

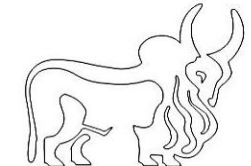
IndusInd Bank

Off Balance Sheet Exposures

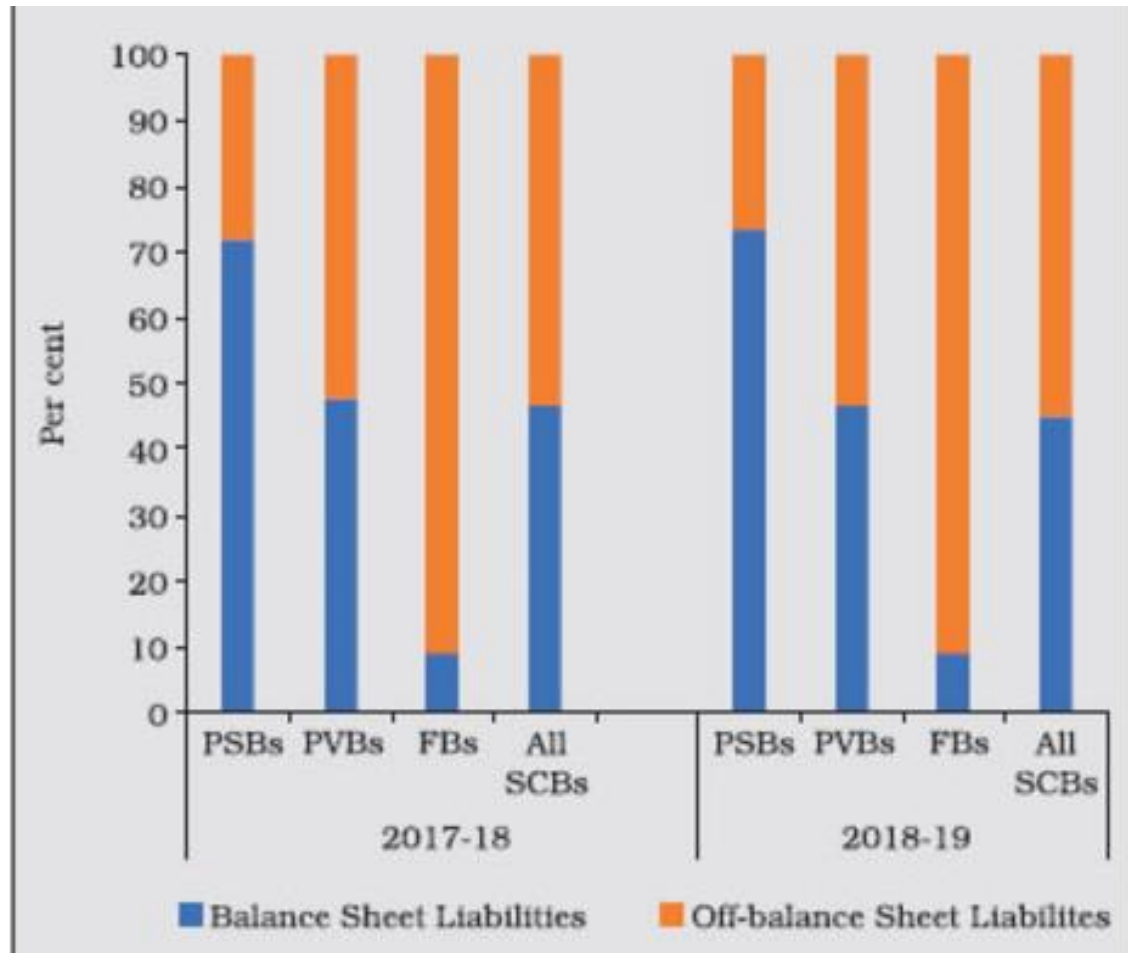
February 26, 2020

Rationale for this Presentation

- **Provide Investors and Analysts a glimpse into off Balance Sheet Products**
- **Dispel the myth that off balance sheet products are large**
 - **Most are notional principals**
- **Confirm that we (as do some peers and particularly Foreign Banks) view this as a key success factor and source of competitive advantage**



