposits at Rs.3,97,144 crores declined 3% QoQ.
- With comfort on the stability of the deposit book, the Bank undertook significant rate actions of up to 200bps on savings account and up to 100bps on term deposits in certain slabs.

- We have also combined the Affluent and Non Resident business segments, considering the overlapping profile of customers. The combined deposits stand at Rs.74,300 crores growing at 5% YoY and NRV at 1,21,200 crores growing 16% YoY.
- We let go some of the Certificates of Deposit raised in March and thus CDs reduced by 12% QoQ.
- Borrowings at Rs.52,200 crores were down 3% QoQ with share at 9.7% of total liabilities.
- We maintained a conservative liquidity stance, carrying excess liquidity with an average LCR of 141% and average surplus liquidity of Rs.52,700 crores.

In summary, our retail deposit franchise continues to show resilience and we are pivoting towards growth now. We are not hesitating in cutting rates and we do believe there is further scope to cut both Savings as well as term rates. Improving the granularity of deposits along with reduction in cost of deposits continues to be our immediate priority. The liquidity measures announced by the Reserve Bank are positive for our journey toward building a more granular and robust retail deposit franchise.

6. Digital Traction:

- Our Direct Digital Business continues to scale meaningfully across multiple lines of business, as highlighted in our investor presentation.
- Our flagship mobile banking app, INDIE, has shown strong traction this quarter, driven by customer adoption of the upgraded experience. Key performance metrics include
 - Monthly active users were up 2.6X QoQ
 - Across business lines, we saw robust growth from direct-to-client campaigns and migration from the legacy app:
 - FD bookings from INDIE app were up 220% QoQ
 - New SA opened via INDIE app up 292% QoQ
 - MF bookings via INDIE app up 600% QoQ
 - Loans disbursed via app up 37% QoQ
- Our MSME-focused digital platform, INDIE for Business, also delivered strong results. The app now has 100,000 MSMEs registered, with monthly active users growing 129% QoQ and tax payments and bill payments via app growing 600% and 57% QoQ respectively.

I will now handover to Anil to take you through financial highlights.

Coming to the financial performance:

Despite a challenging operating environment, we are pleased to report the Bank has returned to profitability this quarter.

- Our Net Interest Income at Rs.4,640 crores and Net Interest Margin at 3.46% remained steady compared to normalized numbers for Q4FY25.
- Net Interest Margin was supported by improving cost of deposits on the back of rate cuts, particularly savings account for this quarter and higher overall retail loan mix. These helped offset the impacts of excess liquidity and lower share of MFI loans.
- The reported NIMs were higher by 11bps due to one past NPA recovery and one off interest on income tax refund.
- Q1 is typically a seasonally soft quarter for core fee income. This quarter, core fee income was further impacted by subdued corporate activity and lower MFI disbursements. We however had healthy treasury and recovery income during the quarter. As a result, Non-interest Income was at Rs. 2,157cores.
- Operating expenses were stable QoQ and YoY growth was contained at 9%. The Cost to Income is elevated due to subdued revenues as we carried excess liquidity as well as seasonally weaker quarter. As we resume asset growth and with tighter cost control, we aim to reduce Cost to Income consistently throughout the year.
- Operating profit for the quarter was at Rs.2,568 crores.

- In terms of asset quality:
 - The gross and net slippages improved QoQ to 0.74% and 0.61% respectively.
 - The asset quality trends in vehicle, retail and corporate banking were stable. Microfinance showed improvement QoQ, however, slippages are still higher than the normalised runrates.
 - The gross slippages by key segments were Vehicle Finance Rs.743 crores, Corporate Rs.245 crores, Other Retail Rs. 692 crores and Microfinance Rs. 888 crores.
 - Our SMA 1 and SMA2 book improved to 14bps vs 24bps QoQ
 - Net Security Receipts declined to 22bps vs. 27bps QoQ
 - Restructured advances declined to 10bps vs. 12bps QoQ
- Overall, the Bank returned to profitability on quarterly basis, with profit after tax of Rs. 604 crores. Our Balance sheet remains strong with the Capital Adequacy Ratio of 16.63% excluding Q1 profits, Provision Coverage Ratio of 70% and average LCR of 141% with excess liquidity of Rs.52,700 crores.

I will now handover to the Chairman for closing remarks.

While we close the opening remarks, I do want to bring into focus some key messages:

- We have delivered financials without any prior period adjustments as committed in the last quarterly call. We take this opportunity to again assure the stakeholders on the thorough review done while finalisation of the last quarter's results.
- We are progressing on building a sustainable bank in areas of our expertise. We are growing in vehicle, retail, mid and small corporates, granular liabilities etc. We remain cautious on unsecured segments.
- The CEO succession process is well on track and we are confident of having a highly capable and competent leader soon at the helm. The Committee of Executives has done excellent job navigating these turbulent times under the guidance of the Oversight Committee.

- While the financials have returned to profitability, there is certainly significant scope for improvement. There are some near term opportunities which we are actively working towards, while also laying and building on the foundation to achieve our medium and long term aspirations.
- Lastly, the compliance and governance culture along with rebuilding the talent desirous of delivery remains the Bank's primary area of focus. All our actions and communications are underpinned towards this objective.

We are on an exciting journey of rebuilding this Bank towards a more sustainable and predictable growth. I want to again express my gratitude to the RBI and all stakeholders for continuous guidance and support. We can now open for Q&A.

Thanks and over to you.

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