IndusInd Bank – Investor Day

Presentation-6
Corporate & Commercial Banking Group
## Evolving Operating Environment and Bank’s Response / Performance

### Macro Developments

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>Increasing Lending Rates</td>
</tr>
<tr>
<td>Robust Credit Growth backed by government push &amp; record high GST collection</td>
</tr>
<tr>
<td>Deleveraging by corporates &amp; strengthening of balance sheet</td>
</tr>
<tr>
<td>Accelerated Digital adoption across supply chain by corporates</td>
</tr>
<tr>
<td>Positive momentum in the Real Estate industry coupled with Consolidation</td>
</tr>
<tr>
<td>Disruptions caused by Russia-Ukraine conflict</td>
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</table>

### Bank’s Performance

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>40 bps improvement in QoQ Yields</td>
</tr>
<tr>
<td>Overall Corporate Segment growth : 23% YoY</td>
</tr>
<tr>
<td>Small Business growth : 46% YoY</td>
</tr>
<tr>
<td>Increase in upgrade ratio; Investment grade book at 96%, up 100 bps y-o-y</td>
</tr>
<tr>
<td>‘Early Credit’ digital platform for ecosystem financing launched; 85%+ Clients transacting online; 35k crs throughput across 2.3L+ transactions in H1.</td>
</tr>
<tr>
<td>Focus on building robust book; Active churn strategy; ~75% of Real estate book churned since Mar’20.</td>
</tr>
<tr>
<td>Close monitoring and periodic stress testing of portfolio; no surprises in asset quality</td>
</tr>
</tbody>
</table>
Presentation Outline

Corporate & Commercial Banking Franchise

Fine-tuning corporate bank approach

Future in focus
Presentation Outline

Corporate & Commercial Banking Franchise

- Fine-tuning corporate bank approach

Future in focus
Catering to the all-encompassing corporate landscape

5000+ # Asset Clients

540+ Coverage team strength

Large & Mid corporates coverage from 15+ cities

Small Corporates coverage from 60+ cities

1. Business Operations
2. Cash Management
3. Trade Solutions
4. Treasury Solutions
5. Growth Financing

Corporate entities from turnover 150 crs and above – includes SMEs, Mid Corporates, Large corporates, Conglomerates, PSUs, MNCs

Across 100+ Industries and sub-industries with dedicated coverage of identified specialized verticals

Pan-India geographical coverage across all regions with industry specific cluster coverage; International Entities through GIFT City

- Cash Credit
- Overdrafts
- Working Capital Demand Loan
- Short term loan
- Pledge Financing
- Vendor/ Dealer Finance

- Receivables Collection
- Payables Management
- Current Accounts; Escrow Services

- Bill Discounting/ Factoring
- Vendor/ Dealer Finance
- Pre & post Shipment Financing
- Letter of Credit/ Bank Guarantees
- Buyer’s Credit
- IDPMS/ EDPMS/ Digital trade documents

- Remittances
- FX & IR Hedging
- Structured Deposits
- Exchange traded currency derivatives

- Brownfield capex financing
- Project Financing
- Syndication/ Debt Capital markets
- Investment Advisory

Customer
Well Diversified Book

Loan Book (₹crs)
- June’21: 92,407
- Sep’21: 99,079
- Dec’21: 1,05,481
- Mar’22: 1,09,463
- Jun’22: 1,14,429
- Sep’22: 1,21,766

Book by Region
- North: 37%
- South: 39%
- West: 18%
- East: 6%

Book by Ticket Size
- <100: 29%
- 100-250: 25%
- 250-500: 18%
- 500-1000: 14%
- >1000: 14%*

*94% AA & above

Book by Industry
- Real Estate – Comm. & Resi.: 57.15%
- NBFCs (other than HFCs): 9.98%
- Gems and Jewellery: 9.96%
- Steel: 9.51%
- Power Generation – Non Renew.: 5.08%
- Food Bev. and Food Proc.: 3.25%
- Others: 5.08%

Note: All data as of Sep-22

Large Corporates: 68,668 crs, 56.4%
Mid Corporates: 42,478 crs, 34.9%
Small Corporates: 10,620 crs, 8.7%
Franchise strength – built on a client-centric and holistic business model

