IndusInd Bank – Analyst Day

Presentation-5
Corporate Banking
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

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
Well Diversified Book

Loan Book (₹crs)

- June'21: 92,407
- Sep'21: 99,079
- Dec'21: 1,05,481
- Mar'22: 1,09,463
- June'22: 1,14,429

Book by Region

- North: 37%
- South: 39%
- West: 19%
- East: 6%

Book by Ticket Size

- <100: 19%
- 100-250: 31%
- 250-500: 12%
- 500-1000: 13%
- >1000: 25%

Book by Industry

- NBFCs (other than HFCs): 59%
- Gems and Jewellery: 9%
- Real Estate – Comm. & Resi.: 9%
- Steel: 5%
- Lease Rental: 5%
- Power Generation – Non Renew.: 3%
- Others: 10%

*92% AA & above; 8% A rated

- Large Corporates: 62,322 crs (55%)
- Mid Corporates: 42,210 crs (37%)
- Small Corporates: 9,897 crs (8%)
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
- Real Estate & warehousing: Our Real Estate Unit focuses on micro-market expertise with churning to maintain sectoral caps. 70% of asset book churned since Mar’20
- Financial Institutions & NBFCs: Banker of choice for Cash Management Services with focus on liability led asset growth. 2,300 + Escrow accounts. 98% + Book ‘A’ rated & above. No NPA & restructuring.
- Education
- Healthcare
- Gems & Jewelery: Domain Expertise with market leadership position. No Restructuring. No SMA. No NPA.

Note: All data as of Mar-22
02 Our differentiated product capabilities

**Trade**
- Higher impetus on working capital related trade products.
- Dominant position in niche offering – Handled 40% India’s urea import through LCs.
- 100% y-o-y volume growth in digital transactions across all corporates.

**Global Market Solutions**
- Dominant Market Maker in MIFOR / Currency Swaps/OIS / FX Options.
- Among the top 5 market makers in MIFOR and OIS.
- 25% CAGR in Fixed Income, FX, Commodities, Equities, & FX Derivatives business across trading & client segments.

**Cash Management Solutions**
- Market Firsts / USPs –
  - First Bank to launch Digital Payments for Escrows
  - First Bank to go live on BBPS for NBFCs
- 700+ mandates implemented across 550+ clients in FY22
- 30%+ growth in cash throughput value.

**Supply Chain Financing**
- 43% CAGR in last 2 years
- Well diversified portfolio across industries – Auto: Non-Auto @ 35:65
- Launched industry-leading digital portal with real-time capabilities
- Awarded as Invoice Finance Provider of the Year & Best Supply Chain Solutions, India.

**Transaction Banking Fees**
@ 60%+ of total fees

**Transaction Banking Product Penetration**
@ 72%+ across client coverage units

**Liability book growth 25%+**
Self Funding improved 10pps

**Digital transacting corporate clients**
Quadrupled in last year

Note: As on Mar-22
Our differentiated product capabilities

Debt Capital Markets

~44,000 crs of assets sold till date across 160+ deals

- Improved League Table Position from 6th in CY16 to 2nd in CY21
- Maintained position in Top 5 in League Table since 2017

Project Financing

41 projects | 14k+crs
Underwritten under renewable energy sector

13 projects | ~7.5kcrs
Underwritten under Roads and Highways sector

- Bank Offers entire lifecycle financing for all kind of renewable projects

<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>
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<tbody>
<tr>
<td>SBI</td>
<td>70.22%</td>
<td>66,319</td>
<td>1</td>
<td>13</td>
<td>1</td>
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<tr>
<td>IndusInd Bank</td>
<td>7.37%</td>
<td>6,980</td>
<td>2</td>
<td>9</td>
<td>2=</td>
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<tr>
<td>Standard Chartered</td>
<td>4.71%</td>
<td>4,518</td>
<td>3</td>
<td>5</td>
<td>5</td>
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<td>L&amp;T Financial Services</td>
<td>2.78%</td>
<td>2,641</td>
<td>4</td>
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<td>ICICI Bank</td>
<td>2.74%</td>
<td>2,583</td>
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<td>Deutsche Bank/ JP Morgan</td>
<td>2.51%</td>
<td>2,416</td>
<td>6=</td>
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<tr>
<td>Axis Bank</td>
<td>1.35%</td>
<td>1,280</td>
<td>8</td>
<td>4</td>
<td>6</td>
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</table>

CY21 League Table Position – IBL ranked 2nd in Deal Volume & Count by Refinitiv

1st Bank to structure HAM and Road Invit financing in India
Digital channels and tools to address the rapidly evolving demands and expectations of our corporate clients across products and services.