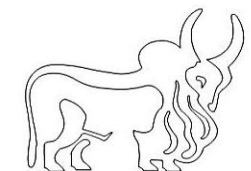
Market sizing for Off Balance Sheet Instruments



- ❑ Foreign Banks view this as amongst the most attractive parts of the customer wallet
- ❑ Foreign banks used to dominate this market, but Private Sector Banks have now made significant inroads (IndusInd is 2.5X Off to On Balance Sheet)
- ❑ The Off Balance Sheet to On Balance Sheet ratio of all Foreign Banks in India is collectively 10X
- ❑ 90% of Off Balance Sheet numbers are “notional principals” from Markets products such as FX + Derivatives + Options that are principal to principal transactions and not borrower/lender transactions
- ❑ A much smaller portion relates to Letters of Credit and Guarantees and some other items such as undrawn lines, contingent risk from Bills Rediscounting, etc.

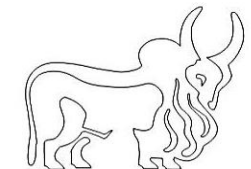
Source: RBI, Annual Reports of Banks

PSB: Public Sector Banks, PVB: Private Sector Banks, FB: Foreign Banks, SCB: All Scheduled Commercial Banks



Our approach to Off Balance Sheet Products

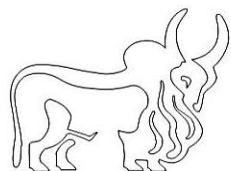
- **Income from off balance sheet products are a key component of client RAROC / Wallet plan**
- **Risk evaluation & approval in exactly the same manner as on - balance sheet products**
- **Focus is on working capital related off balance sheet products similar to our loan portfolio**



Regulatory Prescription for Off Balance Sheet Products

| Product | Sub-product | Credit Conversion Factor * | Typical Duration | Risk Weighted Assets derived from External Ratings are applied to CCF |
|------------------|-----------------------|----------------------------|-------------------|---|
| Letter of Credit | Sight LC | 20% | 1 Months | AAA = 20% RWA AA = 30% RWA A = 50% RWA BBB = 100% RWA |
| | Usance LC | 100% | 6 Months | |
| Bank Guarantee | Performance Guarantee | 50% | 1-3 year | |
| | Financial Guarantee | 100% | 1-3 year | |
| IR Derivatives | Short Term | 0.5% | < 1 Year | |
| | Medium Term | 1% | 1 to 5 Years | |
| | Long Term | 3% | > 5 years | |
| FX Contracts | Short Term | 2% | < 1 Year | |
| | Medium Term | 10% | 1 Year to 5 Years | |
| | Long Term | 15% | > 5 years | |

- ❑ **Example: USD 100m FX contract for 6 months has a 2% CCF or USD 2 m. If this is a AAA Counterparty the Risk Weight is 20% of the CCF which makes for a USD 400k RWA.**



* Plus Positive MTM to arrive at CCF

Off Balance Sheet exposure is 16% of Bank RWA

| Particulars | Notional Amount | Credit Equivalent Basel Exposure | Risk Weighted Assets | RWAs as % of Notional |
|---|-----------------|----------------------------------|----------------------|-----------------------|
| LC and Guarantees | 85,596 | 85,596 | 27,121 | 32% |
| Derivatives + FX Contracts + Options | 7,03,614 * | 11,085 | 7,742 | 1% |
| Undrawn limits | | 3,710 | 3,303 | |
| Bill Rediscounting + MFI Securitization | | 1,518 | 1,375 | |
| Total | | 1,01,894 | 39,541 | |
| Bank's Total Risk Weighted Assets | | | 2,45,852 | |
| % of Total RWAs | | | 16% | |