Risk Management
Adaptive Risk and Policy framework for:
- Robust & tiered due-diligence framework
- Early identification and mitigation of Risks
- Continuous monitoring

Client-centric Coverage
- Strategically segmented in line with size of corporates
- Specialized coverage for identified industries

Digitization & Analytics
- Digitized customer journeys (Front to backend) for enhancing client experience
- Productivity enhancement using Analytics
- Robust Risk Management

Broad based, differentiated Product solutions
- Differentiated product capabilities to deliver client & industry specific integrated solutions
- Broad base capabilities and continuous innovation
01 Comprehensive coverage to provide best in class client service

Client Coverage Units
- Emerging Mid-Corporates
- Corporate Banking Group
- Global Corporates & Institutional Group
- Public Sector Undertakings (PSUs)

Specialized Coverage Units
- Gems & Jewelery
- Real Estate & warehousing
- Financial Institutions & NBFCs
- Agri Business Group
- Education
- Healthcare

- Domain Expertise with market leadership position
- No Restructuring
- No SMA
- No NPA

- Our Real Estate Unit focuses on micro-market expertise with churning to maintain sectoral caps
- 75% of asset book churned since Mar'20

- Banker of choice for Cash Management Services with focus on liability led asset growth
- 2800+ escrow accounts
- 96%+ Book ‘A’ rated & above
- No NPA & restructuring.

- Agri, Education and Healthcare unit Captures end-to-end Value chain with gamut of tailor-made solutions
- ~10,000+ crs
- Asset book built across 3 verticals

Note: All data as of Sep-22
## Our differentiated product capabilities

With comprehensive products for capturing ecosystem financing backed by digital capabilities

<table>
<thead>
<tr>
<th>Trade &amp; Supply Chain financing</th>
<th>Global Market Solutions#</th>
<th>Cash Management Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>► Well-diversified book across products with dominant position in niche offering</td>
<td>► Dominant Market Maker in Fx. spot and forwards with annual volumes of 380+ bn USD</td>
<td>► Bouquet of products across collection and payments - 400+ APIs on API Gateway and 50 APIs on Sandbox</td>
</tr>
<tr>
<td>► Digital Stack – Indus Direct for Trade (Web &amp; Mobile)</td>
<td>► Provide hedging solutions to clients across sized with annual volume of 55+ bn USD</td>
<td>► 700+ mandates implemented across 550+ clients in FY22; Additionally, 235 mandates implemented across 200+ clients in H1’23.</td>
</tr>
<tr>
<td>► 43% CAGR in last 2 years for supply chain finance product</td>
<td>► 25% CAGR in income across FX, trading and derivatives products</td>
<td>► 35%+ growth in cash throughput value (y-o-y) for H1’23</td>
</tr>
<tr>
<td>► Digital Stack – Early Credit for Supply Chain Financing</td>
<td>► Digital stack - Speed Remit for Fx Remittance</td>
<td>First Bank to launch Digital Payments for Escrows</td>
</tr>
</tbody>
</table>

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- **Indus Direct**
- **Indus Early Credit**
- **Indus Speed Remit**

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### Product* fee contribution

- **Product Penetration** @76%+ across client coverage units
- **Product fee contribution** @ 57%+ of total fees
- **Corporate clients transacting digitally** @ 12k + corporate clients

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*Products includes Trade, FX & Cash Management

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All data as on Sep’22 except # which is as on Mar’22

®Includes Non-individual clients across Retail & Corporate segments

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First Bank to go live on BBPS for NBFCs

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**Product* fee contribution increased to 55-60% levels from 45% - 50% levels earlier.**
02 Our differentiated product capabilities

Debt Capital Markets

~45,300 crs
of assets sold till date across 170+ deals

- Improved League Table Position from 6th in CY16 to 2nd in 9MCY22
- Maintained position in Top 5 in League Table since 2017

Project Financing

42 projects | 15k+crs
Underwritten under renewable energy sector

85%
Book underwritten churned

15 projects | ~9kcrs
Underwritten under Roads and Highways sector

70%
Book underwritten churned

14 projects | ~8kcrs
Underwritten under Transmission sector

87%
Book underwritten churned

9MCY22 League Table Position – IBL ranked 2nd in Deal Volume & Count by Refinitiv