**End-to-End digital enablement for Corporate Banking**

- **Coverage team**
  - Customer
  - Risk Management

**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
- 130+ 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...

1. First Line of Defense
   - Business Due Diligence
2. Second Line of Defense
   - Credit Due Diligence
3. Third Line of Defense
   - Approval Grids (L1 > L2 > L3)

..with continuous monitoring

- Portfolio Monitoring
- Risk Analytics
- Early Warning Signals

.. and right support & interventions

Credit Org. structure mirrors coverage model enabling specialized underwriting

Defined pre-screening guidelines to enhance filtration process & acquisition quality

Central Quality & Assurance Team

Policy: Credit | Pricing | ESG

Regulatory Guidelines

IndusInd Bank
Presentation Outline

Corporate & Commercial Banking Franchise

Fine-tuning corporate bank approach

Future in focus
The precursor to our current Business Strategy

01

We had consistent loan growth journey ...

02

... except for FY19-21

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<tr>
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<th>Mar'19</th>
<th>Mar'20</th>
<th>Mar'21</th>
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<td>Loan Book (₹crs)</td>
<td>102421</td>
<td>91334</td>
<td>91018</td>
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</table>
The precursor to our current Business Strategy

03

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

04

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
Implementing the learnings – ‘Fine-tuning the Corporate Bank approach’

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

Specialized Coverage Units

- Consolidation: Real Estate & warehousing
- Maintain Leadership: Gems & Jewelry
- Financial Services Group
- Healthcare
- Education
- Agri Business Group
- Project Finance
- Structured Finance
- Agri Business Group
- Digital

Product Units

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

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

84% of new disbursement pertaining to A rated and more across Large & Mid corporates in FY22*

Relatively higher rating onboarding in high ticket size

For TS> 100 crs, 80% + portfolio rated A & above

Risk Density of Corporate book improved 5pps

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....

+900 bps increase in % share of working capital disbursements

Steady increase in share of transaction banking income

% of WC book

<table>
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<th>Mar'20</th>
<th>Mar'22</th>
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<tr>
<td></td>
<td>100</td>
<td>137</td>
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</table>

% of less than 3 Yr book

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<tr>
<th></th>
<th>Mar'20</th>
<th>Mar'22</th>
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<tbody>
<tr>
<td></td>
<td>100</td>
<td>116</td>
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Granular Fees

<table>
<thead>
<tr>
<th></th>
<th>FY20</th>
<th>FY22</th>
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<tbody>
<tr>
<td>Trade &amp; Remittances</td>
<td>25%</td>
<td>38%</td>
</tr>
<tr>
<td>IPO</td>
<td>25%</td>
<td>24%</td>
</tr>
<tr>
<td>Investment Banking</td>
<td>34%</td>
<td>16%</td>
</tr>
<tr>
<td>Loan Processing Fees</td>
<td>16%</td>
<td>22%</td>
</tr>
</tbody>
</table>
How our strategy has played so far

Corporate loan growth is back on track...

Y-o-Y Growth

-11%  0%  20%  24%


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

Loan Book (₹crs)

91,018  92,407  99,079  1,05,481  109,463  1,14,429

Mar'21  June'21  Sep'21  Dec'21  Mar'22  June'22

Slippages stabilized over last 12-18 months

Fresh Slippages

3990  3140  3509  1075  603

FY19  FY20  FY21  FY22  Q1'23*

*Of this, 272 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

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

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

3. **...improving risk density with high quality onboarding, minimizing credit costs**

4. **...increasing returns with diversification of fee income through cross-sell & transaction banking**

5. **...lowering cost of funds through granular liability franchise**

- **30 - 35% Small Businesses**
- **15 - 20% Client Coverage Group**
- **10-15% Specialized Verticals**

<table>
<thead>
<tr>
<th>Category</th>
<th>Share</th>
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<tbody>
<tr>
<td>Large Corporates</td>
<td>50-52%</td>
</tr>
<tr>
<td>Mid Corporates</td>
<td>38-40%</td>
</tr>
<tr>
<td>Small Corporates</td>
<td>10-12%</td>
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