Majority of Off Balance Sheet is Markets related notional principals

* Almost 50% relate to cover operations

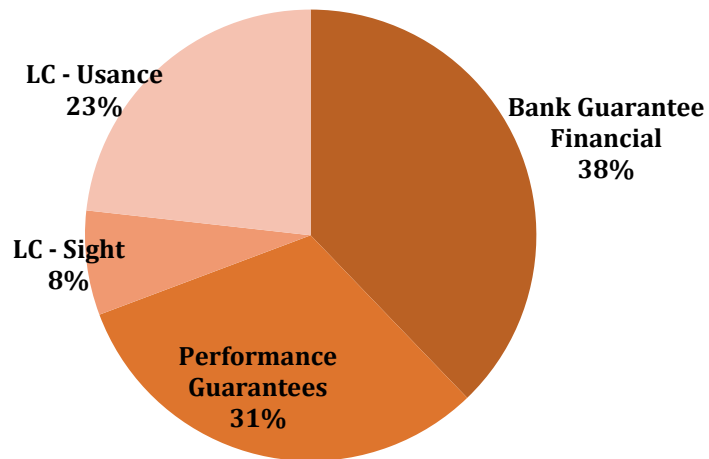


Note: Data as of Dec-2019

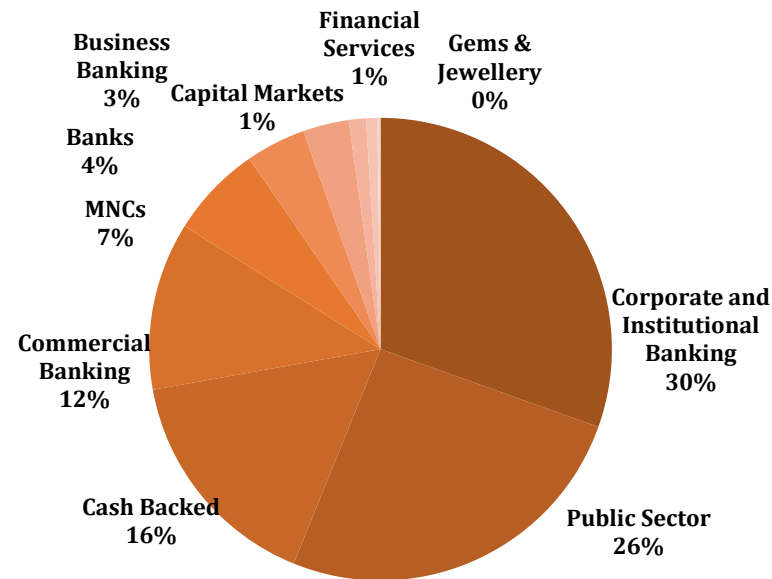
Trade Related Off Balance Sheet Instruments

- ❑ Diversified product mix across various trade products and short tenures
- ❑ Exposures predominantly to public sector, cash backed transactions and strong sponsors