1st Bank to structure HAM and Road Invit financing in India

Bank offers products across the project life cycle and has financed projects in sectors like Energy Efficiency, E-mobility, Water and City Gas Distribution

<table>
<thead>
<tr>
<th>Lenders</th>
<th>Market Share</th>
<th>Volume (₹ Cr.)</th>
<th>Rank (Volume)</th>
<th>Deals</th>
<th>Rank (Deal Count)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI</td>
<td>79.59%</td>
<td>41,002</td>
<td>1</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>IndusInd Bank</td>
<td>3.15%</td>
<td>1,645</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>ICICI Bank</td>
<td>2.59%</td>
<td>1,305</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>1.68%</td>
<td>867</td>
<td>4=</td>
<td>1</td>
<td>4=</td>
</tr>
<tr>
<td>Bank of Maharashtra</td>
<td>1.68%</td>
<td>867</td>
<td>4=</td>
<td>1</td>
<td>4=</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>1.68%</td>
<td>867</td>
<td>4=</td>
<td>1</td>
<td>4=</td>
</tr>
<tr>
<td>EXIM Bank</td>
<td>1.68%</td>
<td>867</td>
<td>4=</td>
<td>1</td>
<td>4=</td>
</tr>
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Note: All data as of Sep-22
Digital channels and tools to address the rapidly evolving demands and expectations of our corporate clients across products and services.

**Interactive Dashboards**
Sales enablement tools enabling Teams to focus their efforts on prospects and clients with the highest value in terms of returns
- KPI Management
- Portfolio Management

**Client one View**
Differentiating insights which are tailored to the specific needs of an individual prospect or client.
- Share of Wallet – Asset, CA, CMS, Fx etc.
- Pricing Analytics
- Self Transfer

**Early Warning System**
Real-time data analytics with Risk triggers
- Internal + External Data Points
- 200+ Triggers
- Automated Alerts
Comprehensive Risk Management Framework – with multiple layers of defense

Underwriting aligned towards granular, secured, shorter duration loans from high rated customers

Robust Credit Framework...

..with continuous monitoring

.. and right support & interventions

Central Quality & Assurance Team

3 Third Line of Defense

Approval Grids (L1 > L2 > L3)

Credit Due Diligence

Business Due Diligence

1 First Line of Defense

2 Second Line of Defense

Portfolio Monitoring

Risk Analytics

Early Warning Signals

Credit Org. structure mirrors coverage model enabling specialized underwriting

Defined pre-screening guidelines to enhance filtration process & acquisition quality
The precursor to our current Business Strategy

We had consistent loan growth journey ...

... except for FY19-21

<table>
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<tr>
<th>Loan Book (₹crs)</th>
<th>Mar’19</th>
<th>Mar’20</th>
<th>Mar’21</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>102421</td>
<td>91334</td>
<td>91018</td>
</tr>
</tbody>
</table>

FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22
The precursor to our current Business Strategy

Key learnings from our experience

- Customer concentration built up over the period
- Reliance on bulky fee income
- Deals pertaining to holding company with limited cashflow support
- Limited focus on building liability franchise
- Sub-optimal coverage structure especially in small businesses
- Under penetration in top conglomerates
- Delayed identification of risk triggers

Implementing the learnings while navigating COVID

A

- Tighter & well-defined credit underwriting norms with enhanced risk management framework

B

- Re-orientation of business model to focus on granular acquisition
Implementing the learnings – ‘Fine-tuning the Corporate Bank approach’

A

Tighter credit underwriting norms & enhancing risk management framework

Policy & Thresholds

Tighter policy norms pertaining to complex & structured transactions to address inherent risks in the transactions

Introduction of pre-screening process with defined go/no go criteria

Rationalization of Single Borrower limit linked to Internal Rating; Correlated with Net Profits & much below RBI prescribed norms

Conservative Capping of Sensitive Sector Exposures; Tightening of Concentration Exposure norms

Proactive Portfolio Monitoring

Implementation of robust Early Warning Signals (EWS) Systems for taking timely remedial action

Group Borrower exposures strategies basis Strength & Standing of Group

Strengthen Credit Quality Assurance Unit to enhance stress identification

Enhancing rigor and frequency of internal reviews across Business & Credit

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Re-orientation of business model to focus on granular acquisition