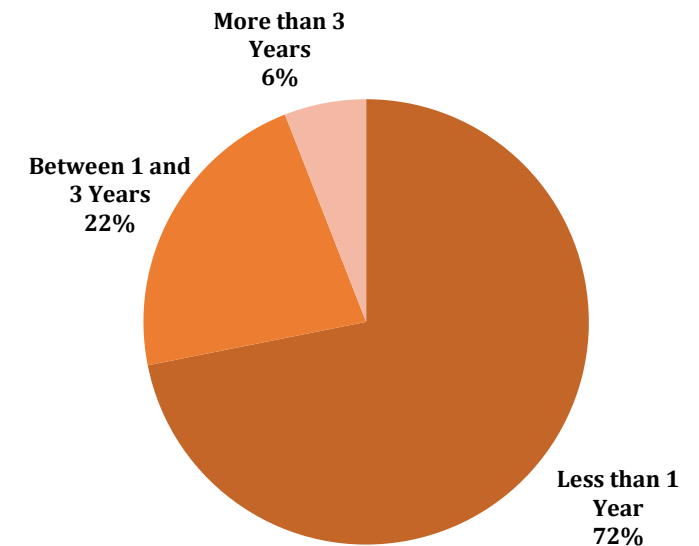
Product Mix



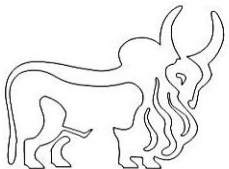
Client Profile Mix



Residual Tenure



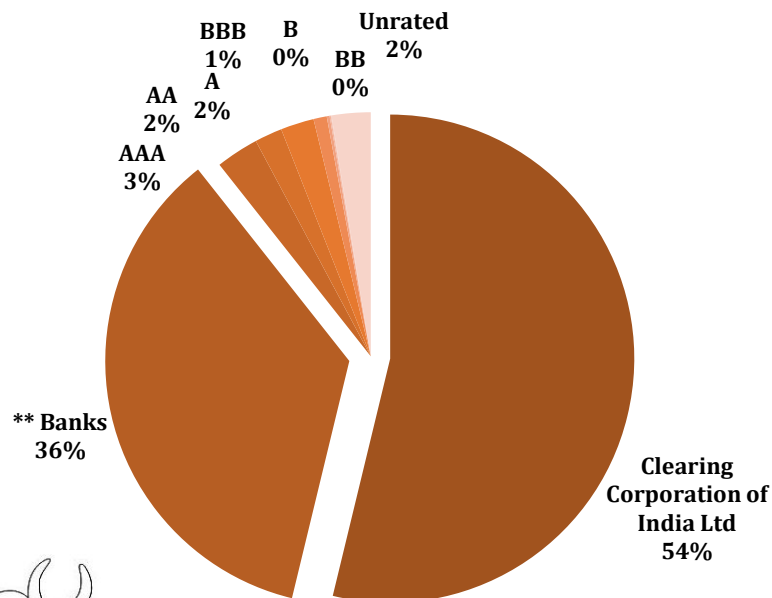
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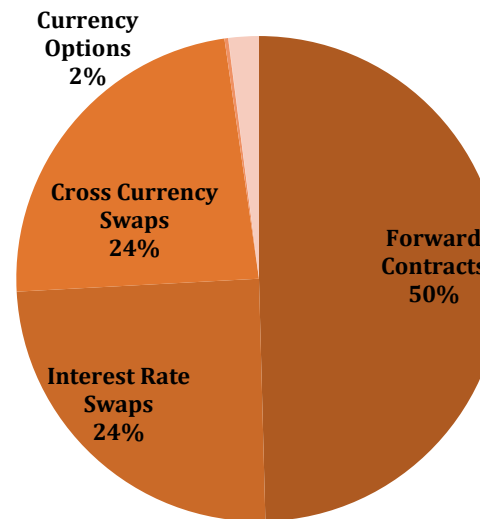
Market Related Off Balance Sheet Instruments

- ❑ One of the largest treasuries in Indian banks with best-in-class risk management systems
- ❑ Robust framework for measurement of risks through Client Suitability Tests, VaR, PV01, Stop-loss limits, MTM of marketable portfolios, Exposure limits, etc.
- ❑ Only one client with Rs 8cr settlement amount pending to be recovered in the last 5 years.

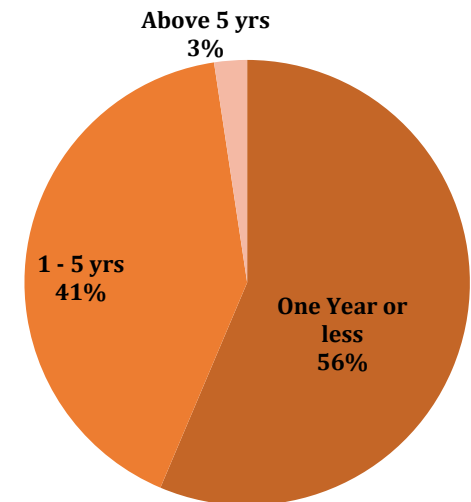
Counterparty Rating Profile



Product-wise PFE* Split

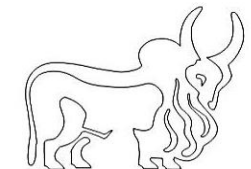


Residual Tenure



Note: Data as of Dec-2019

* PFE = Potential Future Exposure ** 85% covered under CSA



Thank You