Key principles

- Carving a dedicated unit for Strategic groups, Global corporates to provide a differentiated coverage & delivery
- Optimization of industry verticals in line with market; Continued focus on specialized verticals for active portfolio management
- Dedicated coverage of emerging mid-corporates

Client Coverage Units

- Sharper focus
  - Global Corporates & Institutional Group
- Sharper focus
  - Corporate Banking Group
- Scale-up
  - Emerging Mid-corporates
- PSUs (Public Sector Undertakings)

Specialized Coverage Units

- Sharper focus
  - Real Estate & warehousing
- Scale-up
  - Agri Business Group
- Education
- Healthcare
- Gems & Jewelry
- Project Finance
- Structured Finance
- Real Estate & warehousing
- Agri Business Group
- Education
- Healthcare
- Gems & Jewelry
- Project Finance
- Structured Finance

Product Units

- Scale-up
  - Supply Chain Financing
- Selective Focus
  - Trade, CMS, Cash
- Re-newed
  - Investment Advisory & DCM
- Digital
How our strategy has played so far

Focused approach on acquisition across high rated asset has resulted in ....

80%+ of new disbursement to A rated and above entities across Large & Mid corporates in last 18 months. *

Relatively higher rating onboarding in high ticket size
For TS> 100 crs, 80% + portfolio rated A & above

Improvement in rating profile of the book# ...

...focus on balance between rating profile & Ticket size #

*Excluding Real Estate
# Includes Fund-based and Non-Fund based book for corporates
How our strategy has played so far

Re-orientation of coverage models have enabled higher annuity profile of the book....

Consistent increase in % share of working capital

Steady increase in share of Product income*

Fees composition

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment Banking</th>
<th>Loan Processing</th>
<th>Foreign Exchange</th>
<th>Trade &amp; Remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY20</td>
<td>34%</td>
<td>16%</td>
<td>16%</td>
<td>25%</td>
</tr>
<tr>
<td>FY22</td>
<td>16%</td>
<td>22%</td>
<td>24%</td>
<td>38%</td>
</tr>
<tr>
<td>Q2’23</td>
<td>3%</td>
<td>40%</td>
<td>21%</td>
<td>36%</td>
</tr>
</tbody>
</table>

*Product includes Trade, Fx and Cash Management services
How our strategy has played so far

Corporate loan growth is back on track...

... as evidenced by Q-o-Q book growth...

Slippages stabilized over last 12-18 months

<table>
<thead>
<tr>
<th>Year</th>
<th>Loan Book (₹crs)</th>
<th>Fresh Slippages (₹crs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY19</td>
<td>91,018</td>
<td>3990</td>
</tr>
<tr>
<td>FY20</td>
<td>92,407</td>
<td>3140</td>
</tr>
<tr>
<td>FY21</td>
<td>99,079</td>
<td>3509</td>
</tr>
<tr>
<td>FY22</td>
<td>1,05,481</td>
<td>1075</td>
</tr>
<tr>
<td>H1'23*</td>
<td>1,14,429</td>
<td>781</td>
</tr>
</tbody>
</table>

*Of this, 338 crs from Standard book.
Presentation Outline

Corporate & Commercial Banking Franchise

Fine-tuning corporate bank approach

Future in focus
Priority for the future is ‘Scalable & Sustainable growth’ with identified growth levers

Scalable & sustainable growth

Increasing granularity & annuity orientation of the loan portfolio & income composition

Broad-base our corporate coverage

Scale-up of Small businesses < 500 crs

Focus on cross-sell & RORWA

Strengthening liability franchise

Analytics-led customer engagement & risk management

Continued focus on building digital capability across product & services
With building blocks in place, we aim for ‘Scalable & Sustainable Growth’ going forward.

**30 - 35%**
Small Businesses

**15 - 20%**
Client Coverage Group

**10 - 15%**
Specialized Verticals

Taking the loan book growth to 15-20% y-o-y...

... and steadily increasing the share of Small & Mid corporates

Large Corporates: 46-48%
Mid Corporates: 38-40%
Small Corporates: 14-16%

**1.** Improving risk density with high quality onboarding, minimizing credit costs

**2.** Increasing returns with diversification of fee income through cross-sell & product fees*

**3.** Lowering cost of funds through granular liability franchise

*Product includes Trade, Fx and Cash Management services*
THANK YOU
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